Office of Senate Floor Analyses
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THIRD READING

Bill No: AB 220
Author: Jackson (D), et al.
Amended: 7/8/25 in Senate
Vote: 21

SENATE HEALTH COMMITTEE: 11-0, 6/25/25
AYES: Menjivar, Valladares, Durazo, Gonzalez, Grove, Limón, Padilla, Richardson, Rubio, Weber Pierson, Wiener

SENATE APPROPRIATIONS COMMITTEE: 7-0, 8/29/25
AYES: Caballero, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

ASSEMBLY FLOOR: 70-0, 5/29/25 - See last page for vote

SUBJECT: Medi-Cal: subacute care services

SOURCE: Totally Kids Rehabilitation Hospital

DIGEST: This bill requires a provider seeking authorization for subacute care services to submit a specified form with the treatment authorization request. Prohibits Medi-Cal managed care plans from developing or using their own criteria to substantiate medical necessity for subacute care services or from requiring subsequent treatment authorization requests for subacute care services after a patient returns from a bed hold for acute hospitalization.

ANALYSIS:

Existing law:

1) Establishes the Medi-Cal program, which is administered by the Department of Health Care Services (DHCS), and under which qualified low-income individuals receive health care services. [Welfare and Institutions Code [WIC] §14000, et seq.]

2) Establishes a schedule of benefits under the Medi-Cal program, which includes benefits required under federal law and benefits provided at the state's option, both of which are funded with federal and state dollars. [WIC §14132]

3) Establishes that a health care service is medically necessary when it is reasonable and necessary to protect life, prevent significant illness or significant disability, or to alleviate severe pain, as well as all services covered under the federal early and periodic screening, diagnosis, and treatment for individuals under 21 years of age. [WIC §14059.5]

4) Requires DHCS to establish a subacute care program in health facilities to patients who meet subacute care criteria. [WIC §14132.25]

5) Requires medical necessity for pediatric subacute care services to be substantiated in one of five specific ways that specify the combinations of treatment upon which a patient is dependent. [WIC §14132.25]

6) Specifies that the pediatric medical necessity determination is intended solely for the evaluation of a patient who is potentially eligible and meets the criteria to be transferred from an acute care setting to a subacute level of care. [WIC §14132.25]

7) Allows bed holds of up to seven days for patients in skilled nursing and intermediate care facilities who are ordered by the attending physician into acute hospitalization. [22 CCR §51535.1]

8) Allows the DHCS director to terminate contracts with or impose sanctions on Medi-Cal managed care plans for failing to comply with contract requirements, federal or state law or regulations, the state plan or approved waivers or for other good cause. Sanctions include temporary or permanent suspension orders of enrollment, marketing, personnel, or subcontractors, and monetary sanctions of up to $25,000 for first violations, up to $50,000 for second violations, and up to $100,000 for subsequent violations. [WIC §14197.7]

9) Establishes the California Advancing and Innovating Medi-Cal (CalAIM) initiative effective from January 1, 2022 until December 31, 2026, which includes new requirements on Medi-Cal plans, new Medi-Cal populations subject to mandatory Medi-Cal plan enrollment, and new mandatory plan benefits, including subacute care services. [WIC §14184.100 et seq., WIC]

This bill:

1) Requires a health facility providing pediatric subacute care services or adult subacute care services to submit with a treatment authorization request, a completed specified DHCS form or a successor form when requesting authorization for pediatric or adult subacute care services.

2) Prohibits a Medi-Cal plan from developing its own criteria to substantiate medical necessity for pediatric or adult subacute care services with a condition or standard not enumerated in a specified DHCS form, or a successor form.

3) Prohibits a Medi-Cal plan from requiring a subsequent treatment authorization request for subacute care services when a patient returns from a bed hold for acute hospitalization as described in existing regulation.

4) Specifies that DHCS may impose sanctions on Medi-Cal plans for violations of 2) and 3) above, in accordance with existing law.

Background

Medi-Cal subacute care program. According to DHCS, subacute care facility services include those provided to both adult and pediatric populations that are provided by a licensed general acute care hospital with distinct-part skilled nursing beds, or by a freestanding certified nursing facility. In each case, the facility must have the necessary contract with DHCS. Subacute care patients are medically fragile and require special services, such as inhalation therapy, tracheotomy care, intravenous tube feeding, and complex wound management care. Adult subacute care is defined as a level of care needed by a patient who does not require hospital acute care but who requires more intensive licensed skilled nursing care than is provided to the majority of patients in a skilled nursing facility. Pediatric subacute care is a level of care needed by a person less than 21 years of age who uses a medical technology that compensates for the loss of a vital bodily function.

