- 1 HB563
- 2 151402-1
- 3 By Representative Clouse
- 4 RFD: Ways and Means General Fund
- 5 First Read: 04-APR-13

1	151402-1:n:04/04/2013	:LFO - ML/ccd
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8	SYNOPSIS: This	s bill would extend the private hospital
9	assessment	and Medicaid funding program for fiscal
10	years 2014,	, 2015, 2016, 2017 and 2018.
11	This	s bill would provide that state-owned and
12	public hosp	pitals shall make intergovernmental
13	transfers t	to the Medicaid Agency to be used to fund
14	payments fo	or inpatient and outpatient care and
15	would prov	ide that state-owned and public hospital
16	certified p	public expenditures shall be for the
17	hospital's	uncompensated care and shall be used to
18	pay the hos	spital its disproportionate share
19	payments.	
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21		A BILL
22	TO BE ENTITLED	
23		AN ACT
24		
25	To amend Sec	ctions 40-26B-70, 40-26B-71, 40-26B-73,
26	40-26B-77, 40-26B-78,	40-26B-80, 40-26B-82, 40-26B-84,
27	40-26B-88. Code of Ala	abama 1975, to extend the private

1 hospital assessment and Medicaid funding program for fiscal 2 years 2014 and 2015; to change the base year to fiscal year 2011 for purposes of calculating the assessment; to change the 3 assessment rate for fiscal years 2014, 2015, 2016, 2017 and 4 2018; to add Section 40-26B-77.1 to Article 5, Chapter 26B of 5 the Code of Alabama 1975, to provide that state-owned and 6 7 public hospitals shall make intergovernmental transfers to the Medicaid Agency to be used to fund payments for inpatient and 8 outpatient care; and to provide that state-owned and public 9 10 hospital certified public expenditures shall be for the 11 hospital's uncompensated care and shall be used to pay the 12 hospital its disproportionate share payments.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Sections 40-26B-70, 40-26B-71, 40-26B-73, 40-26B-77, 40-26B-78, 40-26B-80, 40-26B-81, 40-26B-82, 40-26B-84, and 40-26B-88, Code of Alabama 1975, are amended to read as follows

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For purposes of this article, the following terms shall have the following meanings:

- (1) ACCESS PAYMENT. A payment by the Medicaid program to an eligible hospital for inpatient and outpatient hospital care provided to a Medicaid recipient.
- (2) CERTIFIED PUBLIC EXPENDITURE. A certification in writing of the cost of providing medical care to Medicaid beneficiaries by publicly owned hospitals and hospitals owned by a state agency or a state university plus the amount of

uncompensated care provided by publicly owned hospitals and hospitals owned by an agency of state government or a state university.

- (3) DEPARTMENT. The Department of Revenue of the State of Alabama.
  - (4) HOSPITAL. A facility that is licensed as a hospital under the laws of the State of Alabama, provides 24-hour nursing services, and is primarily engaged in providing, by or under the supervision of doctors of medicine or osteopathy, inpatient services for the diagnosis, treatment, and care or rehabilitation of persons who are sick, injured, or disabled.
  - (5) HOSPITAL SERVICES AND REIMBURSEMENT PANEL. A group of individuals appointed to review and approve any state plan amendments to be submitted to the Centers for Medicare and Medicaid Services which involve hospital services or reimbursement.
  - (6) INTERGOVERNMENTAL TRANSFER. A transfer of funds made by a publicly or state-owned hospital to the Medicaid Agency, which will be used by the agency to obtain federal matching funds for all hospital payments to public and state-owned hospitals, other than disproportionate share payments.
  - (6) (7) MEDICAID PROGRAM. The medical assistance program as established in Title XIX of the Social Security Act and as administered in the State of Alabama by the Alabama Medicaid Agency pursuant to executive order, Chapter 6 of

- Title 22, commencing with Section 22-6-1, and Title 560 of the Alabama Administrative Code.
- 3 (7) (8) MEDICARE COST REPORT. CMS-2552-96, the Cost
  4 Report for Electronic Filing of Hospitals.
- (8) (9) NET PATIENT REVENUE. The amount calculated in accordance with generally accepted accounting principles for privately operated hospitals that is reported on Worksheet G-3, Column 1, Line 3, of the Medicare Cost Report, adjusted to exclude nonhospital revenue.
- 10 (9) (10) PRIVATELY OPERATED HOSPITAL. A hospital in
  11 Alabama other than:
- 12 a. Any hospital that is owned and operated by the federal government;
  - b. Any state-owned hospital;

