

# SENATE BILL 974

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CF HB 1587

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By: **Senator Middleton**

Introduced and read first time: March 3, 2008

Assigned to: Rules

Re-referred to: Finance, March 10, 2008

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Committee Report: Favorable with amendments

Senate action: Adopted with floor amendments

Read second time: March 21, 2008

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Health Services Cost Review Commission – Averted Uncompensated Care –**  
3 **Assessment**

4 FOR the purpose of ~~authorizing~~ requiring the Health Services Cost Review  
5 Commission to assess a certain amount in hospital rates to reflect a certain  
6 reduction in hospital uncompensated care and to operate and administer the  
7 Maryland Health Insurance Plan; requiring, for the portion of the assessment  
8 related to a certain expansion of health care coverage, ~~requiring~~  
9 Commission to ensure that the assessment amount not exceed certain savings  
10 and requiring each hospital to remit its assessment amount to the Health Care  
11 Coverage Fund; requiring any savings not subject to the assessment to be  
12 shared among certain purchasers; requiring, for the portion of the assessment  
13 related to the Maryland Health Insurance Plan, ~~requiring~~ the Commission to  
14 ensure the assessment is ~~revenue neutral to each hospital and~~ included in the  
15 reasonable costs of each hospital when establishing the hospital's rates, is not  
16 considered in making certain determinations, and is not less than a certain  
17 percentage of net patient revenue; requiring each hospital to remit certain  
18 amounts to the Maryland Health Insurance Plan Fund at certain intervals;  
19 prohibiting a certain assessment from exceeding a certain percentage of certain  
20 hospital revenue; providing that funds generated from the assessment may be  
21 used only for certain purposes; repealing requirements for the Commission to  
22 determine certain savings and assess a certain amount in hospital rates;  
23 repealing certain requirements related to an assessment on hospitals for the  
24 operation and administration of the Maryland Health Insurance Plan;  
25 establishing the intent of the General Assembly with regard to Medicaid day

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**EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.**

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike-out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 limits on hospital services; ~~requiring that~~ authorizing funds generated from the  
 2 a certain assessment under this Act be used only for certain purposes to be used  
 3 for a certain purpose notwithstanding certain provisions of law; requiring the  
 4 Commission to ensure that a certain assessment does not exceed certain  
 5 savings; requiring this Act to be abrogated under certain circumstances;  
 6 altering a certain statutory reference; and generally relating to a Health  
 7 Services Cost Review Commission assessment on hospitals.

8 BY repealing

9 Article – Health – General  
 10 Section 19–214(d)  
 11 Annotated Code of Maryland  
 12 (2005 Replacement Volume and 2007 Supplement)  
 13 (As enacted by Chapter 7 of the Acts of the General Assembly of the 2007  
 14 Special Session)

15 BY adding to

16 Article – Health – General  
 17 Section 19–214(d)  
 18 Annotated Code of Maryland  
 19 (2005 Replacement Volume and 2007 Supplement)  
 20 (As enacted by Chapter 7 of the Acts of the General Assembly of the 2007  
 21 Special Session)

22 BY repealing

23 Article – Health – General  
 24 Section 19–219(d) and (e)  
 25 Annotated Code of Maryland  
 26 (2005 Replacement Volume and 2007 Supplement)

27 BY repealing and reenacting, without amendments,

28 Article – Insurance  
 29 Section 14–504(a)(1)  
 30 Annotated Code of Maryland  
 31 (2006 Replacement Volume and 2007 Supplement)

32 BY repealing and reenacting, with amendments,

33 Article – Insurance  
 34 Section 14–504(b)  
 35 Annotated Code of Maryland  
 36 (2006 Replacement Volume and 2007 Supplement)

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

39 **Article – Health – General**

40 19–214.

1           [(d) (1) On or after July 1, 2009, if the expansion of health care coverage  
2 under Chapter 7 of the Acts of the General Assembly of the 2007 Special Session  
3 reduces hospital uncompensated care, the Commission:

4                   (i) Shall determine the savings realized in averted  
5 uncompensated care for each hospital individually; and

6                   (ii) May assess an amount in each hospital's rates equal to a  
7 portion of the savings realized in averted uncompensated care for that hospital.

8           (2) The Commission shall ensure that any savings realized in averted  
9 uncompensated care not subject to the assessment under paragraph (1) of this  
10 subsection be shared among purchasers of hospital services in a manner that the  
11 Commission determines is most equitable.

12           (3) Each hospital shall remit any assessment under this subsection to  
13 the Health Care Coverage Fund established under § 15-701 of this article.]

