
SENATE BILL NO. 281—SENATOR WASHINGTON

MARCH 23, 2005

Referred to Committee on Human Resources and Education

SUMMARY—Revises provisions governing payment to hospitals for treating disproportionate share of Medicaid patients, indigent patients or other low-income patients. (BDR 38-42)

FISCAL NOTE: Effect on Local Government: May have Fiscal Impact.
Effect on the State: Yes.

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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 to 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.
6 2. To ensure that certain hospitals can depend upon the revenue
7 from this source, the Legislature has periodically established
8 specific payments to the hospitals in a fiscal year.
9 3. Because of the unique geographic, financial and
10 organizational characteristics of these hospitals, a general law
11 establishing disproportionate share payments cannot be made
12 applicable.



1 **Sec. 2.** Chapter 422 of NRS is hereby amended by adding
2 thereto a new section to read as follows:

3 1. *The Division of Health Care Financing and Policy shall*
4 *determine for each hospital that is located in a county whose*
5 *population is 100,000 or more for the preceding fiscal year:*

6 (a) *The total number of patient days of care provided by the*
7 *hospital to persons who were eligible for medical assistance under*
8 *Medicaid;*

9 (b) *The total number of patient days of care provided by the*
10 *hospital;*

11 (c) *The percentage of the total number of patient days during*
12 *which the hospital provided care to persons who were eligible for*
13 *medical assistance under Medicaid by dividing the number*
14 *determined for the hospital pursuant to paragraph (a) by the*
15 *number determined for the hospital pursuant to paragraph (b);*

16 (d) *Whether the percentage determined by the Centers for*
17 *Medicare and Medicaid Services of the United States Department*
18 *of Health and Human Services pursuant to 42 U.S.C.*
19 *§1395ww(d)(5)(F)(vi)(I) or the percentage determined by dividing*
20 *the total number of patient days of care provided by the hospital to*
21 *Medicare patients who were eligible to receive payments pursuant*
22 *to the Supplemental Security Income Program by the total number*
23 *of patient days of care provided by the hospital to Medicare*
24 *patients is higher for the hospital; and*

25 (e) *The sum of the percentage determined for the hospital*
26 *pursuant to paragraph (c) and the percentage determined to be*
27 *higher for the hospital pursuant to paragraph (d).*

28 2. *Based on the determinations made pursuant to subsection*
29 *1, the Division of Health Care Financing and Policy shall*
30 *determine for each county whose population is 100,000 or more*
31 *the arithmetic mean of the percentages determined pursuant to*
32 *paragraph (e) of all hospitals in the county.*

33 3. *For counties whose populations are 100,000 or more, only*
34 *a hospital that the Division of Health Care Financing and Policy*
35 *determines pursuant to this section has a greater percentage*
36 *calculated pursuant to paragraph (e) of subsection 1 than the*
37 *arithmetic mean of the percentages calculated pursuant to*
38 *subsection 2 for the county in which the hospital is located is*
39 *eligible to receive a disproportionate share payment pursuant to*
40 *NRS 422.387. The Division shall notify each hospital that is*
41 *eligible to receive a disproportionate share payment pursuant to*
42 *this subsection that it is eligible to receive such a payment.*

43 4. *Each hospital shall provide to the Division of Health Care*
44 *Financing and Policy any information requested by the Division*



1 *that the Division determines is necessary to make a determination*
2 *pursuant to this section.*

3 **Sec. 3.** NRS 422.380 is hereby amended to read as follows:

4 422.380 As used in NRS 422.380 to 422.390, inclusive, *and*
5 *section 2 of this act*, unless the context otherwise requires:

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

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

10 3. “Public hospital” means:

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

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

17 **Sec. 4.** NRS 422.382 is hereby amended to read as follows:

