

2018 Regular Session

HOUSE BILL NO. 350

BY REPRESENTATIVE JAY MORRIS

MEDICAID: Provides for a Medicaid hospital payment methodology

1 AN ACT

2 To enact Subpart E of Part I of Chapter 5-E of Title 40 of the Louisiana Revised Statutes of
3 1950, to be comprised of R.S. 40:1248.1 through 1248.5, relative to the Medicaid
4 hospital program; to provide for duties of the Louisiana Department of Health in
5 administering such program; to provide relative to the system of Medicaid payments
6 to hospitals; to require implementation of a specific hospital payment methodology;
7 to require the Louisiana Department of Health to submit reports concerning the
8 payment methodology to the legislative auditor and certain legislative committees;
9 to provide for administrative rulemaking; and to provide for related matters.

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. Subpart E of Part I of Chapter 5-E of Title 40 of the Louisiana Revised
12 Statutes of 1950, comprised of R.S. 40:1248.1 through 1248.5, is hereby enacted to read as
13 follows:

14 SUBPART E. MEDICAID HOSPITAL PROGRAM - REIMBURSEMENT

15 METHODOLOGY

16 §1248.1. Definitions

17 As used in this Subpart, the following terms have the meaning ascribed in this

18 Section:

19 (1) "Department" means the Louisiana Department of Health.

1 (2) "Diagnosis-related groups" refers to a classification system that groups
2 patients according to diagnosis, type of treatment, age, and other relevant criteria.

3 (3) "Supplemental payments" means payments made through the Medicaid
4 disproportionate share hospital program, upper payment limit programs, full
5 Medicaid pricing programs, and any Medicaid hospital payments other than base-rate
6 payments which are expended pursuant to special arrangements with individual
7 hospitals or groups of hospitals.

8 §1248.2. Medicaid hospital program; system of hospital reimbursement

9 A. The secretary of the department shall ensure that the hospital
10 reimbursement system of the Medicaid program of this state adheres to all of the
11 following principles:

12 (1) Hospital payments are made according to a "money follows the person"
13 model which minimizes or eliminates disparities in reimbursement to different
14 hospitals for the same service provided to the same Medicaid patient.

15 (2) Hospital payments are value-based and tied to clinical outcomes.

16 (3) Medicaid reimbursement adequately funds the cost of care that a hospital
17 provides to a Medicaid patient.

18 (4) Medicaid payments are equitable across the various hospitals of this
19 state.

20 (5) The reimbursement system promotes access to care for Medicaid
21 beneficiaries.

22 B. To the maximum extent practicable, the Medicaid hospital reimbursement
23 system shall rely upon base-rate payments in order to minimize the exposure of this
24 state to risks associated with utilization of supplemental payments.

25 §1248.3. Hospital payment methodology based on diagnosis-related groups;
26 implementation

27 A. The legislature hereby finds and declares all of the following with respect
28 to hospital payment methodologies that utilize diagnosis-related groups:

1 (1) Payment by diagnosis-related groups encourages access to care, rewards
2 efficiency, improves transparency, and improves fairness by paying similarly across
3 hospitals for similar care.

4 (2) Payment by diagnosis-related groups simplifies the payment process,
5 encourages administrative efficiency, and bases payments on patient acuity and
6 hospital resources rather than length of stay.

7 (3) With a payment methodology based upon diagnosis-related groups,
8 payment follows the patient regardless of the individual hospital at which the patient
9 is treated.

10 B.(1) The secretary of the department shall design and implement a payment
11 methodology for hospital inpatient services provided to Medicaid beneficiaries based
12 upon diagnosis-related groups in accordance with the provisions of this Subsection.

13 (2) The payment methodology based upon diagnosis-related groups shall
14 account, at minimum, for all of the following:

15 (a) Hospital peer groups.

16 (b) Hospitals with high Medicaid volume.

17 (c) Capital costs.

