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IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 656

BY WAYS AND MEANS COMMITTEE

AN ACT RELATING TO THE IDAHO HOSPITAL ASSESSMENT ACT; AMENDING SECTION 56-1401, IDAHO CODE, TO REVISE LEGISLATIVE INTENT; AMENDING SECTION 56-1402, IDAHO CODE, TO DEFINE A TERM; AMENDING SECTION 56-1403, IDAHO CODE, TO REVISE THE APPROPRIATION STATUS OF THE HOSPITAL ASSESSMENT FUND AND TO PROVIDE ADDITIONAL PURPOSES FOR THE FUND; AMENDING SECTION 56-1404, IDAHO CODE, TO REVISE HOW ASSESSMENTS ARE TO BE DETERMINED FOR ALL HOSPITALS AND FOR PRIVATE IN-STATE HOSPITALS AND TO REVISE HOW THE ASSESSMENT BASE IS DETERMINED; AMENDING SECTION 56-1406, IDAHO CODE, TO REVISE TERMINOLOGY AND TO REVISE HOW THE UPPER PAYMENT LIMIT DISTRIBUTIONS ARE TO BE DETERMINED FOR CERTAIN YEARS; REPEALING SECTIONS 56-1401, 56-1402, 56-1403, 56-1404 AND 56-1406, IDAHO CODE, RELATING TO THE IDAHO HOSPITAL ASSESSMENT ACT; AMENDING CHAPTER 14, TITLE 56, IDAHO CODE, BY THE ADDITION OF NEW SECTIONS 56-1401, 56-1402, 56-1403, 56-1404 AND 56-1406, IDAHO CODE, TO PROVIDE A SHORT TITLE AND LEGISLATIVE INTENT, TO DEFINE TERMS, TO ESTABLISH AND PROVIDE FOR THE HOSPITAL ASSESSMENT FUND, TO PROVIDE FOR HOSPITAL ASSESSMENTS AND TO PROVIDE FOR INPATIENT AND OUTPATIENT ADJUSTMENT PAYMENTS; PROVIDING

- Be It Enacted by the Legislature of the State of Idaho:
- 22 SECTION 1. That Section 56-1401, Idaho Code, be, and the same is hereby 23 amended to read as follows:

DATE; AND REPEALING SECTION 2, CHAPTER 91, LAWS OF 2008.

LEGISLATIVE INTENT; PROVIDING A SUNSET DATE; PROVIDING AN EFFECTIVE

- 56-1401. SHORT TITLE -- LEGISLATIVE INTENT. (1) This chapter shall be known and may be cited as the "Idaho Hospital Assessment Act."
 - (2) It is the intent of the legislature to encourage the maximization of financial resources eligible and available for medicaid services by establishing a fund within the Idaho department of health and welfare to receive private hospital assessments to use in securing federal matching funds under federally prescribed upper payment limit and disproportionate share hospital programs and to maximize reimbursement for allowable costs available through the state medicaid plan.
 - (3) It is also the intent of the legislature to assess private hospitals to maintain adequate state trustee and benefit funds.
- 35 SECTION 2. That Section 56-1402, Idaho Code, be, and the same is hereby 36 amended to read as follows:
 - 56-1402. DEFINITIONS. As used in this chapter:
 - (1) "Allowable costs" means the costs actually incurred by the hospital that are reasonable in amount and necessary and proper to the efficient delivery of services. The allowability of costs is governed by the

applicable medicare principles of reimbursement for provider costs as set forth in 42 CFR 413.

(2) "Department" means the department of health and welfare.