18 422.382 1. *The Division of Health Care Financing and*
19 *Policy shall determine the amount that each state or local*
20 *government or other entity responsible for the public hospital in a*
21 *county whose population is 100,000 or more within which a public*
22 *hospital is located is required to transfer to the Division of Health*
23 *Care Financing and Policy for deposit in the Intergovernmental*
24 *Transfer Account in the State General Fund to be administered by*
25 *the Division of Health Care Financing and Policy to maximize the*
26 *amount of money that may be received from the Federal*
27 *Government for distribution to hospitals that treat a*
28 *disproportionate share of Medicaid, indigent or other low-income*
29 *patients and to generate the amount budgeted by the Legislature to*
30 *be received in the Intergovernmental Transfer Account for that*
31 *fiscal year.*

32 2. In a county whose population is 100,000 or more within
33 which:

34 (a) A public hospital is located, the state or local government or
35 other entity responsible for the public hospital shall transfer ~~an~~
36 ~~amount equal to:~~

37 ~~— (1) Seventy percent of the total amount of disproportionate~~
38 ~~share payments distributed to all hospitals pursuant to NRS 422.387~~
39 ~~for a fiscal year, less \$1,050,000; or~~

40 ~~— (2) Sixty eight and fifty four one hundredths percent of the~~
41 ~~total amount of disproportionate share payments distributed to all~~
42 ~~hospitals pursuant to NRS 422.387 for a fiscal year;~~

43 ~~whichever is less,] the amount determined by the Division of~~
44 *Health Care Financing and Policy pursuant to subsection 1* to the
45 Division of Health Care Financing and Policy.



1 (b) A private hospital which receives a disproportionate share
2 payment pursuant to paragraph ~~[(e)]~~ (b) of subsection 2 of NRS
3 422.387 is located, the county shall transfer ~~[(1.95 percent of the~~
4 ~~total amount of disproportionate share payments distributed to all~~
5 ~~hospitals pursuant to NRS 422.387 for a fiscal year, but not more~~
6 ~~than)]~~ \$1,500,000 ~~[(1)]~~ to the Division of Health Care Financing and
7 Policy.

8 ~~[(2)]~~ 3. A county that transfers the amount required pursuant to
9 paragraph (b) of subsection ~~[(1)]~~ 2 to the Division of Health Care
10 Financing and Policy is discharged of the duty and is released from
11 liability for providing medical treatment for indigent inpatients who
12 are treated in the hospital in the county that receives a payment
13 pursuant to paragraph ~~[(e)]~~ (b) of subsection 2 of NRS 422.387.

14 ~~[(3)]~~ 4. The money transferred to the Division of Health Care
15 Financing and Policy pursuant to subsection ~~[(1)]~~ 2 must not come
16 from any source of funding that could result in any reduction in
17 revenue to the State pursuant to 42 U.S.C. § 1396b(w).

18 ~~[(4)]~~ 5. Any money collected pursuant to subsection ~~[(1)]~~ 2,
19 including any interest or penalties imposed for a delinquent
20 payment, must be deposited in the State Treasury for credit to the
21 Intergovernmental Transfer Account in the State General Fund to be
22 administered by the Division of Health Care Financing and Policy.

23 ~~[(5)]~~ 6. The interest and income earned on money in the
24 Intergovernmental Transfer Account, after deducting any applicable
25 charges, must be credited to the Account.

26 **Sec. 5.** NRS 422.385 is hereby amended to read as follows:

27 422.385 1. The allocations and payments required pursuant
28 to subsections 1 to ~~[(5)]~~ 6, inclusive, of NRS 422.387 must be made,
29 to the extent allowed by the State Plan for Medicaid, from the
30 Medicaid Budget Account.

31 2. Except as otherwise provided in subsection 3 and subsection
32 ~~[(6)]~~ 7 of NRS 422.387, the money in the Intergovernmental Transfer
33 Account must be transferred from that Account to the Medicaid
34 Budget Account to the extent that money is available from the
35 Federal Government for proposed expenditures, including
36 expenditures for administrative costs. If the amount in the Account
37 exceeds the amount authorized for expenditure by the Division of
38 Health Care Financing and Policy for the purposes specified in NRS
39 422.387, the Division of Health Care Financing and Policy is
40 authorized to expend the additional revenue in accordance with the
41 provisions of the State Plan for Medicaid.



