

SENATE BILL No. 381

DIGEST OF SB 381 (Updated January 21, 1998 4:10 pm - DI 88)

Citations Affected: Noncode.

Synopsis: Case mix reimbursement system. Requires the office of Medicaid policy and planning to adopt rules to implement a case mix reimbursement system for reimbursing costs to nursing facilities. Requires reimbursement rates to be calculated based on a formula relating to the weighted median costs for all nursing facilities' allowable costs of each of the following components: (1) 114% for direct care. (2) 100% for indirect care. (3) 100% for administrative costs. (4) 78% for capital costs. Provides formulas for calculating the reimbursement for each component. Provides a formula to calculate incentive payments to nursing facility providers. Voids current and proposed reimbursement rules at the same time the new rules go into effect. Requires the office of the secretary of family and social services to adopt rules, including emergency rules, to implement the new reimbursement system and the incentive payments. Requires the office
(Continued next page)

Effective: July 1, 1997 (retroactive); Upon passage; January 1, 1998 (retroactive).

Meeks

January 12, 1998, read first time and referred to Committee on Health and Environmental Affairs.
January 22, 1998, amended, reported favorably — Do Pass.

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Digest Continued

of Medicaid policy and planning to submit a state plan amendment to the federal Health Care Financing Administration to implement the new reimbursement system and the incentive payments. Requires the office of the secretary of family and social services to recalculate, publish, and pay Medicaid reimbursement rates to nursing facilities based on the new system. Prohibits repealing or amending a new rule that is adopted to implement the new reimbursement system and the incentive payments without statutory authority for the repeal or amendment.

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January 23, 1998

Second Regular Session 110th General Assembly (1998)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1997 General Assembly.

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SENATE BILL No. 381

A BILL FOR AN ACT concerning human services.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. [EFFECTIVE JANUARY 1, 1998 (RETROACTIVE)]
2 (a) **The definitions in 405 IAC 1-14.2 as in effect on July 1, 1997,**
3 **apply throughout this SECTION.**
4 (b) **Not later than July 1, 1998, the office of the secretary of**
5 **family and social services shall adopt rules under IC 4-22-2 to**
6 **implement the reimbursement system required by IC 12-15-14-2.**
7 **The rules adopted must be the same as those provided by 405 IAC**
8 **1-14.2 in effect on July 1, 1997, with the following changes in**
9 **limitations to Medicaid reimbursement rates for each provider:**
10 (1) **The lesser of the following for direct care costs:**
11 (A) **The product of:**
12 (i) **one hundred fourteen percent (114%) of the weighted**
13 **median for direct care costs; multiplied by**
14 (ii) **the Medicaid case mix index for the provider.**
15 (B) **The product of:**

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- 1 (i) the normalized costs per patient day for direct care;
 2 multiplied by
 3 (ii) the Medicaid case mix index for the provider.
- 4 (2) The lesser of the following for indirect care costs:
 5 (A) One hundred percent (100%) of the weighted median
 6 for indirect care costs.
 7 (B) The costs per patient day for indirect care.
- 8 (3) The lesser of the following for administrative costs:
 9 (A) One hundred percent (100%) of the weighted median
 10 for administrative costs.
 11 (B) The costs per patient day for the provider's
 12 administrative costs.
- 13 (4) The lesser of the following for capital costs:
 14 (A) Seventy-eight percent (78%) of the weighted median
 15 for capital costs.
 16 (B) The costs per patient day for the provider's capital
 17 costs.
- 18 (c) This SECTION expires January 1, 2000.
- 19 SECTION 2. [EFFECTIVE JANUARY 1, 1998
 20 (RETROACTIVE)] (a) The definitions in 405 IAC 1-14.2 as in effect
 21 on July 1, 1997, apply throughout this SECTION.
- 22 (b) Not later than July 1, 1998, the office of the secretary of
 23 family and social services shall adopt rules under IC 4-22-2 to
 24 provide incentive payments to each nursing facility provider.
- 25 (c) An incentive payment under this SECTION is in addition to
 26 a reimbursement payment made to a provider as calculated under
 27 rules adopted by the secretary under SECTION 1 of this act.
- 28 (d) The rules adopted under subsection (b) must provide for an
 29 incentive payment that is the sum determined under STEP FIVE
 30 of the following formula:
 31 STEP ONE: Determine fifty percent (50%) of the remainder
 32 of:
 33 (A) the product of:
 34 (i) one hundred fourteen percent (114%) of the weighted
 35 median for direct care costs; multiplied by
 36 (ii) the Medicaid case mix index for a provider; minus
 37 (B) the product of:
 38 (i) the provider's normalized per patient day direct care
 39 costs; multiplied by
 40 (ii) the provider's Medicaid case mix index.
- 41 The amount determined under this STEP may not exceed ten
 42 percent (10%) of the amount under clause (A). If the final

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1 amount is a negative number, it is not used in determining the
2 provider's incentive payment.

