

1 AN ACT in relation to public aid.

2 Be it enacted by the People of the State of Illinois,
3 represented in the General Assembly:

4 Section 5. The Illinois Public Aid Code is amended by
5 changing Section 14-8 as follows:

6 (305 ILCS 5/14-8) (from Ch. 23, par. 14-8)

7 Sec. 14-8. Disbursements to Hospitals.

8 (a) For inpatient hospital services rendered on and
9 after September 1, 1991, the Illinois Department shall
10 reimburse hospitals for inpatient services at an inpatient
11 payment rate calculated for each hospital based upon the
12 Medicare Prospective Payment System as set forth in Sections
13 1886(b), (d), (g), and (h) of the federal Social Security
14 Act, and the regulations, policies, and procedures
15 promulgated thereunder, except as modified by this Section.
16 Payment rates for inpatient hospital services rendered on or
17 after September 1, 1991 and on or before September 30, 1992
18 shall be calculated using the Medicare Prospective Payment
19 rates in effect on September 1, 1991. Payment rates for
20 inpatient hospital services rendered on or after October 1,
21 1992 and on or before March 31, 1994 shall be calculated
22 using the Medicare Prospective Payment rates in effect on
23 September 1, 1992. Payment rates for inpatient hospital
24 services rendered on or after April 1, 1994 shall be
25 calculated using the Medicare Prospective Payment rates
26 (including the Medicare grouping methodology and weighting
27 factors as adjusted pursuant to paragraph (1) of this
28 subsection) in effect 90 days prior to the date of
29 admission. For services rendered on or after July 1, 1995,
30 the reimbursement methodology implemented under this
31 subsection shall not include those costs referred to in

1 Sections 1886(d)(5)(B) and 1886(h) of the Social Security
2 Act. The additional payment amounts required under Section
3 1886(d)(5)(F) of the Social Security Act, for hospitals
4 serving a disproportionate share of low-income or indigent
5 patients, are not required under this Section. For hospital
6 inpatient services rendered on or after July 1, 1995, the
7 Illinois Department shall reimburse hospitals using the
8 relative weighting factors and the base payment rates
9 calculated for each hospital that were in effect on June 30,
10 1995, less the portion of such rates attributed by the
11 Illinois Department to the cost of medical education.

12 (1) The weighting factors established under Section
13 1886(d)(4) of the Social Security Act shall not be used
14 in the reimbursement system established under this
15 Section. Rather, the Illinois Department shall establish
16 by rule Medicaid weighting factors to be used in the
17 reimbursement system established under this Section.

18 (2) The Illinois Department shall define by rule
19 those hospitals or distinct parts of hospitals that shall
20 be exempt from the reimbursement system established under
21 this Section. In defining such hospitals, the Illinois
22 Department shall take into consideration those hospitals
23 exempt from the Medicare Prospective Payment System as of
24 September 1, 1991. For hospitals defined as exempt under
25 this subsection, the Illinois Department shall by rule
26 establish a reimbursement system for payment of inpatient
27 hospital services rendered on and after September 1,
28 1991. For all hospitals that are children's hospitals as
29 defined in Section 5-5.02 of this Code, the reimbursement
30 methodology shall, through June 30, 1992, net of all
31 applicable fees, at least equal each children's hospital
32 1990 ICARE payment rates, indexed to the current year by
33 application of the DRI hospital cost index from 1989 to
34 the year in which payments are made. Excepting county

1 providers as defined in Article XV of this Code,
2 hospitals licensed under the University of Illinois
3 Hospital Act, and facilities operated by the Department
4 of Mental Health and Developmental Disabilities (or its
5 successor, the Department of Human Services) for hospital
6 inpatient services rendered on or after July 1, 1995, the
7 Illinois Department shall reimburse children's hospitals,
8 as defined in 89 Illinois Administrative Code Section
9 149.50(c)(3), at the rates in effect on June 30, 1995,
10 and shall reimburse all other hospitals at the rates in
11 effect on June 30, 1995, less the portion of such rates
12 attributed by the Illinois Department to the cost of
13 medical education. For inpatient hospital services
14 provided on or after August 1, 1998, the Illinois
15 Department may establish by rule a means of adjusting the
16 rates of children's hospitals, as defined in 89 Illinois
17 Administrative Code Section 149.50(c)(3), that did not
18 meet that definition on June 30, 1995, in order for the
19 inpatient hospital rates of such hospitals to take into
20 account the average inpatient hospital rates of those
21 children's hospitals that did meet the definition of
22 children's hospitals on June 30, 1995.

23 (3) (Blank)

24 (4) Notwithstanding any other provision of this
25 Section, hospitals that on August 31, 1991, have a
26 contract with the Illinois Department under Section 3-4
27 of the Illinois Health Finance Reform Act may elect to
28 continue to be reimbursed at rates stated in such
29 contracts for general and specialty care.

30 (5) In addition to any payments made under this
31 subsection (a), the Illinois Department shall make the
32 adjustment payments required by Section 5-5.02 of this
33 Code; provided, that in the case of any hospital
34 reimbursed under a per case methodology, the Illinois

1 Department shall add an amount equal to the product of
2 the hospital's average length of stay, less one day,
3 multiplied by 20, for inpatient hospital services
4 rendered on or after September 1, 1991 and on or before
5 September 30, 1992.

