



Senate

General Assembly

File No. 254

January Session, 2003

Senate Bill No. 683

Senate, April 9, 2003

The Committee on Human Services reported through SEN. HANDLEY of the 4th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

**AN ACT CONCERNING PAYMENT RATES TO HOSPITALS SERVING
A DISPROPORTIONATE SHARE OF INDIGENT PATIENTS.**

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

1 Section 1. Section 19a-659 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2003*):

3 As used in this section, sections [19a-659,] 19a-661, 19a-662, 19a-669
4 to 19a-672, inclusive, 19a-676, 19a-677 and 19a-679:

5 (1) "Office" means the Office of Health Care Access;

6 (2) "Hospital" means a hospital included within the definition of
7 health care facilities or institutions under section 19a-630 and licensed
8 as a short-term general hospital by the Department of Public Health
9 and including John Dempsey Hospital of The University of
10 Connecticut Health Center;

11 (3) "Fiscal year" means the hospital fiscal year;

12 (4) "Base year" means the fiscal year prior to the fiscal year for which
13 a budget is being determined;

14 (5) "Affiliate" means a person, entity or organization controlling,
15 controlled by, or under common control with another person, entity or
16 organization;

17 (6) "Uncompensated care including emergency assistance to
18 families" means the actual cost in the year prior to the base year of
19 care: (A) [written] Written off as bad debts on which all collection
20 activity by the hospital and its agents have ceased, which have not
21 been recovered through the Medicare program, and for which
22 recovery through the Medicare program is not expected, or (B)
23 provided free under a free care policy approved by the office including
24 emergency assistance to families authorized by the Department of
25 Social Services and not otherwise funded, with the total of the care
26 provided free multiplied by a factor of two;

27 (7) "Medical assistance" means medical assistance provided under
28 the general assistance program, the state-administered general
29 assistance program or the Medicaid program;

30 (8) "CHAMPUS" means TriCare or the federal Civilian Health and
31 Medical Program of the Uniformed Services, 10 USC 1071 et seq.;

32 (9) "Medicare shortfall" means the Medicare underpayment for the
33 year prior to the base year divided by the proportion of total charges
34 excluding Medicare, medical assistance, CHAMPUS, and
35 uncompensated care including emergency assistance to families and
36 contractual and other allowances for the year prior to the base year;

37 (10) "Medical assistance shortfall" means the medical assistance
38 underpayment for the year prior to the base year divided by the
39 proportion of total charges excluding Medicare, medical assistance,
40 CHAMPUS, and uncompensated care including emergency assistance
41 to families and contractual and other allowances for the year prior to
42 the base year;

43 (11) "CHAMPUS shortfall" means the CHAMPUS underpayment
44 for the year prior to the base year divided by the proportion of total
45 charges excluding Medicare, medical assistance, CHAMPUS, and
46 uncompensated care including emergency assistance to families and
47 contractual and other allowances for the year prior to the base year;

48 (12) "Primary payer" means the payer responsible for the highest
49 percentage of the charges on the case;

50 (13) "Case mix index" means a hospital's case mix index calculated
51 using the medical record abstract and billing data submitted by the
52 hospital to the office. The case mix index shall be calculated by
53 dividing the total case mix adjusted discharges for the hospital by the
54 actual number of discharges for the hospital for the fiscal year. The
55 total case mix adjusted discharges shall be calculated by multiplying
56 the number of discharges in each diagnosis-related group by the
57 Medicare weights in effect for the same diagnosis-related group in
58 effect for the fiscal year and adding the resultant procedures across all
59 diagnosis-related groups;

60 (14) "Contractual allowances" means, for the period October 1, 1992,
61 to March 30, 1994, inclusive, the amount of discounts provided to
62 nongovernmental payers pursuant to subsections (d) and (e) of section
63 19a-646, for the period beginning April 1, 1994, the amount of
64 discounts provided to nongovernmental payers pursuant to
65 subsections (c), (d) and (e) of section 19a-646 and on and after July 1,
66 2002, any amount of discounts provided to nongovernmental payers
67 pursuant to a written agreement;

