

ASSEMBLY BILL NO. 297—ASSEMBLYMEN SHERER, KNECHT, GIBBONS, ANDONOV, ANGLE, BROWN, CHRISTENSEN, CONKLIN, GEDDES, GOICOECHEA, GRADY, GRIFFIN, GUSTAVSON, HARDY, HETTRICK, KOIVISTO, MABEY, MARVEL, MCCLAIN, MORTENSON AND WEBER

MARCH 13, 2003

JOINT SPONSOR: SENATOR MCGINNESS

Referred to Committee on Health and Human Services

SUMMARY—Revises provisions governing payment of hospitals for treating disproportionate share of Medicaid patients, indigent patients or other low-income patients. (BDR 38-885)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to welfare; revising the provisions governing the payment of hospitals for treating a disproportionate share of Medicaid patients, indigent patients or other low-income patients; providing for the allocation and transfer of certain funding for the treatment of those patients; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 **Section 1.** The Legislature hereby finds and declares that:
2 1. Federal law concerning payments made pursuant to 42
3 U.S.C. § 1396r-4, otherwise known as “disproportionate share
4 payments,” are a critical source of income for hospitals, particularly
5 public hospitals.



1 2. To ensure that certain hospitals can depend upon the revenue
2 from this source, the Legislature has periodically established base
3 payments to the hospitals in a fiscal year.

4 3. Because of the unique geographic, financial and
5 organizational characteristics of these hospitals, a general law
6 establishing base disproportionate share payments cannot be made
7 applicable.

8 **Sec. 2.** NRS 422.380 is hereby amended to read as follows:

9 422.380 As used in NRS 422.380 to 422.390, inclusive, unless
10 the context otherwise requires:

11 1. *“Disproportionate share payment” means a payment made*
12 *pursuant to 42 U.S.C. § 1396r-4.*

13 2. “Hospital” has the meaning ascribed to it in NRS 439B.110
14 and includes public and private hospitals.

15 ~~[2.]~~ 3. “Public hospital” means:

16 (a) A hospital owned by a state or local government, including,
17 without limitation, a hospital district; or

18 (b) A hospital that is supported in whole or in part by tax
19 revenue, other than tax revenue received for medical care which is
20 provided to Medicaid patients, indigent patients or other low-income
21 patients.

22 **Sec. 3.** NRS 422.382 is hereby amended to read as follows:

23 422.382 1. In a county *whose population is 100,000 or more*
24 within which:

25 (a) A public hospital is located, the state or local government or
26 other entity responsible for the public hospital shall transfer an
27 amount equal to ~~[75]~~:

28 (1) *Seventy* percent of the total amount of *disproportionate*
29 *share payments* distributed to ~~[that hospital]~~ *all hospitals* pursuant
30 to NRS 422.387 for a fiscal year, less ~~[\$75,000,]~~ *\$1,050,000; or*

31 (2) *Sixty-eight and fifty-four one hundredths percent of the*
32 *total amount of disproportionate share payments distributed to all*
33 *hospitals pursuant to NRS 422.387 for a fiscal year,*
34 *whichever is less,* to the Division of Health Care Financing and
35 Policy.

36 (b) A private hospital which receives a *disproportionate share*
37 payment pursuant to ~~[~~:

38 ~~(1) Paragraph (b)] paragraph (c)~~ of subsection 2 of NRS
39 422.387 is located, the county shall transfer ~~[~~:

40 ~~(I) Except as otherwise provided in sub-subparagraph (II),~~
41 ~~an amount equal to 75 percent of the total amount distributed to that~~
42 ~~hospital pursuant to paragraph (b) of subsection 2 of NRS 422.387~~
43 ~~for a fiscal year; or~~

44 ~~(II) An amount established by the Legislature for a fiscal~~
45 ~~year.] 1.95 percent of the total amount of disproportionate share~~



1 *payments distributed to all hospitals pursuant to NRS 422.387 for*
2 *a fiscal year, but not more than \$1,500,000,* to the Division of
3 Health Care Financing and Policy.

