

D R A F T

SUMMARY

Removes factor based on payments to hospitals from determination of hospital assessment rate. Extends period of assessment from September 30, 2019, to September 30, 2023.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

Relating to state medical assistance program funding; amending sections 2, 3, 9, 10, 12, 13 and 14, chapter 736, Oregon Laws 2003, section 1, chapter 608, Oregon Laws 2013, and section 15, chapter 389, Oregon Laws 2015; and prescribing an effective date.

Be It Enacted by the People of the State of Oregon:

SECTION 1. Section 2, chapter 736, Oregon Laws 2003, as amended by section 1, chapter 780, Oregon Laws 2007, section 51, chapter 828, Oregon Laws 2009, section 17, chapter 867, Oregon Laws 2009, section 2, chapter 608, Oregon Laws 2013, and section 1, chapter 16, Oregon Laws 2015, is amended to read:

Sec. 2. (1) An assessment is imposed on the net revenue of each hospital in this state that is not a waived hospital. The assessment shall be imposed at a rate determined by the Director of the Oregon Health Authority by rule that is the director's best estimate of the rate needed to fund the services and costs identified in section 9, chapter 736, Oregon Laws 2003. The rate of assessment shall be imposed on the net revenue of each hospital subject to assessment. The director shall consult with representatives of hospitals before setting the assessment.

(2) The assessment shall be reported on a form prescribed by the Oregon

Health Authority and shall contain the information required to be reported by the authority. The assessment form shall be filed with the authority on or before the 75th day following the end of the calendar quarter for which the assessment is being reported. Except as provided in subsection [(6)] **(5)** of this section, the hospital shall pay the assessment at the time the hospital files the assessment report. The payment shall accompany the report.

[(3)(a) To the extent permitted by federal law, aggregate assessments imposed under this section may not exceed the total of the following amounts received by the hospitals that are reimbursed by Medicare based on diagnostic related groups:]

[(A) 30 percent of payments made to the hospitals on a fee-for-service basis by the authority for inpatient hospital services;]

[(B) 41 percent of payments made to the hospitals on a fee-for-service basis by the authority for outpatient hospital services; and]

[(C) Payments made to the hospitals using a payment methodology established by the authority that advances the goals of the Oregon Integrated and Coordinated Health Care Delivery System described in ORS 414.620 (3).]

[(b) Notwithstanding paragraph (a) of this subsection, aggregate assessments imposed on or after July 1, 2015, may exceed the total of the amounts described in paragraph (a) of this subsection to the extent necessary to compensate for any reduction of funding in the legislatively adopted budget for hospital services under ORS 414.631, 414.651 and 414.688 to 414.745.]

*[(4)] **(3)** [Notwithstanding subsection (3) of this section,] A hospital is not guaranteed that any additional moneys paid to the hospital in the form of payments for services shall equal or exceed the amount of the assessment paid by the hospital.*

*[(5)] **(4)** Hospitals operated by the United States Department of Veterans Affairs and pediatric specialty hospitals providing care to children at no charge are exempt from the assessment imposed under this section.*

*[(6)(a)] **(5)(a)** The authority shall develop a schedule for collection of the assessment for the calendar quarter ending September 30, [2019] **2023**, that*

will result in the collection occurring between December 15, [2019] **2023**, and the time all Medicaid cost settlements are finalized for that calendar quarter.

(b) The authority shall prescribe by rule criteria for late payment of assessments.

SECTION 2. Section 3, chapter 736, Oregon Laws 2003, as amended by section 3, chapter 608, Oregon Laws 2013, is amended to read:

Sec. 3. (1) Notwithstanding section 2, chapter 736, Oregon Laws 2003, the Director of the Oregon Health Authority shall reduce the rate of assessment imposed under section 2, chapter 736, Oregon Laws 2003, to the maximum rate allowed under federal law if the reduction is required to comply with federal law.

(2) If federal law requires a reduction in the rate of assessments, the director shall, after consulting with representatives of the hospitals that are subject to the assessments, first reduce the distribution of moneys described in section 9 [(2)(d)] **(2)(c)**, chapter 736, Oregon Laws 2003, by a corresponding amount.

SECTION 3. Section 9, chapter 736, Oregon Laws 2003, as amended by section 2, chapter 757, Oregon Laws 2005, section 2, chapter 780, Oregon Laws 2007, section 53, chapter 828, Oregon Laws 2009, section 19, chapter 867, Oregon Laws 2009, section 59, chapter 602, Oregon Laws 2011, and section 7, chapter 608, Oregon Laws 2013, is amended to read:

Sec. 9. (1) The Hospital Quality Assurance Fund is established in the State Treasury, separate and distinct from the General Fund. Interest earned by the Hospital Quality Assurance Fund shall be credited to the Hospital Quality Assurance Fund.

(2) Amounts in the Hospital Quality Assurance Fund are continuously appropriated to the Oregon Health Authority for the purpose of:

(a) Paying refunds due under section 6, chapter 736, Oregon Laws 2003;

(b) Funding services under ORS **414.065** [414.631, 414.651 and 414.688 to 414.750], including but not limited to increasing reimbursement rates for inpatient and outpatient hospital services under ORS **414.065** [414.631, 414.651

1 *and 414.688 to 414.750*];

2 [(c) *Making payments described in section 2 (3)(a)(C), chapter 736, Oregon*
3 *Laws 2003*];

4 [(d)] (c) Making distributions, as described in section 1 (4), **chapter 608,**
5 **Oregon Laws 2013**, [of this 2013 Act] of an amount of moneys equal to the
6 federal financial participation received from one percentage point of the rate
7 assessed under section 2, chapter 736, Oregon Laws 2003; and

8 [(e)] (d) Paying administrative costs incurred by the authority to admin-
9 ister section 1, **chapter 608, Oregon Laws 2013**, [of this 2013 Act] and the
10 assessments imposed under section 2, chapter 736, Oregon Laws 2003.

