



Senate

General Assembly

File No. 106

January Session, 2019

Substitute Senate Bill No. 896

Senate, March 21, 2019

The Committee on Human Services reported through SEN. MOORE, M. of the 22nd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT ESTABLISHING RATIONAL HOSPITAL PRICING.

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

1 Section 1. (NEW) (*Effective from passage*) For purposes of this section,
2 (1) "all-payer hospital payment system" means a system in which
3 third-party payers, including, but not limited to, Medicare, Medicaid
4 and private insurers, pay the same rate for services, and (2) "hospital
5 prospective payment system" means a system in which Medicare pays
6 all hospitals a flat rate for services based on diagnostic groups and
7 other factors while other third-party payers may be charged more for
8 the same services. Notwithstanding section 17b-239 of the general
9 statutes, the Commissioner of Social Services shall seek approval from
10 the Centers for Medicare and Medicaid Services not later than
11 September 1, 2019, for a Medicare waiver exempting hospitals in the
12 state from the hospital prospective payment system and allowing such
13 hospitals to be reimbursed for services under an all-payer hospital
14 payment system. The commissioner, to the extent permitted under
15 federal law, shall develop a waiver proposal that includes (A) a

16 hospital revenue cap, (B) incentives for hospitals to partner with other
17 health care entities to lower the cost of care, and (C) financial
18 incentives to reduce hospital readmissions and preventable health
19 issues.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section

Statement of Legislative Commissioners:

In section 1, "prospective payment system" was changed to "hospital prospective payment system" for consistency with the defined term.

HS *Joint Favorable Subst. -LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 20 \$	FY 21 \$
Social Services, Dept.	GF - Cost	Up to 500,000	None
State Comptroller - Fringe Benefits (State Employee and Retiree Health)	GF and STF - See Below	See Below	See Below
Social Services, Dept.	GF - See Below	See Below	See Below

Note: GF=General Fund; STF = Special Transportation Fund

Municipal Impact:

Municipalities	Effect	FY 20 \$	FY 21 \$
All Municipalities	See Below	See Below	See Below

Explanation

The bill will result in a cost to the Department of Social Services (DSS) of up to \$500,000 in FY 20 for consultant services to develop the Medicare waiver required in the bill in accordance with federal law by September 1, 2019.

The bill may result in a fiscal impact to the Medicaid Program, the state employee and retiree health plan, and municipal health plans. The extent of the impact depends on how the all-payer hospital payment system changes the cost of hospital services that the state and municipalities reimburse for employees, their dependents and public assistance beneficiaries. For reference, in FY 18, the total gross inpatient and outpatient hospital expenditures for the Medicaid program were \$1.7 billion (this excludes hospital supplemental

payments of \$597.7 million). The state employee and retiree health plan gross hospital related claims expenditures for FY 17 (the most recent data available) were approximately \$412 million.

The Out Years

The annualized ongoing fiscal impact identified above will continue into the future subject to the all-payer hospital payment system implemented in accordance with the waiver.

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)