4 ~~[(2) Paragraph (c) of subsection 2 of NRS 422.387 is located,~~
5 ~~the county shall transfer:~~

6 ~~(I) An amount equal to 75 percent of the total amount~~
7 ~~distributed to that hospital pursuant to that paragraph for a fiscal~~
8 ~~year, less \$75,000; or~~

9 ~~(II) Any maximum amount established by the Legislature~~
10 ~~for a fiscal year,~~
11 ~~whichever is less, to the Division of Health Care Financing and~~
12 ~~Policy.]~~

13 2. A county that transfers the amount required pursuant to
14 ~~[subparagraph (1) of]~~ paragraph (b) of subsection 1 to the Division
15 of Health Care Financing and Policy is discharged of the duty and is
16 released from liability for providing medical treatment for indigent
17 inpatients who are treated in the hospital in the county that receives
18 a payment pursuant to paragraph ~~[(b)]~~ (c) of subsection 2 of
19 NRS 422.387.

20 3. The money transferred to the Division of Health Care
21 Financing and Policy pursuant to subsection 1 must not come from
22 any source of funding that could result in any reduction in revenue
23 to the State pursuant to 42 U.S.C. § 1396b(w).

24 4. Any money collected pursuant to subsection 1, including
25 any interest or penalties imposed for a delinquent payment, must be
26 deposited in the State Treasury for credit to the Intergovernmental
27 Transfer Account in the State General Fund to be administered by
28 the Division of Health Care Financing and Policy.

29 5. The interest and income earned on money in the
30 Intergovernmental Transfer Account, after deducting any applicable
31 charges, must be credited to the Account.

32 **Sec. 4.** NRS 422.385 is hereby amended to read as follows:

33 422.385 1. The allocations and payments required pursuant
34 to subsections 1 ~~and 2] to 5, inclusive,~~ of NRS 422.387 must be
35 made, to the extent allowed by the State Plan for Medicaid, from the
36 Medicaid Budget Account.

37 2. Except as otherwise provided in subsection 3 and subsection
38 ~~[(3)]~~ 6 of NRS 422.387, the money in the Intergovernmental Transfer
39 Account must be transferred from that Account to the Medicaid
40 Budget Account to the extent that money is available from the
41 Federal Government for proposed expenditures, including
42 expenditures for administrative costs. If the amount in the Account
43 exceeds the amount authorized for expenditure by the Division of
44 Health Care Financing and Policy for the purposes specified in NRS
45 422.387, the Division of Health Care Financing and Policy is



1 authorized to expend the additional revenue in accordance with the
2 provisions of the State Plan for Medicaid.

3 3. If enough money is available to support Medicaid and to
4 make the payments required by subsection ~~[3]~~ 6 of NRS 422.387,
5 money in the Intergovernmental Transfer Account may be
6 transferred:

7 (a) To an account established for the provision of health care
8 services to uninsured children pursuant to a federal program in
9 which at least 50 percent of the cost of such services is paid for by
10 the Federal Government, including, without limitation, the
11 Children's Health Insurance Program; or

12 (b) To carry out the provisions of NRS 439B.350 and 439B.360.

13 **Sec. 5.** NRS 422.387 is hereby amended to read as follows:

14 422.387 1. Before making the payments required or
15 authorized by this section, the Division of Health Care Financing
16 and Policy shall allocate money for the administrative costs
17 necessary to carry out the provisions of NRS 422.380 to 422.390,
18 inclusive. The amount allocated for administrative costs must not
19 exceed the amount authorized for expenditure by the Legislature for
20 this purpose in a fiscal year. The Interim Finance Committee may
21 adjust the amount allowed for administrative costs.