1 3. If enough money is available to support Medicaid and to
2 make the payments required by subsection ~~[6]~~ 7 of NRS 422.387,
3 money in the Intergovernmental Transfer Account may be
4 transferred:

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

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

11 **Sec. 6.** NRS 422.387 is hereby amended to read as follows:

12 422.387 1. Before making the payments required or
13 authorized by this section, the Division of Health Care Financing
14 and Policy shall allocate money for the administrative costs
15 necessary to carry out the provisions of NRS 422.380 to 422.390,
16 inclusive ~~[1]~~ *and section 2 of this act*. The amount allocated for
17 administrative costs must not exceed the amount authorized for
18 expenditure by the Legislature for this purpose in a fiscal year. The
19 Interim Finance Committee may adjust the amount allowed for
20 administrative costs.

21 2. The State Plan for Medicaid must provide for the payment of
22 the maximum amount of disproportionate share payments allowable
23 under federal law and regulations. ~~[The]~~ *Except as otherwise*
24 *provided in subsection 5, the* State Plan for Medicaid must provide
25 that for:

26 (a) All ~~[public]~~ hospitals in counties whose population is
27 400,000 or more ~~[1]~~ *that the Department determines pursuant to*
28 *section 2 of this act are eligible to receive a disproportionate share*
29 *payment*, the total annual disproportionate share payments are
30 ~~[\$66,650,000 plus 90]~~ *89.07* percent of the total amount of
31 disproportionate share payments distributed by the State in that
32 fiscal year ~~[that exceeds \$76,000,000;~~

33 ~~—(b) All private hospitals in counties whose population is 400,000~~
34 ~~or more, the total annual disproportionate share payments are~~
35 ~~\$1,200,000 plus 2.5 percent of the total amount of disproportionate~~
36 ~~share payments distributed by the State in that fiscal year that~~
37 ~~exceeds \$76,000,000;~~

38 ~~—(c) ;~~

39 (b) All private hospitals in counties whose population is 100,000
40 or more but less than 400,000, *that the Department determines*
41 *pursuant to section 2 of this act are eligible to receive a*
42 *disproportionate share payment*, the total annual disproportionate
43 share payments are ~~[\$4,800,000 plus 2.5]~~ *6.86* percent of the total
44 amount of disproportionate share payments distributed by the State
45 in that fiscal year ~~[that exceeds \$76,000,000;~~



1 ~~—(d) ;~~

2 (c) All public hospitals in counties whose population is less than
3 100,000, the total annual disproportionate share payments are
4 ~~[\$900,000 plus 2.5]~~ **1.09** percent of the total amount of
5 disproportionate share payments distributed by the State in that
6 fiscal year ~~[that exceeds \$76,000,000; and~~

7 ~~—(e) ; and~~

8 (d) All private hospitals in counties whose population is less
9 than 100,000, the total annual disproportionate share payments are
10 ~~[\$2,450,000 plus 2.5]~~ **2.98** percent of the total amount of
11 disproportionate share payments distributed by the State in that
12 fiscal year . ~~[that exceeds \$76,000,000.]~~

13 3. The State Plan for Medicaid must provide ~~[for a base~~
14 ~~payment in an amount determined pursuant to subsections 4 and 5.~~
15 ~~Any amount set forth in each paragraph of subsection 2 that remains~~
16 ~~after all base payments have been distributed must be distributed to~~
17 ~~the hospital within that paragraph with the highest uncompensated~~
18 ~~care percentage in an amount equal to either the amount remaining~~
19 ~~after all base payments have been distributed or the amount~~
20 ~~necessary to reduce the uncompensated care percentage of that~~
21 ~~hospital to the uncompensated care percentage of the hospital in that~~
22 ~~paragraph with the second highest uncompensated care percentage,~~
23 ~~whichever is less. Any amount set forth in subsection 2 that remains~~
24 ~~after the uncompensated care percentage of the hospital with the~~
25 ~~highest uncompensated care percentage in a paragraph has been~~
26 ~~reduced to equal the uncompensated care percentage of the hospital~~
27 ~~in that paragraph with the second highest uncompensated care~~
28 ~~percentage must be distributed equally to the two hospitals with the~~
29 ~~highest uncompensated care percentage in that paragraph until their~~
30 ~~uncompensated care percentages are equal to the uncompensated~~
31 ~~care percentage of the hospital with the third highest uncompensated~~
32 ~~care percentage in that paragraph. This process must be repeated~~
33 ~~until all available funds set forth in a paragraph of subsection 2 have~~
34 ~~been distributed.~~

