

# 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. 1174

7 H.P. 830

House of Representatives, March 29, 1985

8 Submitted by the Health Care Finance Commission pursuant to Joint  
9 Rule 24.

10 On motion of Representative Brannigan of Portland, referred to the  
Committee on Business and Commerce. Sent up for concurrence and ordered  
printed.

EDWIN H. PERT, Clerk

Presented by Representative Brannigan of Portland.

11 Cosponsored by Representative Gwadosky of Fairfield, and  
Representative Brodeur of Auburn.

12 STATE OF MAINE  
13

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

17 AN ACT to Clarify the Determination of Fair  
18 Return Allowances for For-profit  
19 Hospitals.  
20

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

23 22 MRSA §396, sub-§2, as enacted by PL 1983, c.  
24 579, §10, is amended to read:

25 2. Criteria. Subject to more specific provisions  
26 contained in this subchapter, the revenue limits and  
27 apportionment methods established by the commission  
28 shall assure that:

29 A. The financial requirements of a hospital are  
30 reasonably related to its total services;

31 B. A hospital's patient service revenues are  
32 reasonably related to its financial requirements;  
33 and

1 C. Rates are set equitably among all payors,  
2 purchasers or classes of purchasers of health  
3 care services without undue discrimination or  
4 preference.

5 In addition, the commission shall establish revenue  
6 limits that will permit the institution to render ef-  
7 fective and efficient service in the public interest  
8 and that, in the case of a proprietary for-profit  
9 hospital subject to this chapter, will suffice to  
10 provide a fair return to owners based on the fair  
11 value of the institution's investment in hospital re-  
12 sources. In determining the fair value of invest-  
13 ment, the commission shall give due consideration to  
14 evidence of the cost of the hospital's property when  
15 first devoted to patient service, prudent acquisition  
16 cost to the hospital, less depreciation on each, and  
17 any other factors or evidence material and relevant  
18 to the fair value, except that such other factors  
19 shall not include current value.

#### 20 STATEMENT OF FACT

21 This bill clarifies the standards that should be  
22 used by the Maine Health Care Finance Commission in  
23 assessing the return, or profit, to be allowed to  
24 proprietary hospitals. Although the existing lan-  
25 guage of the statute permits the use of an original  
26 cost approach, which is consistent with general prac-  
27 tice in making similar determinations for public  
28 utilities, the history of judicial interpretation and  
29 legislative amendment of Maine's public utility law  
30 could lead to a misinterpretation that would compel  
31 the Maine Health Care Finance Commission to rely on  
32 current value in calculating the allowed return. The  
33 use of current value engenders needless controversy  
34 over how assets should be revalued, thus increasing  
35 the cost and complexity of revenue limit cases.