68 (15) "Medicare underpayment" means the difference between the
69 actual net revenue of a hospital times the ratio of Medicare charges to
70 total charges and the amount received by the hospital from the federal
71 government for Medicare patients for the year prior to the base year;

72 (16) "Medical assistance underpayment" means the difference
73 between the actual net revenue of a hospital times the ratio of medical
74 assistance charges to total charges and the amount received by the

75 hospital from the Department of Social Services for the year prior to
76 the base year;

77 (17) "CHAMPUS underpayment" means the difference between the
78 actual net revenue of a hospital times the ratio of CHAMPUS charges
79 to total charges and the amount received by the hospital from
80 CHAMPUS for the year prior to the base year;

81 (18) "Other allowances" means the amount of any difference
82 between charges for employee self-insurance and related expenses
83 determined using the hospital's overall relationship of costs to charges;

84 (19) "Gross revenue" means the total charges for all patient care
85 services;

86 (20) "Net revenue" means total gross revenue less contractual
87 allowance, the difference between government charges and
88 government payments, uncompensated care, and other allowances;
89 plus, for purposes of compliance, net payments from the
90 uncompensated care pool in existence prior to April 1, 1994, and
91 payments from the Department of Social Services;

92 (21) "Emergency assistance to families" means assistance to families
93 with children under the age of twenty-one who do not have the
94 resources to independently provide the assistance needed to avoid the
95 destitution of the child and which is authorized by the Department of
96 Social Services pursuant to section 17b-107 and is not otherwise
97 funded;

98 (22) "Hospital bed fund offset" means five per cent of the total fair
99 market value, including principal and earnings, of hospital bed funds,
100 as defined in section 19a-509b, as calculated on the last day of the base
101 year.

102 Sec. 2. Section 19a-671 of the general statutes is repealed and the
103 following is substituted in lieu thereof (*Effective July 1, 2003*):

104 The Commissioner of Social Services is authorized to determine the

105 amount of payments pursuant to sections 19a-670 to 19a-672, inclusive,
106 for each hospital. The commissioner's determination shall be based on
107 the advice of the office and the application of the calculation in this
108 section. For each hospital, the Office of Health Care Access shall
109 calculate the amount of payments to be made pursuant to sections 19a-
110 670 to 19a-672, inclusive, as follows:

111 (1) For the period April 1, 1994, to June 30, 1994, inclusive, and for
112 the period July 1, 1994, to September 30, 1994, inclusive, the office shall
113 calculate and advise the Commissioner of Social Services of the
114 amount of payments to be made to each hospital as follows:

115 (A) Determine the amount of pool payments for the hospital,
116 including grants approved pursuant to section 19a-168k, in the
117 previously authorized budget authorization for the fiscal year
118 commencing October 1, 1993.

119 (B) Calculate the sum of the result of subparagraph (A) of this
120 subdivision for all hospitals.

121 (C) Divide the result of subparagraph (A) of this subdivision by the
122 result of subparagraph (B) of this subdivision.

123 (D) From the anticipated appropriation to the medical assistance
124 disproportionate share-emergency assistance account made pursuant
125 to sections 3-114i and 12-263a to 12-263e, inclusive, subdivisions (2)
126 and (29) of subsection (a) of section 12-407, subdivision (1) of section
127 12-408, section 12-408a, subdivision (5) of section 12-412, subdivision
128 (1) of section 12-414 and sections 19a-646, 19a-659, as amended by this
129 act, 19a-661, 19a-662, 19a-667 to 19a-673, inclusive, 19a-676, 19a-677
130 and 19a-679 for the quarter subtract the amount of any additional
131 medical assistance payments made to hospitals pursuant to any
132 resolution of or court order entered in any civil action pending on
133 April 1, 1994, in the United States District Court for the district of
134 Connecticut, and also subtract the amount of any emergency assistance
135 to families payments projected by the office to be made to hospitals in
136 the quarter.

137 (E) The disproportionate share payment shall be the result of
138 subparagraph (D) of this subdivision multiplied by the result of
139 subparagraph (C) of this subdivision.

