



General Assembly

February Session, 2002

**Raised Bill No. 445**

LCO No. 1807

Referred to Committee on Human Services

Introduced by:  
(HS)

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

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

1 Section 1. Section 17b-239 of the general statutes, as amended by  
2 sections 11 and 66 of public act 01-2 of the June special session, section  
3 1 of public act 01-3 of the June special session and sections 119, 120, 121  
4 and 129 of public act 01-9 of the June special session, is repealed and  
5 the following is substituted in lieu thereof (*Effective from passage*):

6 (a) The rate to be paid by the state to hospitals receiving  
7 appropriations granted by the General Assembly and to freestanding  
8 chronic disease hospitals, providing services to persons aided or cared  
9 for by the state for routine services furnished to state patients, shall be  
10 based upon reasonable cost to such hospital, or the charge to the  
11 general public for ward services or the lowest charge for semiprivate  
12 services if the hospital has no ward facilities, imposed by such  
13 hospital, whichever is lowest, except to the extent, if any, that the  
14 commissioner determines that a greater amount is appropriate in the  
15 case of hospitals serving a disproportionate share of indigent patients.

16 Such rate shall be promulgated annually by the Commissioner of  
17 Social Services. Nothing contained herein shall authorize a payment by  
18 the state for such services to any such hospital in excess of the charges  
19 made by such hospital for comparable services to the general public.  
20 Notwithstanding the provisions of this section, for the rate period  
21 beginning July 1, 2000, rates paid to freestanding chronic disease  
22 hospitals and freestanding psychiatric hospitals shall be increased by  
23 three per cent. For the rate period beginning July 1, 2001, a  
24 freestanding chronic disease hospital or freestanding psychiatric  
25 hospital shall receive a rate that is two and one-half per cent more than  
26 the rate it received in the prior fiscal year. For the rate period  
27 beginning July 1, 2002, a freestanding chronic disease hospital or  
28 freestanding psychiatric hospital shall receive a rate that is two per  
29 cent more than the rate it received in the prior fiscal year.  
30 Notwithstanding the provisions of this subsection, for the period  
31 commencing July 1, 2001, and ending June 30, 2003, the commissioner  
32 may pay an additional total of no more than three hundred thousand  
33 dollars annually for services provided to long-term ventilator patients.  
34 For purposes of this subsection, "long-term ventilator patient" means  
35 any patient at a freestanding chronic disease hospital on a ventilator  
36 for a total of sixty days or more in any consecutive twelve-month  
37 period.

38 (b) Effective October 1, 1991, the rate to be paid by the state for the  
39 cost of special services rendered by such hospitals shall be established  
40 annually by the commissioner for each such hospital based on the  
41 reasonable cost to each hospital of such services furnished to state  
42 patients. Nothing contained herein shall authorize a payment by the  
43 state for such services to any such hospital in excess of the charges  
44 made by such hospital for comparable services to the general public.

45 (c) The term "reasonable cost" as used in this section means the cost  
46 of care furnished such patients by an efficient and economically  
47 operated facility, computed in accordance with accepted principles of  
48 hospital cost reimbursement. The commissioner may adjust the rate of

49 payment established under the provisions of this section for the year  
50 during which services are furnished to reflect fluctuations in hospital  
51 costs. Such adjustment may be made prospectively to cover anticipated  
52 fluctuations or may be made retroactive to any date subsequent to the  
53 date of the initial rate determination for such year or in such other  
54 manner as may be determined by the commissioner. In determining  
55 "reasonable cost" the commissioner may give due consideration to  
56 allowances for fully or partially unpaid bills, reasonable costs  
57 mandated by collective bargaining agreements with certified collective  
58 bargaining agents or other agreements between the employer and  
59 employees, provided "employees" shall not include persons employed  
60 as managers or chief administrators, requirements for working capital  
61 and cost of development of new services, including additions to and  
62 replacement of facilities and equipment. The commissioner shall not  
63 give consideration to amounts paid by the facilities to employees as  
64 salary, or to attorneys or consultants as fees, where the responsibility  
65 of the employees, attorneys or consultants is to persuade or seek to  
66 persuade the other employees of the facility to support or oppose  
67 unionization. Nothing in this subsection shall prohibit the  
68 commissioner from considering amounts paid for legal counsel related  
69 to the negotiation of collective bargaining agreements, the settlement  
70 of grievances or normal administration of labor relations.

