

HOUSE BILL 1095

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1998 Regular Session
8r2219
CF 8r2239

By: **Delegate Redmer**

Introduced and read first time: February 13, 1998

Assigned to: Environmental Matters and Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Health Services Cost Review Commission**

3 FOR the purpose of altering the composition of the Health Services Cost Review
4 Commission; requiring the Commission to make a certain disclosure in
5 accordance with the State Public Ethics law; requiring the Commission to certify
6 that certain rates of a certain facility are approved by the Commission and the
7 same for all payors; requiring the Commission to make a certain assurance to
8 each purchaser of health care facility services concerning certain aggregate and
9 unit rates; requiring a certain accounting system to identify and prohibit any
10 direct or indirect cost shifting; requiring a certain facility to make a certain
11 certification concerning certain cost allocations; prohibiting the Commission
12 from allowing a certain modification to a certain accounting and financial
13 reporting system; requiring a certain report by a certain facility to be certified
14 by a certain person; requiring responsible officials of a certain facility to make
15 certain attestations; requiring the Commission to review and approve or
16 disapprove the reasonableness of a certain rate schedule; requiring a certain
17 facility to charge for services only at a rate set in accordance with a certain
18 approved rate schedule; prohibiting the Commission from considering for
19 certain purposes certain rates or revenues in the aggregate only or certain total
20 costs of all hospital services and requiring the Commission to consider certain
21 unit rates and rate schedules; defining a certain term; and generally relating to
22 the Health Services Cost Review Commission.

23 BY repealing and reenacting, with amendments,
24 Article - Health - General
25 Section 19-201, 19-203(a), 19-207(b), 19-210, 19-211, 19-212, 19-216, and
26 19-217
27 Annotated Code of Maryland
28 (1996 Replacement Volume and 1997 Supplement)

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

1 **Article - Health - General**

2 19-201.

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

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

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

6 (1) Any hospital; or

7 (2) Any related institution.

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

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

11 (ii) Emergency services;

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

13 (iv) Identified physician services for which a facility has
14 Commission-approved rates on June 30, 1985.15 (2) "Hospital services" does not include outpatient renal dialysis
16 services.17 (E) "RELATED ENTITY" MEANS AN ENTITY THAT IS NOT A HOSPITAL AND IS
18 NOT REGULATED BY THE COMMISSION, BUT IN WHICH A FACILITY HAS A DIRECT
19 FINANCIAL INTEREST.20 [(e)] (F) (1) "Related institution" means an institution that is licensed by
21 the Department as:22 (i) A comprehensive care facility that is currently regulated by the
23 Commission; or

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

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

27 19-203.

28 (a) (1) The Commission consists of 7 members appointed by the Governor.

29 (2) Of the 7 members[,]:

1 (I) [4] 5 shall be individuals who do not have any connection with
2 the management or policy of any facility; AND

3 (II) 1 SHALL REPRESENT THE PAYOR COMMUNITY.

4 19-207.

5 (b) In addition to the duties set forth elsewhere in this subtitle, the
6 Commission shall:

7 (1) Adopt rules and regulations that relate to its meetings, minutes, and
8 transactions;

9 (2) Keep minutes of each meeting;

10 (3) Prepare annually a budget proposal that includes the estimated
11 income of the Commission and proposed expenses for its administration and
12 operation;

13 (4) Within a reasonable time after the end of each facility's fiscal year or
14 more often as the Commission determines, prepare from the information filed with
15 the Commission any summary, compilation, or other supplementary report that will
16 advance the purposes of this subtitle;

17 (5) Periodically participate in or do analyses and studies that relate to:

18 (i) Health care costs;

19 (ii) The financial status of any facility; or

20 (iii) Any other appropriate matter; and

21 (6) On or before October 1 of each year, submit to the Governor, to the
22 Secretary, and, subject to § 2-1246 of the State Government Article, to the General
23 Assembly an annual report on the operations and activities of the Commission during
24 the preceding fiscal year, including:

25 (i) A copy of each summary, compilation, and supplementary report
26 required by this subtitle; and

27 (ii) Any other fact, suggestion, or policy recommendation that the
28 Commission considers necessary.

29 19-210.

30 The Commission shall:

31 (1) Require each facility to disclose publicly:

32 (i) Its financial position; and

- 1 (ii) As computed by methods that the Commission determines, the
2 verified total costs incurred by the facility in providing health services;
- 3 (2) Review for reasonableness and certify THAT the rates of each
4 facility[,] ARE:
- 5 (I) THE RATES APPROVED BY THE COMMISSION; AND
6 (II) THE SAME FOR ALL PAYORS;
- 7 (3) Keep informed as to whether a facility has enough resources to meet
8 its financial requirements;
- 9 (4) Concern itself with solutions if a facility does not have enough
10 resources; and
- 11 (5) Assure each purchaser of health care facility services that:
- 12 (i) The total costs of all hospital services offered by or through a
13 facility are reasonable;
- 14 (ii) The aggregate rates of the facility are related reasonably to the
15 aggregate costs of the facility; and
- 16 (iii) [Rates] AGGREGATE RATES AND UNIT RATES are set equitably
17 among all purchasers of services without undue discrimination.
- 18 19-211.
- 19 (a) (1) After public hearings and consultation with any appropriate advisory
20 committee, the Commission shall adopt, by rule or regulation, a uniform accounting
21 and financial reporting system that:
- 22 (i) Includes any cost allocation method that the Commission
23 determines; [and]
- 24 (II) IDENTIFIES AND PROHIBITS ANY DIRECT OR INDIRECT COST
25 SHIFTING; AND
- 26 [(ii)] (III) Requires each facility to record its income, revenues,
27 assets, expenses, outlays, liabilities, and units of service.
- 28 (2) Each facility shall adopt the uniform accounting and financial
29 reporting system AND CERTIFY, AS SPECIFIED IN § 19-212(B) OF THIS SUBTITLE, THAT
30 COST ALLOCATIONS DO NOT INCLUDE DIRECT OR INDIRECT COST SHIFTING.
- 31 (b) [In] EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS SECTION, IN
32 conformity with this subtitle, the Commission may allow and provide for
33 modifications in the uniform accounting and financial reporting system to reflect
34 correctly any differences among facilities in their type, size, financial structure, or
35 scope or type of service.

