

**SUBSTITUTE FOR
SENATE BILL NO. 589**

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

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 (m) In fiscal year 2003-2004, \$18,900,000.00 of the quality
2 assurance assessment fee collected pursuant to subsection (1)(g)
3 shall be appropriated to the department of community health to
4 support medicaid expenditures for long-term care services. These
5 funds shall offset an identical amount of general fund/general
6 purpose revenue originally appropriated for that purpose.

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

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

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

26 (c) The quality assurance assessment fee shall be assessed on
27 all net patient revenue, before deduction of expenses, less

1 medicare net revenue, as reported in the most recently available
2 medicare cost report and is payable on a quarterly basis, the
3 first payment due 90 days after the date the fee is assessed. As
4 used in this subdivision, "medicare net revenue" includes
5 medicare payments and amounts collected for coinsurance and
6 deductibles.

7 (d) Upon implementation pursuant to subdivision (b), the
8 department of community health shall increase the hospital
9 medicaid reimbursement rates for the balance of that year. For
10 each subsequent year in which the quality assurance assessment
11 fee is assessed and collected, the department of community health
12 shall maintain the hospital medicaid reimbursement rate increase
13 financed by the quality assurance assessment fees.

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

18 (f) If a hospital fails to pay the assessment required by
19 subsection (1)(h), the department of community health may assess
20 the hospital a penalty of 5% of the assessment for each month
21 that the assessment and penalty are not paid up to a maximum of
22 50% of the assessment. The department of community health may
23 also refer for collection to the department of treasury past due
24 amounts consistent with section 13 of 1941 PA 122, MCL 205.13.

25 (g) The hospital quality assurance assessment fund is
26 established in the state treasury. The department of community
27 health shall deposit the revenue raised through the quality

1 assurance assessment fee with the state treasurer for deposit in
 2 the hospital quality assurance assessment fund.

3 (h) In each fiscal year governed by this subsection, the
 4 quality assurance assessment fee shall only be collected and
 5 expended if medicaid hospital inpatient DRG and outpatient
 6 reimbursement rates and disproportionate share hospital and
 7 graduate medical education payments are not below the level of
 8 rates and payments in effect on April 1, 2002 as a direct result
 9 of the quality assurance assessment fee collected under
 10 subsection (1)(h), except as provided in subdivision (j).

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

15 MEDICAL SERVICES

16	Hospital services and therapy.....	\$	<u>149,200,000</u>
17	Gross appropriation.....	\$	149,200,000
18	Appropriated from:		
19	Federal revenues:		
20	Total federal revenues.....		82,686,800
21	Special revenue funds:		
22	Medicaid quality assurance assessment.....		66,513,500
23	Total local revenues.....		0
24	State general fund/general purpose.....	\$	0

25 (j) The quality assurance assessment fee collected under
 26 subsection (1)(h) shall no longer be assessed or collected after
 27 September 30, 2004, or in the event that the quality assurance

1 assessment fee is not eligible for federal matching funds. Any
2 portion of the quality assurance assessment collected from a
3 hospital that is not eligible for federal matching funds shall be
4 returned to the hospital.

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

8 (l) In fiscal year 2003-2004, \$18,900,000.00 of the quality
9 assurance assessment fee collected pursuant to subsection (1)(h)
10 shall be appropriated to the department of community health to
11 support medicaid expenditures for hospital services and therapy.
12 These funds shall offset an identical amount of general
13 fund/general purpose revenue originally appropriated for that
14 purpose.

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