



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA  
Chief Executive Officer

January 22, 2014

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From: William T Fujioka  
Chief Executive Officer

## SACRAMENTO UPDATE

### Executive Summary

This memorandum contains the following:

- **Pursuit of Position on County-Sponsored Legislation:**
  - **Amendments to County-sponsored AB 2599 (Chapter 267, Statutes of 2010) - Financing for the new Martin Luther King Jr. Community Hospital.** County-sponsored AB 2599 of 2010 codified the agreement between Los Angeles County and the University of California to open a new private, nonprofit hospital at the Martin Luther King, Jr. - Harbor Hospital campus and established the funding mechanism necessary to ensure the financial viability for the new hospital. Technical amendments are needed to reflect recent changes to the funding mechanism for Medi-Cal provider payments required in the bill. Therefore, unless otherwise directed by the Board, consistent with County-sponsored AB 2599 of 2010, and existing policy to support proposals which provide funding for the new Martin Luther King, Jr. Hospital, **the Sacramento advocates will pursue legislation to make necessary amendments to County-sponsored AB 2599 of 2010.**
  - **Technical Amendments to County-sponsored AB 396 (Chapter 394, Statutes of 2011) - Reimbursement for In-Patient Hospital Services for Detained Juveniles.** County-sponsored AB 396 of 2011 allows counties and the California Department of Corrections and Rehabilitation to draw down Federal Medicaid matching funds to provide reimbursement for the medical treatment of

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detained juveniles who require in-patient hospital services outside of a detention facility for more than 24 hours. The California Department of Health Care Services has requested technical amendments to clarify provisions of AB 396. Therefore, unless otherwise instructed by the Board, consistent with existing policies to support legislation to reduce the number of uninsured persons including juveniles within county probation systems, and to support proposals that seek to maximize County reimbursement for services, **the Sacramento advocates will pursue legislation to make technical changes to County-sponsored AB 396 of 2011 to secure funding for hospital in-patient services provided for detained juveniles.**

- **Change of County Position on Legislation**
  - **County-opposed AB 690 (Campos)** - related to the creation of jobs and infrastructure financing districts (IFDs) was amended on January 6, 2014 to remove all references to IFDs, and now relates to provisions of the California-Mexico Border Relations Council. **Therefore, the Sacramento advocates will remove the County's opposition to this bill and take no position on this measure.**
- **Status of Legislation of County Interest**
  - **SB 712 (Lara)** - related to permitting of hazardous waste facilities operating under interim permit status issued prior to January 1, 1986 technology passed the Senate Appropriations Committee on January 21, 2014.
- **Update on the Drug Medi-Cal Program** - A report on a proposal by the California Department of Health Care Services to seek a Federal waiver from the Centers for Medicare and Medicaid Services to operate the Drug Medi-Cal Program.

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### **Pursuit of Position on County-Sponsored Legislation**

**Amendments to County-sponsored AB 2599 (Chapter 267, Statutes of 2010) - Financing for the new Martin Luther King Jr. Community Hospital.** County-sponsored AB 2599 of 2010 codified the agreement between Los Angeles County and the University of California to open a new private, nonprofit hospital at the Martin Luther King, Jr. - Harbor Hospital campus and established the funding mechanism necessary to ensure the financial viability for the new hospital.

Since the enactment of AB 2599, recent changes in the funding mechanism for Medi-Cal provider payments require amendments to the bill.

- **Elimination of the California Medical Assistance Commission.** AB 2599 specified that the replacement hospital would be expected to enter into an inpatient hospital services contract with the California Medical Assistance Commission (CMAC), which negotiated per diem Medi-Cal provider rates on behalf of the California Department of Health Care Services (DHCS). On July 1, 2012, CMAC was eliminated and the negotiated per diem rate for inpatient services was replaced by a new payment methodology, effective July 1, 2013. Legislation is needed to reflect the elimination of the CMAC.
- **Medi-Cal Cost-Based Reimbursement Rates.** AB 2599 provided for the same cost-based reimbursement methodology for Medi-Cal outpatient services for the replacement hospital as that approved for County-operated clinics and hospitals. To accommodate the implementation of the Federal Affordable Care Act and for Medi-Cal expansion, the State has changed Medi-Cal reimbursement from cost-based to managed care. Legislation is needed to reflect this change in the Medi-Cal reimbursement methodology.
- **Disproportionate Share Hospital (DSH) Program.** AB 2599 contained intent language stating that the replacement hospital would not be eligible to the DSH payments which provides Federal funding to hospitals providing care for uninsured or underinsured patients or to Medi-Cal beneficiaries. Legislation is needed to convert the intent language into statutory language.

The Department of Health Services (DHS) indicates that these amendments are necessary to reflect changes in the reimbursement mechanisms which will be available for the new Martin Luther King, Jr. Hospital. DHS and this office support the proposed amendments to AB 2599. Therefore, unless otherwise directed by the Board, consistent with County-sponsored AB 2599 of 2010, and existing policy to support proposals which provide funding for the new Martin Luther King, Jr. Hospital, **the Sacramento advocates will pursue legislation to make necessary amendments to County-sponsored AB 2599 of 2010.**

**Amendments to County-sponsored AB 396 (Chapter 394, Statutes of 2011) - Reimbursement for In-Patient Hospital Services for Detained Juveniles.** County-sponsored AB 396 of 2011 allows counties and the California Department of Corrections and Rehabilitation to draw down Federal Medicaid matching funds to provide reimbursement for the medical treatment of detained juveniles who require in-patient hospital services outside of a detention facility for more than 24 hours.