- $(\frac{23}{2})$ "Disproportionate share hospital" means a hospital that serves a disproportionate share of medicaid low-income patients as compared to other hospitals as determined by department rule.
- $(\frac{34}{2})$ "Governmental entity" means and includes the state and its political subdivisions.
 - (45) "Hospital" is as defined in section 39-1301(a), Idaho Code.
- $(\frac{56}{0})$ "Political subdivision" means a county, city, municipal corporation or hospital taxing district and, as used in this chapter, shall include state licensed hospitals established by counties pursuant to chapter 36, title 31, Idaho Code, or jointly by cities and counties pursuant to chapter 37, title 31, Idaho Code.
- $(\frac{67}{2})$ "Private hospital" means a hospital that is not owned by a governmental entity.
- (78) "Upper payment limit" means a limitation established by federal regulations, 42 CFR 447.272 and 42 CFR 447.321, that disallows federal matching funds when state medicaid agencies pay certain classes of hospitals an aggregate amount for inpatient and outpatient hospital services that would exceed the amount that would be paid for the same services furnished by that class of hospitals under medicare payment principles.
- SECTION 3. That Section 56-1403, Idaho Code, be, and the same is hereby amended to read as follows:
- 56-1403. HOSPITAL ASSESSMENT FUND ESTABLISHED. (1) There is hereby created in the office of the state treasurer a dedicated fund to be known as the hospital assessment fund, hereinafter "fund," to be administered by the department of health and welfare, hereinafter "department." The state treasurer shall invest idle moneys in the fund and any interest received on those investments shall be returned to the fund.
 - (2) Moneys in the fund shall consist of:
 - (a) All moneys collected or received by the department from hospital assessments required by this chapter;
 - (b) All federal matching funds received by the department as a result of expenditures made by the department that are attributable to moneys deposited in the fund;
 - (c) Any interest or penalties levied in conjunction with the administration of this chapter; and
 - (d) Any appropriations, federal funds, donations, gifts or moneys from any other sources.
- (3) The fund is created for the purpose of receiving moneys in accordance with this section and section 56-1404, Idaho Code. The fund shall not be used to replace any moneys appropriated to the Idaho medical assistance program by the legislature. Moneys in the fund, which are deemed to be perpetually appropriated, shall be distributed by the department subject to appropriation for the following purposes only:
 - (a) Payments to hospitals as required under Idaho's medical assistance program as set forth in sections 56-209b through 56-209d, Idaho Code;

- (b) Reimbursement of moneys collected by the department from hospitals through error or mistake in performing the activities authorized under Idaho's medical assistance program;
- (c) Payments of administrative expenses incurred by the department or its agent in performing the activities authorized by this chapter;
- (d) Payments made to the federal government to repay excess payments made to hospitals from the fund if the assessment plan is deemed out of compliance and after the state has appealed the findings. Hospitals shall refund the payments in question to the assessment fund. The state in turn shall return funds to both the federal government and hospital providers in the same proportion as the original financing. Individual hospitals shall be reimbursed based on the proportion of the individual hospital's assessment to the total assessment paid by all hospitals. If a hospital is unable to refund payments, the state shall develop a payment plan and deduct moneys from future medicaid payments;
- (e) Transfers to any other fund in the state treasury, provided such transfers shall not exceed the amount transferred previously from that other fund into the hospital assessment fund; and
- (f) Making refunds to hospitals pursuant to section 56-1410, Idaho Code;
- (g) Payments to hospitals that restore allowable costs; and
- (h) Provide state matching funds for department medicaid trustee and benefit expenditures to the extent that a general fund shortfall exists or as limited by the maximum assessment as set forth in section 56-1404(4), whichever is less.
- SECTION 4. That Section 56-1404, Idaho Code, be, and the same is hereby amended to read as follows:
- 56-1404. ASSESSMENTS. (1) All hospitals, except those exempted under section 56-1408, Idaho Code, shall make payments to the fund in accordance with this chapter. Subject to section 56-1410, Idaho Code, an annual assessment on both inpatient and outpatient services is determined for each qualifying hospital for <u>each</u> state fiscal years $\frac{2009}{2010}$, $\frac{2010}{2010}$ and $\frac{2011}{2010}$, in an amount calculated by multiplying the rate, as set forth in subsections (2) (b) $\frac{1}{200}$ and (3) (b) $\frac{1}{200}$ of this section, by the assessment base, as set forth in subsection ($\frac{5}{200}$) of this section.
 - (2) (a) The department shall calculate the private hospital upper payment limit gap for both inpatient and outpatient services. The upper payment limit gap is the difference between the maximum allowable payments eligible for federal match, less medicaid payments not financed using hospital assessment funds. The upper payment limit gap shall be calculated separately for hospital inpatient and outpatient services. Medicaid disproportionate share payments shall be excluded from the calculation.
 - (b) The department shall calculate the upper payment limit assessment rate for <u>each</u> state fiscal years 2009, 2010 and 2011 to be the percentage that, when multiplied by the assessment base as defined in subsection $(\frac{5}{6})$ of this section, equals the upper payment limit gap determined in paragraph (a) of this subsection.