140 (2) For the fiscal year commencing October 1, 1994, and subsequent
141 fiscal years, the interim payment shall be calculated as follows for each
142 hospital:

143 (A) For each hospital determine the amount of the medical
144 assistance underpayment determined pursuant to section 19a-659, as
145 amended by this act, plus the actual amount of uncompensated care
146 including emergency assistance to families determined pursuant to
147 section 19a-659, as amended by this act, multiplied by a factor of two,
148 less any amount of uncompensated care determined by the
149 Department of Social Services to be due to a failure of the hospital to
150 enroll patients for emergency assistance to families, plus the amount of
151 any grants authorized pursuant to the authority of section 19a-168k.

152 (B) Calculate the sum of the result of subparagraph (A) of this
153 subdivision for all hospitals.

154 (C) Divide the result of subparagraph (A) of this subdivision by the
155 result of subparagraph (B) of this subdivision.

156 (D) From the anticipated appropriation made to the medical
157 assistance disproportionate share-emergency assistance account
158 pursuant to sections 3-114i and 12-263a to 12-263e, inclusive,
159 subdivisions (2) and (29) of subsection (a) of section 12-407,
160 subdivision (1) of section 12-408, section 12-408a, subdivision (5) of
161 section 12-412, subdivision (1) of section 12-414 and sections 19a-646,
162 19a-659, as amended by this act, 19a-661, 19a-662, 19a-667 to 19a-673,
163 inclusive, 19a-676, 19a-677 and 19a-679 for the fiscal year, subtract the
164 amount of any additional medical assistance payments made to
165 hospitals pursuant to any resolution of or court order entered in any
166 civil action pending on April 1, 1994, in the United States District
167 Court for the district of Connecticut, and also subtract any emergency
168 assistance to families payments projected by the office to be made to

169 the hospitals for the year.

170 (E) The disproportionate share payment shall be the result of
171 subparagraph (D) of this subdivision multiplied by the result of
172 subparagraph (C) of this subdivision less the hospital bed fund offset,
173 for all hospitals whose annual hospital bed fund offset is greater than
174 five hundred thousand dollars.

175 (F) For hospitals with hospital bed fund offsets of not more than five
176 hundred thousand dollars, add to the disproportionate share payment
177 determined in subparagraph (E) of this subdivision, the results of
178 subparagraph (C) of this subdivision multiplied by the sum of the
179 hospital bed fund offsets for hospitals whose annual hospital bed fund
180 offset is greater than five hundred thousand dollars.

181 Sec. 3. Subsection (a) of section 19a-670 of the general statutes is
182 repealed and the following is substituted in lieu thereof (*Effective July*
183 *1, 2003*):

184 (a) Within available appropriations, the Department of Social
185 Services may make semimonthly payments to short-term general
186 hospitals in an amount calculated pursuant to section 19a-671, as
187 amended by this act, provided the total amount of payments made to
188 individual hospitals and to hospitals in the aggregate shall maximize
189 the amount qualifying for federal matching payments under the
190 medical assistance program and the emergency assistance to families
191 program as determined by the Department of Social Services in
192 consultation with the Office of Policy and Management. No payments
193 shall be made to any hospital exempt from taxation under chapter
194 211a. The payments shall be medical assistance disproportionate share
195 payments, including grants provided pursuant to section 19a-168k, to
196 the extent allowable under federal law. In addition, payments may be
197 made for authorized emergency assistance to needy families with
198 dependent children in accordance with Title IV-A of the Social Security
199 Act to the extent allowable under federal law. The payments shall not
200 be part of the routine medical assistance inpatient hospital rate
201 determined pursuant to section 17b-239. Payments shall be made on an

