

# MAINE STATE LEGISLATURE

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STATE OF MAINE  
HOUSE OF REPRESENTATIVES  
115TH LEGISLATURE  
FIRST REGULAR SESSION

HOUSE AMENDMENT "A" to S.P. 594, L.D. 1579, Bill, "An Act to Limit Major Third-party Payor Status to Governmental Payors"

Amend the bill by striking out all of the title and substituting the following:

'An Act to Limit Major Third-party Payor Status to Governmental Payors and Make Other Technical Changes in the Laws Affecting Hospital Financing'

Amend the bill by inserting after the enacting clause the following:

'Sec. 1. 22 MRSA §304-A, sub-§3-A, as enacted by PL 1989, c. 919, §6 and affected by §18, is repealed and the following enacted in its place:

3-A. Hospital capital expenditures. The obligation, by or on behalf of a hospital, of any capital expenditure of \$1,000,000 or more, except that:

A. A capital expenditure for the purpose of acquiring major medical equipment is reviewable only to the extent provided in subsection 2; and

B. Any transfer of ownership of a hospital is reviewable.

Sec. 2. 22 MRSA §304-D, sub-§1, ¶A, as enacted by PL 1985, c. 661, §2, is amended to read:

A. The offering or development of any new health services involving:

2 (1) No capital expenditure or a capital expenditure of  
less than \$300,000; and

4 (2) ~~Third-year annual operating costs of at least the~~  
~~expenditure minimum for operating costs, but~~ less than  
6 \$250,000, ~~or~~.

8 Further amend the bill by inserting after section 2 the  
following:

10 'Sec. 3. 22 MRSA §396-D, sub-§1, as amended by 1989, c. 588,  
12 Pt. A, §10, is further amended to read:

14 1. Economic trend factor. In determining payment year  
16 financial requirements, the commission shall include an  
adjustment for the projected impact of inflation on the prices  
18 paid by hospitals for the goods and services required to provide  
patient care. In order to measure and project the impact of  
inflation, the commission shall establish and use the following  
20 data:

22 A. Homogeneous classifications of hospital costs for goods  
and services and of capital costs, which shall be called  
24 "cost components;"

26 B. Estimates or determinations of the proportion of  
hospital costs in each cost component; and

28 C. Identification or development of proxies which measure  
30 the reasonable increase in prices, by cost component, which  
the hospitals would be expected to pay for goods and  
32 services.

34 The proxy or proxies chosen by the commission to measure the  
reasonable increase in employee compensation shall must reflect  
36 the experience of workers in the Northeast and regions of this  
State who are reasonably representative of professional medical  
38 personnel and other hospital workers.

40 The commission may also consider the discrepancies, if any,  
between the projected and actual inflation experience of  
42 noncompensation proxies in preceding payment years.

44 The commission may, from time to time during the course of a  
payment year, in accordance with duly promulgated regulations,  
46 make further adjustments in the event it obtains substantial  
evidence that its initial projections for the current payment  
48 year will be in error.

50 The commission may, in accordance with duly adopted rules, make a  
further positive or negative adjustment after the close of the  
52 payment year to the amount otherwise allowed for the impact of

2 inflation, on the basis of the reasonable cost of liability  
3 insurance during that payment year.

4 Sec. 3. 22 MRSA §396-D, sub-§3, ¶D is enacted to read:

6 D. The commission may, in accordance with duly adopted  
7 rules, make a further adjustment after the close of any  
8 payment year for increases or decreases in the reasonable  
9 cost of facilities and equipment during that payment year.'

10 Further amend the bill by inserting after section 5 the  
12 following:

14 'Sec. 6. Effective date. That section of this Act that repeals  
15 and replaces the Maine Revised Statutes, Title 22, section 304-A,  
16 subsection 3-A takes effect October 1, 1991.'

18 Further amend the bill by renumbering the sections to read  
19 consecutively.

#### 22 STATEMENT OF FACT

24 This amendment makes additional technical corrections to the  
25 laws affecting the regulation of hospital financing.

26 1. The amendment corrects the inadvertent omission of major  
28 movable equipment other than medical equipment from the  
30 certificate of need program as a result of amendments enacted in  
31 1989. Those enactments were intended only to provide special  
32 statutory treatment for major medical equipment with respect to  
33 hospitals. This amendment corrects the language to achieve that  
34 result.

36 2. The waiver provisions of the certificate of need laws  
37 are amended to remove an inadvertent gap in the availability of  
38 waivers. As a result of certain provisions repealed in 1989,  
39 waivers are now available for projects with costs between  
40 \$155,000 and \$250,000 but not for projects costing less than  
41 \$155,000. The amendment ensures that these less costly projects  
42 could also receive a waiver of the certificate of need review  
43 under the conditions specified in the law.

44 3. This amendment adds explicit statutory authority for the  
45 Maine Health Care Finance Commission to adjust hospital financial  
46 requirements after the end of a payment year to reflect  
47 reasonable changes in the hospitals' actually experienced capital  
48 costs and liability insurance costs. These changes simply  
49 provide explicit statutory authority for a long-standing practice  
50 of the commission that eliminates the need for each hospital to  
51 seek an interim adjustment for these items at the very close of

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2 each payment year. Such interim adjustments, now permitted under  
the law, would have the same substantive effect as the practice  
4 authorized by this amendment but would require hospitals, payors  
and the commission to process substantially more paperwork.

Filed by Rep. Manning of Portland  
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House  
(5/20/91) (Filing No. H-367)