

Adopted      Rejected

# COMMITTEE REPORT

**YES:            8**  
**NO:             0**

**MR. SPEAKER:**

*Your Committee on Public Health, to which was referred Senate Bill 455, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill **be amended** as follows:*

- 1            Delete everything after the enacting clause and insert the following:
- 2            SECTION 1. IC 12-7-2-110 IS AMENDED TO READ AS
- 3            FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 110. "Hospital"
- 4            means the following:
- 5            **(1) For purposes of IC 12-15-11.5, the meaning set forth in**
- 6            **IC 12-15-11.5-1.**
- 7            ~~(1)~~ **(2)** For purposes of IC 12-15-18, the meaning set forth in
- 8            IC 12-15-18-2.
- 9            ~~(2)~~ **(3)** For purposes of IC 12-16, except IC 12-16-1, the term
- 10            refers to a hospital licensed under IC 16-21.
- 11            SECTION 2. IC 12-15-11.5 IS ADDED TO THE INDIANA CODE
- 12            AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
- 13            UPON PASSAGE]:
- 14            **Chapter 11.5. Lake County Disproportionate Share Hospitals**

1           **Sec. 1. As used in this chapter, "hospital" refers to an acute care**  
 2 **hospital provider that:**

- 3           (1) is licensed under IC 16-21;  
 4           (2) qualifies as a disproportionate share hospital under  
 5           IC 12-15-16; and  
 6           (3) is the sole disproportionate share hospital in a city located  
 7           in a county having a population of more than four hundred  
 8           thousand (400,000) but less than seven hundred thousand  
 9           (700,000).

10           **Sec. 2. (a) The office's managed care contractor shall regard a**  
 11 **hospital as a contracted provider in the office's managed care**  
 12 **services program, which provides a capitated prepayment**  
 13 **managed care system, for the provision of medical services to each**  
 14 **individual who:**

- 15           (1) is eligible to receive services under IC 12-15 and has  
 16           enrolled in the office's managed care services program;  
 17           (2) resides in the same city in which the hospital is located;  
 18           and  
 19           (3) has selected a primary care provider who:  
 20                (A) is a contracted provider with the office's managed care  
 21                contractor; and  
 22                (B) has medical staff privileges at the hospital.

23           **(b) This section expires December 31, 2000.**

24           **Sec. 3. (a) The office or the office's managed care contractor**  
 25 **may not provide incentives or mandates to the primary medical**  
 26 **provider to direct individuals described in section 2 of this chapter**  
 27 **to contracted hospitals other than a hospital in a city where the**  
 28 **patient resides.**

29           **(b) A hospital that provides services to individuals described in**  
 30 **section 2 of this chapter may enter into an agreement with the**  
 31 **office's managed care contractor on procedures for eligibility**  
 32 **verification and medical management programs. If an agreement**  
 33 **is entered into under this subsection, the hospital must comply with**  
 34 **the procedures covered by the agreement.**

35           **(c) This section expires December 31, 2000.**

36           **Sec. 4. (a) A hospital that:**

- 37           (1) does not have a contract in effect with the office's managed  
 38           care contractor; but

1           (2) previously contracted or entered into an agreement with  
 2           the office's managed care contractor for the provision of  
 3           services under the office's managed care program;  
 4           shall be reimbursed for services provided to individuals described  
 5           in section 2 of this chapter at rates equivalent to the rates  
 6           negotiated under the hospital's previous contract or agreement  
 7           with the office's managed care contractor, as adjusted for inflation  
 8           by the inflation adjustment factor described in subsection (b).  
 9           However, the adjusted rates may not exceed the established  
 10          Medicaid rates paid to Medicaid providers who are not contracted  
 11          providers in the office's managed health care services program.

12          (b) For each state fiscal year beginning after June 30, 2001, an  
 13          inflation adjustment factor shall be applied under subsection (a)  
 14          that is the average of the percentage increase in the medical care  
 15          component of the Consumer Price Index for all Urban Consumers  
 16          and the percentage increase in the Consumer Price Index for all  
 17          Urban Consumers, as published by the United States Bureau of  
 18          Labor Statistics, for the twelve (12) month period ending in March  
 19          preceding the beginning of the state fiscal year.

20          (c) This section expires December 31, 2000.

21          Sec. 5. (a) A hospital may enter into a contract with the office or  
 22          the office's managed care contractor for reimbursement rates  
 23          other than the reimbursement rates described in section 4 of this  
 24          chapter.

