

2020 Regular Session

HOUSE BILL NO. 598

BY REPRESENTATIVE THOMAS

MEDICAID: Provides for hospital payment reform based on diagnosis-related groups

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 1248.4, relative to diagnosis-related
4 groups; to provide for duties of the Louisiana Department of Health; to provide
5 relative to the system of Medicaid payments to hospitals; to require implementation
6 of a specific hospital payment methodology; to provide for administrative
7 rulemaking; and to provide for related matters.

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. Subpart E of Part I of Chapter 5-E of Title 40 of the Louisiana Revised
10 Statutes of 1950, comprised of R.S. 40:1248.1 through 1248.4, is hereby enacted to read as
11 follows:

12 SUBPART E. MEDICAID HOSPITAL PROGRAM:

13 REIMBURSEMENT METHODOLOGY

14 §1248.1. Definitions

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

16 Section:

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

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

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

6 §1248.2. Medicaid hospital program; system of hospital reimbursement

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

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

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

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

16 (4) Medicaid payments are equitable across the various hospitals of this
17 state.

18 (5) The reimbursement system promotes access to care for Medicaid
19 beneficiaries.

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

23 §1248.3. Hospital payment methodology based on diagnosis-related groups;
24 implementation

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

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

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

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

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

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

12 (a) Hospital peer groups.

13 (b) Hospitals with high Medicaid volume.

14 (c) Capital costs.

15 (d) Applicable provisions of the Rural Hospital Preservation Act, R.S.
16 40:1189.1 et seq.

17 (e) Psychiatric hospitals.

18 (f) Rehabilitation hospitals.

19 (g) Outlier payments.

20 (h) Patient transfers.

21 §1248.4. Rulemaking

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

26 Section 2. The secretary of the Louisiana Department of Health shall take such
27 actions as are necessary to cause the payment methodology for hospital inpatient services
28 provided to Medicaid beneficiaries required by R.S. 40:1248.3, as enacted by Section 1 of
29 this Act, to be implemented on or before January 1, 2021.

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 598 Original

2020 Regular Session

Thomas

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 that the Medicaid hospital reimbursement system, to the maximum extent practicable, 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 Jan. 1, 2021, 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. 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 LDH promulgate in rule the hospital payment methodology provided for in proposed law.

(Adds R.S. 40:1248.1-1248.4)