



State of California—Health and Human Services Agency  
Department of Health Care Services



ARNOLD SCHWARZENEGGER  
Governor

October 12, 2007

N.L.: 13-1007

TO: ALL COUNTY CALIFORNIA CHILDREN'S SERVICES (CCS)  
ADMINISTRATORS, CCS MEDICAL CONSULTANTS, AND STATE  
CHILDREN'S MEDICAL SERVICES (CMS) BRANCH STAFF

SUBJECT: IMPLEMENTATION OF ASSEMBLY BILL (AB) 1642

The purpose of this Numbered Letter is to provide local CCS programs and State Regional Offices with information regarding the provisions of AB 1642 (Statutes of 2007, Chapter 418) (attached) as they relate to requests for authorization of inpatient hospital services for Medi-Cal beneficiaries with a CCS eligible condition provided by a Kaiser Permanente hospital in a closed health facility planning area (HPA), as defined by the California Medical Assistance Commission (CMAC).

**Background:**

Existing law defines a non-contract hospital as one that has not contracted for inpatient hospital services provided to Medi-Cal beneficiaries with the State of California pursuant to the "Selective Provider Contracting Program" (SPCP). Under this program, CMAC negotiates rates for general acute care hospital inpatient services on behalf of the Medi-Cal program. Prior to the enactment of AB 1642, a Kaiser Permanente hospital located in a closed HPA could not be reimbursed for services provided to a Medi-Cal beneficiary unless the services were necessary emergency services provided in a life-threatening or emergency situation and until the patient was stable for transport to a contracted facility. A current listing of closed HPAs and contract hospitals can be found in the most recent CMAC Annual Report which is available at the CMAC internet site, [www.cmac.ca.gov](http://www.cmac.ca.gov).

AB 1642 was signed by the Governor on October 10, 2007, and took effect immediately as an emergency statute. The bill amended Section 14103.5 of the Welfare and Institutions Code and allows for Medi-Cal reimbursement for inpatient hospital services provided to a CCS/Medi-Cal client at certain noncontract hospitals when the following conditions are met:

- The hospital is a nonprofit affiliate of a nonprofit health care service plan;

- The hospital is approved in accordance with the standards of the CCS program, and is providing medically necessary services for treatment of the CCS client's CCS-eligible condition;
- The client is a Medi-Cal beneficiary eligible to receive CCS services;
- The client is member of a Medi-Cal managed care health care service plan with which the hospital is an affiliate and the plan provides the client with health care services not related to the client's CCS eligible medical condition; and
- The services for treatment of the child's CCS-eligible medical condition are authorized by the CCS program.

The only hospitals that are currently covered by the provisions of AB 1642 are CCS approved Kaiser Permanente Hospitals.

**Policy:**

Effective October 10, 2007, the CCS program shall authorize medically necessary inpatient services for a Medi-Cal beneficiary with a CCS eligible medical condition who is a member of a Kaiser Permanente health plan or a CCS/Medi-Cal eligible infant born to a member of a Kaiser Permanent health plan, when provided at a Kaiser Permanente Hospital approved by the CCS program for the appropriate level of care, notwithstanding the location of the hospital in a closed HPA.

If you have any questions, contact your State CMS Branch regional office consultant.

**Original Signed by Marian Dalsey, M.D., M.P.H.**

Marian Dalsey, M.D., M.P.H., Chief  
Children's Medical Services Branch

Attachment

## Assembly Bill No. 1642

### CHAPTER 418

An act to amend Section 14103.5 of the Welfare and Institutions Code, relating to Medi-Cal, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor October 10, 2007. Filed with  
Secretary of State October 10, 2007.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 1642, Hancock. Medi-Cal: noncontract hospitals.