22 2. The State Plan for Medicaid must provide ~~for~~:

23 ~~—(a) For] for~~ the payment of the maximum amount *of*
24 *disproportionate share payments* allowable under federal law and
25 regulations . ~~after making any payments pursuant to paragraphs (b)~~
26 ~~and (c), to public hospitals for treating a disproportionate share of~~
27 ~~Medicaid patients, indigent patients or other low income patients,~~
28 ~~unless such payments are subsequently limited by federal law or~~
29 ~~regulation.~~

30 ~~—(b) For a payment in an amount approved by the Legislature to~~
31 ~~the private hospital that provides the largest volume of medical care~~
32 ~~to Medicaid patients, indigent patients or other low income patients~~
33 ~~in a county that does not have a public hospital.~~

34 ~~—(c) For a payment to each private hospital whose Medicaid~~
35 ~~utilization percentage is greater than the average for all the hospitals~~
36 ~~in this state and which is located in a county that has a public~~
37 ~~hospital, in an amount equal to:~~

38 ~~—(1) If the Medicaid utilization percentage of the hospital is~~
39 ~~greater than 20 percent, \$200 for each uncompensated day incurred~~
40 ~~by the hospital; and~~

41 ~~—(2) If the Medicaid utilization percentage of the hospital is 20~~
42 ~~percent or less, \$100 for each uncompensated day incurred by the~~
43 ~~hospital.] The State Plan for Medicaid must provide that for:~~

44 (a) *All public hospitals in counties whose population is*
45 *400,000 or more, the total annual disproportionate share payments*



1 are \$66,650,000 plus 90 percent of the total amount of
2 disproportionate share payments distributed by the State in that
3 fiscal year that exceeds \$76,000,000;

4 (b) All private hospitals in counties whose population is
5 400,000 or more, the total annual disproportionate share payments
6 are \$1,200,000 plus 2.5 percent of the total amount of
7 disproportionate share payments distributed by the State in that
8 fiscal year that exceeds \$76,000,000;

9 (c) All private hospitals in counties whose population is
10 100,000 or more but less than 400,000, the total annual
11 disproportionate share payments are \$4,800,000 plus 2.5 percent
12 of the total amount of disproportionate share payments distributed
13 by the State in that fiscal year that exceeds \$76,000,000;

14 (d) All public hospitals in counties whose population is less
15 than 100,000, the total annual disproportionate share payments
16 are \$900,000 plus 2.5 percent of the total amount of
17 disproportionate share payments distributed by the State in that
18 fiscal year that exceeds \$76,000,000; and

19 (e) All private hospitals in counties whose population is less
20 than 100,000, the total annual disproportionate share payments
21 are \$2,450,000 plus 2.5 percent of the total amount of
22 disproportionate share payments distributed by the State in that
23 fiscal year that exceeds \$76,000,000.

24 3. The State Plan for Medicaid must provide for a base
25 payment in an amount determined pursuant to subsections 4 and
26 5. Any amount set forth in each paragraph of subsection 2 that
27 remains after all base payments have been distributed must be
28 distributed to the hospital within that paragraph with the highest
29 uncompensated care percentage in an amount equal to either the
30 amount remaining after all base payments have been distributed
31 or the amount necessary to reduce the uncompensated care
32 percentage of that hospital to the uncompensated care percentage
33 of the hospital in that paragraph with the second highest
34 uncompensated care percentage, whichever is less. Any amount
35 set forth in subsection 2 that remains after the uncompensated
36 care percentage of the hospital with the highest uncompensated
37 care percentage in a paragraph has been reduced to equal the
38 uncompensated care percentage of the hospital in that paragraph
39 with the second highest uncompensated care percentage must be
40 distributed equally to the two hospitals with the highest
41 uncompensated care percentage in that paragraph until their
42 uncompensated care percentages are equal to the uncompensated
43 care percentage of the hospital with the third highest
44 uncompensated care percentage in that paragraph. This process



1 *must be repeated until all available funds set forth in a paragraph*
2 *of subsection 2 have been distributed.*

3 *4. Except as otherwise provided in subsection 5, the base*
4 *payments for the purposes of subsection 3 are:*

