



General Assembly

January Session, 2001

**Raised Bill No. 6855**

LCO No. 4059

Referred to Committee on Human Services

Introduced by:  
(HS)

**AN ACT CONCERNING THE DEPARTMENT OF SOCIAL SERVICES  
PAYMENTS FOR HOSPITAL INPATIENT, OUTPATIENT AND MENTAL  
HEALTH SERVICES AND FOR COMMUNITY MENTAL HEALTH  
SERVICES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (d) of section 17b-239 of the general statutes is  
2 repealed and the following is substituted in lieu thereof:

3 (d) The state shall also pay to such hospitals for each outpatient  
4 clinic and emergency room visit a reasonable rate to be established  
5 annually by the commissioner for each hospital. [, such rate to be  
6 determined by the reasonable cost of such services, but the established  
7 rate for an outpatient clinic visit shall not exceed one hundred sixteen  
8 per cent of the combined average fee of the general practitioner and  
9 specialist for an office visit according to the fee schedule for  
10 practitioners of the healing arts approved under section 4-67c, except  
11 that the outpatient clinic rate in effect June 30, 1992, shall increase July  
12 1, 1992, and each July first thereafter by no more than the most recent  
13 annual increase in the consumer price index for medical care.] The  
14 emergency room visit rates in effect June 30, 1991, shall remain in effect

15 through June 30, 1993, except those which would have been decreased  
16 effective July 1, 1991, or July 1, 1992, shall be decreased. [To the extent  
17 that the commissioner receives approval for a disproportionate share  
18 exemption pursuant to federal regulations, the commissioner may  
19 establish a rate cap for qualifying hospital outpatient clinics up to one  
20 hundred seventy-five per cent of the combined average fee of the  
21 general practitioner and specialist for an office visit according to the  
22 fee schedule for practitioners of the healing arts approved under  
23 section 4-67c.] Nothing contained herein shall authorize a payment by  
24 the state for such services to any hospital in excess of the charges made  
25 by such hospital for comparable services to the general public. For  
26 those outpatient hospital services paid on the basis of a ratio of cost to  
27 charges, the ratios in effect June 30, 1991, shall be reduced effective  
28 July 1, 1991, by the most recent annual increase in the consumer price  
29 index for medical care. For those outpatient hospital services paid on  
30 the basis of a ratio of cost to charges, the ratios computed to be  
31 effective July 1, 1994, shall be reduced by the most recent annual  
32 increase in the consumer price index for medical care. The emergency  
33 room visit rates in effect June 30, 1994, shall remain in effect through  
34 December 31, 1994. The Commissioner of Social Services shall establish  
35 a fee schedule for outpatient hospital services to be effective on and  
36 after January 1, 1995. Except with respect to the rate periods beginning  
37 July 1, 1999, and July 1, 2000, such fee schedule shall be adjusted  
38 annually beginning July 1, 1996, to reflect necessary increases in the  
39 cost of services. Effective for the rate year commencing July 1, 2001, the  
40 commissioner shall establish and pay to hospitals for all hospital  
41 outpatient services, except outpatient mental health services and  
42 partial hospitalization services, hospital outpatient rates by (1)  
43 determining the amount that would be payable to the hospital in  
44 accordance with the methodology in effect for the rate year  
45 commencing July 1, 2000, and (2) increasing such amount by thirty-two  
46 and one-half per cent of the difference between such amount and the  
47 hospital's current cost for the service as reported in the hospital's most  
48 recently filed cost report adjusted by an inflation factor for the

49 intervening cost year equal to the Medicare market basket inflation  
50 rate for each year as published in the previous September federal  
51 register with the wage portion of such market basket adjusted for the  
52 Hartford metropolitan statistical area. For the purposes of this  
53 subsection, determinations of hospital cost shall be made using  
54 accepted Medicare cost-finding principles. For the rate year  
55 commencing July 1, 2002, and annually thereafter, the commissioner  
56 shall establish and pay hospital outpatient rates using the  
57 methodology specified in this subsection for the rate year commencing  
58 July 1, 2001, provided the following percentages shall be used in  
59 increasing amounts payable under the prior methodology to include a  
60 greater proportion of the hospital's current cost: For the rate year  
61 commencing July 1, 2002, such percentage shall be fifty-five and one-  
62 half per cent; for the rate year commencing July 1, 2003, such  
63 percentage shall be seventy-seven and one-half per cent; for the rate  
64 year commencing July 1, 2004, and annually thereafter, the rates  
65 established and paid by the commissioner for hospital outpatient  
66 services shall be the hospital's current cost determined in accordance  
67 with this subsection.

68       Sec. 2. Subsection (g) of section 17b-239 of the general statutes is  
69 repealed and the following is substituted in lieu thereof:

70       (g) Effective October 1, 1998, and [annually thereafter] until  
71 September 30, 2001, the commissioner shall establish hospital inpatient  
72 rates in accordance with the method specified in regulations adopted  
73 pursuant to this section and applied for the rate period beginning  
74 October 1, 1997, except that for the rate period beginning October 1,  
75 1998, the commissioner shall apply a three per cent annual adjustment  
76 factor to the target amount per discharge in lieu of the annual  
77 adjustment factor, if any, used to determine rates for prospective  
78 payment-system-exempt hospitals under the Medicare program, and  
79 for succeeding rate periods the commissioner shall not apply an  
80 annual adjustment factor.

