



SB-1423 Medi-Cal: Rural Hospital Technical Advisory Group. (2023-2024)

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CALIFORNIA LEGISLATURE— 2023–2024 REGULAR SESSION

SENATE BILL

NO. 1423

Introduced by Senator Dahle

(Coauthors: Senators Alvarado-Gil, Grove, Hurtado, Jones, and Ochoa Bogh)

(Coauthors: Assembly Members Megan Dahle, Gallagher, Jim Patterson, and Wood)

February 16, 2024

An act to add Section 14105.175 to the Welfare and Institutions Code, relating to Medi-Cal.

LEGISLATIVE COUNSEL'S DIGEST

SB 1423, Dahle. Medi-Cal: Rural Hospital Technical Advisory Group.

Existing law establishes the Medi-Cal program, which is administered by the State Department of Health Care Services and under which qualified low-income individuals receive health care services. The Medi-Cal program is, in part, governed and funded by federal Medicaid program provisions.

Under existing law, each hospital designated by the department as a critical access hospital, and certified as such by the Secretary of the United States Department of Health and Human Services under the federal Medicare Rural Hospital Flexibility Program, is eligible for supplemental payments for Medi-Cal covered outpatient services rendered to Medi-Cal eligible persons. Existing law sets forth various other provisions regarding Medi-Cal reimbursement in consideration of small and rural hospitals.

This bill would require the department to convene a Rural Hospital Technical Advisory Group, with a certain composition of stakeholders, at least bimonthly during the 2025 calendar year. The bill would set forth the purposes of the advisory group, including, among other things, analyzing the continued ability of small, rural, or critical access hospitals, as defined, to remain financially viable under existing Medi-Cal reimbursement methodologies, providing related recommendations, and identifying key contributors to the financial challenges of those hospitals, as specified.

The bill would require, by March 31, 2026, the department, in consultation with the advisory group, to report to the Legislature on the findings and recommendations arising out of the convenings, as specified.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 14105.175 is added to the Welfare and Institutions Code, immediately following Section 14105.17, to read:

14105.175. (a) (1) During the 2025 calendar year, the department shall convene a Rural Hospital Technical Advisory Group, consisting of representatives from small, rural, and critical access hospitals; statewide hospital trade associations representing general acute care hospitals; managed care plans, including Medi-Cal managed care plans, and statewide organizations representing those plans; statewide or regional organizations representing rural communities; individuals with specific relevant expertise in hospital finance, Medicaid reimbursement, rural health care delivery, or related areas; and other affected stakeholders as the department deems appropriate, for the following purposes:

(A) To analyze the continued ability of small, rural, or critical access hospitals to remain financially viable under existing Medi-Cal reimbursement methodologies applicable to the array of covered Medi-Cal services provided by small, rural, or critical access hospitals in both the fee-for-service and managed care delivery systems. This analysis shall include, at a minimum, consideration of the costs incurred by small, rural, or critical access hospitals in serving Medi-Cal beneficiaries and the extent to which current reimbursement methodologies reimburse for those costs.

(B) To provide recommendations on changes to existing Medi-Cal reimbursement methodologies described in subparagraph (A) or the implementation of successor reimbursement methodologies, or both, to ensure sufficient access to covered Medi-Cal services in the rural communities served by small, rural, or critical access hospitals and to promote the continued financial viability of these hospitals.

(C) To analyze the contribution of Medi-Cal reimbursement to the overall financial viability of small, rural, or critical access hospitals, and to identify, as appropriate, any other key contributors to the financial challenges of small, rural, or critical access hospitals. The department may engage stakeholders, researchers, and other state departments, including, but not limited to, the Department of Managed Health Care, the Department of Health Care Access and Information, and the State Department of Public Health, in this effort.

(2) The advisory group described in paragraph (1) shall be convened, at a minimum, on a bimonthly basis through the end of the 2025 calendar year.

(b) (1) By March 31, 2026, and in consultation with the advisory group, the department shall report to the Legislature on the findings and recommendations arising out of the convenings described in subdivision (a). This reporting shall include, at a minimum, all of the following:

(A) Recommendations for successor reimbursement methodologies applicable to public or private small, rural, or critical access hospitals, or both.

(B) Identification of any existing reimbursement methodologies that would be replaced by successor methodologies described in subparagraph (A).

(C) Any considerations for obtaining the necessary federal approvals for changes described in subparagraph (A).

(D) Any conforming statutory changes necessary to effectuate the recommendations described in subparagraph (A).

(E) An assessment of the contribution of Medi-Cal reimbursement to the overall financial viability of small, rural, or critical access hospitals, and any other key contributors to financial challenges of small, rural, or critical access hospitals, as appropriate, as well as any recommendations identified by the department that relate to these other key contributors.

(2) The report required pursuant to this subdivision shall be submitted in compliance with Section 9795 of the Government Code.

(c) For purposes of this section, "small, rural, or critical access hospital" means a general acute care hospital licensed pursuant to subdivision (a) of Section 1250 of the Health and Safety Code that meets one or both of the following criteria:

(1) The hospital has fewer than 25 licensed general acute care beds and is located in a Medical Service Study Area with a Rural or Frontier designation status.

(2) The hospital is designated by the State Department of Public Health as a critical access hospital, and certified as such by the Secretary of the United States Department of Health and Human Services under the federal Medicare Rural Hospital Flexibility Program, as described in Section 1250.7 of the Health and Safety Code.