

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

1 FIRST REGULAR SESSION
2

3 ONE HUNDRED AND TWELFTH LEGISLATURE
4

5 Legislative Document

No. 848

6
7 H.P. 577

House of Representatives, February 28, 1985

8 On Motion of Representative Nelson of Portland, referred to the
9 Committee on Human Resources. Sent up for concurrence and ordered
printed.

EDWIN H. PERT, Clerk

10 Presented by Representative Pines of Limestone.

Cosponsored by Representative Seavey of Kennebunkport, Representative
11 MacBride of Presque Isle and Representative Carroll of Gray.

12 STATE OF MAINE
13

14 IN THE YEAR OF OUR LORD
15 NINETEEN HUNDRED AND EIGHTY-FIVE
16

17 AN ACT to Implement Recommendations of the
18 Maine Health Care Finance Commission's Hospital
19 Advisory Committee.
20

21 Be it enacted by the People of the State of Maine as
22 follows:

23 Sec. 1. 22 MRSA §396-D, sub-§3, ¶A, as enacted
24 by PL 1983, c. 579, §10, is amended to read:

25 A. An allowance for the cost of facilities and
26 ~~fixed~~ equipment shall include:

27 (1) Debt service requirements associated
28 with the hospital's facilities and ~~fixed~~
29 equipment; and

30 (2) Annual contributions to a sinking fund
31 sufficient to provide a down payment on re-
32 placement facilities and ~~fixed~~ equipment.
33 The sinking fund shall be required to be
34 maintained by each hospital and the commis-

1 sion may include in it price level depreci-
2 tion on ~~fixed~~ equipment or a portion of
3 price level depreciation on facilities.

4 In determining payment year financial require-
5 ments, the commission shall include an adjustment
6 in the allowance for facilities and ~~fixed~~ equip-
7 ment to reflect changes in debt service and to
8 reflect any new increases or decreases in capital
9 costs which result from the acquisition, replace-
10 ment or disposition of facilities or ~~fixed~~ equip-
11 ment and which are not related to projects sub-
12 ject to review under the Maine Certificate of
13 Need Act. Any positive adjustments made to re-
14 flect such increases in capital costs shall not
15 be effective until the facilities or ~~fixed~~ equip-
16 ment have been put into use and the associated
17 expenses would be eligible for reimbursement un-
18 der the Medicare program.

19 Sec. 2. 22 MRSA §396-D, sub-§5, ¶A, as enacted
20 by PL 1983, c. 579, §10, is amended to read:

21 A. In determining payment year financial re-
22 quirements, the commission shall include an ad-
23 justment to reflect any net increases or de-
24 creases in the hospital's costs resulting from
25 projects approved in accordance with the Maine
26 Certificate of Need Act and section 396-K, except
27 that in the case of a certificate of need which
28 would otherwise result in a decrease in a
29 hospital's cost, the hospital may seek the com-
30 mission's approval to include all or a portion of
31 these costs in its financial requirements where
32 the hospital makes a sufficient showing that the
33 approval would be in the public interest, taking
34 into account the interests of payors and
35 consumers. These adjustments may be made subse-
36 quent to the commencement of a fiscal year and
37 shall take effect on the date that expenses asso-
38 ciated with the project would be eligible for
39 reimbursement under the Medicare program.

40 Sec. 3. 22 MRSA §396-D, sub-§9, ¶C, as enacted
41 by PL 1983, c. 579, §10, is amended to read:

1 C. New regulatory costs are determined as fol-
2 lows.

3 (1) In determining payment year financial
4 requirements, the commission shall include
5 an adjustment to reflect the difference be-
6 tween the assessment for the fiscal year im-
7 posed pursuant to section 391 and the total
8 amount of dues and fees paid to a voluntary
9 budget review organization in the hospital's
10 base year.

