

MAINE STATE LEGISLATURE

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114th MAINE LEGISLATURE

FIRST REGULAR SESSION - 1989

Legislative Document

No. 1018

S.P. 382

In Senate, April 3, 1989

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

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator TWITCHELL of Oxford.

Cosponsored by Representative WALKER of Norway, Representative JACKSON of Harrison and Representative HANLEY of Paris.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND EIGHTY-NINE

An Act to Provide a Special Adjustment for Hospitals Having Unusually Low
Financial Requirements per Case.

(EMERGENCY)



1 **Emergency preamble.** Whereas, Acts of the Legislature do not
2 become effective until 90 days after adjournment unless enacted
3 as emergencies; and

5 **Whereas,** the financial requirements determined by the Maine
6 Health Care Finance Commission for certain Maine hospitals result
7 in noncapital financial requirements per case that are markedly
8 less than the median for hospitals of comparable size; and

9 **Whereas,** some of those hospitals have expended substantially
10 more than they are authorized to recover through charges to
11 patients and require an increase in revenues in order to continue
12 operating at current levels of expenditure; and

13 **Whereas,** it may, under some circumstances, serve the public
14 interest to allow such an increase in revenues, if the hospital's
15 financial requirements per case would still be substantially
16 below the median; and

17 **Whereas,** current law does not allow the Maine Health Care
18 Finance Commission to adjust financial requirements in
19 recognition of the circumstances described above; and

20 **Whereas,** in the judgment of the Legislature, these facts
21 create an emergency within the meaning of the Constitution of
22 Maine and require the following legislation as immediately
23 necessary for the preservation of the public peace, health and
24 safety; now, therefore,

25
26 **Be it enacted by the People of the State of Maine as follows:**

27
28 **Sec. 1. 22 MRSA §396-D, sub-§9-B is enacted to read:**

29
30 9-B. Special relief. In determining financial requirements
31 for payment years beginning or deemed to begin on or after
32 October 1, 1988, and before October 1, 1990, the commission may
33 elect to make a special adjustment to provide relief to hospitals
34 with unusually low noncapital financial requirements per case-mix
35 adjusted admission, in accordance with the following provisions.

36
37 A. As used in this subsection, unless the context otherwise
38 indicates, the following terms have the following meanings.

39
40 (1) "Final 3rd-year financial requirements" means a
41 hospital's financial requirements at year end as
42 determined by the commission for purposes of compliance
43 and settlement determinations under section 396-I for
44 the payment year commencing during the 3rd payment year
45 cycle.

46
47 (2) "Financial requirements per case" means a
48 hospital's final 3rd-year noncapital financial

1 requirements divided by its case-mix adjusted
3 admissions for that year, computed by the commission
5 using a method that either includes outpatient services
7 in the denominator by means of equivalent admissions or
9 excludes outpatient financial requirements from the
11 numerator. If the latter method is employed, the
13 limitation described in paragraph C, subparagraph 1,
15 shall be based on the same method of allocating
17 inpatient and outpatient financial requirements that is
19 employed in the computation of financial requirements
21 per case. The commission may adjust the computation of
23 financial requirements per case to correct for
25 differences in the starting dates of the fiscal years
27 of hospitals.

29 (3) "Third payment year cycle" means the period from
31 October 1, 1986, through September 19, 1987.

33 B. A hospital may receive an adjustment only if its
35 financial requirements per case are less than 80% of the
37 median financial requirements per case for hospitals of
39 comparable size.

41 C. Any adjustment shall be limited to the lesser of:

43 (1) An amount calculated by first determining the
45 increase in the hospital's final 3rd-year financial
47 requirements that would cause its financial
49 requirements per case to equal 80% of the median
51 financial requirements per case for hospitals of
53 comparable size and then adjusting that increase for
55 inflation between the payment year commencing in the
57 3rd payment year cycle and the payment year for which
59 the adjustment is requested; or

61 (2) An increase in the hospital's financial
63 requirements that will, in conjunction with any other
65 adjustments to financial requirements that the hospital
67 is entitled to receive for the same payment year, cause
69 its noncapital financial requirements to equal its
71 reasonably budgeted, noncapital operating expenses for
73 the payment year.

75 D. The commission shall make an adjustment for all or part
77 of the maximum amount permitted under paragraphs B and C, to
79 the extent that the commission finds that the adjustment
81 would be in the public interest. In determining whether the
83 adjustment is in the public interest and, if so, in what
85 amount the adjustment shall be made, the commission shall
87 consider the following factors, as well as any other matters
89 pertinent to the findings and purposes set forth in section
91 381:

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(1) The hospital's reasons for exceeding its currently approved level of financial requirements;

(2) The hospital's financial requirements, volume and case-mix as compared to those of other comparable hospitals;

(3) The hardship to the hospital in the absence of relief under this subsection;

(4) The impact on quality and accessibility of health care; and

(5) The effect on payors and purchasers of providing relief under this subsection.

E. No hospital may receive more than one adjustment under this subsection, nor shall any hospital be eligible for such an adjustment if the commission, after hearing, has made a final decision denying the adjustment. An adjustment under this subsection shall become part of payment year financial requirements for purposes of computing subsequent payment year financial requirements pursuant to section 396-C.

Sec. 2. 22 MRSA §398, sub-§2, as amended by PL 1987, c. 51, §2, is further amended to read:

2. Interim adjustments. Upon application by a hospital, affiliated interest, payor or group of purchasers, for an interim adjustment to financial requirements permitted under section 396-D, or upon application by a payor or group of purchasers for a modification of its approved differential or of the apportionment of the gross patient service revenue, and after opportunity for hearing, a final order shall be promulgated within 120 days from the date a completed application was filed, except that the commission may extend the 120-day period by an additional 60 days with respect to an application for an adjustment under section 396-D, subsection 9-A or 9-B. Any proposed change shall take effect upon the date specified in the order. At any time during the period between the filing date and the commission's final decision on the request, the commission may extend provisional approval to any part of the request. This provisional approval shall be superseded by the commission's final decision on the request. The commission may establish reasonable limits on the frequency of requests filed under this subsection.

Emergency clause. In view of the emergency cited in the preamble, this Act shall take effect when approved.

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STATEMENT OF FACT

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5 Under the current Maine Health Care Finance Commission laws,
7 the noncapital operating costs of a number of hospitals have
9 substantially exceeded the amount allowed by the commission for
11 noncapital financial requirements. Because certain of these
13 hospitals may have incurred legitimate costs which are not
15 otherwise compensated under the current system, these hospitals
17 could face serious financial difficulties unless an avenue for
19 relief is provided. Some of the hospitals that are expending
more than their financial requirements also have financial
requirements per case that are comparatively low. To the extent
that the hospitals can receive relief from the commission and
still have financial requirements per case significantly below
the median for hospitals of comparable size, this bill would
allow special adjustments to accomplish that result, when the
increased operating expenses otherwise appear to be in the public
interest.

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23 In recognition of the fact that the Legislature will be
25 acting on the report of the Blue Ribbon Commission to Study the
27 Regulation of Health Care Expenditures in this session and that
29 the result of that action may be significant changes in the
31 present regulatory system, the relief provided under this bill is
33 limited to payment years that are currently ongoing or will occur
35 in the very near future. For the same reasons and because no
provision is being made to provide relief to payors and
purchasers by lowering the revenue limits of high-cost hospitals,
relief is limited to an amount that can be granted without
causing the financial requirements per case of eligible hospitals
to rise to the median level. Likewise, in recognition of the
emergency nature of this relief, it is available only once to
each hospital and is available only to hospitals with the lowest
relative financial requirements per case.