

**SUBSTITUTE FOR  
SENATE BILL NO. 576**

A bill to amend 1978 PA 368, entitled  
"Public health code,"  
by amending sections 6233, 20145, 20161, 20923, and 20929 (MCL  
333.6233, 333.20145, 333.20161, 333.20923, and 333.20929),  
section 20145 as amended by 2002 PA 683, section 20161 as amended  
by 2002 PA 562, and sections 20923 and 20929 as amended by 2000  
PA 375.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 6233. (1) A person not otherwise licensed to provide  
2 psychological, medical, or social services shall not establish,  
3 conduct, or maintain a substance abuse service unless it is  
4 licensed under this article.

5       (2) The administrator shall establish a licensing unit in the  
6 office to administer the licensing functions of this article.

7       (3) This section shall not apply to private, nonprofit

1 organizations exempt under section 501(c)(3) of the internal  
2 revenue code ~~which~~ **of 1986 that** have been in existence for more  
3 than 13 years prior to the enactment of this code and whose major  
4 purpose is to provide residential services for the redirection  
5 and improvement of drug abusers and other character disordered  
6 individuals.

7 **(4) After September 30, 2003 and before October 1, 2007, the**  
8 **department of consumer and industry services may assess a fee of**  
9 **\$100.00 upon submission of an application for each person**  
10 **described in subsection (1) seeking a license or renewal of a**  
11 **license under this part.**

12 Sec. 20145. (1) Before contracting for and initiating a  
13 construction project involving new construction, additions,  
14 modernizations, or conversions of a health facility or agency  
15 with a capital expenditure of \$1,000,000.00 or more, a person  
16 shall obtain a construction permit from the department. The  
17 department shall not issue the permit under this subsection  
18 unless the applicant holds a valid certificate of need if a  
19 certificate of need is required for the project pursuant to part  
20 222.

21 (2) To protect the public health, safety, and welfare, the  
22 department may promulgate rules to require construction permits  
23 for projects other than those described in subsection (1) and the  
24 submission of plans for other construction projects to expand or  
25 change service areas and services provided.

26 (3) If a construction project requires a construction permit  
27 under subsection (1) or (2), but does not require a certificate

1 of need under part 222, the department shall require the  
2 applicant to submit information considered necessary by the  
3 department to assure that the capital expenditure for the project  
4 is not a covered capital expenditure as defined in section  
5 ~~22203(9)~~ **22203**.

6 (4) If a construction project requires a construction permit  
7 under subsection (1), but does not require a certificate of need  
8 under part 222, the department shall require the applicant to  
9 submit information on a 1-page sheet, along with the application  
10 for a construction permit, consisting of all of the following:

11 (a) A short description of the reason for the project and the  
12 funding source.

13 (b) A contact person for further information, including  
14 address and phone number.

15 (c) The estimated resulting increase or decrease in annual  
16 operating costs.

17 (d) The current governing board membership of the applicant.

18 (e) The entity, if any, that owns the applicant.

19 (5) The information filed under subsection (4) shall be made  
20 publicly available by the department by the same methods used to  
21 make information about certificate of need applications publicly  
22 available.

23 (6) The review and approval of architectural plans and  
24 narrative shall require that the proposed construction project is  
25 designed and constructed in accord with applicable statutory and  
26 other regulatory requirements. In performing a construction  
27 permit review for a health facility or agency under this section,

1 the department shall, at a minimum, apply the standards contained  
2 in the document entitled "Minimum Design Standards for Health  
3 Care Facilities in Michigan" published by the department and  
4 dated March 1998. The standards are incorporated by reference  
5 for purposes of this subsection. The department may promulgate  
6 rules that are more stringent than the standards if necessary to  
7 protect the public health, safety, and welfare.

8 (7) The department shall promulgate rules to further  
9 prescribe the scope of construction projects and other  
10 alterations subject to review under this section.

11 (8) The department may waive the applicability of this  
12 section to a construction project or alteration if the waiver  
13 will not affect the public health, safety, and welfare.