5 *(a) For the University Medical Center of Southern Nevada,*
6 *\$66,531,729;*

7 *(b) For Washoe Medical Center, \$4,800,000;*

8 *(c) For Carson-Tahoe Hospital, \$1,000,000;*

9 *(d) For Northeastern Nevada Regional Hospital, \$500,000;*

10 *(e) For Churchill Community Hospital, \$500,000;*

11 *(f) For Humboldt General Hospital, \$215,109;*

12 *(g) For William Bee Ririe Hospital, \$204,001;*

13 *(h) For Mt. Grant General Hospital, \$195,838;*

14 *(i) For South Lyon Medical Center, \$174,417; and*

15 *(j) For Nye Regional Medical Center, \$115,000,*

16 *or the successors in interest to such hospitals.*

17 *5. The Plan must be consistent with the provisions of NRS*
18 *422.380 to 422.390, inclusive, and Title XIX of the Social Security*
19 *Act, 42 U.S.C. §§ 1396 et seq., and the regulations adopted pursuant*
20 *to those provisions.*

21 ~~*3.1*~~ *If the total amount available to the State for making*
22 *disproportionate share payments is less than \$76,000,000, the*
23 *Administrator:*

24 *(a) Shall adjust the amounts for each group of hospitals*
25 *described in a paragraph of subsection 2 proportionally in*
26 *accordance with the limits of federal law. If the amount available*
27 *to hospitals in a group described in a paragraph of subsection 2 is*
28 *less than the total amount of base payments specified in subsection*
29 *4, the Administrator shall reduce the base payments proportionally*
30 *in accordance with the limits of federal law.*

31 *(b) Shall adopt a regulation specifying the amount of the*
32 *reductions required by paragraph (a).*

33 *6. To the extent that money is available in the*
34 *Intergovernmental Transfer Account, the Division of Health Care*
35 *Financing and Policy shall distribute \$50,000 from that Account*
36 *each fiscal year to each public hospital which:*

37 *(a) Is located in a county that does not have any other hospitals;*
38 *and*

39 *(b) Is not eligible for a payment pursuant to ~~subsection 2-~~*
40 *~~4.1~~ subsections 2, 3 and 4.*

41 *7. As used in this section:*

42 *(a) ~~“Medicaid utilization percentage” means the total number of~~*
43 *~~days of treatment of Medicaid patients, including patients who~~*
44 *~~receive their Medicaid benefits through a health maintenance~~*



1 organization, divided by the total number of days of treatment of all
2 patients during a fiscal year.

3 ~~—(b) “Uncompensated day” means a day in which medical care is
4 provided to an inpatient for which a hospital receives:~~

5 ~~—(1) Not more than 25 percent of the cost of providing that
6 care from the patient; and~~

7 ~~—(2) No compensation for the cost of providing that care from
8 any other person or any governmental program.] “Total revenue” is
9 the amount of revenue a hospital receives for patient care and
10 other services, net of any contractual allowances or bad debts.~~

11 (b) “Uncompensated care costs” means the total costs of a
12 hospital incurred in providing care to uninsured patients,
13 including, without limitation, patients covered by Medicaid or
14 another governmental program for indigent patients, less any
15 payments received by the hospital for that care.

16 (c) “Uncompensated care percentage” means the
17 uncompensated care costs of a hospital divided by the total
18 revenue for the hospital.

19 **Sec. 6.** NRS 422.390 is hereby amended to read as follows:

20 422.390 1. The Division of Health Care Financing and Policy
21 shall adopt regulations concerning:

22 (a) Procedures for the transfer to the Division of Health Care
23 Financing and Policy of the amount required pursuant to
24 NRS 422.382.

25 (b) Provisions for the payment of a penalty and interest for a
26 delinquent transfer.

27 (c) Provisions for the payment of interest by the Division of
28 Health Care Financing and Policy for late reimbursements to
29 hospitals or other providers of medical care.

30 (d) *Provisions for the calculation of the uncompensated care
31 percentage for hospitals, including, without limitation, the
32 procedures and methodology required to be used in calculating the
33 percentage, and any required documentation of and reporting by a
34 hospital relating to the calculation.*

35 2. The Division of Health Care Financing and Policy shall
36 report to the Interim Finance Committee quarterly concerning the
37 provisions of NRS 422.380 to 422.390, inclusive.

38 **Sec. 7.** This act becomes effective upon passage and approval
39 for the purpose of adopting any regulations necessary to carry out
40 the provisions of this act and on July 1, 2003, for all other purposes.

