

SENATE BILL 698

Unofficial Copy  
J3

1998 Regular Session  
8r2239  
CF 8r2219

---

By: **Senator Bromwell**

Introduced and read first time: February 16, 1998

Assigned to: Rules

---

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

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

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

28 **Article - Health - General**

29 19-201.

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

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

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

3 (1) Any hospital; or

4 (2) Any related institution.

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

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

8 (ii) Emergency services;

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

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

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

14 (E) "RELATED ENTITY" MEANS AN ENTITY THAT IS NOT A HOSPITAL AND IS  
15 NOT REGULATED BY THE COMMISSION, BUT IN WHICH A FACILITY HAS A DIRECT OR  
16 INDIRECT FINANCIAL INTEREST.

17 [(e)] (F) (1) "Related institution" means an institution that is licensed by  
18 the Department as:

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

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

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

24 19-203.

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

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

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

29 (II) 1 SHALL REPRESENT THE PAYOR COMMUNITY.

1 19-210.

2 The Commission shall:

3 (1) Require each facility to disclose publicly:

4 (i) Its financial position; and

5 (ii) As computed by methods that the Commission determines, the  
6 verified total costs incurred by the facility in providing health services;

7 (2) Review for reasonableness and certify THAT the rates of each  
8 facility[,] ARE:

9 (I) THE RATES APPROVED BY THE COMMISSION; AND

10 (II) THE SAME FOR ALL PAYORS;

11 (3) Keep informed as to whether a facility has enough resources to meet  
12 its financial requirements;

13 (4) Concern itself with solutions if a facility does not have enough  
14 resources; and

15 (5) Assure each purchaser of health care facility services that:

16 (i) The total costs of all hospital services offered by or through a  
17 facility are reasonable;

18 (ii) The aggregate rates of the facility are related reasonably to the  
19 aggregate costs of the facility; and

20 (iii) [Rates] AGGREGATE RATES AND UNIT RATES are set equitably  
21 among all purchasers of services without undue discrimination.

22 19-211.

23 (a) (1) After public hearings and consultation with any appropriate advisory  
24 committee, the Commission shall adopt, by rule or regulation, a uniform accounting  
25 and financial reporting system that:

26 (i) Includes any cost allocation method that the Commission  
27 determines; [and]

28 (II) IDENTIFIES AND PROHIBITS ANY DIRECT OR INDIRECT COST  
29 SHIFTING; AND

30 [(ii)] (III) Requires each facility to record its income, revenues,  
31 assets, expenses, outlays, liabilities, and units of service.

1 (2) Each facility shall adopt the uniform accounting and financial  
2 reporting system AND CERTIFY, AS SPECIFIED IN § 19-212(B) OF THIS SUBTITLE, THAT  
3 COST ALLOCATIONS DO NOT INCLUDE DIRECT OR INDIRECT COST SHIFTING.

4 (b) [In] EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS SECTION, IN  
5 conformity with this subtitle, the Commission may allow and provide for  
6 modifications in the uniform accounting and financial reporting system to reflect  
7 correctly any differences among facilities in their type, size, financial structure, or  
8 scope or type of service.

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

12 19-212.

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

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

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

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

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

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

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

24 (iii) Be certified as follows:

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

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

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

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

33 (II) THE COST ALLOCATIONS DO NOT INCLUDE DIRECT OR  
34 INDIRECT COST SHIFTING; AND

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

2 19-216.

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

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

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

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

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

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

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

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

24 19-217.

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

28 (2) The information shall include:

29 (i) Necessary operating expenses;

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

32 (iii) Incurred interest charges; and

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

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

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

7 (2) TOTAL COSTS OF ALL HOSPITAL SERVICES, BOTH INPATIENT OR  
8 OUTPATIENT, INCLUDING THE COSTS OF ACQUIRING, OPERATING, OR TERMINATING  
9 A RELATED ENTITY.

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

12 (d) The Commission shall:

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

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

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

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

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

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

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

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