14           (D) (1) ~~THE EACH YEAR, THE COMMISSION MAY SHALL ASSESS A~~  
15 UNIFORM, BROAD-BASED, AND REASONABLE AMOUNT IN HOSPITAL RATES TO:

16                   (I) REFLECT THE AGGREGATE REDUCTION IN HOSPITAL  
17 UNCOMPENSATED CARE REALIZED FROM THE EXPANSION OF HEALTH CARE  
18 COVERAGE UNDER CHAPTER 7 OF THE ACTS OF THE 2007 SPECIAL SESSION OF  
19 THE GENERAL ASSEMBLY; AND

20                   (II) OPERATE AND ADMINISTER THE MARYLAND HEALTH  
21 INSURANCE PLAN ESTABLISHED UNDER TITLE 14, SUBTITLE 5 OF THE  
22 INSURANCE ARTICLE.

23           (2) (I) FOR THE PORTION OF THE ASSESSMENT UNDER  
24 PARAGRAPH (1)(I) OF THIS SUBSECTION:

25                   1. THE COMMISSION SHALL ENSURE THAT THE  
26 ASSESSMENT AMOUNT DOES NOT EXCEED THE SAVINGS REALIZED IN AVERTED  
27 HOSPITAL UNCOMPENSATED CARE FROM THE HEALTH CARE COVERAGE  
28 EXPANSION; AND

29                   2. EACH HOSPITAL SHALL REMIT ITS ASSESSMENT  
30 AMOUNT TO THE HEALTH CARE COVERAGE FUND ESTABLISHED UNDER §  
31 15-701 OF THIS ARTICLE.

32                   (II) ANY SAVINGS REALIZED IN AVERTED UNCOMPENSATED  
33 CARE AS A RESULT OF THE EXPANSION OF HEALTH CARE COVERAGE UNDER  
34 CHAPTER 7 OF THE ACTS OF THE 2007 SPECIAL SESSION OF THE GENERAL

1 ASSEMBLY THAT ARE NOT SUBJECT TO THE ASSESSMENT UNDER PARAGRAPH  
2 (1)(I) OF THIS SUBSECTION SHALL BE SHARED AMONG PURCHASERS OF  
3 HOSPITAL SERVICES IN A MANNER THAT THE COMMISSION DETERMINES IS  
4 MOST EQUITABLE.

5 (3) FOR THE PORTION OF THE ASSESSMENT UNDER PARAGRAPH  
6 (1)(II) OF THIS SUBSECTION:

7 (I) THE COMMISSION SHALL ENSURE THAT THE  
8 ASSESSMENT:

9 ~~1. SHALL BE REVENUE NEUTRAL TO EACH~~  
10 ~~HOSPITAL; AND~~

11 1. SHALL BE INCLUDED IN THE REASONABLE COSTS  
12 OF EACH HOSPITAL WHEN ESTABLISHING THE HOSPITAL'S RATES;

13 2. MAY NOT BE CONSIDERED IN DETERMINING THE  
14 REASONABLENESS OF RATES OR HOSPITAL FINANCIAL PERFORMANCE UNDER  
15 COMMISSION METHODOLOGIES; AND

16 3. MAY NOT BE LESS AS A PERCENTAGE OF NET  
17 PATIENT REVENUE THAN THE ASSESSMENT OF ~~.8182%~~ .8128% THAT WAS IN  
18 EXISTENCE ON JULY 1, 2007; AND

19 (II) EACH HOSPITAL SHALL REMIT MONTHLY  
20 ONE-TWELFTH OF THE AMOUNT ASSESSED UNDER PARAGRAPH (1)(II) OF THIS  
21 SUBSECTION TO THE MARYLAND HEALTH INSURANCE PLAN FUND  
22 ESTABLISHED UNDER TITLE 14, SUBTITLE 5 OF THE INSURANCE ARTICLE, FOR  
23 THE PURPOSE OF OPERATING AND ADMINISTERING THE MARYLAND HEALTH  
24 INSURANCE PLAN.

25 (4) THE ASSESSMENT AUTHORIZED UNDER PARAGRAPH (1) OF  
26 THIS SUBSECTION MAY NOT EXCEED 3% IN THE AGGREGATE OF ANY HOSPITAL'S  
27 TOTAL NET REGULATED PATIENT REVENUE.

28 (5) FUNDS GENERATED FROM THE ASSESSMENT UNDER THIS  
29 SUBSECTION MAY BE USED ONLY TO:

30 (I) SUPPLEMENT COVERAGE UNDER THE MEDICAL  
31 ASSISTANCE PROGRAM BEYOND THE ELIGIBILITY REQUIREMENTS IN  
32 EXISTENCE ON JANUARY 1, 2008; AND

33 (II) PROVIDE FUNDING FOR THE OPERATION AND  
34 ADMINISTRATION OF THE MARYLAND HEALTH INSURANCE PLAN.

1 19–219.

2 [(d) (1) In this subsection, “base hospital rate” means the aggregate value  
3 to participating commercial health insurance carriers of the substantial, available, and  
4 affordable coverage purchaser differential as determined by the Commission for the  
5 calendar year 2002.

6 (2) The Commission, in accordance with this subsection, shall  
7 calculate the amount of funds necessary to operate and administer the Maryland  
8 Health Insurance Plan established under Title 14, Subtitle 5 of the Insurance Article.