- (3) (a) The department shall calculate the disproportionate share allotment amount to be paid to private in-state hospitals.
- (b) The department shall calculate the disproportionate share assessment rate for private in-state hospitals to be the percentage that, when multiplied by the assessment base as defined in subsection $(\underline{56})$ of this section, equals the amount of state funding necessary to pay the private in-state hospital disproportionate share allotment determined in paragraph (a) of this subsection.
- (4) <u>(a)</u> The department shall calculate the restoration of costs amount and the amount to maintain adequate state trustee and benefit funds.
- (b) The department shall calculate the assessment rate for restoring allowable costs to private in-state hospitals and to maintain adequate state trustee and benefit funds to be the percentage that, when multiplied by the assessment base as defined in subsection (6) of this section, equals the amount of state funding necessary to pay the allowable costs and to maintain the state trustee and benefit funds determined in paragraph (a) of this subsection.
- $\overline{(5)}$ For private in-state hospitals, the assessments calculated pursuant to subsections (2), and (3) and (4) of this section shall not be greater than two and one-half percent (2.5%) of the assessment base as defined in subsection ($\frac{56}{2}$) of this section.
- (56) The assessment base shall be the hospital's net patient revenue for the applicable period. "Net patient revenue" for state fiscal year 20109 shall be determined using the most recent data available from each hospital's fiscal year 20045 medicare cost report on file with the department on June 30, 20089, without regard to any subsequent adjustments or changes to such data. Net patient revenue for each state fiscal year 2010 thereafter shall be determined in the same manner using the most recent data available a rolling yearly schedule for each hospital's fiscal year 2005 medicare cost report on file with the department on June 30, 2009 of each subsequent year, without regard to any subsequent adjustments or changes to such data. Net patient revenue for state fiscal year 2011 shall be determined using the most recent data available from each hospital's fiscal year 2006 medicare cost report on file with the department on June 30, 2010, without regard to any subsequent adjustments or changes to such data.
- SECTION 5. That Section 56-1406, Idaho Code, be, and the same is hereby amended to read as follows:
- 56-1406. INPATIENT AND OUTPATIENT <u>ADJUSTMENT</u> <u>UPPER</u> PAYMENTS <u>LIMIT</u> <u>DISTRIBUTIONS</u>. All hospitals, except those exempted under section 56-1408, Idaho Code, shall be eligible for inpatient and outpatient adjustments as follows:
- (1) For state fiscal year 2009, the inpatient upper payment limit gap for private hospitals shall be divided by medicaid inpatient days for the same hospitals from calendar year 2007 to establish an average per diem adjustment rate. Each hospital shall receive an annual payment distribution that is equal to the average per diem adjustment rate multiplied by the hospital's calendar year 2007 medicaid inpatient days. For purposes of this section, "hospital medicaid inpatient days" are days of inpatient hospitalization paid for by the Idaho medical assistance program for

the applicable calendar year. For fiscal year 2010, calendar year 2008 inpatient hospital medicaid days shall be utilized to determine the hospital inpatient adjustment upper payment limit distributions. For state fiscal years 2011, 2012 and 2013, calendar years 2009, 2010 and 2011 hospital medicaid inpatient days shall be utilized respectively to determine the hospital inpatient adjustment upper payment limit distributions. In the event that either the inpatient upper payment limit gap for private hospitals or the available hospital assessment funding is lower than anticipated, the department shall apply an across-the-board factor such that the inpatient upper payment adjustments limit distributions are maximized, financed entirely from hospital assessment funding, and do not exceed the Idaho inpatient upper payment limit for private hospitals. Payments Distributions shall be made no later than thirty (30) days after the receipt of the last deposit of the hospital assessment required in section 56-1404, Idaho Code.