35 ~~—4.]~~ *that each hospital described in paragraph (c) or (d) of*
36 *subsection 2 receives a percentage of the total disproportionate*
37 *share payments allocated to the group of hospitals described in the*
38 *paragraph of subsection 2 of which it is a member.* Except as
39 otherwise provided in subsection 5 ~~[, the base payments for the~~
40 ~~purposes of subsection 3]~~ *or 6, the percentages for each hospital*
41 *within its respective group* are:

42 (a) ~~[For the University Medical Center of Southern Nevada,~~
43 ~~\$66,531,729;~~

44 ~~—(b) For Washoe Medical Center, \$4,800,000;~~

45 ~~—(c)]~~ *For Humboldt General Hospital, 28 percent;*



- 1 (b) For William Bee Ririe Hospital, 26 percent;
- 2 (c) For Mt. Grant General Hospital, 24 percent;
- 3 (d) For South Lyon Medical Center, 22 percent;
- 4 (e) For Carson-Tahoe Hospital, ~~[\$1,000,000;~~
- 5 ~~(d)] 48 percent;~~
- 6 (f) For Northeastern Nevada Regional Hospital, ~~[\$500,000;~~
- 7 ~~(e)] 24 percent;~~
- 8 (g) For Churchill Community Hospital, ~~[\$500,000;~~
- 9 ~~(f) For Humboldt General Hospital, \$215,109;~~
- 10 ~~(g) For William Bee Ririe Hospital, \$204,001;~~
- 11 ~~(h) For Mt. Grant General Hospital, \$195,838;~~
- 12 ~~(i) For South Lyon Medical Center, \$174,417; and~~
- 13 ~~(j)] 24 percent; and~~
- 14 (h) For Nye Regional Medical Center, ~~[\$115,000.]~~ 4 percent,
- 15 ↪ or the successors in interest to such hospitals.

16 ~~[5.]~~ 4. *The State Plan for Medicaid must provide for a*
17 *payment to each hospital described in paragraph (a) or (b) of*
18 *subsection 2 in proportion to the percentage calculated for the*
19 *hospital pursuant to paragraph (e) of subsection 1 of section 2 of*
20 *this act, not to exceed any limit provided by federal law or*
21 *regulation. To calculate the amount of proportional payments to*
22 *be provided pursuant to this subsection, the Administrator shall*
23 *add the percentages determined pursuant to paragraph (e) of*
24 *subsection 1 of section 2 of this act for each hospital described in*
25 *paragraph (a) or (b) of subsection 2, and divide the percentage*
26 *determined pursuant to paragraph (e) of subsection 1 for a*
27 *specific hospital described in paragraph (a) or (b) by that sum.*

28 5. The Plan must be consistent with the provisions of NRS
29 422.380 to 422.390, inclusive, *and section 2 of this act* and Title
30 XIX of the Social Security Act, 42 U.S.C. §§ 1396 et seq., and the
31 regulations adopted pursuant to those provisions. If the ~~total~~
32 ~~amount available to the State for making disproportionate share~~
33 ~~payments is less than \$76,000,000, the Administrator:~~

34 ~~(a) Shall adjust the amounts for each] amount of a~~
35 *disproportionate share payment provided for a hospital is*
36 *unavailable pursuant to federal law or regulation, the*
37 *Administrator shall:*

38 (a) *Adjust the percentages for each other hospital in the* group
39 *of hospitals described in a paragraph of subsection 2 of which that*
40 *hospital is a member* proportionally ~~in accordance with the limits~~
41 ~~of federal law. If the amount available to hospitals in a group~~
42 ~~described in a paragraph of subsection 2 is less than the total amount~~
43 ~~of base payments specified in subsection 4, the Administrator shall~~
44 ~~reduce the base payments proportionally in accordance with the~~
45 ~~limits of federal law.~~



