
By: Senator Della

Introduced and read first time: January 31, 1997

Assigned to: Finance

Committee Report: Favorable with amendments

Senate action: Adopted

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CHAPTER _____

1 AN ACT concerning

2 **Health Services Cost Review Commission - Uncompensated Care - Rates and Payments**
3 **Reports and Notifications**

4 FOR the purpose of increasing the number and altering the composition of the State
5 ~~Health Services Cost Review Commission~~; altering the quorum requirement for
6 ~~action by the Commission~~; authorizing the Commission to assess a certain fee from
7 ~~certain hospitals~~; limiting the amount of the fee assessment during the first year of
8 ~~collection and requiring the Commission to consult with the Senate Finance~~
9 ~~Committee and the House Environmental Matters Committee at a certain time to~~
10 ~~increase the fee after the first year~~; requiring the funds generated through the fee
11 ~~assessment to be used for the sole purpose of funding high uncompensated care at~~
12 ~~certain hospitals~~; prohibiting the Commission from assessing a certain fee to create
13 ~~a grant program~~; requiring the Commission to submit a certain report to the Senate
14 ~~Finance Committee and the House Environmental Matters Committee at a certain~~
15 ~~time~~; establishing a Special Uncompensated Care Fund; providing for the purpose
16 ~~and administration of the Fund~~; requiring the Commission, in promoting and
17 ~~approving an alternative method of rate determination and payment, to consider a~~
18 ~~certain impact of the method and payment~~; requiring the Commission monthly to
19 ~~make a certain compilation and report to certain entities~~; specifying the effective
20 ~~date of certain provisions of this Act~~; requiring the Health Services Cost Review
21 Commission to submit certain reports to the Senate Finance Committee and the
22 House Environmental Matters Committee; requiring the Commission to send
23 certain regulations to the Senate Finance Committee and House Environmental
24 Matters Committee under certain circumstances; providing for the effective date;
25 and generally relating to the Health Services Cost Review Commission, hospital ~~and~~
26 ~~uncompensated care, and certain rates and payments~~ reports and notifications.

27 ~~BY repealing and reenacting, without amendments,~~

2

1 Article—Health—General
2 Section 19-201(a) and (b)
3 Annotated Code of Maryland
4 (1996 Replacement Volume and 1996 Supplement)

5 ~~BY~~ repealing and reenacting, with amendments,
6 Article—Health—General
7 Section 19-203, 19-206, 19-207.3, and 19-216
8 Annotated Code of Maryland
9 (1996 Replacement Volume and 1996 Supplement)

10 ~~BY~~ adding to
11 Article—Health—General
12 Section 19-207.4
13 Annotated Code of Maryland
14 (1996 Replacement Volume and 1996 Supplement)

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

17 ~~Article—Health—General~~

18 ~~19-201.~~

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

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

21 ~~19-203.~~

22 (a) (1) ~~The Commission consists of [7] 9 members appointed by the Governor.~~

23 (2) ~~Of the [7] 9 [members,] MEMBERS:~~

24 (I) ~~[4] 6 shall be individuals who do not have any connection with the~~
25 ~~management or policy of any facility[.];~~

26 (II) ~~1 SHALL BE AN INDIVIDUAL FROM A HEALTH MAINTENANCE~~
27 ~~ORGANIZATION; AND~~

28 (III) ~~1 SHALL BE A HEALTH CARE PROVIDER.~~

29 (b) ~~Each member shall be interested in problems of health care.~~

30 (c) (1) ~~The term of a member is 4 years.~~

31 (2) ~~The terms of members are staggered as required by the terms provided~~
32 ~~for members of the Commission on July 1, 1982. The terms of those members end as~~
33 ~~follows:~~

34 (i) ~~2 in 1983;~~

35 (ii) ~~1 in 1984;~~

3

1 ~~(iii) 2 in 1985; and~~

2 ~~(iv) 2 in 1986.~~

3 ~~(3) At the end of a term, a member continues to serve until a successor is~~
4 ~~appointed and qualifies.~~