18 (d) Applicable provisions of the Rural Hospital Preservation Act, R.S.
19 40:1189.1 et seq.

20 (e) Psychiatric hospitals.

21 (f) Rehabilitation hospitals.

22 (g) Outlier payments.

23 (h) Patient transfers.

24 §1248.4. Reports; submission to legislative auditor and legislative committees

25 A. On a semiannual basis, the department shall submit a report to the
26 legislative auditor concerning the implementation of the hospital payment
27 methodology provided for in this Subpart. The report shall feature data on the fiscal
28 impact of the implementation of the payment methodology, and may feature

1 recommendations for legislation and other policy changes which would facilitate
2 greater transparency in the state's overall system of Medicaid payments to hospitals.

3 B. The department shall submit each report prepared in accordance with
4 Subsection A of this Section to the House Committee on Appropriations, the Senate
5 Committee on Finance, and the House and Senate committees on health and welfare
6 no fewer than thirty days after transmitting the report to the legislative auditor.

7 §1248.5. Rulemaking

8 The secretary of the department shall promulgate in rule, in accordance with
9 the Administrative Procedure Act, the hospital payment methodology provided for
10 in this Subpart and all other rules and regulations as are necessary to implement the
11 provisions of this Subpart.

12 Section 2. The secretary of the Louisiana Department of Health shall take such
13 actions as are necessary to cause the payment methodology for hospital inpatient services
14 provided to Medicaid beneficiaries required by R.S. 40:1248.3, as enacted by Section 1 of
15 this Act, to be implemented on or before September 1, 2018.

16 Section 3. The secretary of the Louisiana Department of Health shall submit to the
17 legislative auditor the first semiannual report required by the provisions of R.S.
18 40:1248.4(A), as enacted by Section 1 of this Act, on or before December 31, 2018.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 350 Original

2018 Regular Session

Jay Morris

Abstract: Provides for implementation of a specific hospital payment methodology in the Medicaid hospital program.

Proposed law requires the secretary of the La. Department of Health (LDH) to ensure that the hospital reimbursement system of the Medicaid program of this state adheres to all of the following principles:

- (1) Hospital payments are made according to a "money follows the person" model which minimizes or eliminates disparities in reimbursement to different hospitals for the same service provided to the same Medicaid patient.
- (2) Hospital payments are value-based and tied to clinical outcomes.

- (3) Medicaid reimbursement adequately funds the cost of care that a hospital provides to a Medicaid patient.
- (4) Medicaid payments are equitable across the various hospitals of this state.
- (5) The reimbursement system promotes access to care for Medicaid beneficiaries.

Proposed law requires the Medicaid hospital reimbursement system, to the maximum extent practicable, to rely upon base-rate payments in order to minimize the exposure of this state to risks associated with utilization of supplemental payments.

Proposed law requires that on or before Sept. 1, 2018, the secretary of LDH shall design and implement a payment methodology for hospital inpatient services provided to Medicaid beneficiaries based upon diagnosis-related groups in accordance with the provisions of proposed law this Subsection. Provides that the payment methodology shall account, at minimum, for all of the following:

- (1) Hospital peer groups.
- (2) Hospitals with high Medicaid volume.
- (3) Capital costs.
- (4) Applicable provisions of present law known as the Rural Hospital Preservation Act.
- (5) Psychiatric hospitals.
- (6) Rehabilitation hospitals.
- (7) Outlier payments.
- (8) Patient transfers.

Proposed law requires that on or before December 31, 2018, and on a semiannual basis thereafter, LDH shall submit a report to the legislative auditor concerning the implementation of the hospital payment methodology provided for in proposed law and provides for the content of the report. Requires that LDH submit each such report to the House Committee on Appropriations, the Senate Committee on Finance, and the House and Senate committees on health and welfare no fewer than 30 days after transmitting the report to the legislative auditor.

Proposed law requires that LDH promulgate in rule the hospital payment methodology provided for in proposed law.

(Adds R.S. 40:1248.1-1248.5)