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State of Minnesota  
**HOUSE OF REPRESENTATIVES**

**EIGHTY-FIFTH  
SESSION**

**HOUSE FILE No. 1404**

February 26, 2007

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

March 20, 2007

Committee Recommendation and Adoption of Report:

To Pass as Amended and re-referred to the Committee on Finance

1.1 A bill for an act  
1.2 relating to human services; providing a hospital outpatient services rate increase  
1.3 for a certain hospital; appropriating money; amending Minnesota Statutes 2006,  
1.4 section 256B.75.

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

1.6 Section 1. Minnesota Statutes 2006, section 256B.75, is amended to read:

1.7 **256B.75 HOSPITAL OUTPATIENT REIMBURSEMENT.**

1.8 (a) For outpatient hospital facility fee payments for services rendered on or after  
1.9 October 1, 1992, the commissioner of human services shall pay the lower of (1) submitted  
1.10 charge, or (2) 32 percent above the rate in effect on June 30, 1992, except for those  
1.11 services for which there is a federal maximum allowable payment. Effective for services  
1.12 rendered on or after January 1, 2000, payment rates for nonsurgical outpatient hospital  
1.13 facility fees and emergency room facility fees shall be increased by eight percent over the  
1.14 rates in effect on December 31, 1999, except for those services for which there is a federal  
1.15 maximum allowable payment. Services for which there is a federal maximum allowable  
1.16 payment shall be paid at the lower of (1) submitted charge, or (2) the federal maximum  
1.17 allowable payment. Total aggregate payment for outpatient hospital facility fee services  
1.18 shall not exceed the Medicare upper limit. If it is determined that a provision of this  
1.19 section conflicts with existing or future requirements of the United States government with  
1.20 respect to federal financial participation in medical assistance, the federal requirements  
1.21 prevail. The commissioner may, in the aggregate, prospectively reduce payment rates to  
1.22 avoid reduced federal financial participation resulting from rates that are in excess of  
1.23 the Medicare upper limitations.

2.1 (b) Notwithstanding paragraph (a), payment for outpatient, emergency, and  
2.2 ambulatory surgery hospital facility fee services for critical access hospitals designated  
2.3 under section 144.1483, clause (10), shall be paid on a cost-based payment system that  
2.4 is based on the cost-finding methods and allowable costs of the Medicare program. All  
2.5 hospital outpatient services provided by any hospital exclusively devoted to the care  
2.6 of pediatric patients that is located in a Minnesota metropolitan statistical area, and all  
2.7 pediatric outpatient services provided by a hospital that includes the operations of the  
2.8 hospital formerly owned by the University of Minnesota, must be paid for using the  
2.9 methodology established for critical access hospitals at a rate equal to fee-for-service rates  
2.10 plus 93 percent, as limited by allowable costs.

2.11 (c) Effective for services provided on or after July 1, 2003, rates that are based  
2.12 on the Medicare outpatient prospective payment system shall be replaced by a budget  
2.13 neutral prospective payment system that is derived using medical assistance data. The  
2.14 commissioner shall provide a proposal to the 2003 legislature to define and implement  
2.15 this provision.

2.16 (d) For fee-for-service services provided on or after July 1, 2002, the total payment,  
2.17 before third-party liability and spenddown, made to hospitals for outpatient hospital  
2.18 facility services is reduced by .5 percent from the current statutory rate.

2.19 (e) In addition to the reduction in paragraph (d), the total payment for fee-for-service  
2.20 services provided on or after July 1, 2003, made to hospitals for outpatient hospital  
2.21 facility services before third-party liability and spenddown, is reduced five percent from  
2.22 the current statutory rates. Facilities defined under section 256.969, subdivision 16, are  
2.23 excluded from this paragraph.

2.24 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to services  
2.25 provided on or after that date.

2.26 Sec. 2. **APPROPRIATION.**

2.27 \$..... is appropriated from the general fund to the commissioner of human services  
2.28 for the biennium beginning July 1, 2007, for the purposes of section 1.