



95TH GENERAL ASSEMBLY

State of Illinois

2007 and 2008

SB2165

Introduced 2/14/2008, by Sen. Deanna Demuzio

SYNOPSIS AS INTRODUCED:

305 ILCS 5/14-8
305 ILCS 5/15-5

from Ch. 23, par. 14-8
from Ch. 23, par. 15-5

Amends the Illinois Public Aid Code. Provides that for inpatient or outpatient hospital services provided by any hospital receiving reimbursement by the Department of Healthcare and Family Services, the Department may establish by rule a means of adjusting the rate of reimbursement so as to eliminate any costs of medical education, to the extent that such costs are no longer available for federal reimbursement. In connection with adjustment payments to hospitals, eliminates adjustments for teaching costs. Eliminates teaching costs as a supplement to hospital inpatient reimbursements from the County Provider Trust Fund. Effective immediately.

LRB095 15635 DRJ 41639 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning 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 Sections 14-8 and 15-5 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 after
9 September 1, 1991, the Illinois Department shall reimburse
10 hospitals for inpatient services at an inpatient payment rate
11 calculated for each hospital based upon the Medicare
12 Prospective Payment System as set forth in Sections 1886(b),
13 (d), (g), and (h) of the federal Social Security Act, and the
14 regulations, policies, and procedures promulgated thereunder,
15 except as modified by this Section. Payment rates for inpatient
16 hospital services rendered on or after September 1, 1991 and on
17 or before September 30, 1992 shall be calculated using the
18 Medicare Prospective Payment rates in effect on September 1,
19 1991. Payment rates for inpatient hospital services rendered on
20 or after October 1, 1992 and on or before March 31, 1994 shall
21 be calculated using the Medicare Prospective Payment rates in
22 effect on September 1, 1992. Payment rates for inpatient
23 hospital services rendered on or after April 1, 1994 shall be

1 calculated using the Medicare Prospective Payment rates
2 (including the Medicare grouping methodology and weighting
3 factors as adjusted pursuant to paragraph (1) of this
4 subsection) in effect 90 days prior to the date of admission.
5 For services rendered on or after July 1, 1995, the
6 reimbursement methodology implemented under this subsection
7 shall not include those costs referred to in Sections
8 1886(d)(5)(B) and 1886(h) of the Social Security Act. The
9 additional payment amounts required under Section
10 1886(d)(5)(F) of the Social Security Act, for hospitals serving
11 a disproportionate share of low-income or indigent patients,
12 are not required under this Section. For hospital inpatient
13 services rendered on or after July 1, 1995, the Illinois
14 Department shall reimburse hospitals using the relative
15 weighting factors and the base payment rates calculated for
16 each hospital that were in effect on June 30, 1995, less the
17 portion of such rates attributed by the Illinois Department to
18 the cost of medical education.

19 (1) The weighting factors established under Section
20 1886(d)(4) of the Social Security Act shall not be used in
21 the reimbursement system established under this Section.
22 Rather, the Illinois Department shall establish by rule
23 Medicaid weighting factors to be used in the reimbursement
24 system established under this Section.

25 (2) The Illinois Department shall define by rule those
26 hospitals or distinct parts of hospitals that shall be

1 exempt from the reimbursement system established under
2 this Section. In defining such hospitals, the Illinois
3 Department shall take into consideration those hospitals
4 exempt from the Medicare Prospective Payment System as of
5 September 1, 1991. For hospitals defined as exempt under
6 this subsection, the Illinois Department shall by rule
7 establish a reimbursement system for payment of inpatient
8 hospital services rendered on and after September 1, 1991.
9 For all hospitals that are children's hospitals as defined
10 in Section 5-5.02 of this Code, the reimbursement
11 methodology shall, through June 30, 1992, net of all
12 applicable fees, at least equal each children's hospital
13 1990 ICARE payment rates, indexed to the current year by
14 application of the DRI hospital cost index from 1989 to the
15 year in which payments are made. Excepting county providers
16 as defined in Article XV of this Code, hospitals licensed
17 under the University of Illinois Hospital Act, and
18 facilities operated by the Department of Mental Health and
19 Developmental Disabilities (or its successor, the
20 Department of Human Services) for hospital inpatient
21 services rendered on or after July 1, 1995, the Illinois
22 Department shall reimburse children's hospitals, as
23 defined in 89 Illinois Administrative Code Section
24 149.50(c)(3), at the rates in effect on June 30, 1995, and
25 shall reimburse all other hospitals at the rates in effect
26 on June 30, 1995, less the portion of such rates attributed