Recently, as part of the CalAIM initiative, DHCS moved many populations into mandatory managed care who were previously receiving services through the Medi-Cal fee-for-service delivery system, including some pediatric or adult subacute care services, depending on the county the individual lived in, that were not already part of Medi-Cal managed care. As of January 1, 2024, many individuals who were previously receiving subacute care services through the fee-for-service system were moved into managed care plans. According to the DHCS All Plan Letter 24-010, as part of the transition, Medi-Cal plans were required to

offer contracts to all subacute care facilities within their service area that had a contract with DHCS. They were also required to develop sufficient network capacity to enable member placement in subacute care facilities within five working days, seven working days, or 14 calendar days depending on the county of residence. The letter also outlined requirements to allow Medi-Cal recipients to return to a facility after a leave of absence or a bed hold, which generally occurs when a patient temporarily needs a higher level of care in a hospital. While the guidance required Medi-Cal plans to honor DHCS treatment approvals for either six months or the duration of approval of services, whichever is shorter, Medi-Cal plans are now responsible for treatment authorization. The guidance also required all prior authorization requests to be expedited for Medi-Cal recipients transitioning from an acute care hospital to a subacute care facility and all decisions to be made within 72 hours after the Medi-Cal plan receives relevant information from the plan.

When subacute care services were part of the fee-for-service delivery system, providers used either form DHCS 6200, "Information For Authorization/Reauthorization of Subacute Care Services—Pediatric Subacute Program" or form DHCS 6200A, "Information For Authorization/Reauthorization of Subacute Care Services—Adult Subacute Program" to establish whether the services were medically necessary in order to receive authorization for the services. The forms specified the services that a patient needed that necessitated subacute care services. Now that the program is part of Medi-Cal managed care, each plan has its own forms and methods of documenting medical necessity. Providers report these forms and processes are leading to delays in moving patients from acute care settings to subacute care settings.

Comments

According to the author of this bill:

> This bill is crucial for enhancing the care and support provided to patients who require subacute medical services. The bill aims to optimize the use of limited Medi-Cal funds while ensuring that patients receive the necessary medical attention tailored to their specific needs. Furthermore, it addresses the unique needs of pediatric patients relying on complex medical technologies, underscoring the commitment to provide comprehensive and equitable health care services. Overall, this legislation is a vital step toward improving patient outcomes by ensuring patients receive services aligned with their medical needs within an appropriate facility.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee, this bill has unknown ongoing costs, potentially low hundreds of thousands, for DHCS for state administration for oversight of Medi-Cal plans (General Fund and federal funds).

SUPPORT: (Verified 8/29/25)

Totally Kids Rehabilitation Hospital (source)
American Academy of Pediatrics, California
California Advocates for Nursing Home Reform
California Alliance of Child and Family Services
California Association of Health Facilities
California Association of Medical Product Suppliers
California Children's Hospital Association
California Hospital Association
California Long Term Care Ombudsman Association
Children's Healthcare of Northern California
Children's Specialty Care Coalition
District Hospital Leadership Forum
The Arc and United Cerebral Palsy California Collaboration

OPPOSITION: (Verified 8/29/25)

None received

ARGUMENTS IN SUPPORT: Sponsor, Totally Kids Rehabilitation, a pediatric subacute facility, writes that this bill closes loopholes used by Medi-Cal plans to delay and deny care to children and adults who utilize Medi-Cal for payment. Totally Kids Rehabilitation was involved in determining the original criteria for 'medical necessity' when their program was implemented. However, in January 2024, CalAIM transitioned subacute care services and Medi-Cal plans have redefined 'medical necessity' for subacute care, as complex and some cases now require stacks of paperwork to resolve. These demands mean that people in need of care must wait in acute care hospitals for weeks waiting for transfer to the appropriate facility. Additionally, when they finally did establish medical necessity for care, they only authorized this for two weeks rather than a year as had been done previously.

ASSEMBLY FLOOR: 70-0, 5/29/25
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Calderon, Caloza, Carrillo, Castillo, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Stefani, Ta, Valencia, Wallis, Wicks, Wilson, Zbur, Rivas
NO VOTE RECORDED: Alvarez, Bryan, Chen, Nguyen, Sharp-Collins, Solache, Soria, Tangipa, Ward

Prepared by: Jen Flory / HEALTH / (916) 651-4111
8/31/25 16:34:14

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