14 (9) Upon request by the person initiating a construction  
15 project, the department may review and issue a construction  
16 permit to a construction project that is not subject to  
17 subsection (1) or (2) if the department determines that the  
18 review will promote the public health, safety, and welfare.

19 (10) The department shall assess a fee for each review  
20 conducted under this section. ~~The~~ **Before September 30, 2003 or**  
21 **after September 30, 2007, the** fee is .5% of the first  
22 \$1,000,000.00 of capital expenditure and .85% of any amount over  
23 \$1,000,000.00 of capital expenditure, up to a maximum of  
24 \$30,000.00. **After September 30, 2003 and before October 1, 2007,**  
25 **the fee is .5% of the first \$1,000,000.00 of capital expenditure**  
26 **and .85% of any amount over \$1,000,000.00 of capital expenditure,**  
27 **up to a maximum of \$60,000.00.**

1 (11) As used in this section, "capital expenditure" means  
2 that term as defined in section 22203(2), except that it does not  
3 include the cost of equipment that is not fixed equipment.

4 Sec. 20161. (1) The department shall assess fees for health  
5 facility and agency licenses and certificates of need on an  
6 annual basis as provided in this article. Except as otherwise  
7 provided in this article, fees shall be paid in accordance with  
8 the following fee schedule:

9 (a) **Before September 30, 2003 or after September 30, 2007, as**  
10 **follows:**

- 11 (i) Freestanding surgical outpatient  
12 facilities..... \$238.00 per facility.
- 13 (ii) ~~(b)~~ Hospitals..... \$8.28 per licensed bed.
- 14 (iii) ~~(c)~~ Nursing homes, county  
15 medical care facilities, and hospital  
16 long-term care units..... \$2.20 per licensed bed.
- 17 (iv) ~~(d)~~ Homes for the aged..... \$6.27 per licensed bed.
- 18 (v) ~~(e)~~ Clinical laboratories..... \$475.00 per laboratory.
- 19 (vi) ~~(f)~~ Hospice residences..... \$200.00 per license  
20 survey; and \$20.00 per  
21 licensed bed.
- 22 (vii) ~~(g)~~ Subject to subsection  
23 (13), quality assurance assessment fee  
24 for nongovernmentally owned nursing  
25 homes and hospital long-term care units. an amount resulting in  
26 not more than a 7%  
27 increase in aggregate

1 medicaid nursing home  
2 and hospital long-term  
3 care unit payment rates,  
4 net of assessments,  
5 above the rates that  
6 were in effect on  
7 April 1, 2002.

8 (viii) ~~(h)~~ Subject to subsection  
9 (14), quality assurance assessment fee  
10 for hospitals..... at a rate that generates  
11 funds not more than the  
12 maximum allowable under  
13 the federal matching  
14 requirements, after  
15 consideration for the  
16 amounts in subsection  
17 (14)(a) and (k).

18 (b) After September 30, 2003 and before October 1, 2007, as  
19 follows:

20 (i) Freestanding surgical outpatient  
21 facilities..... \$450.00 per facility.

22 (ii) Hospitals..... \$10.00 per licensed  
23 bed.

24 (iii) Nursing homes, county medical  
25 care facilities, and hospital long-term  
26 care units..... \$10.00 per licensed  
27 bed.

- 1 (iv) Homes for the aged..... \$6.27 per licensed bed.
- 2 (v) Clinical laboratories..... \$475.00 per laboratory.
- 3 (vi) Hospice residences..... \$200.00 per license
- 4 survey; and \$20.00 per
- 5 licensed bed.
- 6 (vii) Subject to subsection (13),
- 7 quality assurance assessment fee for
- 8 nongovernmentally owned nursing homes
- 9 and hospital long-term care units..... an amount resulting in
- 10 not more than a 7%
- 11 increase in aggregate
- 12 medicaid nursing home
- 13 and hospital long-term
- 14 care unit payment rates,
- 15 net of assessments,
- 16 above the rates that
- 17 were in effect on
- 18 April 1, 2002.
- 19 (viii) Subject to subsection (14),
- 20 quality assurance assessment fee for
- 21 hospitals..... at a rate that generates
- 22 funds not more than the
- 23 maximum allowable under
- 24 the federal matching
- 25 requirements, after
- 26 consideration for the
- 27 amounts in subsection

1 (14)(a) and (k).