202 interim basis during each year and a final settlement shall be
 203 calculated pursuant to section 19a-671, as amended by this act, by the
 204 office for each hospital after the year end based on audited data for the
 205 hospitals. The Commissioner of Social Services may withhold payment
 206 to a hospital which is in arrears in remitting its obligations to the state.
 207 The commissioner shall withhold payment to any hospital which the
 208 Attorney General determines has failed to adequately comply with the
 209 requirements provided in sections 19a-509, 19a-509a, 19a-649 and 19a-
 210 673 until such hospital has reestablished compliance to the satisfaction
 211 of the Attorney General, and is notified of such reestablished
 212 compliance by the office of the Attorney General. Payments withheld
 213 due to noncompliance may be collectible upon determination of
 214 reestablished compliance by the Attorney General. If the Attorney
 215 General determines that the withheld payments are not to be collected
 216 by a hospital after compliance is reestablished, the withheld payments
 217 shall be added to the disproportionate share hospital payment
 218 appropriation as determined in subparagraph (D) of subdivision (2) of
 219 section 19a-671, as amended by this act.

This act shall take effect as follows:	
Section 1	<i>July 1, 2003</i>
Sec. 2	<i>July 1, 2003</i>
Sec. 3	<i>July 1, 2003</i>

HS *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Type	FY 04 \$	FY 05 \$
Social Services, Dept.	GF - See Below	See Below	See Below
Health Care Access, Off.	GF - Cost	Potential	Potential
UConn Health Ctr.	GF - Cost	Potential	Potential
Attorney General	GF - Cost	\$39,375	\$52,500
Comptroller Misc. Accounts (Fringe Benefits)	GF - Cost	\$7,054	\$20,105

Note: GF=General Fund

Municipal Impact: None

Explanation

This bill makes various adjustments to the Disproportionate Share Hospital (DSH) payment system, which have the following fiscal impacts:

Department of Social Services/DSH Payments

The disproportionate share payments made to hospitals for uncompensated care are based upon an appropriation made to the Department of Social Services. This bill does not affect the total amount appropriated by the legislature but does affect the proportional share of the total each hospital will receive due to changes to components of the statutory formula used to distribute those funds. For FY03 there are two disproportionate share accounts – Medical Emergency Assistance and Urban Hospitals in Distressed Municipalities. The total appropriation for these two accounts is \$103.27 million. Matching federal funds are received on these accounts. However, to receive matching funds the DSH payment formula must meet federal standards and be set forth in the state Medicaid plan. If the proposed changes do not meet federal standards

the state could risk losing \$51.5 million in federal revenue.

The UConn Health Center does not currently participate in the disproportionate share system, and would therefore not be affected by any changes to the payment formula.

Uncompensated Care Definition Modification

The bill modifies the definition of uncompensated care for purposes of calculating DSH payments by limiting the amount written off as bed debt to that for which all collection activity has ceased and which has not been, or are not expected to be, recovered through Medicare. This change will result in a potentially significant administrative cost to Dempsey Hospital at the University of Connecticut Health Center. The hospital may have to reconfigure its accounting systems to provide sufficient data to the Office of Health Care Access to meet the revised reporting criterion. Additionally, since an independent financial audit is required to be submitted to the office annually, extra costs may be incurred for outside consultant services should the scope of the audit be expanded.

The Office of Health Care Access (OHCA) is charged with the responsibility of annually reviewing the level of “uncompensated care including emergency assistance to families” provided by each of the state’s thirty-one hospitals. (Four agency staff are currently devoted to this function.) Per statute, the office must evaluate each audit and may rely on the information contained therein or may require such additional audit as it deems necessary (Section 19a-649 CGS). Should OHCA determine that the revised uncompensated care reporting methodology requires more intensive review, additional staff resources may be required. The amount of any such staffing expansion would be dependent upon the level of additional work which the agency elects to perform, which cannot be determined at this time.

Office of the Attorney General

The bill requires the Attorney General to regularly review hospitals' compliance with certain state statutes related to hospital billing, uncompensated care, and collections from uninsured patients. The agency would need an accountant to carry out this new function at an annualized cost of about \$70,000, including salary and related expenses.