For state fiscal year 2009, the outpatient upper payment limit gap for private hospitals shall be divided by medicaid outpatient hospital reimbursement for the same hospitals from calendar year 2007 to establish an average percentage adjustment rate. Each hospital, except those exempt under section 56-1408, Idaho Code, shall receive an annual payment distribution that is equal to the average percentage adjustment rate multiplied by the hospital's calendar year 2007 hospital medicaid For purposes of this section, "hospital outpatient reimbursement. outpatient reimbursement" is reimbursement for hospital outpatient services paid for by the Idaho medical assistance program for the applicable calendar year. For state fiscal year 2010, calendar year 2008 hospital medicaid outpatient reimbursement shall be utilized to determine the outpatient hospital adjustment upper payment limit distribution. state fiscal year 2011, calendar year 2009 hospital medicaid outpatient reimbursement shall be utilized to determine the outpatient hospital adjustment upper payment limit distributions. In the event that either the outpatient upper payment limit gap for private hospitals or the available hospital assessment funding is lower than anticipated, the department shall apply an across-the-board factor, such that outpatient adjustment payments are maximized, financed entirely from hospital assessment funding, and do not exceed the Idaho outpatient upper payment limit for private hospitals. Payments Distributions shall be made no later than thirty (30) days after the receipt of the last deposit of the hospital assessments required in section 56-1404, Idaho Code.

SECTION 6. That Sections $\underline{56-1401}$, $\underline{56-1402}$, $\underline{56-1403}$, $\underline{56-1404}$ and $\underline{56-1406}$, Idaho Code, be, and the same are hereby repealed.

SECTION 7. That Chapter 14, Title 56, Idaho Code, be, and the same is hereby amended by the addition thereto of $\underline{\text{NEW SECTIONS}}$, to be known and designated as Sections 56-1401, 56-1402, 56-1403, 56-1404 and 56-1406, Idaho Code, and to read as follows:

56-1401. SHORT TITLE -- LEGISLATIVE INTENT. (1) This chapter shall be known and may be cited as the "Idaho Hospital Assessment Act."

(2) It is the intent of the legislature to encourage the maximization of financial resources eligible and available for medicaid services by establishing a fund within the Idaho department of health and welfare to receive private hospital assessments to use in securing federal matching funds under federally prescribed upper payment limit and disproportionate share hospital programs available through the state medicaid plan.

56-1402. DEFINITIONS. As used in this chapter:

- (1) "Department" means the department of health and welfare.
- (2) "Disproportionate share hospital" means a hospital that serves a disproportionate share of medicaid low-income patients as compared to other hospitals as determined by department rule.
- (3) "Governmental entity" means and includes the state and its political subdivisions.
 - (4) "Hospital" is as defined in section 39-1301(a), Idaho Code.
- (5) "Political subdivision" means a county, city, municipal corporation or hospital taxing district and, as used in this chapter, shall include state licensed hospitals established by counties pursuant to chapter 36, title 31, Idaho Code, or jointly by cities and counties pursuant to chapter 37, title 31, Idaho Code.
- (6) "Private hospital" means a hospital that is not owned by a governmental entity.
- (7) "Upper payment limit" means a limitation established by federal regulations, 42 CFR 447.272 and 42 CFR 447.321, that disallows federal matching funds when state medicaid agencies pay certain classes of hospitals an aggregate amount for inpatient and outpatient hospital services that would exceed the amount that would be paid for the same services furnished by that class of hospitals under medicare payment principles.
- 56-1403. HOSPITAL ASSESSMENT FUND ESTABLISHED. (1) There is hereby created in the office of the state treasurer a dedicated fund to be known as the hospital assessment fund, hereinafter "fund," to be administered by the department of health and welfare, hereinafter "department." The state treasurer shall invest idle moneys in the fund and any interest received on those investments shall be returned to the fund.
 - (2) Moneys in the fund shall consist of:
 - (a) All moneys collected or received by the department from hospital assessments required by this chapter;
 - (b) All federal matching funds received by the department as a result of expenditures made by the department that are attributable to moneys deposited in the fund;
 - (c) Any interest or penalties levied in conjunction with the administration of this chapter; and
 - (d) Any appropriations, federal funds, donations, gifts or moneys from any other sources.
- (3) The fund is created for the purpose of receiving moneys in accordance with this section and section 56-1404, Idaho Code. The fund shall not be used to replace any moneys appropriated to the Idaho medical assistance program by the legislature. Moneys in the fund shall be