Existing law establishes the Medi-Cal program, administered by the State Department of Health Care Services, under which basic health care services are provided to qualified low-income persons. Existing law provides that a hospital providing Medi-Cal services on a noncontract basis and that is in a closed health facility planning area is not eligible to receive reimbursement for services provided to a Medi-Cal beneficiary unless the noncontract hospital provides necessary emergency services to a Medi-Cal beneficiary who is in a life threatening or emergency situation, but cannot be sufficiently stabilized in order to facilitate transport to a contracting hospital.

This bill would also permit a noncontract hospital in a closed health facility planning area to receive a Medi-Cal reimbursement when the noncontract hospital is a facility location of a nonprofit hospital which is an affiliate of a nonprofit health care service plan, the facility location is approved in accordance with the standards of the California Children's Services (CCS) program, the hospital is providing services medically necessary for the treatment of the CCS-eligible condition of a CCS-eligible patient who is a member of the health care service plan for all other health care services not related to that condition, and the services for the treatment of that condition are authorized by the CCS program.

This bill would declare that it is to take effect immediately as an urgency statute.

*The people of the State of California do enact as follows:*

SECTION 1. Section 14103.5 of the Welfare and Institutions Code is amended to read:

14103.5. (a) A noncontract hospital that is in a closed health facility planning area is not eligible to receive reimbursement for services provided to a Medi-Cal beneficiary, unless either of the following apply:

(1) The noncontract hospital provides necessary emergency services to a Medi-Cal beneficiary who is in a life threatening or emergency situation,

but cannot be sufficiently stabilized in order to facilitate transport to a contracting hospital.

(2) The noncontract hospital is a facility location of a nonprofit hospital that is an affiliate of a nonprofit health care service plan, the facility location is approved in accordance with the standards of the California Children's Services (CCS) program, and the hospital is providing medically necessary services for treatment of the CCS-eligible condition of a patient when all of the following apply:

(A) The patient is eligible for services under the California Children's Services Act (Article 5 (commencing with Section 123800) of Chapter 3 of Part 2 of Division 106 of the Health and Safety Code) as well as the Medi-Cal program.

(B) The patient is a member of the health care services plan for other health care services not related to the CCS condition.

(C) The services for treatment of the CCS-eligible patient are authorized by the CCS program.

(b) A noncontract hospital in a closed health facility planning area that provides necessary emergency services to a Medi-Cal beneficiary who is in a life threatening or emergency situation, but cannot be sufficiently stabilized in order to facilitate transport to a contracting hospital, may only be reimbursed for those necessary emergency services when it obtains an approved treatment authorization request.

(c) Any treatment authorization request submitted for any service classified as a necessary emergency service, which would have been subject to prior authorization had it not been so classified, shall be supported by the attending physician's statement that does all of the following:

(1) Describes in detail the nature of the emergency or life threatening situation, including relevant clinical information about the patient's condition.

(2) States why the patient could not be sufficiently stabilized for transport to a contracting hospital and why the necessary emergency services rendered were considered to be immediately required. A mere statement that an emergency existed is not sufficient. The treatment authorization request shall be comprehensive enough to support a finding that an emergency or a life threatening situation existed.

(3) Contains the signature of the attending physician who had direct knowledge of the emergency described in the statement.

(d) For the purposes of this section, "necessary emergency services" are limited to those health services medically necessary for alleviation of severe pain or immediate diagnosis and treatment of unforeseen medical conditions which, if not immediately diagnosed and treated, could lead to significant disability or death.

(e) For the purposes of this section, a "noncontract hospital" means a hospital that has not contracted with the department pursuant to Article 2.6 (commencing with Section 14081) for the provision of inpatient services to Medi-Cal beneficiaries.

(f) Nothing in this section shall be construed as limiting reimbursement for medically necessary care following stabilization, in the event that a contract hospital does not accept transfer of the patient or pending the transfer to a contract hospital.

SEC. 2. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to ensure that children receiving Medi-Cal services, who have a CCS-eligible condition, and who are in fragile medical condition, are not needlessly transported from one hospital to another, disrupting families and disrupting continuity of care.