1 by the Illinois Department to the cost of medical
2 education. For inpatient hospital services provided on or
3 after August 1, 1998, the Illinois Department may establish
4 by rule a means of adjusting the rates of children's
5 hospitals, as defined in 89 Illinois Administrative Code
6 Section 149.50(c)(3), that did not meet that definition on
7 June 30, 1995, in order for the inpatient hospital rates of
8 such hospitals to take into account the average inpatient
9 hospital rates of those children's hospitals that did meet
10 the definition of children's hospitals on June 30, 1995.
11 For inpatient hospital services provided by any hospital
12 receiving reimbursement by the Department, the Department
13 may establish by rule a means of adjusting the rate of
14 reimbursement so as to eliminate any costs of medical
15 education, to the extent that such costs are no longer
16 available for federal reimbursement.

17 (3) (Blank)

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

24 (5) In addition to any payments made under this
25 subsection (a), the Illinois Department shall make the
26 adjustment payments required by Section 5-5.02 of this

1 Code; provided, that in the case of any hospital reimbursed
2 under a per case methodology, the Illinois Department shall
3 add an amount equal to the product of the hospital's
4 average length of stay, less one day, multiplied by 20, for
5 inpatient hospital services rendered on or after September
6 1, 1991 and on or before September 30, 1992.

7 (b) (Blank)

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

1 receiving reimbursement by the Department, the Department may
2 establish by rule a means of adjusting the rate of
3 reimbursement so as to eliminate any costs of medical
4 education, to the extent that such costs are no longer
5 available for federal reimbursement.

6 (c) In addition to any other payments under this Code, the
7 Illinois Department shall develop a hospital disproportionate
8 share reimbursement methodology that, effective July 1, 1991,
9 through September 30, 1992, shall reimburse hospitals
10 sufficiently to expend the fee monies described in subsection
11 (b) of Section 14-3 of this Code and the federal matching funds
12 received by the Illinois Department as a result of expenditures
13 made by the Illinois Department as required by this subsection
14 (c) and Section 14-2 that are attributable to fee monies
15 deposited in the Fund, less amounts applied to adjustment
16 payments under Section 5-5.02.

17 (d) Critical Care Access Payments.

18 (1) In addition to any other payments made under this
19 Code, the Illinois Department shall develop a
20 reimbursement methodology that shall reimburse Critical
21 Care Access Hospitals for the specialized services that
22 qualify them as Critical Care Access Hospitals. No
23 adjustment payments shall be made under this subsection on
24 or after July 1, 1995.

25 (2) "Critical Care Access Hospitals" includes, but is
26 not limited to, hospitals that meet at least one of the

1 following criteria:

2 (A) Hospitals located outside of a metropolitan
3 statistical area that are designated as Level II
4 Perinatal Centers and that provide a disproportionate
5 share of perinatal services to recipients; or

6 (B) Hospitals that are designated as Level I Trauma
7 Centers (adult or pediatric) and certain Level II
8 Trauma Centers as determined by the Illinois
9 Department; or

10 (C) Hospitals located outside of a metropolitan
11 statistical area and that provide a disproportionate
12 share of obstetrical services to recipients.

13 (e) Inpatient high volume adjustment. For hospital
14 inpatient services, effective with rate periods beginning on or
15 after October 1, 1993, in addition to rates paid for inpatient
16 services by the Illinois Department, the Illinois Department
17 shall make adjustment payments for inpatient services
18 furnished by Medicaid high volume hospitals. The Illinois
19 Department shall establish by rule criteria for qualifying as a
20 Medicaid high volume hospital and shall establish by rule a
21 reimbursement methodology for calculating these adjustment
22 payments to Medicaid high volume hospitals. No adjustment
23 payment shall be made under this subsection for services
24 rendered on or after July 1, 1995.

