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## **OLR Bill Analysis**

### **sSB 896**

#### ***AN ACT ESTABLISHING RATIONAL HOSPITAL PRICING.***

#### **SUMMARY**

This bill requires the Department of Social Services (DSS) commissioner to seek approval from the federal Centers for Medicare and Medicaid Services by September 1, 2019, for a Medicare waiver to allow hospitals to be reimbursed for services under an all-payer hospital payment system, which, under the bill, is a system in which third-party payers (e.g., Medicare, Medicaid, and private insurers) pay the same rates.

To do so, the bill requires the Medicare waiver to exempt hospitals from the hospital prospective payment system in which Medicare pays all hospitals a flat rate for services based on diagnostic groups and other factors while third-party payers may be charged more for the same services. The bill also supersedes state law provisions governing hospital Medicaid rates.

Under the bill, the commissioner's waiver proposal must include the following provisions, to the extent permitted under federal law:

1. a hospital revenue cap,
2. incentives for hospitals to partner with other health care entities to lower the cost of care, and
3. financial incentives to reduce hospital readmissions and preventable health issues.

EFFECTIVE DATE: Upon passage

#### **BACKGROUND**

##### ***Medicare, Medicaid, and CMS***

Medicare is a federal health insurance program serving individuals age 65 and older or younger individuals with disabilities. For hospitals, prospective payment systems provide Medicare payments based on predetermined, fixed amounts.

The Medicaid program, administered by the state within federal parameters, provides health coverage to low-income children, adults, and families. Medicaid payments to hospitals are generally based on diagnosis-related groups established and periodically rebased by DSS, though rate methodologies vary by type of service, type of hospital, and other factors (CGS § 17b-239).

CMS is the federal agency that oversees Medicare and Medicaid.

**COMMITTEE ACTION**

Human Services Committee

Joint Favorable

Yea 12 Nay 6 (03/07/2019)