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- c. Any publicly owned hospital;
- d. A hospital that limits services to patients
  primarily to rehabilitation services; or
- e. A hospital granted a certificate of need as a long term acute care hospital.
- (10) (11) PUBLICLY OWNED HOSPITAL. A hospital
  created and operating under the authority of a governmental
  unit which has been established as a public corporation
  pursuant to Chapter 21 of Title 22 or Chapter 95 of Title 11,
  or a hospital otherwise owned and operated by a unit of local
  government.
- 26 (11) (12) STATE-OWNED HOSPITAL. A hospital that is a
  27 state agency or unit of government, including, without

- limitation, a hospital owned by a state agency or a state
  university.
  - (12) (13) STATE PLAN AMENDMENT. A change or update to the state Medicaid plan that is approved by the Centers for Medicare and Medicaid Services.
    - (13) (14) UPPER PAYMENT LIMIT. The maximum ceiling imposed by federal regulation on Medicaid reimbursement for inpatient hospital services under 42 C.F.R. §447.272 and outpatient hospital services under 42 C.F.R. §447.321.
    - a. The upper payment limit shall be calculated separately for hospital inpatient and outpatient services.
    - b. Medicaid disproportionate share payments shall be excluded from the calculation of the upper payment limit.
    - (14) (15) UNCOMPENSATED CARE SURVEY. A survey of hospitals conducted by the Medicaid program to determine the amount of uncompensated care provided by a particular hospital in a particular fiscal year.

"\$40-26B-71.

operated hospital for the state fiscal year in the amount of 5.38 percent of each hospital's net patient revenue in fiscal year 2007 for the state fiscal years 2010 and 2011. For state fiscal years 2012 and 2013, an assessment is imposed on each privately operated hospital for the state fiscal year in the amount of 5.14 percent of net patient revenue in fiscal year 2009. If during fiscal year 2012 or 2013 there is an extraordinary change in a private hospital's cost due to an

extraordinary known and measurable change that increases the hospital's upper payment limit and entitles that hospital to receive additional access payments, the assessment rate for all private hospitals shall be changed to reflect the hospital's additional costs. An extraordinary known and measurable event is one that results in at least a 50 percent increase in capital costs, necessitates the calculation of the hospital's upper payment limit using a total cost to total charge ratio, and the hospital has at least a 15 percent annual Medicaid inpatient utilization rate. The private hospital must certify to the department the extraordinary costs by August 31, 2012, for the assessment to increase in <del>2013.</del> For state fiscal years 2014, 2015, 2016, 2017 and 2018 an assessment is imposed on each privately operated hospital in the amount of 5.50 percent of net patient revenue in fiscal year 2011. The assessment is a cost of doing business as a privately operated hospital in the State of Alabama.

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(b) (1) For state fiscal years 2010 and 2011, net
patient revenue shall be determined using the data from each
hospital's fiscal year ending in 2007 Medicare Cost Report
contained in the Centers for Medicare and Medicaid Services'
Healthcare Cost Report Information System file dated December
31, 2008. For state fiscal years 2012 and 2013, net patient
revenue shall be determined using the data from each
hospital's fiscal year ending 2009 Medicare Cost Report
contained in the Centers for Medicare and Medicaid Services'
Healthcare Cost Report Information System dated December 31,

2010. For state fiscal years 2014 and 2015, net patient 1 revenue shall be determined using the data from each private 2 hospital's fiscal year ending 2011 Medicare Cost Report 3 contained in the Centers for Medicare and Medicaid Services Healthcare Cost Information System. The 2013 Medicare Cost Report for each private hospital shall be used for fiscal 7 years 2016 and 2017 and the 2015 report shall be used for fiscal vear 2018.