9 (3) (i) The Commission shall determine the percentage of total net  
10 patient revenue received in calendar year 2002 by all hospitals for which the  
11 Commission approved hospital rates that is represented by the base hospital rate.

12 (ii) The percentage under subparagraph (i) of this paragraph  
13 shall be determined by dividing the base hospital rate by the total net patient revenue  
14 received in calendar year 2002 by all hospitals for which the Commission approved  
15 hospital rates.

16 (4) On or before May 1 of each year, the Commission shall:

17 (i) Determine the amount of funding to allocate to the  
18 Maryland Health Insurance Plan by multiplying the percentage determined under  
19 paragraph (3) of this subsection by the value of the total net patient revenues received  
20 in the immediately preceding State fiscal year by all hospitals for which rates were  
21 approved by the Commission; and

22 (ii) Determine the share of total funding owed by each hospital  
23 for which rates have been approved by the Commission proportionate to the  
24 percentage of the base hospital rate attributable to each hospital.

25 (5) Each hospital shall remit monthly one–twelfth of the amount  
26 determined under paragraph (4)(ii) of this subsection to the Maryland Health  
27 Insurance Plan Fund.]

28 [(e) (1) The Commission shall adjust hospital rates to ensure that the  
29 assessment collected under subsection (d) of this section is revenue neutral to each  
30 hospital.

31 (2) The Commission may not consider the assessment required under  
32 subsection (d) of this section in determining:

33 (i) The reasonableness of rates under this section; or

34 (ii) Hospital financial performance.]

1 **Article – Insurance**

2 14–504.

3 (a) (1) There is a Maryland Health Insurance Plan Fund.

4 (b) The Fund shall consist of:

5 (1) premiums for coverage that the Plan issues;

6 (2) except as provided in § 14–513(a) of this subtitle, premiums paid  
7 by enrollees of the Senior Prescription Drug Assistance Program;

8 (3) money collected in accordance with [§ 19–219] § **19–214(D)** of the  
9 Health – General Article;

10 (4) money deposited by a carrier in accordance with § 14–513 of this  
11 subtitle;

12 (5) income from investments that the Board makes or authorizes on  
13 behalf of the Fund;

14 (6) interest on deposits or investments of money from the Fund;

15 (7) premium tax revenue collected under § 14–107 of this title;

16 (8) money collected by the Board as a result of legal or other actions  
17 taken by the Board on behalf of the Fund;

18 (9) money donated to the Fund; and

19 (10) money awarded to the Fund through grants.

20 SECTION 2. AND BE IT FURTHER ENACTED, That it is the intent of the  
21 General Assembly that the Department of Health and Mental Hygiene policy of  
22 imposing Medicaid day limits on hospital services shall cease effective July 1, 2008.

23 SECTION 3. AND BE IT FURTHER ENACTED, That ~~funds generated from the~~  
24 ~~assessment under this Act may be used only to:~~

25 (1) ~~supplement coverage under the Medical Assistance Program~~  
26 ~~beyond the eligibility requirements in existence on January 1, 2008;~~

27 (2) ~~provide funding for the Maryland Health Insurance Plan; and~~

1           ~~(3) assist in eliminating Medicaid day limits on hospital services~~  
 2 ~~effective July 1, 2008 notwithstanding § 19-214(d)(1), (2), and (5) of the~~  
 3 ~~Health – General Article, as enacted by Section 1 of this Act, § 15-701 of the~~  
 4 ~~Health – General Article, or a delay in the expansion of health care coverage beyond~~  
 5 ~~July 1, 2008, under Chapter 7 of the Acts of the 2007 Special Session of the General~~  
 6 ~~Assembly:~~

7           (1) funds generated from the assessment under § 19-214(d)(1)(i) of the  
 8 Health – General Article, as enacted by Section 1 of this Act, may be used to pay for  
 9 the elimination of Medicaid day limits on hospital services for the period of July 1,  
 10 2008, through December 31, 2008; and

11           (2) the Health Services Cost Review Commission shall ensure that the  
 12 assessment under § 19-214(d)(1)(i) of the Health – General Article, as enacted by  
 13 Section 1 of this Act, does not exceed the savings realized in averted hospital  
 14 uncompensated care from:

15                   (i) the health care coverage expansion; and

16                   (ii) the elimination of Medicaid day limits on hospital services  
 17 for the period of July 1, 2008, through December 31, 2008.

18           SECTION 4. AND BE IT FURTHER ENACTED, That if the State’s Medicare  
 19 waiver under § 1814(b) of the federal Social Security Act terminates or the provisions  
 20 of 42 C.F.R. 433.68 are changed to prohibit the assessment authorized under this Act,  
 21 this Act shall be abrogated and of no further force and effect.

22           SECTION 5. AND BE IT FURTHER ENACTED, That this Act shall take effect  
 23 July 1, 2008.

Approved:

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Governor.

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President of the Senate.

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Speaker of the House of Delegates.