3 **STEP TWO: Determine fifty percent (50%) of the remainder**
4 **of:**

5 (A) the weighted median for indirect care costs; minus

6 (B) the provider's per patient day indirect care costs.

7 The amount may not exceed ten percent (10%) of the amount
8 under clause (A). If the final amount is a negative number, it
9 is not used in determining the provider's incentive payment.

10 **STEP THREE: Determine fifty percent (50%) of the**
11 **remainder of:**

12 (A) the weighted median for administrative costs; minus

13 (B) the provider's per patient day administrative costs.

14 The amount may not exceed ten percent (10%) of the amount
15 under clause (A). If the final amount is a negative number, it
16 is not used in determining the provider's incentive payment.

17 **STEP FOUR: Determine fifty percent (50%) of the remainder**
18 **of:**

19 (A) seventy-eight percent (78%) of the weighted median
20 for capital costs; minus

21 (B) the provider's per patient day capital costs.

22 The amount may not exceed ten percent (10%) of the amount
23 under clause (A). If the final amount is a negative number, it
24 is not used in determining the provider's incentive payment.

25 **STEP FIVE: Add the amounts determined under STEP ONE**
26 **through STEP FOUR.**

27 (e) This SECTION expires January 1, 2000.

28 SECTION 3. [EFFECTIVE JULY 1, 1997 (RETROACTIVE)] (a)
29 **405 IAC 1-14.2 is void.**

30 (b) **405 IAC 1-14.1 is void on the date prescribed by SECTION**
31 **6 of this act.**

32 (c) **The publisher of the Indiana Administrative Code and**
33 **Indiana Register shall remove this rule from the Indiana**
34 **Administrative Code.**

35 SECTION 4. [EFFECTIVE JANUARY 1, 1998 (RETROACTIVE)]
36 **If 405 IAC 1-14.3 is adopted before the passage of this act, 405**
37 **IAC 1-14.3 is void. The publisher of the Indiana Administrative**
38 **Code and Indiana Register shall remove this rule from the Indiana**
39 **Administrative Code.**

40 SECTION 5. [EFFECTIVE JANUARY 1, 1998 (RETROACTIVE)]
41 (a) **The office of the secretary of family and social services shall not**
42 **adopt rules under IC 4-22-2 to determine Medicaid reimbursement**



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1 rates for nursing facilities except as authorized by SECTIONS 1
2 and 2 of this act.

3 (b) This SECTION expires January 1, 2000.

4 SECTION 6. [EFFECTIVE MARCH 1, 1998 (RETROACTIVE)]

5 (a) Before May 1, 1998, the office of the secretary of family and
6 social services shall adopt emergency rules in the same manner
7 that emergency rules are adopted under IC 4-22-2-37.1 to
8 implement SECTIONS 1 and 2 of this act.

9 (b) An emergency rule adopted under this SECTION expires on
10 the earlier of the following:

11 (1) The date that rules are adopted under subsection (c).

12 (2) July 1, 1998.

13 (c) Notwithstanding IC 4-22-2-36, the voiding of 405 IAC 1-14.1
14 and the rules adopted under IC 4-22-2 that are required to
15 implement SECTIONS 1 and 2 of this act are effective on the later
16 of the following:

17 (1) July 1, 1998.

18 (2) The earliest date permitted by federal law.

19 (d) This SECTION expires January 1, 2000.

20 SECTION 7. [EFFECTIVE MARCH 1, 1998 (RETROACTIVE)]

21 (a) Not later than March 31, 1998, the office of Medicaid policy and
22 planning shall submit a state plan amendment to the federal Health
23 Care Financing Administration to implement SECTIONS 1 and 2
24 of this act. However, approval of the state plan amendment by the
25 federal Health Care Financing Administration is not required for
26 the office to pay the modified reimbursement rates required by
27 SECTION 1 of this act, and the incentive payments required by
28 SECTION 2 of this act.

29 (b) This SECTION expires January 1, 2000.

30 SECTION 8. [EFFECTIVE JANUARY 1, 1998 (RETROACTIVE)]

31 (a) The office of the secretary of family and social services shall
32 recalculate, publish, and pay Medicaid reimbursement rates as
33 modified by SECTION 1 of this act.

34 (b) The office of Medicaid policy and planning shall recalculate
35 and pay the incentive payment established by SECTION 2 of this
36 act.

37 (c) This SECTION expires January 1, 2000.

38 SECTION 9. [EFFECTIVE JANUARY 1, 1998 (RETROACTIVE)]

39 A rule adopted under this act may not be repealed or amended
40 without statutory authority for the repeal or amendment.

41 SECTION 10. An emergency is declared for this act.

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COMMITTEE REPORT

Mr. President: The Senate Committee on Health and Environmental Affairs, to which was referred Senate Bill 381, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 1, line 1, replace the effective date in SECTION 1 with "[EFFECTIVE JANUARY 1, 1998 (RETROACTIVE)]".

