# MAINE STATE LEGISLATURE

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## FIRST REGULAR SESSION

### ONE HUNDRED AND THIRTEENTH LEGISLATURE

# No. 162 Legislative Document In Senate, February 3, 1987 S.P. 76

Reference to the Committee on Human Resources suggested and ordered printed.

JOY J. O'BRIEN, Secretary of the Senate Presented by Senator TWITCHELL of Oxford. Cosponsored by Representative JACKSON of Harrison.

#### STATE OF MAINE

# IN THE YEAR OF OUR LORD

	NINETEEN HUNDRED AND EIGHTY-SEVEN  AN ACT to Provide for Alternative Base-year Financial Requirements and Alternative Computation of 3rd and Subsequent Year Financial Requirements.									
1 2 3 4 5										
6 7	Be it enacted by the People of the State of Maine as follows:									
8	22 MRSA §396-C-1 is enacted to read:									
9 10 11	§396-C-1. Alternative base-year financial require- ments and alternative computation of 3rd and subsequent year financial requirements									
12 13 14	For the 3rd and subsequent payment years, the commission may elect to determine the payment year financial requirements of certain individual hospi-									
15	tals as follows.									

1 1. Eligible hospitals. A hospital may apply for 2 treatment under this section only in cases where its 3 actual audited base-year Medicare costs, as adjusted to the definition of base-year require-4 conform 5 ments established in accordance with section 396-A, 6 exceeded in the commission's computation of base-year 7 financial requirements determined in accordance with 8 section 396-B, subsection 2, paragraph A, based on 9 the hospital's budget as approved by the voluntary budget review organization. 10

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- 2. Third and subsequent years. In determining 3rd and subsequent payment year financial require-ments with respect to hospitals eligible under subsection 1, the commission may carry out an alternative computation of the payment-year financial requirements. The alternative computation would utilize as alternative base-year financial requirements the hospital's actual audited base-year Medicare costs, adjusted to conform to the definition of base-year financial requirements established in accordance with section 396-A, in place of the computation base-year financial requirements determined in accordance with section 396-B, subsection 2, paragraph A. The 3rd subsequent payment-year financial requirewould then be computed pursuant to methodology set forth in section 396-C, by adjusting the alternative base-year financial requirements in accordance with the factors set forth in section 396-D, which previously had been applied to determine the hospital's first and 2nd payment-year financial requirements.
- 3. Criteria for approval. In considering applications for treatment under this section, the commission shall promulgate rules setting forth appropriate criteria for determining whether treatment under this section is in the public interest, including, but not limited to, the following factors:
- A. The hospital's justification for exceeding its budget as approved by the voluntary budget review organization;
  - B. The hospital's cost, volume and intensity of services as compared to other comparable hospitals;

1	C.	The	hard	dship	to	the	hosp	ital	in	the	absence
2	of	treat	ment	under	thi	S S	ectio:	n; ai	nd		

D. The impact on quality and accessibility to health care.

#### STATEMENT OF FACT

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This bill amends the Maine Health Care Finance Commission's law to provide the commission with authority to carry out computation of 3rd and subsequent payment-year financial requirements for hospitals based upon utilization of an individual hospital's actual audited Medicare costs. Current law requires reliance upon the hospital's base-year budget as approved by the Voluntary Budget Review Organization. Only hospitals whose actual costs exceeded the Voluntary Budget Review Organization budget would be eligible for treatment under this bill and the commission would be given the discretion to determine whether such treatment is in the public interest consistent with appropriate criteria.

In the case of the majority of the State's hospitals, actual base-year costs were generally less than the Voluntary Budget Review Organization budget. For approximately 13 of the 42 hospitals, the actual base-year costs exceeded the budgeted costs by up to 12%. As this negative variance has been compounded over each hospital's transition year, first payment year and 2nd payment year, this discrepancy has widened.

This bill provides prospective correction for the 3rd and subsequent payment years by substituting the hospital's actual base-year costs.

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