11 (3) [Except for assessments imposed pursuant to section 2 (3)(b), chapter
12 736, Oregon Laws 2003,] The authority may not use moneys from the Hospital
13 Quality Assurance Fund to supplant, directly or indirectly, other moneys
14 made available to fund services described in subsection (2) of this section.

15 **SECTION 4.** Section 10, chapter 736, Oregon Laws 2003, as amended by
16 section 3, chapter 780, Oregon Laws 2007, section 20, chapter 867, Oregon
17 Laws 2009, section 8, chapter 608, Oregon Laws 2013 and section 2, chapter
18 16, Oregon Laws 2015, is amended to read:

19 **Sec. 10.** Sections 1 to 9, chapter 736, Oregon Laws 2003, apply to net
20 revenues earned by hospitals during a period beginning October 1, [2015]
21 **2017**, and ending the earlier of September 30, [2019] **2023**, or the date on
22 which the assessment no longer qualifies for federal financial participation
23 under Title XIX or XXI of the Social Security Act.

24 **SECTION 5.** Section 12, chapter 736, Oregon Laws 2003, as amended by
25 section 4, chapter 780, Oregon Laws 2007, section 21, chapter 867, Oregon
26 Laws 2009, section 9, chapter 608, Oregon Laws 2013, and section 3, chapter
27 16, Oregon Laws 2015, is amended to read:

28 **Sec. 12.** Sections 1 to 9, chapter 736, Oregon Laws 2003, and section 1,
29 chapter 608, Oregon Laws 2013, are repealed on January 2, [2024] **2028**.

30 **SECTION 6.** Section 13, chapter 736, Oregon Laws 2003, as amended by
31 section 5, chapter 780, Oregon Laws 2007, section 22, chapter 867, Oregon

Laws 2009, section 10, chapter 608, Oregon Laws 2013, and section 4, chapter 16, Oregon Laws 2015, is amended to read:

Sec. 13. Nothing in the repeal of sections 1 to 9, chapter 736, Oregon Laws 2003, and section 1, chapter 608, Oregon Laws 2013, by section 12, chapter 736, Oregon Laws 2003, affects the imposition and collection of a hospital assessment under sections 1 to 9, chapter 736, Oregon Laws 2003, for a calendar quarter beginning before September 30, [2019] **2023**.

SECTION 7. Section 14, chapter 736, Oregon Laws 2003, as amended by section 6, chapter 780, Oregon Laws 2007, section 23, chapter 867, Oregon Laws 2009, and section 5, chapter 16, Oregon Laws 2015, is amended to read:

Sec. 14. Any moneys remaining in the Hospital Quality Assurance Fund on December 31, [2023] **2027**, are transferred to the General Fund.

SECTION 8. Section 1, chapter 608, Oregon Laws 2013, as amended by section 6, chapter 16, Oregon Laws 2015, and section 13, chapter 389, Oregon Laws 2015, is amended to read:

Sec. 1. (1) As used in this section:

(a) “Coordinated care organization” has the meaning given that term in ORS 414.025.

(b) “Hospital” means a hospital that is subject to the assessment imposed under section 2, chapter 736, Oregon Laws 2003.

(c) “Metrics and scoring subcommittee” means the subcommittee created in ORS 414.638.

(2) In consultation with the President of the Senate and the Speaker of the House of Representatives, the Director of the Oregon Health Authority shall appoint a hospital performance metrics advisory committee consisting of nine members, including:

(a) Four members who represent hospitals;

(b) Three members who have expertise in measuring health outcomes; and

(c) Two members who represent coordinated care organizations.

(3) The hospital performance metrics advisory committee shall recommend three to five performance standards that are consistent with state and na-

tional quality standards.

(4) The Oregon Health Authority shall adopt by rule the procedures for distributing to hospitals the moneys described in section 9 [(2)(d)] **(2)(c)**, chapter 736, Oregon Laws 2003, to ensure that such moneys are distributed as follows:

(a) The authority shall distribute 50 percent of the moneys based upon each hospital's:

(A) Compliance with data submission requirements; and

(B) Achievement of the performance standards recommended by the hospital performance metrics advisory committee under subsection (3) of this section.

(b) The authority shall annually distribute the remainder of the moneys to coordinated care organizations based upon recommendations made by the metrics and scoring subcommittee.

SECTION 9. Section 15, chapter 389, Oregon Laws 2015, is amended to read:

Sec. 15. Section 1, chapter 608, Oregon Laws 2013, as amended by section 6, chapter 16, Oregon Laws 2015, and section 13, **chapter 389, Oregon Laws 2015, and section 8 of this 2017 Act**, [*of this 2015 Act*] is repealed on September 30, [2019] **2023**.

SECTION 10. **This 2017 Act takes effect on the 91st day after the date on which the 2017 regular session of the Seventy-ninth Legislative Assembly adjourns sine die.**