2 (2) If a hospital requests the department to conduct a  
3 certification survey for purposes of title XVIII or title XIX of  
4 the social security act, the hospital shall pay a license fee  
5 surcharge of \$23.00 per bed. As used in this subsection, "title  
6 XVIII" and "title XIX" mean those terms as defined in section  
7 20155.

8 (3) The base fee for a certificate of need is \$750.00 for  
9 each application. For a project requiring a projected capital  
10 expenditure of more than \$150,000.00 but less than \$1,500,000.00,  
11 an additional fee of \$2,000.00 shall be added to the base fee.  
12 For a project requiring a projected capital expenditure of  
13 \$1,500,000.00 or more, an additional fee of \$3,500.00 shall be  
14 added to the base fee.

15 (4) If licensure is for more than 1 year, the fees described  
16 in subsection (1) are multiplied by the number of years for which  
17 the license is issued, and the total amount of the fees shall be  
18 collected in the year in which the license is issued.

19 (5) Fees described in this section are payable to the  
20 department at the time an application for a license, permit, or  
21 certificate is submitted. If an application for a license,  
22 permit, or certificate is denied or if a license, permit, or  
23 certificate is revoked before its expiration date, the department  
24 shall not refund fees paid to the department.

25 (6) The fee for a provisional license or temporary permit is  
26 the same as for a license. A license may be issued at the  
27 expiration date of a temporary permit without an additional fee



1 for the balance of the period for which the fee was paid if the  
2 requirements for licensure are met.

3 (7) The department may charge a fee to recover the cost of  
4 purchase or production and distribution of proficiency evaluation  
5 samples that are supplied to clinical laboratories pursuant to  
6 section 20521(3).

7 (8) In addition to the fees imposed under subsection (1), a  
8 clinical laboratory shall submit a fee of \$25.00 to the  
9 department for each reissuance during the licensure period of the  
10 clinical laboratory's license.

11 (9) Except for the licensure of clinical laboratories, not  
12 more than half the annual cost of licensure activities as  
13 determined by the department shall be provided by license fees.

14 (10) The application fee for a waiver under section 21564 is  
15 \$200.00 plus \$40.00 per hour for the professional services and  
16 travel expenses directly related to processing the application.  
17 The travel expenses shall be calculated in accordance with the  
18 state standardized travel regulations of the department of  
19 management and budget in effect at the time of the travel.

20 (11) An applicant for licensure or renewal of licensure under  
21 part 209 shall pay the applicable fees set forth in part 209.

22 (12) The fees collected under this section shall be deposited  
23 in the state treasury, to the credit of the general fund.

24 (13) The quality assurance assessment fee collected under  
25 subsection ~~-(1)(g)-~~ **(1)(a)(vii) or (1)(b)(vii)** and all federal  
26 matching funds attributed to that fee shall be used only for the  
27 following purposes and under the following specific

1 circumstances:

2 (a) The quality assurance assessment fee and all federal  
3 matching funds attributed to that fee shall be used to maintain  
4 the increased per diem medicaid reimbursement rate increases as  
5 provided for in subdivision (e). Only licensed nursing homes and  
6 hospital long-term care units that are assessed the quality  
7 assurance assessment fee and participate in the medicaid program  
8 are eligible for increased per diem medicaid reimbursement rates  
9 under this subdivision.

10 (b) The quality assurance assessment fee shall be implemented  
11 on ~~the effective date of the amendatory act that added this~~  
12 ~~subsection~~ **May 5, 2002.**

13 (c) The quality assurance assessment fee is based on the  
14 number of licensed nursing home beds and the number of licensed  
15 hospital long-term care unit beds in existence on July 1 of each  
16 year, shall be assessed upon implementation pursuant to  
17 subdivision (b) and subsequently on October 1 of each following  
18 year, and is payable on a quarterly basis, the first payment due  
19 90 days after the date the fee is assessed.