The fringe benefit costs for state employees are budgeted centrally in the Miscellaneous Accounts administered by the Comptroller. The total fringe benefit reimbursement rate as a percentage of payroll is 40.21%, effective July 1, 2002. However, first year fringe benefit costs for new positions do not include pension costs lowering the rate to 18.81% in FY 04. The state's pension contribution is based upon the prior year's certification by the actuary for the State Employees Retirement System.

OLR Bill Analysis

SB 683

AN ACT CONCERNING PAYMENT RATES TO HOSPITALS SERVING A DISPROPORTIONATE SHARE OF INDIGENT PATIENTS**SUMMARY:**

Disproportionate share hospital (DSH) payments are extra Medicaid payments the Department of Social Services (DSS) makes to hospitals with large numbers of indigent and low-income patients for whose care they are not fully compensated (uncompensated care). The payments are calculated based on a complex formula that looks at the proportionate amounts of such items as Medicare and Medicaid underpayments, free care, and written-off bad debt at the hospital compared to other hospitals.

The bill:

1. gives more weight in the formula to free care (hospital care provided without anticipation of payment),
2. limits DSH reimbursement for written-off bad debt to only those debts on which all collection activity has ceased and for which no Medicare payment has been received or is expected,
3. requires 5% of hospital bed fund principal and interest (the hospital bed fund offset) to be subtracted from DSH payments to hospitals whose offset amounts are more than \$500,000 and proportionate amounts to be added to payments to those with offsets smaller than \$500,000, and
4. requires DSS to withhold DSH payments to hospitals that do not comply with certain billing and collection requirements until the attorney general (AG) determines they are once again in compliance.

EFFECTIVE DATE: July 1, 2003

UNCOMPENSATED CARE

The bill amends the definition of “uncompensated care.” Currently this is the actual cost in the year prior to the base year (the fiscal year prior to the one for which a budget is being determined) of amounts of care (1) written off as bad debts or (2) provided free under a free care policy approved by the Office of Health Care Access (including emergency assistance to families (EAF) authorized by DSS and not otherwise funded). The bill limits the written-off bad debts that can be considered uncompensated care to only those actual bad debts on which the hospital and its agents have ceased all collection activities and for which they have not received, and do not expect to receive, any Medicare payments. It also allows the hospitals to count twice the free care provided for purposes of the uncompensated care formula.

HOSPITAL BED FUND OFFSET

A hospital bed fund is a gift of money, stock, bonds, financial instruments or other property made by any donor for the purpose of establishing a fund to provide medical care to patients at the hospital.

The bill defines “hospital bed fund offset” to mean 5% of the total fair market value, including principal and earnings, of hospital bed funds, as calculated on the last day of the base year. It requires the hospital bed fund offset to be subtracted from the DSH payment for all hospitals whose hospital bed fund offset is more than \$500,000.

For hospitals with hospital bed fund offsets of \$500,000 or less, the bill requires an amount to be added to their DSH payment that is arrived at by:

1. adding the amount of the medical assistance underpayment plus the actual amount of uncompensated care including EAF,
2. multiplying the result by two,
3. subtracting the amount of uncompensated care due to the hospital’s failure to enroll patients for EAF,
4. dividing the result by the same figure for all hospitals, and
5. multiplying that result by the sum of the hospital bed fund offsets

for hospitals whose annual offsets are greater than \$500,000 (in other words, 5% of their total fair market value, including principal and earnings).

WITHHELD DSH PAYMENTS AND AG DUTIES

The bill requires the DSS commissioner to withhold payment to any hospital the attorney general (AG) determines has failed to comply with certain statutory requirements concerning hospital admission forms and billing, audits of bills, debt collection efforts, and annual filings with the Office of Health Care Access of audited data on uncompensated care provided and debt collection practices. Under the bill, these payments must be withheld until the AG is satisfied that the hospital has reestablished compliance with these requirements and has notified the hospital of that fact. When the AG determines that the hospital has reestablished compliance, the hospital may collect the payments, but if the AG determines that they are not to be collected, the withheld payments must be added to the overall DSH payment appropriation.

COMMITTEE ACTION

Human Services Committee

Joint Favorable Report
Yea 18 Nay 0