distributed by the department subject to appropriation for the following purposes only:

- (a) Payments to hospitals as required under Idaho's medical assistance program as set forth in sections 56-209b through 56-209d, Idaho Code;
- (b) Reimbursement of moneys collected by the department from hospitals through error or mistake in performing the activities authorized under Idaho's medical assistance program;
- (c) Payments of administrative expenses incurred by the department or its agent in performing the activities authorized by this chapter;
- (d) Payments made to the federal government to repay excess payments made to hospitals from the fund if the assessment plan is deemed out of compliance and after the state has appealed the findings. Hospitals shall refund the payments in question to the assessment fund. The state in turn shall return funds to both the federal government and hospital providers in the same proportion as the original financing. Individual hospitals shall be reimbursed based on the proportion of the individual hospital's assessment to the total assessment paid by all hospitals. If a hospital is unable to refund payments, the state shall develop a payment plan and deduct moneys from future medicaid payments;
- (e) Transfers to any other fund in the state treasury, provided such transfers shall not exceed the amount transferred previously from that other fund into the hospital assessment fund; and
- (f) Making refunds to hospitals pursuant to section 56-1410, Idaho Code.
- 56-1404. ASSESSMENTS. (1) All hospitals, except those exempted under section 56-1408, Idaho Code, shall make payments to the fund in accordance with this chapter. Subject to section 56-1410, Idaho Code, an annual assessment on both inpatient and outpatient services is determined for each qualifying hospital for state fiscal years 2009, 2010 and 2011, in an amount calculated by multiplying the rate, as set forth in subsections (2) (b) and (3) (b) of this section, by the assessment base, as set forth in subsection (5) of this section.
 - (2) (a) The department shall calculate the private hospital upper payment limit gap for both inpatient and outpatient services. The upper payment limit gap is the difference between the maximum allowable payments eligible for federal match, less medicaid payments not financed using hospital assessment funds. The upper payment limit gap shall be calculated separately for hospital inpatient and outpatient services. Medicaid disproportionate share payments shall be excluded from the calculation.
 - (b) The department shall calculate the upper payment limit assessment rate for state fiscal years 2009, 2010 and 2011 to be the percentage that, when multiplied by the assessment base as defined in subsection (5) of this section, equals the upper payment limit gap determined in paragraph (a) of this subsection.
 - (3) (a) The department shall calculate the disproportionate share allotment amount to be paid to private in-state hospitals.
 - (b) The department shall calculate the disproportionate share assessment rate for private in-state hospitals to be the percentage

that, when multiplied by the assessment base as defined in subsection (5) of this section, equals the amount of state funding necessary to pay the private in-state hospital disproportionate share allotment determined in paragraph (a) of this subsection.

