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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH  
SESSION

HOUSE FILE No. **570**

February 5, 2007

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The bill was read for the first time and referred to the Committee on Health and Human Services

February 22, 2007

By motion, recalled and re-referred to the Committee on Finance

1.1 A bill for an act  
1.2 relating to human services; adjusting payment rates for a long-term hospital;  
1.3 appropriating money; amending Minnesota Statutes 2006, section 256.969,  
1.4 subdivision 3a, by adding a subdivision.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2006, section 256.969, subdivision 3a, is amended to  
1.7 read:

1.8 Subd. 3a. **Payments.** (a) Acute care hospital billings under the medical  
1.9 assistance program must not be submitted until the recipient is discharged. However,  
1.10 the commissioner shall establish monthly interim payments for inpatient hospitals that  
1.11 have individual patient lengths of stay over 30 days regardless of diagnostic category.  
1.12 Except as provided in section 256.9693, medical assistance reimbursement for treatment  
1.13 of mental illness shall be reimbursed based on diagnostic classifications. Individual  
1.14 hospital payments established under this section and sections 256.9685, 256.9686, and  
1.15 256.9695, in addition to third party and recipient liability, for discharges occurring during  
1.16 the rate year shall not exceed, in aggregate, the charges for the medical assistance covered  
1.17 inpatient services paid for the same period of time to the hospital. This payment limitation  
1.18 shall be calculated separately for medical assistance and general assistance medical  
1.19 care services. The limitation on general assistance medical care shall be effective for  
1.20 admissions occurring on or after July 1, 1991. Services that have rates established under  
1.21 subdivision 11 or 12, must be limited separately from other services. After consulting with  
1.22 the affected hospitals, the commissioner may consider related hospitals one entity and  
1.23 may merge the payment rates while maintaining separate provider numbers. The operating  
1.24 and property base rates per admission or per day shall be derived from the best Medicare

2.1 and claims data available when rates are established. The commissioner shall determine  
2.2 the best Medicare and claims data, taking into consideration variables of recency of the  
2.3 data, audit disposition, settlement status, and the ability to set rates in a timely manner.  
2.4 The commissioner shall notify hospitals of payment rates by December 1 of the year  
2.5 preceding the rate year. The rate setting data must reflect the admissions data used to  
2.6 establish relative values. Base year changes from 1981 to the base year established for the  
2.7 rate year beginning January 1, 1991, and for subsequent rate years, shall not be limited  
2.8 to the limits ending June 30, 1987, on the maximum rate of increase under subdivision  
2.9 1. The commissioner may adjust base year cost, relative value, and case mix index data  
2.10 to exclude the costs of services that have been discontinued by the October 1 of the year  
2.11 preceding the rate year or that are paid separately from inpatient services. Inpatient stays  
2.12 that encompass portions of two or more rate years shall have payments established based  
2.13 on payment rates in effect at the time of admission unless the date of admission preceded  
2.14 the rate year in effect by six months or more. In this case, operating payment rates for  
2.15 services rendered during the rate year in effect and established based on the date of  
2.16 admission shall be adjusted to the rate year in effect by the hospital cost index.

2.17 (b) For fee-for-service admissions occurring on or after July 1, 2002, the total  
2.18 payment, before third-party liability and spenddown, made to hospitals for inpatient  
2.19 services is reduced by .5 percent from the current statutory rates.

2.20 (c) In addition to the reduction in paragraph (b), the total payment for fee-for-service  
2.21 admissions occurring on or after July 1, 2003, made to hospitals for inpatient services  
2.22 before third-party liability and spenddown, is reduced five percent from the current  
2.23 statutory rates. Mental health services within diagnosis related groups 424 to 432, ~~and~~  
2.24 facilities defined under subdivision 16, and, effective for admissions occurring on or after  
2.25 July 1, 2007, a long-term hospital as designated by the Medicare program that is located in  
2.26 a city of the first class as defined in section 410.01, are excluded from this paragraph.

2.27 (d) In addition to the reduction in paragraphs (b) and (c), the total payment for  
2.28 fee-for-service admissions occurring on or after July 1, 2005, made to hospitals for  
2.29 inpatient services before third-party liability and spenddown, is reduced 6.0 percent from  
2.30 the current statutory rates. Mental health services within diagnosis related groups 424 to  
2.31 432 ~~and~~, facilities defined under subdivision 16, and, effective for admissions occurring  
2.32 on or after July 1, 2007, a long-term hospital as designated by the Medicare program  
2.33 that is located in a city of the first class as defined in section 410.01, are excluded from  
2.34 this paragraph. Notwithstanding section 256.9686, subdivision 7, for purposes of this  
2.35 paragraph, medical assistance does not include general assistance medical care. Payments

3.1 made to managed care plans shall be reduced for services provided on or after January  
3.2 1, 2006, to reflect this reduction.

3.3 Sec. 2. Minnesota Statutes 2006, section 256.969, is amended by adding a subdivision  
3.4 to read:

3.5 Subd. 28. Long-term hospital payment adjustment. For admissions occurring on  
3.6 or after July 1, 2007, the commissioner shall increase the medical assistance payments  
3.7 to a long-term hospital with a medical assistance inpatient utilization rate of 17.95  
3.8 percent of total patient days as of the base year in effect on July 1, 2005, by an amount  
3.9 equal to 13 percent of the total of the operating and property payment rates. Payments  
3.10 made to managed care plans shall not reflect this payment increase. For purposes of  
3.11 this subdivision, medical assistance does not include general assistance medical care.  
3.12 Payments to a hospital under this subdivision shall be reduced by the amount of any  
3.13 payments made under subdivision 27.

3.14 Sec. 3. **APPROPRIATION.**

3.15 \$..... is appropriated from the general fund to the commissioner of human services  
3.16 for the biennium beginning July 1, 2007, for the purposes of sections 1 and 2.