

**California Department of Health Care Services  
Proposed Trailer Bill Legislation**

**Hospital Financing**

The Department of Health Care Services (DHCS) proposes statutory changes that would provide a stronger foundation for implementing significant and sustainable increases to Medi-Cal managed care directed payments for public and nonpublic hospitals and for maintaining federal approval of such payments. The changes would require DHCS to consider, by means of a comprehensive value strategy developed in consultation with hospital stakeholders, factors such as sustainability, financial incentives for care delivery, health outcomes and quality, and efficiency when implementing increases to Medi-Cal managed care directed payments for public and nonpublic hospitals, and would provide DHCS with funds needed to be appropriately resourced to perform the additional workload resulting from such increases. The changes are expected to support significant increases in Medi-Cal managed care directed payments for public and nonpublic hospitals, to result in programmatic improvements that benefit Medi-Cal members, and to increase the likelihood of continued federal approvability of such programs.

Specifically, the trailer bill language would:

- Require DHCS, in consultation with public and nonpublic hospital stakeholders, to develop, publish, and implement a comprehensive value strategy, as specified, for Medi-Cal reimbursement to public and nonpublic hospitals through Medi-Cal supplemental and directed payments (Welfare and Institutions Code (WIC) Section 14124.18(a)).
- Authorize DHCS to enter into exclusive or nonexclusive contracts, or amend existing contracts, on a bid or negotiated basis (WIC Section 14124.18(b)).
- Authorize DHCS to implement, interpret, or make specific this section, in whole or in part, by means of all-county letters, plan letters, provider bulletins, information notices, or other similar instructions, without taking any further regulatory action (WIC Section 14124.18(c)).
- Increase the limit on the use of the HQAF proceeds to pay for DHCS's staffing and administrative costs that are directly attributable to implementing the HQAF and associated supplemental payment programs from \$500,000 each quarter, which is equivalent to \$2 million each fiscal year, to the greater of: (a) \$4 million each fiscal year, or (b) 0.05 percent of all HQAF proceeds. This change is necessary to maintain federal approval of the HQAF. By expanding the use of moneys in the Hospital Quality Assurance Revenue Fund for additional staffing and administrative costs, this change would make an appropriation (WIC Section 14169.53(b)(1)(A)(i) and (iii)).
- Declare that its provisions further the purposes of the Medi-Cal Hospital Reimbursement Improvement Act of 2013 within the meaning of a specified provision of the California Constitution (Uncodified).