Under Federal law, minors who are held in a State or local juvenile detention facility are ineligible to receive Medi-Cal benefits. Detained minors have access to health care while in juvenile detention facilities; however, the services available are limited in scope. In some cases, detained minors may need medical care at a hospital outside of the detention facility. Prior to the enactment of AB 396, there was no funding mechanism to provide reimbursement for these services; therefore, the County paid 100 percent of the cost of hospital in-patient care for detained juveniles. AB 396 allows the County to receive a 50 percent Federal Medicaid match reimbursement for in-patient services provided to juveniles, with the County paying the 50 percent non-Federal share.

Subsequent to its enactment, the California Department of Health Care Services requested technical amendments to clarify provisions of AB 396. The Chief Executive Office, the Sacramento advocates and County Counsel have consulted with DHCS on these amendments which would clarify that: 1) county participation in the AB 396 funding mechanism is voluntary and subject to the county paying the non-Federal share of cost; 2) participating counties are responsible for paying the State's administrative costs associated with this process; and 3) provisions of AB 396 are intended to result in no increased costs to the State General Fund.

Therefore, unless otherwise directed by the Board, consistent with County-sponsored AB 396 of 2011 and existing policies to support legislation to reduce the number of uninsured persons including juveniles within county probation systems, and to support proposals that seek to maximize County reimbursement for services, **the Sacramento advocates will pursue legislation to make technical changes to County-sponsored AB 396 of 2011 to secure funding for hospital in-patient services provided for detained juveniles.**

#### **Change of County Position on Legislation**

**County-opposed AB 690 (Campos)**, which as amended on September 11, 2013, would revise and recast the provisions governing infrastructure financing districts and instead provide for the creation of jobs and education financing districts without voter approval and would also remove provisions of current law which require the legislative body of any affected taxing entity to adopt a resolution approving the formation of the infrastructure financing district and the contribution of its tax increment, was amended on January 6, 2014. As amended, all provisions related to creation of infrastructure financing districts have been removed from AB 690, and this measure now relates to the provisions of the California-Mexico Border Relations Council. **Therefore, the Sacramento advocates will remove the County's opposition to AB 690 and take no position on this measure.**

### **Status on Legislation of County Interest**

**SB 712 (Lara)**, which as amended on January 6, 2014, would: 1) require the California Department of Toxic Substance Control (DTSC) to take final action prior to July 1, 2015 on an application for a hazardous waste facilities permit by any facility operating under interim permit status issued prior to January 1, 1986; 2) provide that interim status granted for a hazardous waste facility after January 1, 1986, but prior to January 1, 2015, shall terminate on January 1, 2020; 3) provide that any interim status granted for a hazardous waste facility shall terminate five years from the date on which the status was granted; and 4) make various findings and declarations stating that the Legislature intends to identify and protect overburdened communities that suffer from asthma, cancers and other illnesses born from heavy industrial pollution and ensure increased public participation from affected communities in governmental decision-making processes, was amended on January 17, 2014.

As amended, the bill would now require the DTSC to take final action on an application for a hazardous waste facilities permit by any facility operating under interim permit status issued prior to January 1, 1986 and to terminate a grant of interim status for such a facility on December 31, 2015 instead of July 1, 2015. The bill would also now authorize the temporary suspension of a facility operating under an expired permit that has been extended because of a pending renewal application or under an interim status if DTSC determines that action is necessary to prevent or mitigate a risk of the public health or the environment.

SB 712 passed the Senate Appropriations Committee by a vote of 5 to 0 on January 21, 2014. This measure now proceeds to the Senate Floor.

### **Drug Medi-Cal Program**

On January 10, 2014, the California Department of Health Care Services announced its plan to seek a Federal waiver from the Centers for Medicare and Medicaid Services (CMS) to operate the Drug Medi-Cal Program (DMC) as an organized delivery system which will provide State and county officials with the authority to select quality providers. The Administration believes that the Federal waiver will provide better integration of services for beneficiaries through improved coordination of substance use disorder treatment with county mental health and public safety systems and primary care providers.

If approved by CMS, the waiver would be implemented in counties that elect to opt-in to the organized delivery system, though the Administration is urging all counties to implement the new model. Counties that opt-in to the waiver would be required to, among other provisions:

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- Implement selective provider contracting which would allow local control over providers participating in the DMC along with the number of contracts that a county will oversee;
- Provide or arrange for all DMC benefits, including Narcotic Treatment Programs that provide methadone treatment;
- Use a single point of access to determine the need for medical services and provide access for persons who need emergency or urgent services;
- Assure access to DMC service providers and monitor the providers based on specified performance criteria; and
- Ensure timely termination of contracts with non-compliant providers and redirect affected beneficiaries to other qualified providers.

The California Department of Health Care Services plans to establish stakeholder workgroups, which will include counties, mental health and substance use representatives, DMC providers, consumers, family members, and legislative staff to develop the waiver. The stakeholder workgroup meetings will begin in February 2014 and continue until completion of the waiver.

The Chief Executive Office is working with affected departments to determine the potential impact of the Drug Medi-Cal waiver proposal to the County.

We will continue to keep you advised.

WTF:RA  
MR:VE:IGEA:ma

c: All Department Heads  
Legislative Strategist