20 (d) Beginning October 1, 2007, the department shall no longer  
21 assess or collect the quality assurance assessment fee or apply  
22 for federal matching funds.

23 (e) Upon implementation pursuant to subdivision (b), the  
24 department of community health shall increase the per diem  
25 nursing home medicaid reimbursement rates for the balance of that  
26 year. For each subsequent year in which the quality assurance  
27 assessment fee is assessed and collected, the department of

1 community health shall maintain the medicaid nursing home  
2 reimbursement payment increase financed by the quality assurance  
3 assessment fee.

4 (f) The department of community health shall implement this  
5 section in a manner that complies with federal requirements  
6 necessary to assure that the quality assurance assessment fee  
7 qualifies for federal matching funds.

8 (g) If a nursing home or a hospital long-term care unit fails  
9 to pay the assessment required by subsection ~~-(1)(g)-~~ **(1)(a)(vii)**  
10 **or (1)(b)(vii)**, the department of community health may assess the  
11 nursing home or hospital long-term care unit a penalty of 5% of  
12 the assessment for each month that the assessment and penalty are  
13 not paid up to a maximum of 50% of the assessment. The  
14 department of community health may also refer for collection to  
15 the department of treasury past due amounts consistent with  
16 section 13 of 1941 PA 122, MCL 205.13.

17 (h) The medicaid nursing home quality assurance assessment  
18 fund is established in the state treasury. The department of  
19 community health shall deposit the revenue raised through the  
20 quality assurance assessment fee with the state treasurer for  
21 deposit in the medicaid nursing home quality assurance assessment  
22 fund.

23 (i) Neither the department of consumer and industry services  
24 nor the department of community health shall implement this  
25 subsection in a manner that conflicts with 42 U.S.C. 1396b(w).

26 (j) The quality assurance assessment fee collected under  
27 subsection ~~-(1)(g)-~~ **(1)(a)(vii) or (1)(b)(vii)** shall be prorated

1 on a quarterly basis for any licensed beds added to or subtracted  
 2 from a nursing home or hospital long-term care unit since the  
 3 immediately preceding July 1. Any adjustments in payments are  
 4 due on the next quarterly installment due date.

5 (k) In each fiscal year governed by this subsection, medicaid  
 6 reimbursement rates shall not be reduced below the medicaid  
 7 reimbursement rates in effect on April 1, 2002 as a direct result  
 8 of the quality assurance assessment fee collected under  
 9 subsection ~~(1)(g)~~ **(1)(a)(vii) or (1)(b)(vii)**.

10 (l) The amounts listed in this subdivision are appropriated  
 11 for the department of community health, subject to the conditions  
 12 set forth in this subsection, for the fiscal year ending  
 13 September 30, 2003:

14 MEDICAL SERVICES

15	Long-term care services.....	\$	<u>1,469,003,900</u>
16	Gross appropriation.....	\$	1,469,003,900
17	Appropriated from:		
18	Federal revenues:		
19	Total federal revenues.....		814,122,200
20	Special revenue funds:		
21	Medicaid quality assurance assessment.....		44,829,000
22	Total local revenues.....		8,445,100
23	State general fund/general purpose.....	\$	601,607,600

24 (14) The quality assurance dedication is an earmarked  
 25 assessment fee collected under subsection ~~(1)(h)~~ **(1)(a)(viii)**  
 26 **or (1)(b)(viii)**. That fee and all federal matching funds  
 27 attributed to that fee shall be used only for the following

1 purposes and under the following specific circumstances:

2 (a) Part of the quality assurance assessment fee shall be  
3 used to maintain the increased medicaid reimbursement rate  
4 increases as provided for in subdivision (d). A portion of the  
5 funds collected from the quality assurance assessment fee may be  
6 used to offset any reduction to existing intergovernmental  
7 transfer programs with public hospitals that may result from  
8 implementation of the enhanced medicaid payments financed by the  
9 quality assurance assessment fee. Any portion of the funds  
10 collected from the quality assurance assessment fee reduced  
11 because of existing intergovernmental transfer programs shall be  
12 used to finance medicaid hospital appropriations.