11 (2) In determining financial requirements,
12 the commission may include a positive ad-
13 justment to reflect the reasonable impact,
14 if any, on a hospital's costs which is
15 proven to have resulted from a hospital's
16 conversion to a different fiscal year which
17 has been approved pursuant to section 395,
18 provided that, in the case of a conversion
19 to an October 1st fiscal year which the com-
20 mission is required to approve pursuant to
21 section 395, subsection 1, the commission
22 shall include an appropriate adjustment.

23 (3) In determining payment year financial
24 requirements, the commission shall include
25 an adjustment to reflect the impact, if any,
26 on a hospital's costs of changes in hospital
27 reporting requirements imposed by the com-
28 mission.

29 (4) In determining payment year financial
30 requirements, the commission shall include a
31 positive adjustment to reflect the reason-
32 able impact of such other regulatory changes
33 imposed by the Federal Government, State
34 Government or local governments which are
35 not reflected in the hospital's prior deter-
36 mined financial requirements.

37 Sec. 4. 22 MRSA §396-D, sub-§9, ¶D is enacted to
38 read:

39 D. In determining payment year financial re-
40 quirements, the commission may include a positive
41 adjustment to take into account factors not spe-

1 cifically enumerated in this section if the com-
2 mission determines that these adjustments are
3 necessary or appropriate to:

4 (1) Preserve the hospital's financial
5 viability;

6 (2) Reasonably maintain quality of care; or

7 (3) Otherwise protect the public interest.

8 In making these determinations, the commission
9 shall give due regard to the interests of the
10 payors and consumers.

11 **Sec. 5.** 22 MRSA §396-E, sub-§1, ¶D, as enacted
12 by PL 1983, c. 579, §10, is amended to read:

13 D. Donor restricted gifts, grants, devises or
14 restricted income from investment thereof shall
15 be considered available resources only to the ex-
16 tent these funds are applied to the use for which
17 they were donated, except that the application
18 shall not operate to reduce the allowance for fa-
19 ilities and equipment otherwise determined under
20 section 396-D, subsection 3.

21 **Sec. 6.** 22 MRSA §396-E, sub-§1, ¶E, as enacted
22 by PL 1983, c. 579, §10, is amended to read:

23 E. If a hospital's actual expenses for a payment
24 year are less than its approved financial re-
25 quirements, ~~only 50% of~~ the difference shall be
26 excluded from available resources for purposes of
27 computing its gross patient service revenue limit
28 in subsequent years.

29 **Sec. 7.** 22 MRSA §396-K, sub-§3, as enacted by PL
30 1983, c. 579, §10, is amended to read:

31 3. Debits, credits and carry overs. The commis-
32 sion shall debit against the Certificate of Need De-
33 velopment Account the total capital and operating
34 costs associated with each proposal for which an ad-
35 justment is approved under subsection 2. The commis-
36 sion shall credit to the account the amount of any
37 reduction in any hospital's cost as determined in ac-

1 cordance with section 396-D, subsection 5. Amounts
2 credited to this account for which there are no deb-
3 its shall be carried forward to subsequent payment
4 year cycles.

5 STATEMENT OF FACT

6 This bill contains several changes in the Maine
7 Health Care Finance Commission law to respond to rec-
8 ommendations of the commission's hospital advisory
9 committee. The bill:

10 1. Allows for positive adjustments to hospital
11 financial requirements for debt service on movable
12 equipment;

13 2. Allows for positive adjustments to hospital
14 financial requirements arising for new regulatory re-
15 quirements or other factors deemed to be in the pub-
16 lic interest;

17 3. Modifies provisions governing application of
18 restricted gift funds so that hospital capital facil-
19 ities adjustments are not reduced;

20 4. Eliminates the requirement that 50% of hospi-
21 tal savings operate to reduce permanently subsequent
22 financial requirements;

23 5. Modifies provisions governing treatment of
24 certificate of need projects which reduce costs so
25 that a hospital may, with the commission's approval,
26 apply those reductions to other uses; and

27 6. Requires that savings generated from hospital
28 certificate of need projects be utilized to increase
29 amount of credits in the Certificate of Need Develop-
30 ment Account available to other hospitals.

31 1424010885