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SB-246 Medi-Cal: graduate medical education payments. (2025-2026)

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Senate Bill No. 246

CHAPTER 308

An act to add Section 14105.291 to the Welfare and Institutions Code, relating to Medi-Cal, and making an appropriation therefor.

[Approved by Governor October 03, 2025. Filed with Secretary of State October 03, 2025.]

LEGISLATIVE COUNSEL'S DIGEST

SB 246, Grove. Medi-Cal: graduate medical education payments.

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.

Existing law requires the department, subject to any necessary federal approvals and the availability of federal financial participation, to make Medi-Cal payments to designated public hospitals (DPHs) and their affiliated government entities, as defined, in recognition of the Medi-Cal managed care share of graduate medical education (GME) costs. Existing law requires that the payments consist of direct and indirect GME payments made in recognition and support of the direct costs incurred in the operation of GME programs and the increased operating and patient care costs associated with teaching programs, respectively.

Under existing law, the nonfederal share of these payments consists of voluntary intergovernmental transfers (IGTs) of funds provided by DPHs or their affiliated government entities, or other eligible public entities, as specified. Under existing law, the continuously appropriated DPH GME Special Fund is established for these purposes.

This bill would require the department, subject to any necessary federal approvals and the availability of federal financial participation, to make additional Medi-Cal payments to district and municipal public hospitals (DMPHs), defined as nondesignated public hospitals, and to their affiliated government entities, in recognition of the Medi-Cal managed care share of GME costs. Under the bill, these payments would be made in a manner consistent with the methodology for GME payments to DPHs and their affiliated government entities and would consist of the above-described direct and indirect GME payment components. The bill would authorize the department to seek federal approval for other forms of GME payments to DMPHs and their affiliated government entities, as specified.

Under the bill, the nonfederal share of payments under these provisions would consist of voluntary IGTs of funds provided by DMPHs or their affiliated government entities, or other eligible public entities, to the extent permitted under certain federal regulations and other applicable federal Medicaid laws, and with no state General Fund moneys being used to fund the nonfederal share of payments. The bill would establish the DMPH GME Special Fund, with moneys deposited being continuously appropriated to the department for purposes of these provisions.

The bill would require the department to seek any necessary federal approvals for GME payments, effective no sooner than January 1, 2026. The bill would authorize the Director of Health Care Services to modify the requirements set forth in these provisions to the extent necessary to meet federal requirements or to maximize federal financial participation, as specified.

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

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

SECTION 1. Section 14105.291 is added to the Welfare and Institutions Code, immediately following Section 14105.29, to read:

14105.291. (a) (1) Subject to subdivision (d), additional Medi-Cal payments shall be made to district and municipal hospitals and their affiliated government entities, in recognition of the Medi-Cal managed care share of graduate medical education costs. To the extent permissible under federal law, the department shall make these payments directly to the district and municipal hospitals and their applicable affiliated government entities.

(2) The graduate medical education payments described in paragraph (1) shall be made in a manner consistent with the methodology for graduate medical education payments to designated public hospitals and their affiliated government entities pursuant to Section 14105.29, and shall consist of the components described in paragraph (2) of subdivision (a) of Section 14105.29.

(b) Subject to subdivision (d), the department may, in consultation with district and municipal public hospitals, seek federal approval to provide for other forms of graduate medical education payments to district and municipal public hospitals and their affiliated government entities, including payments that reflect the volume of fee-for-service Medi-Cal services or revenue to the extent the fee-for-service payments do not otherwise recognize graduate medical education costs, or incentive payments.

(c) The nonfederal share of payments under this section shall consist of voluntary intergovernmental transfers of funds provided by district and municipal public hospitals or their affiliated government entities, or other eligible public entities, including those described in Section 14164, in accordance with this section. No state General Fund moneys shall be used to fund the nonfederal share of payments under this section.

(1) The District and Municipal Public Hospitals (DMPH) Graduate Medical Education (GME) Special Fund is hereby established in the State Treasury. Notwithstanding Section 13340 of the Government Code, moneys deposited into the DMPH GME Special Fund shall be continuously appropriated, without regard to fiscal year, to the department for the purposes specified in this section. All funds derived pursuant to this section shall be deposited into the State Treasury to the credit of the DMPH GME Special Fund.

(2) The DMPH GME Special Fund shall consist of moneys that a district and municipal public hospital or affiliated government entity, or other public entity, as applicable, elects to transfer to the department for deposit into the fund, to the extent permitted under Section 433.51 of Title 42 of the Code of Federal Regulations and any other applicable federal Medicaid laws. Moneys derived from these intergovernmental transfers in the DMPH GME Special Fund shall be used as the source for the nonfederal share of graduate medical education payments authorized under this section, for reimbursing the department's administrative costs in implementing this section, and to otherwise support the Medi-Cal program. The timing and amounts of the intergovernmental transfers shall be determined by the department in consultation with the transferring entities. The department shall determine the intergovernmental transfer amounts for each applicable state fiscal year such that they are sufficient to fund the nonfederal share of the associated graduate medical education payments for that year, plus 5 percent of the aggregate nonfederal share that would be associated with the graduate medical education payments made pursuant to this section in that applicable state fiscal year as if the federal medical assistance percentage were 50 percent. Upon providing any intergovernmental transfer of funds, each transferring entity shall certify that the transferred funds qualify for federal financial participation pursuant to applicable federal Medicaid laws, and in the form and manner as required by the department.

(3) The department shall claim federal financial participation for graduate medical education payments under this section using moneys derived from intergovernmental transfers made pursuant to this section, and deposited into the DMPH GME Special Fund to the full extent permitted by law. If federal financial participation is not available with respect to a payment under this section, and either is not obtained or results in a recoupment of payments already made, the department shall return any intergovernmental transfer fund amounts associated with the payment for which federal financial participation is not available to the applicable transferring entities within 14 days from the date of the associated recoupment or other determination, as applicable.

(4) Any intergovernmental transfer of funds made pursuant to this section shall be considered voluntary for purposes of all federal and state laws.

(d) (1) This section shall be implemented only to the extent that any necessary federal approvals are obtained and federal financial participation is available and is not otherwise jeopardized.

(2) After consultation with the district and municipal public hospitals, the director may modify the requirements set forth in this section to the extent necessary to meet federal requirements for graduate medical education payments for district and municipal public hospitals and their affiliated government entities or to maximize federal financial participation available under such a program.

(e) (1) The department shall seek any necessary federal approvals from the federal Centers for Medicare and Medicaid Services, through state plan amendments or otherwise, for graduate medical education payments, effective no sooner than January 1, 2026, in accordance with this section.

(2) The department shall consult with the district and municipal public hospitals with regard to the development and implementation, and any subsequent modification, of the payment programs established pursuant to this section.

(3) Notwithstanding Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, the department may implement, interpret, or make specific this section by means of all-county letters, plan letters, provider bulletins, or other similar instructions, without taking regulatory action. The department shall timely inform, or provide access to, applicable guidance issued pursuant to this authority to affected district and municipal hospitals and their affiliated government entities. This guidance shall remain publicly available until all payments made pursuant to this section are finalized.

(f) For purposes of this section, the following definitions apply:

(1) "Affiliated government entity" means a government entity or agency with which a district and municipal public hospital is affiliated, inclusive of its affiliated government-operated physician practice groups, affiliated government-operated clinics and other settings that provide clinical training, and affiliated government-operated medical and professional training schools and programs.

(2) "District and municipal public hospital" means a nondesignated public hospital as that term is defined in subdivision (f) of Section 14166.1.