71 (d) The state shall also pay to such hospitals for each outpatient  
72 clinic and emergency room visit a reasonable rate to be established  
73 annually by the commissioner for each hospital, such rate to be  
74 determined by the reasonable cost of such services. The emergency  
75 room visit rates in effect June 30, 1991, shall remain in effect through  
76 June 30, 1993, except those which would have been decreased effective  
77 July 1, 1991, or July 1, 1992, shall be decreased. Nothing contained  
78 herein shall authorize a payment by the state for such services to any  
79 hospital in excess of the charges made by such hospital for comparable  
80 services to the general public. For those outpatient hospital services  
81 paid on the basis of a ratio of cost to charges, the ratios in effect June  
82 30, 1991, shall be reduced effective July 1, 1991, by the most recent

83 annual increase in the consumer price index for medical care. For those  
84 outpatient hospital services paid on the basis of a ratio of cost to  
85 charges, the ratios computed to be effective July 1, 1994, shall be  
86 reduced by the most recent annual increase in the consumer price  
87 index for medical care. The emergency room visit rates in effect June  
88 30, 1994, shall remain in effect through December 31, 1994. The  
89 Commissioner of Social Services shall establish a fee schedule for  
90 outpatient hospital services to be effective on and after January 1, 1995.  
91 Except with respect to the rate periods beginning July 1, 1999, and July  
92 1, 2000, such fee schedule shall be adjusted annually beginning July 1,  
93 1996, to reflect necessary increases in the cost of services.  
94 Notwithstanding the provisions of this subsection, the fee schedule for  
95 the rate period beginning July 1, 2000, shall be increased by ten and  
96 one-half per cent, effective June 1, 2001. Effective for the rate year  
97 commencing July 1, 2002, the commissioner shall establish and pay to  
98 hospitals for all hospital outpatient services, except outpatient mental  
99 health services and partial hospitalization services, hospital outpatient  
100 rates by (1) determining the amount that would be payable to the  
101 hospital in accordance with the methodology in effect for the rate year  
102 commencing July 1, 2001, and (2) increasing such amount by seventy-  
103 five per cent of the difference between such amount and the hospital's  
104 current cost for the services as reported in the hospital's most recently  
105 filed cost report adjusted by an inflation factor for the intervening cost  
106 years equal to the Medicare market basket inflation rate for each year  
107 as published in the previous September federal register with the wage  
108 portion of such market basket adjusted for the Hartford metropolitan  
109 statistical area. For purposes of this subsection, determinations of  
110 hospital cost shall be made using the accepted Medicare cost-finding  
111 principles. For the rate year commencing July 1, 2003, and annually  
112 thereafter, the rates established and paid by the commissioner for  
113 hospital outpatient services shall be one hundred per cent of the  
114 hospital's cost determined in accordance with this subsection.

115 (e) The commissioner shall adopt regulations, in accordance with  
116 the provisions of chapter 54, establishing criteria for defining

117 emergency and nonemergency visits to hospital emergency rooms. All  
118 nonemergency visits to hospital emergency rooms shall be paid at the  
119 hospital's outpatient clinic services rate. Nothing contained in this  
120 subsection or the regulations adopted hereunder shall authorize a  
121 payment by the state for such services to any hospital in excess of the  
122 charges made by such hospital for comparable services to the general  
123 public.

124 (f) On and after October 1, 1984, the state shall pay to an acute care  
125 general hospital for the inpatient care of a patient who no longer  
126 requires acute care a rate determined by the following schedule: For  
127 the first seven days following certification that the patient no longer  
128 requires acute care the state shall pay the hospital at a rate of fifty per  
129 cent of the hospital's actual cost; for the second seven-day period  
130 following certification that the patient no longer requires acute care the  
131 state shall pay seventy-five per cent of the hospital's actual cost; for the  
132 third seven-day period following certification that the patient no  
133 longer requires acute care and for any period of time thereafter, the  
134 state shall pay the hospital at a rate of one hundred per cent of the  
135 hospital's actual cost. On and after July 1, 1995, no payment shall be  
136 made by the state to an acute care general hospital for the inpatient  
137 care of a patient who no longer requires acute care and is eligible for  
138 Medicare unless the hospital does not obtain reimbursement from  
139 Medicare for that stay.

140 (g) Effective June 1, 2001, the commissioner shall establish inpatient  
141 hospital rates in accordance with the method specified in regulations  
142 adopted pursuant to this section and applied for the rate period  
143 beginning October 1, 2000, except that the commissioner shall update  
144 each hospital's target amount per discharge to the actual allowable cost  
145 per discharge based upon the 1999 cost report filing multiplied by  
146 sixty-two and one-half per cent if such amount is higher than the target  
147 amount per discharge for the rate period beginning October 1, 2000, as  
148 adjusted for the ten per cent incentive identified in Section 4005 of  
149 Public Law 101-508. If a hospital's rate is increased pursuant to this

150 subsection, the hospital shall not receive the ten per cent incentive  
151 identified in Section 4005 of Public Law 101-508. For rate periods  
152 beginning October 1, 2001, [and October 1, 2002,] the commissioner  
153 shall not apply an annual adjustment factor to the target amount per  
154 discharge.

