

By Mr. O'Leary of Melrose, petition of the Mass. Association of HMOs and Timothy F. O'Leary for legislation to provide for the reimbursement of acute care hospitals. Health Care.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Ninety-One.

AN ACT TO PROVIDE FOR THE REIMBURSEMENT OF ACUTE CARE HOSPITALS.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Chapter 6A of the General Laws, as appearing
2 in the 1988 Official Edition, is hereby amended by adding a new
3 section as follows: —

4 Section 103. For fiscal years beginning on or after October 1,
5 1991, payment for hospital services by a purchaser or third-party
6 payors, including health maintenance organizations licensed
7 under chapter one hundred and seventy-six G and state programs
8 under Title XIX of the Social Security Act but excluding
9 programs under Title XVIII of the Social Security Act, shall be
10 determined through negotiated agreements between any such
11 purchaser or third-party payor and the hospital or hospitals
12 without the approval of the commission. Rates of payment for
13 hospital services by third-party payors who are unable to enter
14 into a negotiated agreement with a hospital or hospitals shall be
15 established by the commission as provided for in section one
16 hundred and four.

1 SECTION 2. Chapter 6A of the General Laws, as appearing
2 in the 1988 Official Edition, is hereby amended by adding a new
3 section as follows: —

4 Section 104. Except as provided for in section one hundred and
5 three, for fiscal years beginning on or after October 1, 1991, all
6 rates of payment to hospitals by purchasers and third-party payors
7 except for payments made pursuant to programs under

8 Title XVIII of the Social Security Act, shall be established by the
9 commission and shall reflect the reasonable cost of providing
10 hospital services. In determining the reasonable cost of hospital
11 services, the commission shall give consideration to the hospital's
12 approved nonmedicare gross inpatient service revenues for fiscal
13 year 1991, medical inflation, depreciation, amortization, interest,
14 occupancy, volume, the hospital's status as a sole community
15 provider, the amount of individual services which are rendered
16 for partial or no payment, and principles of reimbursement for
17 provider costs in effect from time to time under Titles XVIII and
18 XIX of the Social Security Act. The commission shall establish
19 rates on a prospective basis subject to rules and regulations
20 promulgated by the commission.

21 Any third-party payor, purchaser or hospital aggrieved by any
22 determination of rates by the commission pursuant to this section
23 may, within twenty days of the filing by the commission in its
24 office of its determination, file a petition in the supreme judicial
25 court for the county of Suffolk for a review of the determination.
26 In the event there is an appeal by a third-party payor, purchaser
27 or hospital of a rate determination, the rate established by the
28 commission shall be used pending the determination of the appeal,
29 and any difference in the rate established as a result of the appeal
30 and the interim rate shall be adjusted as the court may determine.

1 SECTION 3. Section 87 of Chapter 6A of the General Laws,
2 as appearing in the 1988 Official Edition, is hereby amended by
3 striking out the first paragraph and inserting the following
4 language in its place: —

5 Section 87. (1) For purposes of this section, terms used herein
6 shall have the meanings given them in section one of chapter one
7 hundred and eighteen F. For purposes of providing for the costs
8 of uncompensated care, the commission shall determine each
9 hospital's patient care costs for the fiscal year and shall establish
10 a uniform statewide allowance for uncompensated care for each
11 hospital. The uniform statewide allowance for uncompensated
12 care shall be applicable to all purchasers and third-party payors
13 except for those payors under Title XVIII and Title XIX of the
14 Social Security Act. In no event shall the amount of said liability
15 to the pool by private sector payors exceed the amount of private
16 sector liability for fiscal year nineteen hundred and ninety-one.

1 SECTION 4. Section 2 of Chapter 118F is hereby amended by
2 adding the following after line 147: —

3 “Uncompensated care”, free care, but shall not include bad
4 debt.

1 SECTION 5. Section 15 of chapter 118F is hereby amended
2 by striking subsection 1 and substituting the following: —

3 (1) The department shall administer an uncompensated care
4 pool consisting of revenues produced by the uniform statewide
5 allowance for uncompensated care included in hospital rates of
6 payment pursuant to section one hundred and four of chap-
7 ter six A, penalty payments made pursuant to section one hundred
8 and five of chapter six A, and revenues appropriated for the pool
9 in accordance with this section.

1 SECTION 6. Chapter 6A of the General Laws, as appearing
2 in the 1988 Official Edition, is hereby amended by adding a new
3 section as follows: —

4 Section 105. In the event the commission determines that a
5 hospital's rates in any fiscal year exceed those established by the
6 commission for that fiscal year as provided for in section one
7 hundred and four, the commission shall make an investigation to
8 determine, pursuant to standards established by the commission,
9 whether there is a reasonable justification for the excess rate. The
10 commission is authorized to assess penalties, which may include
11 a penalty interest charge based on the prime interest rate, in the
12 event of non-compliance by the hospital with the provisions of
13 section one hundred and four. Any such penalty shall be paid into
14 the uncompensated care pool.

1 SECTION 7. Chapter 6A of the General Laws, as appearing
2 in the 1988 Official Edition, is hereby amended by adding a new
3 section as follows: —

4 Section 106. Effective October 1, 1991 and for each fiscal year
5 thereafter, every acute hospital shall, at least sixty days prior to
6 the start of its fiscal year, file with the commission a statement
7 of its projected patient care costs and such other information as
8 the commission may require in order to comply with the
9 provisions of sections eighty-seven and one hundred and four. The
10 commission shall specify the form for these filings.

11 Every acute hospital shall file with the commission a statement
12 of its actual patient care costs and patient care revenues for the
13 fiscal year in a form specified by the commission within 90 days
14 after the end of the fiscal year. Every acute hospital shall file with
15 the commission within 90 days after the end of each fiscal year
16 an annual report, in a form specified by the commission,
17 containing information on the acute hospital's utilization, case
18 mix, intensity of service, medical practice, mortality rates,
19 readmission levels, and outcome measures as determined by the
20 commission.

21 The commission shall analyze the information contained in
22 each acute hospital's annual report and shall publish a summary
23 of this information for each acute hospital in a form that is
24 readable and understandable to the general public.

25 All submissions required by this section and the summaries
26 prepared by the commission based on each acute hospital's annual
27 report shall be considered public records as that term is defined
28 in section seven of chapter four.

1 SECTION 8. Chapter 6A of the General Laws, as appearing
2 in the 1988 Official Edition, is hereby amended by striking out
3 the following sections: — Section sixty-three and section sixty-
4 four.

1 SECTION 9. Section 65 of Chapter 6A of the General Laws,
2 as appearing in the 1988 Official Edition, is hereby amended by
3 striking out line 6 through and including line 17.