- (4) For private in-state hospitals, the assessments calculated pursuant to subsections (2) and (3) of this section shall not be greater than two and one-half percent (2.5%) of the assessment base as defined in subsection (5) of this section.
- (5) The assessment base shall be the hospital's net patient revenue for the applicable period. "Net patient revenue" for state fiscal year 2009 shall be determined using the most recent data available from each hospital's fiscal year 2004 medicare cost report on file with the department on June 30, 2008, without regard to any subsequent adjustments or changes to such data. Net patient revenue for state fiscal year 2010 shall be determined using the most recent data available for each hospital's fiscal year 2005 medicare cost report on file with the department on June 30, 2009, without regard to any subsequent adjustments or changes to such data. Net patient revenue for state fiscal year 2011 shall be determined using the most recent data available from each hospital's fiscal year 2006 medicare cost report on file with the department on June 30, 2010, without regard to any subsequent adjustments or changes to such data.
- 56-1406. INPATIENT AND OUTPATIENT ADJUSTMENT PAYMENTS. All hospitals, except those exempted under section 56-1408, Idaho Code, shall be eligible for inpatient and outpatient adjustments as follows:
- (1) For state fiscal year 2009, the inpatient upper payment limit gap for private hospitals shall be divided by medicaid inpatient days for the same hospitals from calendar year 2007 to establish an average per diem adjustment rate. Each hospital shall receive an annual payment that is equal to the average per diem adjustment rate multiplied by the hospital's calendar year 2007 medicaid inpatient days. For purposes of this section, "hospital medicaid inpatient days" are days of inpatient hospitalization paid for by the Idaho medical assistance program for the applicable calendar year. For fiscal year 2010, calendar year 2008 inpatient hospital medicaid days shall be utilized to determine the hospital inpatient adjustment payment. For state fiscal year 2011, calendar year 2009 hospital medicaid inpatient days shall be utilized to determine the hospital inpatient adjustment payment. In the event that either the inpatient upper payment limit gap for private hospitals or the available hospital assessment funding is lower than anticipated, the department shall apply an across-the-board factor such that the inpatient payment adjustments are maximized, financed entirely from hospital assessment funding, and do not exceed the Idaho inpatient upper payment limit for private hospitals. Payments shall be made no later than thirty (30) days after the receipt of the last deposit of the hospital assessment required in section 56-1404, Idaho Code.
- (2) For state fiscal year 2009, the outpatient upper payment limit gap for private hospitals shall be divided by medicaid outpatient hospital reimbursement for the same hospitals from calendar year 2007 to establish an average percentage adjustment rate. Each hospital, except those exempt under section 56-1408, Idaho Code, shall receive an annual payment that

is equal to the average percentage adjustment rate multiplied by the hospital's calendar year 2007 hospital medicaid outpatient reimbursement. For purposes of this section, "hospital outpatient reimbursement" is reimbursement for hospital outpatient services paid for by the Idaho medical assistance program for the applicable calendar year. For state fiscal year 2010, calendar year 2008 hospital medicaid outpatient reimbursement shall be utilized to determine the outpatient hospital adjustment payment. For state fiscal year 2011, calendar year 2009 hospital medicaid outpatient reimbursement shall be utilized to determine the outpatient hospital adjustment payment. In the event that either the outpatient upper payment limit gap for private hospitals or the available hospital assessment funding is lower than anticipated, the department shall apply an across-the-board factor, such that outpatient adjustment payments are maximized, financed entirely from hospital assessment funding, and do not exceed the Idaho outpatient upper payment limit for private hospitals. Payments shall be made no later than thirty (30) days after the receipt of the last deposit of the hospital assessments required in section 56-1404, Idaho Code.

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SECTION 8. LEGISLATIVE INTENT. It is the intent of the Legislature that Sections 1, 2, 3, 4, 5 and 8 of this act shall be exempt from any freeze on Medicaid price increases mandated by legislative intent language contained in the appropriation for the Department of Health and Welfare for Medical Assistance Services for fiscal year 2011 or by any other Idaho law. The authority and duties granted to the department in chapter 14, title 56, Idaho Code, and the rulemaking authority granted to the department setting hospital reimbursement rates shall not be affected by any such freeze.

SECTION 9. The provisions of Section 8 of this act shall be null, void and of no force and effect on and after July 1, 2012.

SECTION 10. Sections 6 and 7 of this act shall be in full force and effect on and after July 1, 2012.

SECTION 11. That Section 2, Chapter 91, Laws of 2008, be, and the same is hereby repealed.