



**CALIFORNIA  
HOSPITAL  
ASSOCIATION**

*Providing Leadership in  
Health Policy and Advocacy*

February 19, 2016

The Honorable Rob Bonta  
Chair, Assembly Public Health and Developmental Services  
State Capitol, Room 6005  
Sacramento, CA 95814

**Subject: Elimination of Retroactive Recoupment of Reimbursement for Hospital Distinct-Part Skilled Nursing Facilities -- SUPPORT**

Dear Assembly Member Bonta:

The California Hospital Association (CHA), representing more than 400 hospitals and health systems, including approximately 100 hospital-based skilled-nursing facilities, is in strong support of the proposed language dated February 12, 2016 (RN 1607909). This language, which we understand is going into a bill package having to do with the managed care organization reform, would eliminate the “clawback,” or retroactive recoupment of reimbursement for services provided by distinct part skilled-nursing facilities (DP/SNFs). In California approximately 100 hospitals operate skilled nursing facilities that are hospital-based.

Several years ago, AB 97 (Chapter 3, Statutes of 2011) reduced reimbursement for distinct-part skilled-nursing facilities to 90 percent of 2008 -2009 rates, an average effective rate decrease of 25 percent. The reduction in reimbursement was effective retroactive to June 1, 2011. Such a rate cut would have had devastating consequences for patients, communities, and would limit access to essential medical care.

In 2013, the Legislature recognized the need to preserve the unique services provided by DP/NFs and acted to reverse the cuts. SB 239 (Chapter 657, Statutes of 2013) restored DP/NF reimbursed on a prospective basis, effective October 1, 2013. However, DP/SNFs still face the retroactive application of the AB 97 rates for a period of over two years, and the recoupment of many millions of dollars. The DP/SNFs serving a high proportion of Medi-Cal patients are the hospitals most impacted.

As compared to free-standing facilities, DP/SNFs care for patients of greater medical complexity and are often the only option for patients with specialized care needs or for individuals living in rural areas. If the retroactive recoupment, or “clawback,” is allowed to proceed, these essential providers will face undue hardship and will have to modify or reduce services or staffing. In rural areas, where DP/SNFs often provide essential infrastructure to the overall hospital operation, the loss in revenue attributable to these cuts will undermine the financial viability of the hospital as a whole.

For these reasons, CHA respectfully asks for your “AYE” vote on this issue when it comes before you.

Sincerely,

A handwritten signature in cursive script that reads "Barbara Glaser".

Barbara Glaser  
Senior Legislative Advocate

BG:dlv