

Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 246 (Grove) – As Introduced January 30, 2025

Policy Committee: Health

Vote: 15 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill requires the Department of Health Care Services (DHCS) implement a program to allow district and municipal public hospitals (DMPHs) to draw down federal Medicaid funding for graduate medical education (GME) costs.

Specifically, this bill:

- 1) Defines “district and municipal public hospital” as a nondesignated public hospital, as defined in existing law.
- 2) To the extent any necessary federal approvals are obtained and federal financial participation is available and is not otherwise jeopardized, requires DHCS make additional Medi-Cal GME payments to DMPHs and their affiliated government entities, in recognition of the Medi-Cal managed care share of GME costs. Requires the DMPH GME program generally mirror the existing GME payment program for designated public hospitals, including funding the program through voluntary intergovernmental transfers (IGTs) of funds provided by DMPHs or their affiliated government entities, or other eligible public entities. Prohibits DHCS from using General Fund moneys to fund the nonfederal share of payments.
- 3) Requires, to the extent permitted under federal law, DHCS make the payments directly to the DMPHs and their affiliated government entities.
- 4) Authorizes DHCS, in consultation with DMPHs, to seek federal approvals to provide for other forms of GME payments to DMPHs and their affiliated government entities, as specified.
- 5) Establishes the DMPH GME Special Fund (Fund) in the State Treasury to consist of moneys a DMPH and affiliated government entity elects to transfer to DHCS for deposit into the Fund, and requires DHCS use such moneys as the nonfederal share of GME payments and for reimbursing DHCS’ administrative costs. Requires moneys deposited into the Fund be continuously appropriated to DHCS for the program’s purposes, as specified. Allows the Fund to be used to otherwise support the Medi-Cal program.
- 6) Requires DHCS claim federal financial participation (FFP) for GME payments to DMPHs using moneys derived from IGTs pursuant to the provisions of this bill and deposited into the Fund. If FFP is not available for a payment, requires DHCS return, within 14 days, any IGT fund amounts associated with the payment for which FFP is not available.

- 7) Provides that any IGT made pursuant to the provisions of this bill are voluntary for the purposes of all federal and state laws.
- 8) Requires DHCS seek federal approval through state plan amendments or otherwise, effective no sooner than January 1, 2026. Allows DHCS to modify the program to meet federal requirements or maximize federal financial participation, and to implement the bill using non-regulatory guidance.

FISCAL EFFECT:

DHCS expects the addition of GME payments for DMPHs would increase the annual amount of payments by approximately \$18.4 million in total funds (50% federal funds and 50% IGTs, which would be provided by DMPHs). DHCS would also need one Health Program Specialist I at an estimated cost of \$150,000 per year, ongoing (50% federal funds and 50% IGTs) to establish and administer the new program.

COMMENTS:

- 1) **Purpose.** This bill is sponsored by the District Hospital Leadership Forum, which writes:

[This bill is] modeled after the success of the current Medi-Cal GME supplemental payment program for Designated Public Hospitals (DPHs) authorized by [SB 97 (Committee on Budget and Fiscal Review), Chapter 52, Statutes of 2017]. Like their DPH counterparts, [DMPHs] will use [IGTs] to support the nonfederal share of these new Medi-Cal GME supplemental payments...SB 246 will have no impact on the state General Fund.

Two-thirds of California's [DMPHs] are in rural areas and 18 [of 33] have critical access designations. These hospitals provide care to some of the most underserved communities throughout California and many were eligible to receive distressed hospital loans...SB 246 will provide a new funding stream... which could mean for distressed hospitals the difference between continuing or closing a GME program.

- 2) **Background. *Medi-Cal Funding of GME.*** A "designated public hospital," for purposes of the Medi-Cal program, is a hospital on a specific list of hospitals that are generally licensed to a county or the University of California and are eligible for reimbursement based on certified public expenditures. A "nondesignated public hospital" is a hospital that is operated or owned by a local health care district or another public entity and is not on the list of designated public hospitals.

SB 97 (Committee on Budget and Fiscal Review), Chapter 52, Statutes of 2017, the health trailer bill, established a GME funding program for designated public hospitals. Through the GME program, designated public hospitals transfer funds to the state to use as the non-federal share in claiming federal financial participation for Medi-Cal. In other words, these hospitals use their own funds to draw down a federal match, receiving reimbursement for a portion of their GME costs. This bill creates the same mechanism for the DMPHs.