1 (C) THE COMMISSION MAY NOT ALLOW AND PROVIDE FOR A MODIFICATION
2 UNDER SUBSECTION (B) OF THIS SECTION IF THE MODIFICATION WOULD ALLOW
3 DIRECT OR INDIRECT COST SHIFTING.

4 19-212.

5 (a) At the end of the fiscal year for a facility at least 120 days following a
6 merger or a consolidation and at any other interval that the Commission sets, the
7 facility shall file:

8 (1) A balance sheet that details its assets, liabilities, and net worth;

9 (2) A statement of income and expenses; and

10 (3) Any other report that the Commission requires about costs incurred
11 in providing services.

12 (b) (1) A report under this section shall:

13 (i) Be in the form that the Commission requires;

14 (ii) Conform to the uniform accounting and financial reporting
15 system adopted under this subtitle; and

16 (iii) Be certified as follows:

17 1. For the University of Maryland Hospital, by the
18 Legislative Auditor OR BY A CERTIFIED PUBLIC ACCOUNTANT OF THE UNIVERSITY
19 OF MARYLAND HOSPITAL; or

20 2. For any other facility, by its certified public accountant.

21 (2) [If the Commission requires, responsible] RESPONSIBLE officials of a
22 facility [also] shall attest that, to the best of their knowledge and belief[,]:

23 (I) [the] THE report has been prepared in conformity with the
24 uniform accounting and financial reporting system adopted under this subtitle;

25 (II) THE COST ALLOCATIONS DO NOT INCLUDE DIRECT OR
26 INDIRECT COST SHIFTING; AND

27 (III) ALL PAYORS ARE CHARGED THE SAME UNIT RATE.

28 19-216.

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

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

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

3 (3) The UNIT rates are set equitably among all purchasers or classes of
4 purchasers without undue discrimination or preference.

5 (b) (1) To carry out its powers under subsection (a) of this section, the
6 Commission [may] SHALL review and approve or disapprove the reasonableness of
7 any rate OR RATE SCHEDULE that a facility sets or requests.

8 (2) A facility shall charge for services only at a rate set in accordance
9 with this subtitle ACCORDING TO AN APPROVED RATE SCHEDULE.

10 (3) In determining the reasonableness of rates OR A RATE SCHEDULE,
11 the Commission may take into account objective standards of efficiency and
12 effectiveness.

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

17 19-217.

18 (a) (1) To have the statistical information needed for rate review and
19 approval, the Commission shall compile all relevant financial and accounting
20 information.

21 (2) The information shall include:

22 (i) Necessary operating expenses;

23 (ii) Appropriate expenses that are incurred in providing services to
24 patients who cannot or do not pay;

25 (iii) Incurred interest charges; and

26 (iv) Reasonable depreciation expenses that are based on the
27 expected useful life of property or equipment.

28 (b) [The] FOR PURPOSES OF SUBSECTION (A) OF THIS SECTION, THE
29 Commission [shall define, by rule or regulation, the types and classes of charges that
30 may not be changed, except as specified in § 19-219 of this subtitle] MAY NOT
31 CONSIDER:

32 (1) RATES OR REVENUES IN THE AGGREGATE ONLY, BUT SHALL ALSO
33 CONSIDER THE UNIT RATES AND RATE SCHEDULES; AND

34 (2) TOTAL COSTS OF ALL HOSPITAL SERVICES, BOTH INPATIENT OR
35 OUTPATIENT, INCLUDING THE COSTS OF ACQUIRING, OPERATING, OR TERMINATING
36 A RELATED ENTITY.

1 (c) The Commission shall obtain from each facility its current rate schedule
2 and each later change in the schedule that the Commission requires.

3 (d) The Commission shall:

4 (1) Permit a nonprofit facility to charge reasonable rates that will permit
5 the facility to provide, on a solvent basis, effective and efficient service that is in the
6 public interest; and

7 (2) Permit a proprietary profit-making facility to charge reasonable
8 rates that:

9 (i) Will permit the facility to provide effective and efficient service
10 that is in the public interest; and

11 (ii) Based on the fair value of the property and investments that are
12 related directly to the facility, include enough allowance for and provide a fair return
13 to the owner of the facility.

14 (e) In the determination of reasonable rates for each facility, as specified in
15 this section, the Commission shall take into account all of the cost of complying with
16 recommendations made, under Subtitle 1 of this title, on comprehensive health
17 planning.

18 (f) In reviewing rates or charges or considering a request for change in rates
19 or charges, the Commission shall permit a facility to charge rates that, in the
20 aggregate, will produce enough total revenue to enable the facility to meet reasonably
21 each requirement specified in this section.

22 (g) Except as otherwise provided by law, in reviewing rates or charges or
23 considering a request for changes in rates or charges, the Commission may not hold
24 executive sessions.

25 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
26 October 1, 1998.