

# SENATE BILL No. 589

June 12, 2003, Introduced by Senator EMERSON and referred to the Committee on Appropriations.

A bill to amend 1978 PA 368, entitled "Public health code," by amending section 20161 (MCL 333.20161), as amended by 2002 PA 562.

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

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

- 6       (a) Freestanding surgical outpatient  
7 facilities..... \$238.00 per facility.
- 8       (b) Hospitals..... \$8.28 per licensed bed.
- 9       (c) Nursing homes, county medical care  
10 facilities, and hospital long-term care

SENATE BILL No. 589

1 units..... \$2.20 per licensed bed.

2 (d) Homes for the aged..... \$6.27 per licensed bed.

3 (e) Clinical laboratories..... \$475.00 per laboratory.

4 (f) Hospice residences..... \$200.00 per license  
5 survey; and \$20.00 per  
6 licensed bed.

7 (g) Subject to subsection (13),  
8 quality assurance assessment fee for  
9 nongovernmentally owned nursing homes

10 and hospital long-term care units..... an amount resulting in

11 not more than ~~a 7%~~

12 ~~increase in aggregate~~

13 ~~medicaid nursing home~~

14 ~~and hospital long term~~

15 ~~care unit payment rates,~~

16 ~~net of assessments,~~

17 ~~above the rates that~~

18 ~~were in effect on~~

19 ~~April 1, 2002 6% of~~

20 **total industry**

21 **revenues.**

22 (h) Subject to subsection (14),  
23 quality assurance assessment fee for

24 hospitals..... at a **fixed or variable**

25 rate that generates

26 funds not more than the

27 maximum allowable under

1 the federal matching  
2 requirements, after  
3 consideration for the  
4 amounts in subsection  
5 (14)(a) and (k).

6 (2) If a hospital requests the department to conduct a  
7 certification survey for purposes of title XVIII or title XIX of  
8 the social security act, the hospital shall pay a license fee  
9 surcharge of \$23.00 per bed. As used in this subsection, "title  
10 XVIII" and "title XIX" mean those terms as defined in section  
11 20155.

12 (3) The base fee for a certificate of need is \$750.00 for  
13 each application. For a project requiring a projected capital  
14 expenditure of more than \$150,000.00 but less than \$1,500,000.00,  
15 an additional fee of \$2,000.00 shall be added to the base fee.  
16 For a project requiring a projected capital expenditure of  
17 \$1,500,000.00 or more, an additional fee of \$3,500.00 shall be  
18 added to the base fee.

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

23 (5) Fees described in this section are payable to the  
24 department at the time an application for a license, permit, or  
25 certificate is submitted. If an application for a license,  
26 permit, or certificate is denied or if a license, permit, or  
27 certificate is revoked before its expiration date, the department

1 shall not refund fees paid to the department.

2 (6) The fee for a provisional license or temporary permit is  
3 the same as for a license. A license may be issued at the  
4 expiration date of a temporary permit without an additional fee  
5 for the balance of the period for which the fee was paid if the  
6 requirements for licensure are met.

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

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

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

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

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

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

1 (13) The quality assurance assessment fee collected under  
2 subsection (1)(g) and all federal matching funds attributed to  
3 that fee shall be used only for the following purposes and under  
4 the following specific circumstances:

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

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

17 (c) The quality assurance assessment fee is based on the  
18 number of licensed nursing home beds and the number of licensed  
19 hospital long-term care unit beds in existence on July 1 of each  
20 year, shall be assessed upon implementation pursuant to  
21 subdivision (b) and subsequently on October 1 of each following  
22 year, and is payable on a quarterly basis, the first payment due  
23 90 days after the date the fee is assessed.

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

27 (e) Upon implementation pursuant to subdivision (b), the

1 department of community health shall increase the per diem  
2 nursing home medicaid reimbursement rates for the balance of that  
3 year. For each subsequent year in which the quality assurance  
4 assessment fee is assessed and collected, the department of  
5 community health shall maintain the medicaid nursing home  
6 reimbursement payment increase financed by the quality assurance  
7 assessment fee.

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

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

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

27 (i) Neither the department of consumer and industry services

1 nor the department of community health shall implement this  
 2 subsection in a manner that conflicts with 42 U.S.C. 1396b(w).

3 (j) The quality assurance assessment fee collected under  
 4 subsection (1)(g) shall be prorated on a quarterly basis for any  
 5 licensed beds added to or subtracted from a nursing home or  
 6 hospital long-term care unit since the immediately preceding  
 7 July 1. Any adjustments in payments are due on the next  
 8 quarterly installment due date.

9 (k) In each fiscal year governed by this subsection, medicaid  
 10 reimbursement rates shall not be reduced below the medicaid  
 11 reimbursement rates in effect on April 1, 2002 as a direct result  
 12 of the quality assurance assessment fee collected under  
 13 subsection (1)(g).

14 (l) The amounts listed in this subdivision are appropriated  
 15 for the department of community health, subject to the conditions  
 16 set forth in this subsection, for the fiscal year ending  
 17 September 30, 2003:

18 MEDICAL SERVICES

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

1           (14) The quality assurance dedication is an earmarked  
2 assessment fee collected under subsection (1)(h). That fee and  
3 all federal matching funds attributed to that fee shall be used  
4 only for the following purposes and under the following specific  
5 circumstances:

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

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

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



1 (d) Upon implementation pursuant to subdivision (b), the  
2 department of community health shall increase the hospital  
3 medicaid reimbursement rates for the balance of that year. For  
4 each subsequent year in which the quality assurance assessment  
5 fee is assessed and collected, the department of community health  
6 shall maintain the hospital medicaid reimbursement rate increase  
7 financed by the quality assurance assessment fees.

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

12 (f) If a hospital fails to pay the assessment required by  
13 subsection (1)(h), the department of community health may assess  
14 the hospital a penalty of 5% of the assessment for each month  
15 that the assessment and penalty are not paid up to a maximum of  
16 50% of the assessment. The department of community health may  
17 also refer for collection to the department of treasury past due  
18 amounts consistent with section 13 of 1941 PA 122, MCL 205.13.

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

24 (h) In each fiscal year governed by this subsection, the  
25 quality assurance assessment fee shall only be collected and  
26 expended if medicaid hospital inpatient DRG and outpatient  
27 reimbursement rates and disproportionate share hospital and

1 graduate medical education payments are not below the level of  
2 rates and payments in effect on April 1, 2002 as a direct result  
3 of the quality assurance assessment fee collected under  
4 subsection (1)(h), except as provided in subdivision (j).

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

9 MEDICAL SERVICES

10	Hospital services and therapy.....	\$	<u>149,200,000</u>
11	Gross appropriation.....	\$	149,200,000
12	Appropriated from:		
13	Federal revenues:		
14	Total federal revenues.....		82,686,800
15	Special revenue funds:		
16	Medicaid quality assurance assessment.....		66,513,500
17	Total local revenues.....		0
18	State general fund/general purpose.....	\$	0

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

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

1 fund.

2 (15) As used in this section, "medicaid" means that term as  
3 defined in section 22207.