

# MAINE STATE LEGISLATURE

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# 116th MAINE LEGISLATURE

## FIRST REGULAR SESSION-1993

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Legislative Document

No. 817

H.P. 602

House of Representatives, March 8, 1993

**An Act to Encourage Fair Medicare Payments to Hospitals and to Promote Management Improvements and Planning by Hospitals and for Related Purposes.**

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

A handwritten signature in black ink that reads "Joseph W. Mayo".

JOSEPH W. MAYO, Clerk

Presented by Representative SIMONDS of Cape Elizabeth.  
Cosponsored by Senator PARADIS of Aroostook and  
Representatives: CARROLL of Gray, PENDEXTER of Scarborough, RYDELL of Brunswick,  
TREAT of Gardiner.

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

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4  
Sec. 1. 22 MRSA §396-D, sub-§9, ¶I is enacted to read:

6 I. In determining payment year financial requirements, the  
8 commission may include a positive adjustment for the support  
10 of a project to be undertaken by an individual hospital, or  
12 for a portion of the funds necessary to support a project to  
14 be undertaken by a group of hospitals for any of the  
16 following purposes:

18 (1) Research, design, development or demonstration of  
20 significant improvements in medical care management or  
22 in health care information systems;

24 (2) Improvements in measurement and evaluation of  
26 patient care services; or

28 (3) Development of plans for a health care provider or  
30 group of providers to facilitate access in the  
32 communities served by the provider or providers to  
34 health care services of reasonable quality, scope and  
36 cost.

38 The commission shall make an adjustment under this paragraph  
40 if it finds that the funds provided would promote  
42 significant improvements in medical care management,  
44 information systems, measurement and evaluation of patient  
46 service or planning by providers to facilitate improvements  
48 in patient care. The commission shall also take into  
50 consideration the special needs and circumstances of small  
hospitals and hospitals eligible for regulation under the  
total revenue system established under section 396,  
subsection 4. Adjustments under this paragraph apply to the  
payment year or payment years in which the project described  
in the adjustment request are implemented. Adjustments  
under this paragraph may not be reduced by the operation of  
the standard component adjustment specified in subsection  
6-A and must be excluded from the computation of the  
standard component.

Sec. 2. 22 MRSA §396-D, sub-§11, ¶C is enacted to read:

44 C. The payment year or years to which an adjustment for a  
46 provider planning or medical care improvement project  
48 applies must be determined in accordance with subsection 9,  
50 paragraph I.

Sec. 3. 22 MRSA §936-F, sub-§3, as amended by PL 1991, c. 830,  
§7, is repealed and the following enacted in its place:

2       3. Differentials. The commission shall provide for revenue  
4       deductions that reflect differentials established and approved  
6       pursuant to section 396-G. In calculating revenue deductions to  
      reflect differentials under the Medicare program, the commission  
      shall exclude from its determination the following amounts:

8       A. Any amounts that the commission finds have been paid by  
10      the Medicare program for the following activities, to the  
12      extent that the activities have been approved under section  
      396-R, unless any costs of the activities have been added to  
      a hospital's financial requirements:

14      (1) The expansion of a family practice residency  
16      program after June 30, 1992; and

18      (2) The provision of spaces in a residency program in  
20      internal medicine, pediatrics or obstetrics and  
22      gynecology, in any given year, for the number of  
      first-year residents that is greater than the number of  
      first-year residents in that program at the same  
      hospital prior to June 30, 1992.

24      B. Any amounts that the commission finds have reasonably  
26      been expended by a hospital in order to appeal a  
28      reimbursement decision made by the Medicare program. In  
30      order to allow hospitals to recover the full amount expended  
32      to secure increases or avoid decreases in Medicare  
34      reimbursement by pursuing appeals, the commission shall  
36      exclude from revenue deduction calculations for each payment  
38      year a total amount of Medicare payments equal to the total  
40      expended by the hospital on appeals in the most recent year  
42      for which data is available. For purposes of this  
44      paragraph, "appeal" refers to any process of review of a  
46      Medicare reimbursement decision, formal or informal,  
48      conducted by a fiscal intermediary, government office,  
50      administrative agency or review board, or by a court of law.

### STATEMENT OF FACT

      The purpose of this bill is to remove a disincentive for hospitals to pursue appeals of federal administrative denials of Medicare payments. Under current law, hospitals must absorb all of the costs of pursuing such appeals, even though all of the increases in Medicare payments resulting from pursuit of the appeal benefit the other payors for hospital services, rather than the hospital itself. This bill provides that the Maine Health Care Finance Commission will not count Medicare payments

2 in determining hospital revenue limits to the extent that those  
payments cover the costs of appeals. Increased payments over and  
4 above the cost of the appeal or increased payments in future  
years once the costs of appeal have been recovered will still be  
6 counted by the Maine Health Care Finance Commission and will  
reduce the hospital's revenue limit.

8 The bill also encourages hospitals to engage in research and  
demonstration projects to improve the effectiveness and  
10 efficiency of the services provided by supplementing support of  
those projects facilitated by the commission's Management Support  
12 Fund.