6 (b) (Blank)

7 (b-5) Excepting county providers as defined in Article
8 XV of this Code, hospitals licensed under the University of
9 Illinois Hospital Act, and facilities operated by the
10 Illinois Department of Mental Health and Developmental
11 Disabilities (or its successor, the Department of Human
12 Services), for outpatient services rendered on or after July
13 1, 1995 and before July 1, 1998 the Illinois Department shall
14 reimburse children's hospitals, as defined in the Illinois
15 Administrative Code Section 149.50(c)(3), at the rates in
16 effect on June 30, 1995, less that portion of such rates
17 attributed by the Illinois Department to the outpatient
18 indigent volume adjustment and shall reimburse all other
19 hospitals at the rates in effect on June 30, 1995, less the
20 portions of such rates attributed by the Illinois Department
21 to the cost of medical education and attributed by the
22 Illinois Department to the outpatient indigent volume
23 adjustment. For outpatient services provided on or after
24 July 1, 1998, reimbursement rates shall be established by
25 rule.

26 (c) In addition to any other payments under this Code,
27 the Illinois Department shall develop a hospital
28 disproportionate share reimbursement methodology that,
29 effective July 1, 1991, through September 30, 1992, shall
30 reimburse hospitals sufficiently to expend the fee monies
31 described in subsection (b) of Section 14-3 of this Code and
32 the federal matching funds received by the Illinois
33 Department as a result of expenditures made by the Illinois
34 Department as required by this subsection (c) and Section

1 14-2 that are attributable to fee monies deposited in the
2 Fund, less amounts applied to adjustment payments under
3 Section 5-5.02.

4 (d) Critical Care Access Payments.

5 (1) In addition to any other payments made under
6 this Code, the Illinois Department shall develop a
7 reimbursement methodology that shall reimburse Critical
8 Care Access Hospitals for the specialized services that
9 qualify them as Critical Care Access Hospitals. No
10 adjustment payments shall be made under this subsection
11 on or after July 1, 1995.

12 (2) "Critical Care Access Hospitals" includes, but
13 is not limited to, hospitals that meet at least one of
14 the following criteria:

15 (A) Hospitals located outside of a
16 metropolitan statistical area that are designated as
17 Level II Perinatal Centers and that provide a
18 disproportionate share of perinatal services to
19 recipients; or

20 (B) Hospitals that are designated as Level I
21 Trauma Centers (adult or pediatric) and certain
22 Level II Trauma Centers as determined by the
23 Illinois Department; or

24 (C) Hospitals located outside of a
25 metropolitan statistical area and that provide a
26 disproportionate share of obstetrical services to
27 recipients.

28 (e) Inpatient high volume adjustment. For hospital
29 inpatient services, effective with rate periods beginning on
30 or after October 1, 1993, in addition to rates paid for
31 inpatient services by the Illinois Department, the Illinois
32 Department shall make adjustment payments for inpatient
33 services furnished by Medicaid high volume hospitals. The
34 Illinois Department shall establish by rule criteria for

1 qualifying as a Medicaid high volume hospital and shall
2 establish by rule a reimbursement methodology for calculating
3 these adjustment payments to Medicaid high volume hospitals.
4 No adjustment payment shall be made under this subsection for
5 services rendered on or after July 1, 1995.

6 (f) The Illinois Department shall modify its current
7 rules governing adjustment payments for targeted access,
8 critical care access, and uncompensated care to classify
9 those adjustment payments as not being payments to
10 disproportionate share hospitals under Title XIX of the
11 federal Social Security Act. Rules adopted under this
12 subsection shall not be effective with respect to services
13 rendered on or after July 1, 1995. The Illinois Department
14 has no obligation to adopt or implement any rules or make any
15 payments under this subsection for services rendered on or
16 after July 1, 1995.

17 (f-5) The State recognizes that adjustment payments to
18 hospitals providing certain services or incurring certain
19 costs may be necessary to assure that recipients of medical
20 assistance have adequate access to necessary medical
21 services. These adjustments include payments for teaching
22 costs and uncompensated care, trauma center payments,
23 rehabilitation hospital payments, perinatal center payments,
24 obstetrical care payments, targeted access payments, Medicaid
25 high volume payments, and outpatient indigent volume
26 payments. On or before April 1, 1995, the Illinois
27 Department shall issue recommendations regarding (i)
28 reimbursement mechanisms or adjustment payments to reflect
29 these costs and services, including methods by which the
30 payments may be calculated and the method by which the
31 payments may be financed, and (ii) reimbursement mechanisms
32 or adjustment payments to reflect costs and services of
33 federally qualified health centers with respect to recipients
34 of medical assistance.

1 (g) If one or more hospitals file suit in any court
2 challenging any part of this Article XIV, payments to
3 hospitals under this Article XIV shall be made only to the
4 extent that sufficient monies are available in the Fund and
5 only to the extent that any monies in the Fund are not
6 prohibited from disbursement under any order of the court.

7 (h) Payments under the disbursement methodology
8 described in this Section are subject to approval by the
9 federal government in an appropriate State plan amendment.

10 (i) The Illinois Department may by rule establish
11 criteria for and develop methodologies for adjustment
12 payments to hospitals participating under this Article.

13 (j) Hospital pharmacy payment. For inpatient hospital
14 services provided on or after October 1, 2003, in addition to
15 rates paid for services under this Code, the Illinois
16 Department shall reimburse each hospital for the reasonable
17 costs incurred by the hospital in providing pharmaceutical
18 services and supplies to recipients. To qualify for this
19 additional pharmacy payment, the Illinois Department, by
20 rule, may require each hospital to submit documentation of
21 its annual pharmacy costs.

22 (Source: P.A. 89-21, eff. 7-1-95; 89-499, eff. 6-28-96;
23 89-507, eff. 7-1-97; 90-9, eff. 7-1-97; 90-14, eff. 7-1-97;
24 90-588, eff. 7-1-98.)

25 Section 99. Effective date. This Act takes effect upon
26 becoming law.