5 ~~(4) A member who is appointed after a term has begun serves only for the~~
6 ~~rest of the term and until a successor is appointed and qualifies.~~

7 ~~(5) A member who serves 2 consecutive full 4-year terms may not be~~
8 ~~reappointed for 4 years after completion of those terms.~~

9 ~~19-206.~~

10 ~~(a) A majority of the full authorized membership of the Commission is a quorum.~~
11 ~~However, the Commission may not act on any matter unless at least [4] 6 members in~~
12 ~~attendance concur.~~

13 ~~(b) The Commission shall meet at least 6 times a year, at the times and places that~~
14 ~~it determines.~~

15 ~~(c) Each member of the Commission is entitled to:~~

16 ~~(1) Compensation in accordance with the State budget; and~~

17 ~~(2) Reimbursement for expenses under the Standard State Travel~~
18 ~~Regulations, as provided in the State budget.~~

19 ~~(d) (1) The Commission may employ a staff in accordance with the State~~
20 ~~budget.~~

21 ~~(2) The Deputy Director and each principal section chief of the Commission~~
22 ~~serve at the pleasure of the Commission.~~

23 ~~(3) The Commission, in consultation with the Secretary, may determine the~~
24 ~~appropriate job classifications and, subject to the State budget, the compensation for the~~
25 ~~Executive Director, Deputy Director, and each principal section chief of the Commission.~~

26 ~~19-207.3.~~

27 ~~(a) The Commission shall assess the underlying causes of hospital uncompensated~~
28 ~~care and make recommendations to the General Assembly on the most appropriate~~
29 ~~alternatives to:~~

30 ~~(1) Reduce uncompensated care; and~~

31 ~~(2) Assure the integrity of the payment system.~~

32 ~~{(b) The Commission may adopt regulations establishing alternative methods for~~
33 ~~financing the reasonable total costs of hospital uncompensated care provided that the~~
34 ~~alternative methods:~~

35 ~~(1) Are in the public interest;~~

36 ~~(2) Will equitably distribute the reasonable costs of uncompensated care;~~

1 ~~(3) Will fairly determine the cost of reasonable uncompensated care~~
2 ~~included in hospital rates;~~

3 ~~(4) Will continue incentives for hospitals to adopt efficient and effective~~
4 ~~credit and collection policies; and~~

5 ~~(5) Will not result in significantly increasing costs to Medicare or the loss of~~
6 ~~Maryland's Medicare Waiver under Section 1814(b) of the Social Security Act.~~

7 ~~(e) Any funds generated through hospital rates under an alternative method~~
8 ~~adopted by the Commission in accordance with subsection (b) of this section may only be~~
9 ~~used to finance the delivery of hospital uncompensated care.]~~

10 ~~(B) THE COMMISSION MAY ASSESS A FEE ON THE TOTAL GROSS OPERATING~~
11 ~~REVENUE FROM EACH HOSPITAL WHOSE RATES HAVE BEEN APPROVED BY THE~~
12 ~~COMMISSION.~~

13 ~~(C) ALL FUNDS GENERATED THROUGH THE ASSESSMENT REQUIRED UNDER~~
14 ~~SUBSECTION (B) OF THIS SECTION SHALL BE USED FOR THE SOLE PURPOSE OF~~
15 ~~FUNDING HIGH UNCOMPENSATED CARE AT HOSPITALS DESIGNATED BY THE~~
16 ~~COMMISSION.~~

17 ~~(D) THE COMMISSION MAY NOT ASSESS THE FEE AUTHORIZED UNDER~~
18 ~~SUBSECTION (B) OF THIS SECTION ON A HOSPITAL TO CREATE A GRANT PROGRAM.~~