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(2) If a privately operated hospital's fiscal year ending in 2007 Medicare Cost Report is not contained in the Centers for Medicare and Medicaid Services' Healthcare Cost Report Information System file dated December 31, 2008, the hospital shall submit a copy of the hospital's 2007 Medicare Cost Report to the department in order to allow the department to determine the hospital's net patient revenue for 2010 and 2011. For fiscal years 2012 and 2013, the Medicare Cost Report for 2009 shall be used. The Medicare Cost Report for 2011 for each private hospital shall be used for fiscal years 2014 and 2015. The Medicare Cost Report for 2013 for each private hospital shall be used for fiscal years 2016 and 2017 and the 2015 report shall be used for fiscal year 2018. If the Medicare Cost Report is not available in Centers for Medicare and Medicaid Services' Healthcare Cost Report Information System, the hospital shall submit a copy to the department to determine the hospital's net patient revenue for fiscal years <del>2012 and 2013.</del> year 2011.

1 (3) If a privately operated hospital commenced 2 operations after the due date for a 2007 Medicare Cost Report, the hospital shall submit its most recent Medicare Cost Report 3 to the department in order to allow the department to 4 determine the hospital's net patient revenue. If a privately operated hospital commenced operations after the due date for 6 7 a 2009 Medicare Cost Report, the hospital shall submit its 8 most recent Medicare Cost Report to the department in order to 9 allow the department to determine the hospital's net patient 10 revenue. If a privately operated hospital commenced operations after the due date for a 2011 Medicare Cost Report, the 11 12 hospital shall submit its most recent Medicare Cost Report to the department in order to allow the department to determine 13 14 the hospital's net patient revenue.

(c) This article does not authorize a unit of county or local government to license for revenue or impose a tax or assessment upon hospitals or a tax or assessment measured by the income or earnings of a hospital.

"§40-26B-73.

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- (a) (1) There is created within the Health Care Trust Fund referenced in Article 3, Chapter 6, Title 22, a designated account known as the Hospital Assessment Account.
- (2) The hospital assessments imposed under this article shall be deposited into the Hospital Assessment Account.
- (b) Moneys in the Hospital Assessment Account shall consist of:

1 (1) All moneys collected or received by the 2 department from privately operated hospital assessments 3 imposed under this article;

- (2) Any interest or penalties levied in conjunction with the administration of this article; and
  - (3) Any appropriations, transfers, donations, gifts, or moneys from other sources, as applicable.
- (c) The Hospital Assessment Account shall be separate and distinct from the State General Fund and shall be supplementary to the Health Care Trust Fund.
- (d) Moneys in the Hospital Assessment Account shall not be used to replace other general revenues appropriated and funded by the Legislature or other revenues used to support Medicaid.
- (e) The Hospital Assessment Account shall be exempt from budgetary cuts, reductions, or eliminations caused by a deficiency of State General Fund revenues to the extent permissible under Amendment 26 to the Constitution of Alabama of 1901, now appearing as Section 213 of the Official Recompilation of the Constitution of Alabama of 1901, as amended.
- (f)(1) Except as necessary to reimburse any funds borrowed to supplement funds in the Hospital Assessment Account, the moneys in the Hospital Assessment Account shall be used only as follows:
- a. To make inpatient and outpatient private hospital access payments under this article; or

- b. To reimburse moneys collected by the department
   from hospitals through error or mistake or under this article.
- 3 (2)a. The Hospital Assessment Account shall retain 4 account balances remaining each fiscal year.
  - thereafter, any positive balance remaining in the Hospital Assessment Account which was not used by Alabama Medicaid to obtain federal matching funds shall be factored into the calculation of any new assessment rate by reducing the amount of hospital assessment funds that must be generated during the next fiscal year. beginning on October 1, 2013, and if If there is no new assessment beginning October 1, 2013 2018, the funds remaining shall be refunded to the hospital that paid the assessment in proportion to the amount remaining.
  - (3) A privately operated hospital shall not be guaranteed that its inpatient and outpatient hospital payments will equal or exceed the amount of its hospital assessment.

18 "\$40-26B-77.

(a) A certification of public expenditures shall be completed and provided to Medicaid by each publicly and state-owned hospital for each state fiscal year beginning with fiscal year 2007. This written certification shall only include the sum of the cost of providing care to Medicaid eligible beneficiaries for both inpatient and outpatient care plus the amount of uncompensated care provided to hospital inpatients and outpatients during that same state fiscal year.

(b) (1) For state fiscal years 2010, 2011, 2012, and 2013 2014, 2015, 2016, 2017 and 2018, Medicaid shall pay to each publicly or state-owned hospitals the disproportionate share moneys for that fiscal year during the first month of the state fiscal year.

