

MAINE STATE LEGISLATURE

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2005

L.D. 1673

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HEALTH AND HUMAN SERVICES

Reported by:

REPORT 'A'

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STATE OF MAINE
SENATE
122ND LEGISLATURE
FIRST SPECIAL SESSION

COMMITTEE AMENDMENT **A**" to S.P. 620, L.D. 1673, Bill, "An Act To Implement the Recommendations of the Commission to Study Maine's Community Hospitals"

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

'An Act To Implement Certain Recommendations of the Commission To Study Maine's Community Hospitals'

Further amend the bill by striking out all of sections 1 to 13 and inserting in their place the following:

'Sec. 1. 22 MRSA §8709, sub-§1-A is enacted to read:

1-A. Hospitals; standardized accounting template. When filing the financial information required under subsection 1, a hospital also shall file information using the standardized accounting template published in the report of the Commission to Study Maine's Community Hospitals in February 2005. The hospital shall file this information using an electronic version of the template provided to the hospital by the organization. If in succeeding years the template needs to be modified, the board shall adopt rules specifying the filing requirements. Rules adopted pursuant to this subsection are routine technical rules as defined in Title 5, chapter 375, subchapter 2-A.

Sec. 2. Standardized reporting and voluntary limits to control growth of hospital costs.

1. Voluntary restraint. To control the rate of growth of the costs of hospital services, the Legislature requests that each hospital licensed under the Maine Revised Statutes, Title 22, chapter 405 voluntarily restrain cost increases and

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consolidated operating margins in accordance with this section.
The targets and methodology apply to each hospital's fiscal year beginning on or after July 1, 2005 and remain in effect through the end of each hospital's fiscal year beginning on or after July 1, 2007.

A. Each hospital is asked to voluntarily hold its consolidated operating margin to no more than 3%. For purposes of this section, a hospital's consolidated operating margin is calculated by dividing its consolidated operating income by its total consolidated operating revenue.

B. Each hospital is asked to voluntarily restrain its increase in its expense per casemix-adjusted inpatient and volume-adjusted outpatient discharge to no more than 110% of the forecasted increase in the hospital market basket index for the coming federal fiscal year, as published in the Federal Register, when the federal Centers for Medicare and Medicaid Services publishes the Medicare program's hospital inpatient prospective payment system rates for the coming federal fiscal year. For purposes of this paragraph, the measure of a hospital's expense per casemix-adjusted inpatient and volume-adjusted outpatient discharge is calculated by:

(1) Calculating the hospital's total hospital-only expenses;

(2) Subtracting from the hospital's total hospital-only expenses the amount of the hospital's bad debt;

(3) Subtracting from the amount reached in subparagraph (2) the hospital taxes paid to the State during the hospital's fiscal year; and

(4) Dividing the amount reached in subparagraph (3) by the product of:

(a) The number of inpatient discharges, adjusted by the all payer case mix index for the hospital; and

(b) The ratio of total gross patient service revenue to gross inpatient service revenue.

For the purposes of this paragraph, a hospital's total hospital-only expenses include any item that is listed on the hospital's Medicare cost report as a subprovider, such as a psychiatric unit or rehabilitation unit, and does not

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2 include nonhospital cost centers shown on the hospital's
3 Medicare cost report, such as home health agencies, nursing
4 facilities, swing beds, skilled nursing facilities and
5 hospital-owned physician practices. For purposes of this
6 paragraph, a hospital's bad debt is as defined and reported
7 in the hospital's Medicare cost report.

8 C. By October 1, 2005, the Maine Hospital Association and
9 the Governor's Office of Health Policy and Finance shall
10 agree on a target for increases in hospitals' expense per
11 casemix-adjusted inpatient discharge. Each hospital's
12 expense per casemix-adjusted inpatient discharge is
13 calculated using the following process:

14 (1) Each patient's expense per discharge is calculated
15 by applying the Medicare cost report ratio of
16 cost-to-charges for the matching cost centers to the
17 charge detail on each patient's discharge abstract as
18 reported in the Maine Health Data Organization's
19 discharge abstracts;

20 (2) The hospital's average expense per discharge is
21 calculated by adding the costs of all discharges and
22 dividing the sum by the total number of discharges; and

23 (3) The hospital's expense per casemix-adjusted
24 inpatient discharge is calculated by adjusting the
25 average expense per discharge by the average case
26 weight for the hospital, using case weights issued by
27 the federal Centers for Medicare and Medicaid Services.'

28 Further amend the bill by striking out all of sections 17
29 and 18 and inserting in their place the following:

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32 **'Sec. 17. Review of legislative proposals.** During January 2006
33 the Joint Standing Committee on Health and Human Services shall
34 review the legislative proposals contained in Legislative
35 Document 1673 from the 122nd Legislature that were not enacted
36 during 2005. The committee is authorized to report out a bill to
37 the Second Regular Session of the 122nd Legislature regarding the
38 proposals and the report of the Commission to Study Maine's
39 Community Hospitals.'

40 Further amend the bill by relettering or renumbering any
41 nonconsecutive Part letter or section number to read
42 consecutively.

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SUMMARY

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4 This amendment is the majority report of the committee. The
6 amendment amends the provisions regarding the use of a
8 standardized accounting template for information reporting by
10 hospitals, amends the voluntary restraints on hospital operating
12 margins to apply to consolidated operating margins and amends the
14 voluntary restraints on cost increases to refer to 110% of the
16 Medicare market basket, The amendment requires review in 2006 of
the proposals in the bill that were not enacted by the joint
standing committee of the Legislature having jurisdiction over
health and human services matters. The amendment also deletes
from the bill the provisions related to the Hospital Cooperation
Act of 1992, the certificate of need hearing process and review
of certificate of need program staffing in the Department of
Health and Human Services.

FISCAL NOTE REQUIRED
(See attached)

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122nd MAINE LEGISLATURE

LD 1673

LR 2373(02)

An Act To Implement the Recommendations of the Commission to Study Maine's Community Hospitals

Fiscal Note for Bill as Amended by Committee Amendment *A*

Committee: Health and Human Services

Fiscal Note Required: Yes

Majority Report

Fiscal Note

Minor cost increase - General Fund

Fiscal Detail and Notes

Assumes additional costs to the Governor's Office of Health Policy and Finance, the Department of Health and Human Services and the Maine Health Data Organization can be absorbed utilizing existing resources.