25          (b) This section expires December 31, 2000.

26          Sec. 6. A claim for reimbursement for services shall be treated  
 27          as a disputed claim under this chapter if:

28               (1) it is submitted within one hundred twenty (120) days after  
 29               the date that services are rendered;

30               (2) it is denied by the managed care contractor;

31               (3) the hospital submits a written notice of dispute for the  
 32               claim to the managed care contractor not more than sixty (60)  
 33               days after the receipt of the denial notice;

34               (4) it is appealed in accordance with the managed care  
 35               contractor's internal appeals process; and

36               (5) payment for the claim is denied by the managed care  
 37               contractor following its internal appeals process.

38          Sec. 7. The office's managed care contractor must conclude an

1 appeal under section 6(4) of this chapter and notify the hospital of  
2 its decision not more than thirty-five (35) days after the managed  
3 care contractor receives a notice from the hospital disputing the  
4 managed care contractor's denial of a claim.

5 Sec. 8. (a) A contract entered into by a hospital with the office's  
6 managed care contractor for the provision of services under the  
7 office's managed care services program must include a dispute  
8 resolution procedure for all disputed claims. Unless agreed to in  
9 writing by the hospital and the office's managed care contractor,  
10 the dispute resolution procedure must include the following  
11 requirements:

12 (1) That submission of disputed claims must be made to an  
13 independent arbitrator selected under subsection (b).

14 (2) Each claim must set forth with specificity the issues to be  
15 arbitrated, the amount involved, and the relief sought.

16 (3) That the hospital and the office's managed care contractor  
17 shall attempt in good faith to resolve all disputed claims.

18 (4) The hospital shall submit to the arbitrator any claims that  
19 remain in dispute sixty (60) calendar days after the hospital  
20 receives written notice as provided under section 7 of this  
21 chapter.

22 (5) That resolution of disputes by the arbitrator must occur  
23 not later than ninety (90) calendar days after submission of  
24 disputed claims to the arbitrator, unless the parties mutually  
25 agree otherwise.

26 (6) That determinations of the arbitrator are final and  
27 binding and not subject to any appeal or review procedure.

28 (7) That the arbitrator does not have the authority to award  
29 any punitive or exemplary damages or to vary or ignore the  
30 terms of any contract between the parties and shall be bound  
31 by controlling law.

32 (8) That judgment upon the award rendered by the arbitrator  
33 may be entered and enforced in and is subject to the  
34 jurisdiction of a court with jurisdiction in Indiana.

35 (9) That the cost of the arbitrator must be shared equally by  
36 the parties, and each party must bear its own attorney and  
37 witness fees.

38 (b) The parties to a contract described in subsection (a) shall

1 mutually agree on an independent arbitrator, or, if the parties are  
 2 unable to reach agreement on an independent arbitrator, the  
 3 following procedure must be followed:

4 (1) Each party shall select an independent representative, and  
 5 the independent representatives shall select a panel of three  
 6 (3) independent arbitrators who have experience in  
 7 institutional and professional health care delivery practices  
 8 and procedures and have had no prior dealing with either  
 9 party other than as an arbitrator.

10 (2) The parties will each strike one (1) arbitrator from the  
 11 panel selected under subdivision (1), and the remaining  
 12 arbitrator serves as the arbitrator of the disputed claims  
 13 under subsection (a).

14 (3) The procedures for selecting an arbitrator under this  
 15 section must be completed not later than twenty (20) calendar  
 16 days after the hospital provides written notice of at least one  
 17 (1) disputed claim.

18 **Sec. 9. The arbitration process described in section 8 of this**  
 19 **chapter shall also be followed for resolution of disputed claims**  
 20 **between a hospital and the office's managed care contractor, if the**  
 21 **hospital is not a contracted provider in the office's managed health**  
 22 **care services program.**

23 SECTION 3. [EFFECTIVE UPON PASSAGE] A hospital (as  
 24 defined in IC 12-15-11.5-1, as added by this act) and the managed  
 25 care contractor of the office (as defined in IC 12-7-2-134) shall use  
 26 the arbitration procedure in IC 12-15-11.5-8, as added by this act,  
 27 for the resolution of all disputed claims (as defined in  
 28 IC 12-15-11.5-6, as added by this act) that have accrued as of the  
 29 effective date of IC 12-15-11.5, as added by this act.

30 SECTION 4. An emergency is declared for this act.

(Reference is to SB 455 as printed January 28, 2000.)

**and when so amended that said bill do pass.**

---

Representative Brown C