- (2) Certified public expenditures made by publicly and state-owned hospitals shall comply with the requirements of 42 U.S.C. \$1396b(w).
- operations after the due date for the state fiscal year 2007

  2011, the hospital shall submit its certification upon completion of the first six months of operation of the hospital to Medicaid in order to allow Medicaid to add the certification amount to the total certified public expenditure amount. If a publicly or state-owned hospital commenced operations after the due date for the state fiscal year 2009, the hospital shall submit its certification upon completion of the first six months of operation of the hospital to Medicaid in order to allow Medicaid to add the certification amount to the total certified public expenditure amount.
- (4) If a hospital ceases to operate as a state-owned or public hospital it shall provide a certification to Medicaid which shall include all dates of inpatient and outpatient services until and including the hospital's last day of patient service as a publicly or state-owned hospital within 10 business days of the last day the hospital operated as a state-owned or public hospital.

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(a) Medicaid shall account for those federal funds 2 derived from certified public expenditures by publicly and 3 4 state-owned hospitals as those funds are received by Medicaid from the federal government.

- (b) The certified public expenditure accounting shall be separate and distinct from the State General Fund appropriation accounting.
- (c) Federal moneys accounted for shall not be used to replace other State General Fund revenues appropriated and funded by the Legislature or other revenues used to support Medicaid.
- (d) The moneys obtained by Medicaid from hospital certified public expenditure certifications shall be used only as follows:
- (1) To make inpatient, outpatient, and disproportionate share hospital payments under this article;
- (2) To reimburse moneys collected by the department through error or mistake under this article; or
- (3) For any other permissible purpose allowed under Title XIX of the Social Security Act.

22 "\$40-26B-79.

> (a) Medicaid shall pay hospitals as a base amount for state fiscal years 2010, 2011, 2012, and 2013 2014, 2015, 2016, 2017 and 2018, the total inpatient payments made by Medicaid during state fiscal year 2007, divided by the total patient days paid in state fiscal year 2007, multiplied by

patient days paid during fiscal years 2010, 2011, 2012, and 2013 2014, 2015, 2016, 2017 and 2018. This payment to be paid using Medicaid's published check write table is in addition to any access payments, disproportionate share payments, or other payments described in this article.

(b) Any publicly owned or privately operated hospital that ceases to operate as a hospital that was in operation during the hospital's fiscal year ending in 2007 shall notify Medicaid at the time the facility ceases to operate. Base payments that would have been made to these facilities for these services will not be made beginning on the date that the facility ceased to operate as a hospital.

Medicaid shall pay hospitals as a base amount for state fiscal years 2010 and 2011 the total outpatient payments made by Medicaid during state fiscal year 2007, divided by the total Internal Control Number or ICN count incurred in state fiscal year 2007, multiplied by the Internal Control Number or ICN count incurred each month during fiscal years 2010 and 2011. Medicaid shall pay hospitals as a base amount for fiscal years 2012 and 2013 for outpatient services based upon the outpatient fee schedule in existence on September 30, 2009, plus an additional six percent inflation factor. Medicaid shall pay hospitals as a base amount for fiscal years 2014, 2015, 2016, 2017 and 2018 for outpatient services based upon the outpatient fee schedule in existence on September 30, 2013, plus an additional six percent inflation factor over the

amounts paid in 2012 and 2013. Outpatient base payments shall
be paid using Medicaid's published check write table and shall
be paid in addition to any access payments or other payments
described in this article.

"\$40-26B-81.

- (a) To preserve and improve access to hospital services, for hospital inpatient and outpatient services rendered on or after October 1, 2009, Medicaid shall make hospital access payments to publicly, state-owned, and privately operated hospitals as set forth in this section.
- (b) The aggregate hospital access payment amount is an amount equal to the upper payment limit, less total base payments determined under this article.
- (c) All publicly, state-owned, and privately operated hospitals shall be eligible for inpatient and outpatient hospital access payments for fiscal years 2010, 2011, 2012, and 2013 2014, 2015, 2016, 2017 and 2018 as set forth in this article.
- (1) In addition to any other funds paid to hospitals for inpatient hospital services to Medicaid patients, each eligible hospital shall receive inpatient hospital access payments each state fiscal year. Publicly and state-owned hospitals shall receive payments, including base payments, that, in the aggregate, equal the upper payment limit for publicly and state-owned hospitals. Privately operated hospitals shall receive payments, including base payments

that, in the aggregate, equal the upper payment limit for
privately operated hospitals.

