
DIGEST

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HB 1185 Engrossed

2026 Regular Session

Miller

Abstract: Provides for other rural hospital reimbursement payments and directed payments.

Proposed law enacts the "Preservation Act for Other Rural Hospitals".

Proposed law defines "other rural hospitals" as a hospital licensed by the La. Dept. of Health (LDH) which has no more than 60 hospital beds, excluding distinct part psychiatric beds, distinct part rehabilitation unit beds, and nursery bassinets as of Oct. 1, 2024. The definition also requires "other rural hospitals" to meet all of the following criteria:

- (1) Is not located within one of La.'s metropolitan statistical areas.
- (2) Has an operational emergency room.
- (3) Is located in a municipality with a population of less than 23,000 as measured by the latest federal decennial census.
- (4) Is not a rural hospital as defined in statute, a long-term care hospital, a rehabilitation hospital, or a free-standing psychiatric hospital.

Proposed law allows other rural hospitals to certify as a public agency representing expenditures eligible for federal financial participation in the Medicaid program to the extent authorized by federal law.

Proposed law directs LDH to maximize funding for services rendered by other rural hospitals (as allowed by federal law) in amounts that may be appropriated by the legislature relative to the use of Medicaid reimbursement. Directs LDH to maximize the use of intergovernmental transfers (IGT) and certification of eligible expenditures that are available for state match for Medicaid reimbursement in order to increase access to health care for Medicaid and LaCHIP beneficiaries.

Proposed law directs LDH to file a state plan amendment with CMS amending the Medicaid state plan provisions governing Medicaid hospital reimbursement. The plan shall reimburse other rural hospitals at a rate comparable to a rural hospital, equal or approximate to 110%. If a reduction is required by CMS, LDH may reduce reimbursement to no less than 100% of the appropriate reasonable costs of providing hospital inpatient and outpatient services. Requires the new payment methodology to utilize prospective rates approximating costs at the time of service of inpatient acute and psychiatric services.

Proposed law requires LDH to pay an interim rate for cost-based outpatient services at 110% of reasonable cost during the year. Requires fee-based services to be paid on a claim-by-claim basis and requires LDH to make quarterly estimates of supplemental payments required to bring the other rural hospitals' reimbursement to 100% of reasonable costs. Requires final settlement to the other rural hospitals to ensure that all outpatient services in the aggregate are paid at 110% of reasonable costs.

Proposed law requires that for cost reporting periods ending after July 1, 2026, LDH shall pay 75% of interim other rural hospital outpatient cost report settlement amounts due and 100% of final other rural hospital outpatient cost report settlement amounts due within 14 days of receipt by LDH of such reports from the Medicaid audit contractor.

Proposed law provides for a new payment methodology for other rural hospitals to be effective on or after July 1, 2026, or as soon as permitted by federal law. Directs LDH to promulgate rules to implement the reimbursement structure. Requires the rules to be promulgated no later than 120 days after Aug. 15, 2026. Further requires LDH to promulgate emergency rules upon CMS approval of the state plan amendment. Provides that an other rural hospital shall not receive any payment provided for in proposed law if the other rural hospital is not current on all assessment payments.

Proposed law requires that after federal funds are optimized, LDH may develop a state-only funded program to provide direct funds to qualifying other rural hospitals to support access to services that would otherwise not be available.

Proposed law requires annual funding for other rural hospitals to be a separate annual appropriation by the legislature. Other rural hospitals shall not be funded by current or future reimbursement pool, program, or other funding for other rural hospitals.

Proposed law requires LDH to review Medicaid and uninsured cost information, payment information, patient charges, and hospital financial statements to the extent required by state or federal law to determine the optimal combination of payments. Other rural hospitals that do not provide the minimum set of documentation to LDH to determine the optimal combination of payments shall not be eligible for additional payments.

Proposed law provides that payments to other rural hospitals shall not impact funding or payments to rural hospitals, as defined by present law, or Medicaid reimbursement received by small rural hospitals.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Adds R.S. 40:1190.1 through 1190.5)

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Health and Welfare to the original bill:

1. Provide for restrictions on funding for other rural hospitals for failure to fulfill certain financial requirements.
2. Provide that funding for other rural hospitals shall not impact rural hospitals.
3. Make technical changes.