81       Sec. 3. Section 17b-239 of the general statutes is amended by adding  
82 subsections (h), (i) and (j) as follows:

83       (NEW) (h) Effective for the rate year commencing October 1, 2001,  
84 the commissioner shall establish and pay to hospitals for inpatient  
85 services, subject to final cost settlement, interim hospital inpatient rates  
86 by (1) determining the amount that would be payable to the hospital as  
87 interim rates in accordance with the methodology specified in  
88 regulations in effect for the rate year commencing October 1, 2000, and  
89 (2) increasing such amount by thirty-two and one-half per cent of the  
90 difference between such amount and the hospital's projected cost for  
91 the rate year commencing October 1, 2001, based on the hospital's most  
92 recently filed cost report adjusted by an inflation factor for the  
93 intervening cost year equal to the Medicare market basket inflation  
94 rate for each year as published in the previous September federal  
95 register with the wage portion of such market basket adjusted for the  
96 Hartford metropolitan statistical area. Following the end of the rate  
97 year, adjustments shall be made in accordance with a year-end  
98 settlement, which shall be calculated based on the total payments that  
99 would be payable to the hospital in accordance with the methodology  
100 specified in regulations in effect for the rate year commencing October  
101 1, 2000, increased by thirty-two and one-half per cent of the difference  
102 between such amount and the hospital's cost for that rate period as  
103 stated in the hospital's cost report completed for the rate year  
104 commencing October 1, 2001. For the purposes of this subsection,  
105 determinations of hospital cost shall be made using accepted Medicare  
106 cost-finding principles. For the rate year commencing October 1, 2002,  
107 and annually thereafter, the commissioner shall establish and pay  
108 interim hospital inpatient rates and shall apply a year-end settlement  
109 using the methodology specified in this subsection for the rate year  
110 commencing October 1, 2001, provided for both interim rates and final  
111 settlement, the following percentages shall be used in increasing  
112 amounts payable under the prior methodology to include a greater  
113 proportion of the hospital's projected or reported cost: For the rate year  
114 commencing October 1, 2002, such percentage shall be fifty-five and

115 one-half per cent; for the rate year commencing October 1, 2003, such  
116 percentage shall be seventy-seven and one-half per cent; for the rate  
117 year commencing October 1, 2004, and annually thereafter, such  
118 percentage shall be one hundred per cent, such that other interim rates  
119 and final settlements shall be based on the hospital's cost determined  
120 in accordance with this subsection.

121 (NEW) (i) For hospital outpatient mental health services, the  
122 commissioner shall establish a schedule of rates for the rate period  
123 beginning July 1, 2001, and for each succeeding rate period, which  
124 shall be equal to ninety per cent of the Medicare physician fee schedule  
125 in effect on the first day of the rate period.

126 (NEW) (j) For partial hospitalization services provided by acute care  
127 hospitals, the commissioner shall establish a schedule of rates as  
128 follows: (1) For the rate period beginning July 1, 2001, the rates shall be  
129 equal to the rates paid as of October 1, 2000, for partial hospitalization  
130 services provided in freestanding psychiatric hospitals plus an  
131 inflation factor equal to the Medicare market basket inflation rate as  
132 published in the previous September federal register with the wage  
133 portion of such market basket adjusted for the Hartford metropolitan  
134 statistical area; (2) for the rate period beginning July 1, 2002, and for  
135 each succeeding rate period, the rates for partial hospitalization  
136 services shall be equal to the rates for the preceding rate period, plus  
137 an inflation factor equal to the Medicare market basket inflation rate as  
138 published in the previous September federal register of each year with  
139 the wage portion of such market basket adjusted for the Hartford  
140 metropolitan statistical area.

141 Sec. 4. Subsection (b) of section 17b-263 of the general statutes is  
142 repealed and the following is substituted in lieu thereof:

143 (b) The rate paid for hospital outpatient mental health therapy  
144 services, except for partial hospitalization and other comprehensive  
145 services as defined by the commissioner, shall be that established in  
146 subsection [(d)] (i) of section 17b-239, as amended by this act, for an

147 outpatient clinic visit. Payment for partial hospitalization services in  
148 accordance with subsection (j) of section 17b-239, as amended by this  
149 act, shall be considered payment in full for all outpatient mental health  
150 services.

151 Sec. 5. (NEW) For outpatient mental health services provided by  
152 community mental health clinics, the Commissioner of Social Services  
153 shall establish a schedule of rates for the rate year commencing July 1,  
154 2001, and for each succeeding rate period, which shall be equal to  
155 ninety per cent of the Medicare physician fee schedule in effect on the  
156 first day of the rate year, as established pursuant to Section 1848 of the  
157 Social Security Act, 42 USC 1395w-4(a).

158 Sec. 6. This act shall take effect from its passage.

***Statement of Purpose:***

To phase-in increases in Medicaid inpatient and outpatient rates that will, at the end of four years, provide reimbursement at a level of Medicare-recognized costs and to establish appropriate rates for mental health services.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*