- 3 (2) Inpatient hospital access payments shall be made 4 on a quarterly basis.
  - (3) In addition to any other funds paid to hospitals for outpatient hospital services to Medicaid patients, each eligible hospital shall receive outpatient hospital access payments each state fiscal year. Publicly and state-owned hospitals shall receive payments, including base payments, that, in the aggregate, equal the upper payment limit for publicly and state-owned hospitals. Privately operated hospitals shall receive payments, including base payments that, in the aggregate, equal the upper payment limit for privately operated hospitals.
  - (4) Outpatient hospital access payments shall be made on a quarterly basis.
  - (d) A hospital access payment shall not be used to offset any other payment by Medicaid for hospital inpatient or outpatient services to Medicaid beneficiaries, including, without limitation, any fee-for-service, per diem, private hospital inpatient adjustment, or cost settlement payment.
  - (e) The specific hospital payments for publicly, state-owned, and privately operated hospitals shall be described in the state plan amendment to be submitted to and approved by the Centers for Medicare and Medicaid Services.

"\$40-26B-82.

(a) The assessment imposed under this article shall not take effect or shall cease to be imposed and any moneys remaining in the Hospital Assessment Account in the Alabama Medicaid Program Trust Fund shall be refunded to hospitals in proportion to the amounts paid by them if any of the following occur:

- (1) Expenditures for hospital inpatient and outpatient services paid by the Alabama Medicaid Program for fiscal years 2010, 2011, 2012, and 2013 2014, 2015, 2016, 2017 and 2018 are less than the amount paid during fiscal year 2009 2013.
- (2) Medicaid makes changes in its rules that reduce hospital inpatient payment rates, outpatient payment rates, or adjustment payments, including any cost settlement protocol, that were in effect on October 1, 2009 September 30, 2013.
- (3) The inpatient or outpatient hospital access payments required under this article are changed or the assessments imposed or certified public expenditures, or intergovernmental transfers recognized under this article are not eligible for federal matching funds under Title XIX of the Social Security Act, 42 U.S.C. §1396 et seq., or 42 U.S.C. §1397aa et seq.
- (b) (1) The assessment imposed under this article shall not take effect or shall cease to be imposed if the assessment is determined to be an impermissible tax under Title XIX of the Social Security Act, 42 U.S.C. §1396 et seq.

(2) Moneys in the Hospital Assessment Account in the Alabama Medicaid Program Trust Fund derived from assessments imposed before the determination described in subdivision (1) shall be disbursed under this article to the extent federal matching is not reduced due to the impermissibility of the assessments, and any remaining moneys shall be refunded to hospitals in proportion to the amounts paid by them.

"\$40-26B-84.

This article shall be of no effect if federal financial participation under Title XIX of the Social Security Act is not available to Medicaid at the approved federal medical assistance percentage, established under Section 1905 of the Social Security Act, for the state fiscal years 2010, 2011, 2012, and 2013 2014, 2015, 2016. 2017 and 2018.

Section 2. The following code is added to Article 5, Chapter 26 of the Code of Alabama 1975, to read as follows: \$40-26B-77.1.

(a) Beginning on October 1, 2013, publicly owned and state-owned hospitals will begin making intergovernmental transfers to the Medicaid Agency. The amount of these intergovernmental transfers shall be calculated by the Medicaid Agency to equal the amount of state funds necessary for the agency to obtain only those federal matching funds necessary to pay state-owned and public hospitals for direct inpatient and outpatient care and to pay state-owned and public hospital inpatient and outpatient access payments.(b) These intergovernmental transfers shall be made in compliance

1	with 42 U.S.C. §1396(b)w.(c) If a publicly or state-owned	
2	hospital commences operations after October 1, 2013, the	
3	hospital shall commence making intergovernmental transfers to	
4	the Medicaid Agency in the first full month of operation of	
5	the hospital after October 1, 2013.	
6	Section 3. This act shall become effective on	
7	October 1, 2013.	