



General Assembly

February Session, 2004

Raised Bill No. 5616

LCO No. 2172

02172_____HS_

Referred to Committee on Human Services

Introduced by:
(HS)

AN ACT CONCERNING RATE-SETTING BY THE DEPARTMENT OF SOCIAL 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 67 and 68 of public act 03-3 of the June 30 special session, is
3 repealed and the following is substituted in lieu thereof (*Effective July*
4 *1, 2004*):

5 (a) The rate to be paid by the state to hospitals receiving
6 appropriations granted by the General Assembly and to freestanding
7 chronic disease hospitals, providing services to persons aided or cared
8 for by the state for routine services furnished to state patients, shall be
9 based upon reasonable cost to such hospital, or the charge to the
10 general public for ward services or the lowest charge for semiprivate
11 services if the hospital has no ward facilities, imposed by such
12 hospital, whichever is lowest, except to the extent, if any, that the
13 commissioner determines that a greater amount is appropriate in the
14 case of hospitals serving a disproportionate share of indigent patients.
15 Such rate shall be promulgated annually by the Commissioner of
16 Social Services. Nothing contained herein shall authorize a payment by

17 the state for such services to any such hospital in excess of the charges
18 made by such hospital for comparable services to the general public.
19 Notwithstanding the provisions of this section, for the rate period
20 beginning July 1, 2000, rates paid to freestanding chronic disease
21 hospitals and freestanding psychiatric hospitals shall be increased by
22 three per cent. For the rate period beginning July 1, 2001, a
23 freestanding chronic disease hospital or freestanding psychiatric
24 hospital shall receive a rate that is two and one-half per cent more than
25 the rate it received in the prior fiscal year and such rate shall remain
26 effective until December 31, 2002. Effective January 1, 2003, a
27 freestanding chronic disease hospital or freestanding psychiatric
28 hospital shall receive a rate that is two per cent more than the rate it
29 received in the prior fiscal year. Notwithstanding the provisions of this
30 subsection, for the period commencing July 1, 2001, and ending June
31 30, 2003, the commissioner may pay an additional total of no more
32 than three hundred thousand dollars annually for services provided to
33 long-term ventilator patients. For purposes of this subsection, "long-
34 term ventilator patient" means any patient at a freestanding chronic
35 disease hospital on a ventilator for a total of sixty days or more in any
36 consecutive twelve-month period.

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

44 (c) The term "reasonable cost" as used in this section means the cost
45 of care furnished such patients by an efficient and economically
46 operated facility, computed in accordance with accepted principles of
47 hospital cost reimbursement. The commissioner may adjust the rate of
48 payment established under the provisions of this section for the year
49 during which services are furnished to reflect fluctuations in hospital

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

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

84 charges, the ratios computed to be effective July 1, 1994, shall be
85 reduced by the most recent annual increase in the consumer price
86 index for medical care. The emergency room visit rates in effect June
87 30, 1994, shall remain in effect through December 31, 1994. The
88 Commissioner of Social Services shall establish a fee schedule for
89 outpatient hospital services to be effective on and after January 1, 1995.
90 Except with respect to the rate periods beginning July 1, 1999, and July
91 1, 2000, such fee schedule shall be adjusted annually beginning July 1,
92 1996, to reflect necessary increases in the cost of services.
93 Notwithstanding the provisions of this subsection, the fee schedule for
94 the rate period beginning July 1, 2000, shall be increased by ten and
95 one-half per cent, effective June 1, 2001. Notwithstanding the
96 provisions of this subsection, outpatient rates in effect as of June 30,
97 2003, shall remain in effect through ~~June 30, 2005~~ June 30, 2004. For
98 entities other than those defined as "nonprofit hospitals" in accordance
99 with subdivision (1) of section 19a-486, as amended, rates in effect on
100 June 30, 2004, shall remain in effect in the succeeding rate periods. For
101 "nonprofit hospitals", as defined in subdivision (1) of section 19a-486,
102 as amended, the following rates shall apply: (1) For the rate period
103 beginning July 1, 2004, the fee schedule shall be increased by ten per
104 cent except for outpatient clinic visits; (2) for the rate period beginning
105 July 1, 2004, the fee for outpatient obstetrical clinic visits shall be one
106 hundred twenty-six dollars and seventy-three cents for new patients,
107 and seventy dollars and thirty-six cents for established patients, the fee
108 for all other outpatient clinic visits shall be one hundred four dollars
109 and seventy-nine cents for new patients, and fifty-seven dollars and
110 eighty cents for established patients; and (3) for the rate period
111 beginning July 1, 2005, and for succeeding rate periods, the outpatient
112 rates then in effect shall be annually increased by the hospital market
113 basket published by the Centers for Medicare and Medicaid Services.