19 ~~(E) ON OR BEFORE JANUARY 1 OF EACH YEAR, THE COMMISSION SHALL~~
20 ~~SUBMIT A REPORT TO THE SENATE FINANCE COMMITTEE AND THE HOUSE~~
21 ~~ENVIRONMENTAL MATTERS COMMITTEE OF THE MARYLAND GENERAL ASSEMBLY~~
22 ~~CONCERNING THE AMOUNT OF FUNDS COLLECTED FROM EACH HOSPITAL AND THE~~
23 ~~DISPOSITION OF FUNDS TO EACH HOSPITAL FOR THAT YEAR IN ACCORDANCE WITH~~
24 ~~SUBSECTIONS (B) AND (C) OF THIS SECTION.~~

25 49-207.4.

26 ~~(A) THERE IS A SPECIAL UNCOMPENSATED CARE FUND.~~

27 ~~(B) THE PURPOSE OF THE FUND IS TO ADMINISTER A BROAD-BASED~~
28 ~~ASSESSMENT TO FUND HIGH UNCOMPENSATED CARE HOSPITALS.~~

29 ~~(C) THE FUND CONSISTS OF:~~

30 ~~(1) THE ASSESSMENT COLLECTED AND DEPOSITED IN THE FUND BY~~
31 ~~THE COMMISSION UNDER § 49-207.3 OF THIS SUBTITLE; AND~~

32 ~~(2) INCOME FROM INVESTMENTS THAT THE STATE TREASURER MAKES~~
33 ~~FOR THE FUND.~~

34 ~~(D) ALL COSTS AND EXPENSES OF THE FUND SHALL BE INCLUDED IN THE~~
35 ~~STATE BUDGET.~~

36 ~~(E) EXPENDITURES FROM THE FUND TO COVER COSTS AND EXPENSES OF~~
37 ~~THE FUND MAY ONLY BE MADE:~~

1 ~~(1) PURSUANT TO AN APPROPRIATION APPROVED BY THE GENERAL~~
2 ~~ASSEMBLY IN THE ANNUAL STATE BUDGET; OR~~

3 ~~(2) BY THE BUDGET AMENDMENT PROCEDURE PROVIDED FOR IN §~~
4 ~~7-209 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.~~

5 ~~(F) (1) THE STATE TREASURER IS THE CUSTODIAN OF THE FUND.~~

6 ~~(2) THE FUND SHALL BE INVESTED AND REINVESTED IN THE SAME~~
7 ~~MANNER AS STATE FUNDS.~~

8 ~~(3) THE STATE TREASURER SHALL DEPOSIT PAYMENTS RECEIVED~~
9 ~~FROM THE COMMISSION INTO THE FUND.~~

10 ~~(G) (1) THE FUND IS A CONTINUING, NONLAPSING FUND AND IS NOT~~
11 ~~SUBJECT TO § 7-302 OF THE STATE FINANCE AND PROCUREMENT ARTICLE, AND MAY~~
12 ~~NOT BE DEEMED A PART OF THE GENERAL FUND.~~

13 ~~(2) NO PART OF THE FUND MAY REVERT OR BE CREDITED TO:~~

14 ~~(I) THE GENERAL FUND OF THE STATE; OR~~

15 ~~(II) ANY OTHER SPECIAL FUND OF THE STATE.~~

16 ~~49-216.~~

17 ~~(a) The Commission may review costs and rates and make any investigation that~~
18 ~~the Commission considers necessary to assure each purchaser of health care facility~~
19 ~~services that:~~

20 ~~(1) The total costs of all hospital services offered by or through a facility are~~
21 ~~reasonable;~~

22 ~~(2) The aggregate rates of the facility are related reasonably to the~~
23 ~~aggregate costs of the facility; and~~

24 ~~(3) The rates are set equitably among all purchasers or classes of purchasers~~
25 ~~without undue discrimination or preference.~~