155 (h) Effective for the rate year commencing October 1, 2002, the  
156 commissioner shall establish and pay to hospitals for inpatient  
157 services, subject to final cost settlement, interim hospital inpatient rates  
158 by (1) determining the amount that would be payable to the hospital as  
159 interim rates in accordance with the methodology specified in  
160 regulations in effect and as applied for the rate year commencing  
161 October 1, 2001, and (2) increasing such amount by seventy-five per  
162 cent of the difference between such amount and the hospital's  
163 projected cost for the rate year commencing October 1, 2002, based on  
164 the hospital's most recently filed cost report adjusted by an inflation  
165 factor for the intervening cost years equal to the Medicare market  
166 basket inflation rate for each year as published in the previous  
167 September federal register with the wage portion of such market  
168 basket adjusted for the Hartford metropolitan statistical area.  
169 Following the end of the rate year, adjustments shall be made in  
170 accordance with a year-end settlement, which shall be calculated based  
171 on the total payments that would be payable to the hospital in  
172 accordance with the methodology specified in regulations in effect and  
173 as applied for the rate year commencing October 1, 2002. Said total  
174 shall be increased by seventy-five per cent of the difference between  
175 such amount and the hospital's cost for the rate period as stated in the  
176 hospital's cost report completed for the rate year commencing October  
177 1, 2002. For purposes of this subsection, determinations of hospital cost  
178 shall be made using accepted Medicare cost-finding principles. For the  
179 rate year commencing October 1, 2003, and annually thereafter, the  
180 commissioner shall establish and pay interim hospital inpatient rates  
181 and shall apply a year-end settlement using the methodology specified  
182 in this subsection for the rate year commencing October 1, 2002,  
183 provided that for both interim rates and final settlement, the rates shall

184 be one hundred per cent of the hospital's projected or final cost  
185 determined in accordance with this subsection.

186 (i) For hospital outpatient mental health services, the commissioner  
187 shall establish a schedule of rates for the rate period beginning July 1,  
188 2002, and for each succeeding rate period, which shall be equal to  
189 ninety per cent of the Medicare physician fee schedule in effect on the  
190 first day of the rate period.

191 (j) For partial hospitalization services provided by acute care  
192 hospitals, the commissioner shall establish the following rate schedule:  
193 (1) For the rate period beginning July 1, 2002, the rates shall be equal to  
194 the rates paid as of October 1, 2001, for partial hospitalization services  
195 provided in freestanding psychiatric hospitals plus an inflation factor  
196 equal to the Medicare market basket inflation rate as published in the  
197 previous September federal register with the wage portion of such  
198 market basket adjusted for the Hartford metropolitan statistical area;  
199 (2) for the rate period beginning July 1, 2003, and for each succeeding  
200 rate period, the rates for partial hospitalization services shall be equal  
201 to the rates for the preceding rate period, plus an inflation factor equal  
202 to the Medicare market basket inflation rate as published in the  
203 previous September federal register of each year with the wage portion  
204 of such market basket adjusted for the Hartford metropolitan statistical  
205 area.

206 Sec. 2. Section 17b-263 of the general statutes is repealed and the  
207 following is substituted in lieu thereof (*Effective from passage*):

208 (a) The Commissioner of Social Services shall extend the provisions  
209 of section 17-134d-11 of the regulations of Connecticut state agencies to  
210 monitor and control Medicaid recipient utilization of outpatient  
211 mental health services. The commissioner shall contract, through a  
212 competitive bidding process, for recipient surveillance and review  
213 services. Such contract shall authorize the imposition of utilization  
214 controls, including but not limited to, prior authorization requirements  
215 based on medical appropriateness and cost effectiveness.

216 (b) The rate paid for hospital outpatient mental health therapy  
217 services, except for partial hospitalization and other comprehensive  
218 services as defined by the commissioner, shall be that established in  
219 subsection [(d)] (i) of section 17b-239, as amended by this act, for an  
220 outpatient clinic visit. Payment for partial hospitalization services in  
221 accordance with subsection (j) of section 17b-239, as amended by this  
222 act, shall be considered payment in full for all outpatient mental health  
223 services.

224 Sec. 3. (NEW) (*Effective from passage*) The Commissioner of Social  
225 services shall establish a schedule of rates for outpatient mental health  
226 services provided by community mental health clinics, to Medicaid  
227 recipients for the rate year beginning July 1, 2002, and for each  
228 succeeding rate period, which shall be equal to ninety per cent of the  
229 Medicare physician fee schedule in effect on the first day of the rate  
230 year, as established pursuant to Section 1848 of the Social Security Act,  
231 42 USC 1395w-4(a).

This act shall take effect as follows:	
Section 1	<i>from passage</i>
Sec. 2	<i>from passage</i>
Sec. 3	<i>from passage</i>

**HS**

*Joint Favorable C/R*

**APP**