
By: Senator Bromwell

Introduced and read first time: January 31, 1997

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **State Health Services Cost Review Commission - Hospital Rates and Costs**

3 FOR the purpose of authorizing the State Health Services Cost Review Commission to
4 conduct a certain review and investigation to assure purchasers of health care
5 facility services that the aggregate rates of the facility do not compensate for certain
6 costs and that the reported costs of the facility exclude certain administrative
7 expenses; requiring the Commission to publish certain information in the Maryland
8 Register at a certain time; requiring the Commission to adopt regulations to carry
9 out certain provisions of this Act by a certain time; defining a term; and generally
10 relating to the State Health Services Cost Review Commission and certain hospital
11 rates and costs.

12 BY repealing and reenacting, with amendments,
13 Article - Health - General
14 Section 19-201 and 19-216
15 Annotated Code of Maryland
16 (1996 Replacement Volume and 1996 Supplement)

17 BY repealing and reenacting, without amendments,
18 Article - Health - General
19 Section 19-301(a) and (e)
20 Annotated Code of Maryland
21 (1996 Replacement Volume and 1996 Supplement)

22 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
23 MARYLAND, That the Laws of Maryland read as follows:

24 **Article - Health - General**

25 19-201.

26 (a) In this subtitle the following words have the meanings indicated.

27 (b) "Commission" means the State Health Services Cost Review Commission.

28 (c) "Facility" means, whether operated for a profit or not:

29 (1) Any hospital; or

2

1 (2) Any related institution.

2 (d) (1) "Hospital services" means:

3 (i) Inpatient hospital services as enumerated in Medicare Regulation
4 42 C.F.R. § 409.10, as amended;

5 (ii) Emergency services;

6 (iii) Outpatient services provided at the hospital; and

7 (iv) Identified physician services for which a facility has
8 Commission-approved rates on June 30, 1985.

9 (2) "Hospital services" does not include outpatient renal dialysis services.

10 (e) "RELATED ENTITY" MEANS AN ENTITY THAT IS NOT A HOSPITAL AND IS
11 NOT REGULATED BY THE COMMISSION, BUT IN WHICH A HOSPITAL HAS A DIRECT
12 OR INDIRECT FINANCIAL INTEREST.

13 (F) (1) "Related institution" means an institution that is licensed by the
14 Department as:

15 (i) A comprehensive care facility that is currently regulated by the
16 Commission; or

17 (ii) An intermediate care facility -- mental retardation.

18 (2) "Related institution" includes any institution in paragraph (1) of this
19 subsection, as reclassified from time to time by law.

20 19-216.

21 (a) The Commission may review costs and rates and make any investigation that
22 the Commission considers necessary to assure each purchaser of health care facility
23 services that:

24 (1) The total costs of all hospital services offered by or through a facility are
25 reasonable;

26 (2) The aggregate rates of the facility are related reasonably to the
27 aggregate costs of the facility; [and]

28 (3) The rates are set equitably among all purchasers or classes of purchasers
29 without undue discrimination or preference[.];

30 (4) THE AGGREGATE RATES OF THE FACILITY DO NOT COMPENSATE
31 FOR THE COSTS OF ACQUIRING, OPERATING, OR TERMINATING A RELATED ENTITY;
32 AND

33 (5) THE REPORTED COSTS OF THE FACILITY EXCLUDE ANY
34 ADMINISTRATIVE EXPENSES DEVOTED TO ANY NONREGULATED ACTIVITY,
35 INCLUDING MANAGEMENT TIME, EFFORT, SUPPORT, AND THE COST OF FUNDS.

3

1 (b) (1) To carry out its powers under subsection (a) of this section, the
2 Commission may review and approve or disapprove the reasonableness of any rate that a
3 facility sets or requests.

4 (2) A facility shall charge for services only at a rate set in accordance with
5 this subtitle.

6 (3) In determining the reasonableness of rates, the Commission may take
7 into account objective standards of efficiency and effectiveness.

8 (c) (1) To promote the most efficient and effective use of health care facility
9 services and, if it is in the public interest and consistent with this subtitle, the Commission
10 may promote and approve alternate methods of rate determination and payment that are
11 of an experimental nature.

12 (2) AS SOON AS PRACTICABLE AFTER THE COMMISSION APPROVES AN
13 ALTERNATIVE METHOD OF RATE DETERMINATION AND PAYMENT FOR A HOSPITAL,
14 THE COMMISSION SHALL PUBLISH THE METHOD OF RATE DETERMINATION AND
15 PAYMENT IN THE MARYLAND REGISTER.

16 19-301.

17 (a) In this subtitle the following words have the meanings indicated.

18 (e) "Hospital" means an institution that:

19 (1) Has a group of at least 5 physicians who are organized as a medical staff
20 for the institution;

21 (2) Maintains facilities to provide, under the supervision of the medical
22 staff, diagnostic and treatment services for 2 or more unrelated individuals; and

23 (3) Admits or retains the individuals for overnight care.

24 SECTION 2. AND BE IT FURTHER ENACTED, That, on or before October 31,
25 1997, the State Health Services Cost Review Commission shall adopt regulations to carry
26 out § 19-216(a)(4) and (5) of the Health - General Article, as enacted by Section 1 of this
27 Act.

28 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
29 July 1, 1997.