Page 1, line 4, delete "April 1, 1999" and insert "**July 1, 1998**".

Page 1, line 9, after "rates" insert "**for each provider**".

Page 1, line 10, after "(1)" insert "**The lesser of the following for direct care costs:**".

Page 1, line 10, delete "One", begin a new line double block indented and insert:

"(A) The product of:

(i) one".

Page 1, line 11, delete "." and insert "**; multiplied by**".

Page 1, between lines 11 and 12, begin a new line triple block indented and insert:

"(ii) the Medicaid case mix index for the provider.

(B) The product of:

(i) the normalized costs per patient day for direct care; multiplied by

(ii) the Medicaid case mix index for the provider."

Page 1, line 12, after "(2)" insert "**The lesser of the following for indirect care costs:**".

Page 1, line 12, before "One" begin a new line double block indented and insert:

"(A)".

Page 1, between lines 13 and 14, begin a new line double block indented and insert:

"(B) The costs per patient day for indirect care."

Page 1, line 14, after "(3)" insert "**The lesser of the following for administrative costs:**".

Page 1, line 14, before "One" begin a new line double block indented and insert:

"(A)".

Page 1, after line 15, begin a new line double block indented and insert:

"(B) The costs per patient day for the provider's administrative costs."

Page 2, line 1, after "(4)" insert "**The lesser of the following for**

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capital costs:".

Page 2, line 1, before "Seventy-eight" begin a new line double block indented and insert:

"(A)".

Page 2, between lines 2 and 3, begin a new line double block indented and insert:

"(B) The costs per patient day for the provider's capital costs."

Page 2, line 4, replace the effective date in SECTION 2 with "[EFFECTIVE JANUARY 1, 1998 (RETROACTIVE)]".

Page 2, line 7, delete "April 1, 1999" and insert **"July 1, 1998"**.

Page 2, line 22, after "(B)" insert **"the product of:"**.

Page 2, line 22, before "the" begin a new line triple block indented and insert:

"(i)".

Page 2, line 22, after "provider's" insert **"normalized"**.

Page 2, line 22, after "day" insert **"direct care"**.

Page 2, line 22, delete "." and insert **"; multiplied by"**.

Page 2, between lines 22 and 23, begin a new line triple block indented and insert:

"(ii) the provider's Medicaid case mix index."

Page 2, line 24, delete "clause (A)(i)" and insert **"clause (A)"**.

Page 2, line 30, after "day" insert **"indirect care"**.

Page 2, line 37, after "day" insert **"administrative"**.

Page 3, line 3, after "day" insert **"capital"**.

Page 3, line 10, replace the effective date in SECTION 3 with "[EFFECTIVE JULY 1, 1997 (RETROACTIVE)]".

Page 3, line 10, delete "405 IAC 1-14.1 and" and insert **"(a)"**.

Page 3, line 11, delete "are" and insert **"is"**.

Page 3, line 11, after "void." begin a new paragraph and insert:

"(b) 405 IAC 1-14.1 is void on the date prescribed by SECTION 6 of this act.

(c)".

Page 3, line 12, delete "these rules" and insert **"this rule"**.

Page 3, between lines 13 and 14, begin a new paragraph and insert:
"SECTION 4. [EFFECTIVE JANUARY 1, 1998 (RETROACTIVE)] If 405 IAC 1-14.3 is adopted before the passage of this act, 405 IAC 1-14.3 is void. The publisher of the Indiana Administrative Code and Indiana Register shall remove this rule from the Indiana Administrative Code."

Page 3, line 14, replace the effective date in SECTION 4 with "[EFFECTIVE JANUARY 1, 1998 (RETROACTIVE)]".



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Page 3, line 20, replace the effective date in SECTION 5 with "[EFFECTIVE MARCH 1, 1998 (RETROACTIVE)]".

Page 3, line 28, delete "April 1, 1999" and insert "**July 1, 1998**".

Page 3, delete lines 29 through 37, begin a new paragraph and insert:

"(c) Notwithstanding IC 4-22-2-36, the voiding of 405 IAC 1-14.1 and the rules adopted under IC 4-22-2 that are required to implement SECTIONS 1 and 2 of this act are effective on the later of the following:

(1) July 1, 1998.

(2) The earliest date permitted by federal law."

Page 3, line 39, replace the effective date in SECTION 6 with "[EFFECTIVE MARCH 1, 1998 (RETROACTIVE)]".

Page 3, line 39, delete "The" and insert "**Not later than March 31, 1998, the**".

Page 4, line 14, after "8." insert "[EFFECTIVE JANUARY 1, 1998 (RETROACTIVE)]".

Page 4, line 14, after "repealed" insert "**or amended**".

Page 4, line 15, delete "statuory" and insert "**statutory**".

Page 4, line 15, after "repeal" insert "**or amendment**".

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to Senate Bill 381 as introduced.)

MILLER, Chairperson

Committee Vote: Yeas 7, Nays 2.

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