1 ~~—(b) Shall adopt a regulation specifying the amount of the~~
2 ~~reductions required by paragraph (a).]; and~~

3 *(b) If the hospital is the only hospital in a group of hospitals*
4 *described in a paragraph of subsection 2, adjust the percentages*
5 *for each group of hospitals described in the other paragraphs of*
6 *subsection 2 proportionally.*

7 6. *If:*

8 *(a) A new hospital is established in this State which is not*
9 *included in subsection 3 but which is otherwise eligible to receive*
10 *a disproportionate share payment, the Administrator may establish*
11 *a percentage for the new hospital and adjust the percentages for*
12 *each other hospital in the group of hospitals described in a*
13 *paragraph of subsection 2 of which the new hospital is a member;*
14 *or*

15 *(b) An existing hospital listed in subsection 3 ceases to exist,*
16 *the Administrator may adjust the percentages for each other*
17 *hospital in the group of hospitals described in a paragraph of*
18 *subsection 2 of which the hospital was a member.*

19 7. To the extent that money is available in the
20 Intergovernmental Transfer Account, the Division of Health Care
21 Financing and Policy shall distribute \$50,000 from that Account
22 each fiscal year to each public hospital which:

23 (a) Is located in a county that does not have any other hospitals;
24 and

25 (b) Is not eligible for a payment pursuant to subsections 2, 3
26 and 4.

27 ~~[7. —As used in this section:~~

28 ~~—(a) “Total revenue” is the amount of revenue a hospital receives~~
29 ~~for patient care and other services, net of any contractual allowances~~
30 ~~or bad debts.~~

31 ~~—(b) “Uncompensated care costs” means the total costs of a~~
32 ~~hospital incurred in providing care to uninsured patients, including,~~
33 ~~without limitation, patients covered by Medicaid or another~~
34 ~~governmental program for indigent patients, less any payments~~
35 ~~received by the hospital for that care.~~

36 ~~—(c) “Uncompensated care percentage” means the uncompensated~~
37 ~~care costs of a hospital divided by the total revenue for the hospital.]~~

38 **Sec. 7.** NRS 422.390 is hereby amended to read as follows:

39 422.390 1. The Division of Health Care Financing and Policy
40 shall adopt regulations concerning:

41 (a) Procedures for the transfer to the Division of Health Care
42 Financing and Policy of the amount required pursuant to
43 NRS 422.382.

44 (b) Provisions for the payment of a penalty and interest for a
45 delinquent transfer.



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

4 (d) Provisions for the ~~calculation of the uncompensated care~~
5 ~~percentage for hospitals, including, without limitation, the~~
6 ~~procedures and methodology required to be used in calculating the~~
7 ~~percentage.]~~ *determination of the percentage of the total number*
8 *of patient days during which a hospital provided care to persons*
9 *who were eligible for medical assistance under Medicaid, the*
10 *determination of the percentage of the total number of patient*
11 *days during which the hospital provided care to Medicare patients*
12 *Supplemental Security Income Program and obtaining the*
13 *percentage determined by the Centers for Medicare and Medicaid*
14 *Services of the United States Department of Health and Human*
15 *Services pursuant to 42 U.S.C. § 1395ww(d)(5)(F)(vi)(I), and any*
16 *required documentation of and reporting by a hospital relating to the*
17 ~~calculation.]~~ *determinations or relating to obtaining the*
18 *information.*
19

20 2. The Division of Health Care Financing and Policy shall
21 report to the Interim Finance Committee quarterly concerning the
22 provisions of NRS 422.380 to 422.390, inclusive ~~§~~ *and section 2*
23 *of this act.*

24 **Sec. 8.** This act becomes effective upon passage and approval
25 for the purposes of adopting regulations and collecting information
26 for making the determinations required by section 2 of this act, and
27 on July 1, 2005, for all other purposes.