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

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

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

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

1 ~~(2) IN PROMOTING AND APPROVING AN ALTERNATIVE METHOD OF~~
2 ~~RATE DETERMINATION AND PAYMENT, THE COMMISSION SHALL CONSIDER THE~~
3 ~~IMPACT OF THE ALTERNATIVE METHOD OF RATE DETERMINATION AND PAYMENT~~
4 ~~ON BUSINESSES, MANAGED CARE ORGANIZATIONS, HEALTH MAINTENANCE~~
5 ~~ORGANIZATIONS, AND PRICE COMPETITION IN THE STATE.~~

6 ~~(3) THE COMMISSION MONTHLY SHALL COMPILE ALTERNATIVE~~
7 ~~METHODS OF RATE DETERMINATION AND PAYMENT THAT THE COMMISSION~~
8 ~~APPROVES AND REPORT THOSE METHODS TO:~~

9 ~~(I) THE MARYLAND CHAMBER OF COMMERCE;~~

10 ~~(II) THE GREATER BALTIMORE COMMITTEE;~~

11 ~~(III) THE WASHINGTON BUSINESS COUNCIL;~~

12 ~~(IV) ALL LICENSED HEALTH MAINTENANCE ORGANIZATIONS IN~~
13 ~~THE STATE; AND~~

14 ~~(V) ALL LICENSED MANAGED CARE ORGANIZATIONS IN THE~~
15 ~~STATE.~~

16 ~~SECTION 2. AND BE IT FURTHER ENACTED, That:~~

17 ~~(1) For the first year that the Health Services Cost Review Commission~~
18 ~~collects a fee assessment for the Uncompensated Care Fund established under § 19-207.4~~
19 ~~of the Health General Article, as enacted by Section 1 of this Act, the assessment shall~~
20 ~~not exceed .75% of the total gross operating revenue of each hospital; and~~

21 ~~(2) After the first year that the Health Services Cost Review Commission~~
22 ~~collects a fee assessment for the Uncompensated Care Fund established under § 19-207.4~~
23 ~~of the Health General Article, as enacted by Section 1 of this Act, the Commission may~~
24 ~~increase the fee assessment only after consultation with the Senate Finance Committee~~
25 ~~and the House Environmental Matters Committee of the Maryland General Assembly at~~
26 ~~least 60 days before the Commission intends to increase the fee assessment.~~

27 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
28 MARYLAND That the Health Services Cost Review Commission shall submit to the
29 Senate Finance Committee and the House Environmental Matters Committee, by
30 October 1, 1997 and each year thereafter, a report on the following:

31 (1) Regulatory, procedural, and policy changes in the past year relating to
32 alternative methods for funding the reasonable cost of hospital uncompensated care; and

33 (2) Instances over the past year in which a Commission member voted to approve
34 or disapprove a grant to a facility or when the member asked to be recused from a vote
35 when the Commission member had a connection to the management or policy of the
36 facility.

37 SECTION 2. AND BE IT FURTHER ENACTED, That, in addition to the
38 provisions of Section 1 of this Act, any time the Health Services Cost Review Commission
39 submits regulations for publication in the Maryland Register relating to alternative
40 methods for funding the reasonable costs of hospital uncompensated care, the

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1 Commission shall also send copies of the regulations to the Senate Finance Committee
2 and the House Environmental Matters Committee.

3 ~~SECTION 3. AND BE IT FURTHER ENACTED, That the changes made to §§~~
4 ~~19-207.3 and 19-216 of the Health—General Article by this Act shall take effect June 1,~~
5 ~~1997.~~

6 ~~SECTION 4. AND BE IT FURTHER ENACTED, That § 19-207.4 of the Health—~~
7 ~~General Article, as added by this Act, shall take effect June 1, 1997.~~

8 ~~SECTION 5. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall~~
9 ~~take effect June 1, 1997.~~

10 ~~SECTION 6. 3. AND BE IT FURTHER ENACTED, That except as provided in~~
11 ~~Sections 3, 4, and 5 of this Act, this Act shall take effect October June 1, 1997.~~