13 (b) The quality assurance assessment fee shall be implemented  
14 on ~~the effective date of the amendatory act that added this~~  
15 ~~subsection~~ **October 1, 2002.**

16 (c) The quality assurance assessment fee shall be assessed on  
17 all net patient revenue, before deduction of expenses, less  
18 medicare net revenue, as reported in the most recently available  
19 medicare cost report and is payable on a quarterly basis, the  
20 first payment due 90 days after the date the fee is assessed. As  
21 used in this subdivision, "medicare net revenue" includes  
22 medicare payments and amounts collected for coinsurance and  
23 deductibles.

24 (d) Upon implementation pursuant to subdivision (b), the  
25 department of community health shall increase the hospital  
26 medicaid reimbursement rates for the balance of that year. For  
27 each subsequent year in which the quality assurance assessment

1 fee is assessed and collected, the department of community health  
2 shall maintain the hospital medicaid reimbursement rate increase  
3 financed by the quality assurance assessment fees.

4 (e) The department of community health shall implement this  
5 section in a manner that complies with federal requirements  
6 necessary to assure that the quality assurance assessment fee  
7 qualifies for federal matching funds.

8 (f) If a hospital fails to pay the assessment required by  
9 subsection ~~-(1)(h)-~~ **(1)(a)(viii) or (1)(b)(viii)**, the department  
10 of community health may assess the hospital a penalty of 5% of  
11 the assessment for each month that the assessment and penalty are  
12 not paid up to a maximum of 50% of the assessment. The  
13 department of community health may also refer for collection to  
14 the department of treasury past due amounts consistent with  
15 section 13 of 1941 PA 122, MCL 205.13.

16 (g) The hospital quality assurance assessment fund is  
17 established in the state treasury. The department of community  
18 health shall deposit the revenue raised through the quality  
19 assurance assessment fee with the state treasurer for deposit in  
20 the hospital quality assurance assessment fund.

21 (h) In each fiscal year governed by this subsection, the  
22 quality assurance assessment fee shall only be collected and  
23 expended if medicaid hospital inpatient DRG and outpatient  
24 reimbursement rates and disproportionate share hospital and  
25 graduate medical education payments are not below the level of  
26 rates and payments in effect on April 1, 2002 as a direct result  
27 of the quality assurance assessment fee collected under

1 subsection ~~(1)(h)~~ **(1)(a)(viii) or (1)(b)(viii)**, except as  
2 provided in subdivision (j).

3 (i) The amounts listed in this subdivision are appropriated  
4 for the department of community health, subject to the conditions  
5 set forth in this subsection, for the fiscal year ending  
6 September 30, 2003:

7 MEDICAL SERVICES

8	Hospital services and therapy.....	\$	<u>149,200,000</u>
9	Gross appropriation.....	\$	149,200,000

10 Appropriated from:

11 Federal revenues:

12	Total federal revenues.....		82,686,800
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13 Special revenue funds:

14	Medicaid quality assurance assessment.....		66,513,500
15	Total local revenues.....		0
16	State general fund/general purpose.....	\$	0

17 (j) The quality assurance assessment fee collected under  
18 subsection ~~(1)(h)~~ **(1)(a)(viii) or (1)(b)(viii)** shall no longer  
19 be assessed or collected after September 30, 2004, or in the  
20 event that the quality assurance assessment fee is not eligible  
21 for federal matching funds. Any portion of the quality assurance  
22 assessment collected from a hospital that is not eligible for  
23 federal matching funds shall be returned to the hospital.

24 (k) In fiscal year 2002-2003, \$18,900,000.00 of the quality  
25 assurance assessment fee shall be deposited into the general  
26 fund.