25 (f) The Illinois Department shall modify its current rules
26 governing adjustment payments for targeted access, critical

1 care access, and uncompensated care to classify those
2 adjustment payments as not being payments to disproportionate
3 share hospitals under Title XIX of the federal Social Security
4 Act. Rules adopted under this subsection shall not be effective
5 with respect to services rendered on or after July 1, 1995. The
6 Illinois Department has no obligation to adopt or implement any
7 rules or make any payments under this subsection for services
8 rendered on or after July 1, 1995.

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

26 (g) If one or more hospitals file suit in any court

1 challenging any part of this Article XIV, payments to hospitals
2 under this Article XIV shall be made only to the extent that
3 sufficient monies are available in the Fund and only to the
4 extent that any monies in the Fund are not prohibited from
5 disbursement under any order of the court.

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

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

12 (j) Hospital Residing Long Term Care Services. In addition
13 to any other payments made under this Code, the Illinois
14 Department may by rule establish criteria and develop
15 methodologies for payments to hospitals for Hospital Residing
16 Long Term Care Services.

17 (Source: P.A. 93-20, eff. 6-20-03.)

18 (305 ILCS 5/15-5) (from Ch. 23, par. 15-5)

19 Sec. 15-5. Disbursements from the Fund.

20 (a) The monies in the Fund shall be disbursed only as
21 provided in Section 15-2 of this Code and as follows:

22 (1) To pay the county hospitals' inpatient
23 reimbursement rate based on actual costs, trended forward
24 annually by an inflation index and supplemented by
25 ~~teaching,~~ capital, and other direct and indirect costs,

1 according to a State plan approved by the federal
2 government. Effective October 1, 1992, the inpatient
3 reimbursement rate (including any disproportionate or
4 supplemental disproportionate share payments) for hospital
5 services provided by county operated facilities within the
6 County shall be no less than the reimbursement rates in
7 effect on June 1, 1992, except that this minimum shall be
8 adjusted as of July 1, 1992 and each July 1 thereafter
9 through July 1, 2002 by the annual percentage change in the
10 per diem cost of inpatient hospital services as reported in
11 the most recent annual Medicaid cost report. Effective July
12 1, 2003, the rate for hospital inpatient services provided
13 by county hospitals shall be the rate in effect on January
14 1, 2003, except that this minimum may be adjusted by the
15 Illinois Department to ensure compliance with aggregate
16 and hospital-specific federal payment limitations.

17 (2) To pay county hospitals and county operated
18 outpatient facilities for outpatient services based on a
19 federally approved methodology to cover the maximum
20 allowable costs per patient visit. Effective October 1,
21 1992, the outpatient reimbursement rate for outpatient
22 services provided by county hospitals and county operated
23 outpatient facilities shall be no less than the
24 reimbursement rates in effect on June 1, 1992, except that
25 this minimum shall be adjusted as of July 1, 1992 and each
26 July 1 thereafter through July 1, 2002 by the annual

1 percentage change in the per diem cost of inpatient
2 hospital services as reported in the most recent annual
3 Medicaid cost report. Effective July 1, 2003, the Illinois
4 Department shall by rule establish rates for outpatient
5 services provided by county hospitals and other
6 county-operated facilities within the County that are in
7 compliance with aggregate and hospital-specific federal
8 payment limitations.

9 (3) To pay the county hospitals' disproportionate
10 share payments as established by the Illinois Department
11 under Section 5-5.02 of this Code. Effective October 1,
12 1992, the disproportionate share payments for hospital
13 services provided by county operated facilities within the
14 County shall be no less than the reimbursement rates in
15 effect on June 1, 1992, except that this minimum shall be
16 adjusted as of July 1, 1992 and each July 1 thereafter
17 through July 1, 2002 by the annual percentage change in the
18 per diem cost of inpatient hospital services as reported in
19 the most recent annual Medicaid cost report. Effective July
20 1, 2003, the Illinois Department may by rule establish
21 rates for disproportionate share payments to county
22 hospitals that are in compliance with aggregate and
23 hospital-specific federal payment limitations.