114 (e) The commissioner shall adopt regulations, in accordance with
115 the provisions of chapter 54, establishing criteria for defining
116 emergency and nonemergency visits to hospital emergency rooms. All
117 nonemergency visits to hospital emergency rooms shall be paid at the

118 hospital's outpatient clinic services rate. Nothing contained in this
119 subsection or the regulations adopted hereunder shall authorize a
120 payment by the state for such services to any hospital in excess of the
121 charges made by such hospital for comparable services to the general
122 public.

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

139 (g) Effective June 1, 2001, the commissioner shall establish inpatient
140 hospital rates in accordance with the method specified in regulations
141 adopted pursuant to this section and applied for the rate period
142 beginning October 1, 2000, except that the commissioner shall update
143 each hospital's target amount per discharge to the actual allowable cost
144 per discharge based upon the 1999 cost report filing multiplied by
145 sixty-two and one-half per cent if such amount is higher than the target
146 amount per discharge for the rate period beginning October 1, 2000, as
147 adjusted for the ten per cent incentive identified in Section 4005 of
148 Public Law 101-508. If a hospital's rate is increased pursuant to this
149 subsection, the hospital shall not receive the ten per cent incentive
150 identified in Section 4005 of Public Law 101-508. For rate periods

151 beginning October 1, 2001, through [September 30, 2005] September 30,
152 2004, the commissioner shall not apply an annual adjustment factor to
153 the target amount per discharge. For entities other than those defined
154 as nonprofit hospitals, in accordance with subdivision (1) of section
155 19a-486, as amended, the rate in effect as of September 30, 2004, shall
156 remain in effect in the succeeding rate periods. For nonprofit hospitals,
157 as defined in subdivision (1) of section 19a-486, as amended, the
158 following rates shall apply: (1) For the rate period beginning October 1,
159 2004, the commissioner shall update each such hospital's target
160 amount per discharge to the actual allowable cost per discharge based
161 upon the 2002 cost report filing multiplied by eighty per cent if such
162 amount is higher than the target amount per discharge for the rate
163 period beginning October 1, 2001, as adjusted for the ten per cent
164 incentive identified in Section 4005 of Public Law 101-508; (2) for the
165 rate period beginning October 1, 2005, the commissioner shall update
166 each such hospital's target amount per discharge to the actual
167 allowable cost per discharge based upon the 2003 cost report filing
168 multiplied by ninety per cent if such amount is higher than the target
169 amount per discharge for the rate period beginning October 1, 2002, as
170 adjusted for the ten per cent incentive identified in Section 4005 of
171 Public Law 101-508; (3) for the rate period beginning October 1, 2006,
172 the commissioner shall update each such hospital's target amount per
173 discharge to the actual allowable cost per discharge based upon the
174 2004 cost report filing multiplied by one hundred per cent if such
175 amount is higher than the target amount per discharge for the rate
176 period beginning October 1, 2003, as adjusted for the ten per cent
177 incentive identified in Section 4005 of Public Law 101-508; and (4) for
178 the cost period beginning October 1, 2007, and for each succeeding rate
179 period, the commissioner shall update each such hospital's target
180 amount per discharge to the actual allowable cost per discharge for
181 that period. If such nonprofit hospital's rate is increased pursuant to
182 this subsection, such nonprofit hospital shall also be entitled to receive
183 the ten per cent incentive identified in Section 4005 of Public Law 101-
184 508. If such nonprofit hospital does not otherwise receive an increase

185 pursuant to this section, then such nonprofit hospital's target amount
186 per discharge shall be increased by three per cent. For purposes of this
187 subsection, determinations of nonprofit hospital cost shall be made
188 using accepted Medicare cost-finding principles.

189 (h) For the rate period beginning July 1, 2004, and for each
190 succeeding rate period, the commissioner shall establish a rate
191 schedule for mental health facilities, as defined in subsection (g) of
192 section 19a-490, that is no less than the rate schedule for similar
193 services provided by hospitals, as defined in subsection (b) of section
194 19a-490.

This act shall take effect as follows:	
Section 1	July 1, 2004

Statement of Purpose:

To phase in increases in the Medicaid inpatient and outpatient rates that will 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.]