27 (15) As used in this section, "medicaid" means that term as

1 defined in section 22207.

2       Sec. 20923. (1) Except as provided in section 20924(2), a  
3 person shall not operate an ambulance unless the ambulance is  
4 licensed under this section and is operated as part of a licensed  
5 ambulance operation.

6       (2) ~~Upon proper application and payment of a \$25.00 fee~~  
7 **Before September 30, 2003 or after September 30, 2007,** the  
8 department shall issue an ambulance license, or annual renewal of  
9 an ambulance license, to the ambulance operation **upon proper**  
10 **application and payment of a \$25.00 fee. After September 30,**  
11 **2003 and before October 1, 2007, the department shall issue an**  
12 **ambulance license, or annual renewal of an ambulance license, to**  
13 **the ambulance operation upon proper application and payment of a**  
14 **\$35.00 fee.** Receipt of the application by the department serves  
15 as attestation to the department by the ambulance operation that  
16 the ambulance being licensed or renewed is in compliance with the  
17 minimum standards required by the department. The inspection of  
18 an ambulance by the department is not required as a basis for  
19 licensure renewal, unless otherwise determined by the  
20 department.

21       (3) An ambulance operation shall submit an application and  
22 fee to the department for each ambulance in service. Each  
23 application shall include a certificate of insurance for the  
24 ambulance in the amount and coverage required by the department.

25       (4) Upon purchase by an ambulance operation, an ambulance  
26 shall meet all vehicle standards established by the department  
27 under section ~~20910(e)(iv)~~ **20910.**



1 (5) Once licensed for service, an ambulance is not required  
2 to meet subsequently modified state vehicle standards during its  
3 use by the ambulance operation that obtained the license.

4 (6) Patient care equipment and safety equipment carried on an  
5 ambulance shall meet the minimum requirements prescribed by the  
6 department and the approved local medical control authority  
7 protocols.

8 (7) An ambulance shall be equipped with a communications  
9 system utilizing frequencies and procedures consistent with the  
10 statewide emergency medical services communications system  
11 developed by the department.

12 (8) An ambulance license is not transferable to another  
13 ambulance operation.

14 Sec. 20929. (1) A person shall not operate a nontransport  
15 prehospital life support vehicle unless the vehicle is licensed  
16 by the department under this section and is operated as part of a  
17 licensed nontransport prehospital life support operation.

18 (2) ~~Upon proper application and payment of a \$25.00 fee~~  
19 **Before September 30, 2003 or after September 30, 2007,** the  
20 department shall issue a nontransport prehospital life support  
21 vehicle license or annual renewal to the applicant nontransport  
22 prehospital life support operation **upon proper application and**  
23 **payment of a \$25.00 fee. After September 30, 2003 and before**  
24 **October 1, 2007, the department shall issue a nontransport**  
25 **prehospital life support vehicle license or annual renewal to the**  
26 **applicant nontransport prehospital life support operation upon**  
27 **proper application and payment of a \$35.00 fee. Receipt of the**

1 application by the department serves as attestation to the  
2 department by the nontransport prehospital life support operation  
3 that the vehicle being licensed or renewed is in compliance with  
4 the minimum standards required by the department. The inspection  
5 of a nontransport prehospital life support vehicle by the  
6 department is not required as a basis for issuing a licensure  
7 renewal, unless otherwise determined by the department.

8 (3) A nontransport prehospital life support operation shall  
9 submit an application and required fee to the department for each  
10 vehicle in service. Each application shall include a certificate  
11 of insurance for the vehicle in the amount and coverage required  
12 by the department.

13 (4) A nontransport prehospital life support vehicle shall be  
14 equipped with a communications system utilizing frequencies and  
15 procedures consistent with the statewide emergency medical  
16 services communications system developed by the department.

17 (5) A nontransport prehospital life support vehicle shall be  
18 equipped according to the department's minimum equipment list and  
19 approved medical control authority protocols based upon the level  
20 of life support the vehicle and personnel are licensed to  
21 provide.