24 (3.5) To pay county providers for services provided
25 pursuant to Section 5-11 of this Code.

26 (4) To reimburse the county providers for expenses

1 contractually assumed pursuant to Section 15-4 of this
2 Code.

3 (5) To pay the Illinois Department its necessary
4 administrative expenses relative to the Fund and other
5 amounts agreed to, if any, by the county providers in the
6 agreement provided for in subsection (c).

7 (6) To pay the county providers any other amount due
8 according to a federally approved State plan, including but
9 not limited to payments made under the provisions of
10 Section 701(d)(3)(B) of the federal Medicare, Medicaid,
11 and SCHIP Benefits Improvement and Protection Act of 2000.
12 Intergovernmental transfers supporting payments under this
13 paragraph (6) shall not be subject to the computation
14 described in subsection (a) of Section 15-3 of this Code,
15 but shall be computed as the difference between the total
16 of such payments made by the Illinois Department to county
17 providers less any amount of federal financial
18 participation due the Illinois Department under Titles XIX
19 and XXI of the Social Security Act as a result of such
20 payments to county providers.

21 (b) The Illinois Department shall promptly seek all
22 appropriate amendments to the Illinois State Plan to effect the
23 foregoing payment methodology.

24 (c) The Illinois Department shall implement the changes
25 made by Article 3 of this amendatory Act of 1992 beginning
26 October 1, 1992. All terms and conditions of the disbursement

1 of monies from the Fund not set forth expressly in this Article
2 shall be set forth in the agreement executed under the
3 Intergovernmental Cooperation Act so long as those terms and
4 conditions are not inconsistent with this Article or applicable
5 federal law. The Illinois Department shall report in writing to
6 the Hospital Service Procurement Advisory Board and the Health
7 Care Cost Containment Council by October 15, 1992, the terms
8 and conditions of all such initial agreements and, where no
9 such initial agreement has yet been executed with a qualifying
10 county, the Illinois Department's reasons that each such
11 initial agreement has not been executed. Copies and reports of
12 amended agreements following the initial agreements shall
13 likewise be filed by the Illinois Department with the Hospital
14 Service Procurement Advisory Board and the Health Care Cost
15 Containment Council within 30 days following their execution.
16 The foregoing filing obligations of the Illinois Department are
17 informational only, to allow the Board and Council,
18 respectively, to better perform their public roles, except that
19 the Board or Council may, at its discretion, advise the
20 Illinois Department in the case of the failure of the Illinois
21 Department to reach agreement with any qualifying county by the
22 required date.

23 (d) The payments provided for herein are intended to cover
24 services rendered on and after July 1, 1991, and any agreement
25 executed between a qualifying county and the Illinois
26 Department pursuant to this Section may relate back to that

1 date, provided the Illinois Department obtains federal
2 approval. Any changes in payment rates resulting from the
3 provisions of Article 3 of this amendatory Act of 1992 are
4 intended to apply to services rendered on or after October 1,
5 1992, and any agreement executed between a qualifying county
6 and the Illinois Department pursuant to this Section may be
7 effective as of that date.

8 (e) If one or more hospitals file suit in any court
9 challenging any part of this Article XV, payments to hospitals
10 from the Fund under this Article XV shall be made only to the
11 extent that sufficient monies are available in the Fund and
12 only to the extent that any monies in the Fund are not
13 prohibited from disbursement and may be disbursed under any
14 order of the court.

15 (f) All payments under this Section are contingent upon
16 federal approval of changes to the State plan, if that approval
17 is required.

18 (Source: P.A. 92-370, eff. 8-15-01; 93-20, eff. 6-20-03.)

19 Section 99. Effective date. This Act takes effect upon
20 becoming law.