

**SUBSTITUTE FOR
SENATE BILL NO. 1146**

A bill to amend 1978 PA 368, entitled
"Public health code,"
by amending section 20161 (MCL 333.20161), as amended by 2003 PA
234.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

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

1 facilities, and hospital long-term care
2 units..... \$2.20 per licensed bed.
3 (d) Homes for the aged..... \$6.27 per licensed bed.
4 (e) Clinical laboratories..... \$475.00 per laboratory.
5 (f) Hospice residences..... \$200.00 per license
6 survey; and \$20.00 per
7 licensed bed.
8 (g) Subject to subsection (13),
9 quality assurance assessment for
10 nongovernmentally owned nursing homes
11 and hospital long-term care units..... an amount resulting in
12 not more than 6% of
13 total industry
14 revenues.
15 (h) Subject to subsection (14),
16 quality assurance assessment for
17 hospitals..... at a fixed or variable
18 rate that generates
19 funds not more than the
20 maximum allowable under
21 the federal matching
22 requirements, after
23 consideration for the
24 amounts in subsection
25 (14) (a) and ~~(k)~~ (j).
26 (2) If a hospital requests the department to conduct a
27 certification survey for purposes of title XVIII or title XIX of

1 the social security act, the hospital shall pay a license fee
2 surcharge of \$23.00 per bed. As used in this subsection, "title
3 XVIII" and "title XIX" mean those terms as defined in section
4 20155.

5 (3) The base fee for a certificate of need is \$750.00 for
6 each application. For a project requiring a projected capital
7 expenditure of more than \$150,000.00 but less than \$1,500,000.00,
8 an additional fee of \$2,000.00 shall be added to the base fee.
9 For a project requiring a projected capital expenditure of
10 \$1,500,000.00 or more, an additional fee of \$3,500.00 shall be
11 added to the base fee.

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

16 (5) Fees described in this section are payable to the
17 department at the time an application for a license, permit, or
18 certificate is submitted. If an application for a license,
19 permit, or certificate is denied or if a license, permit, or
20 certificate is revoked before its expiration date, the department
21 shall not refund fees paid to the department.

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

27 (7) The department may charge a fee to recover the cost of

1 purchase or production and distribution of proficiency evaluation
2 samples that are supplied to clinical laboratories pursuant to
3 section 20521(3).

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

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

11 (10) The application fee for a waiver under section 21564 is
12 \$200.00 plus \$40.00 per hour for the professional services and
13 travel expenses directly related to processing the application.
14 The travel expenses shall be calculated in accordance with the
15 state standardized travel regulations of the department of
16 management and budget in effect at the time of the travel.

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

19 (12) Except as otherwise provided in this section, the fees
20 and assessments collected under this section shall be deposited
21 in the state treasury, to the credit of the general fund.

22 (13) The quality assurance assessment collected under
23 subsection (1)(g) and all federal matching funds attributed to
24 that assessment shall be used only for the following purposes and
25 under the following specific circumstances:

26 (a) The quality assurance assessment and all federal matching
27 funds attributed to that assessment shall be used to finance

1 medicaid nursing home reimbursement payments. Only licensed
2 nursing homes and hospital long-term care units that are assessed
3 the quality assurance assessment and participate in the medicaid
4 program are eligible for increased per diem medicaid
5 reimbursement rates under this subdivision.

6 (b) The quality assurance assessment shall be implemented on
7 May 10, 2002.

8 (c) The quality assurance assessment is based on the number
9 of licensed nursing home beds and the number of licensed hospital
10 long-term care unit beds in existence on July 1 of each year,
11 shall be assessed upon implementation pursuant to subdivision (b)
12 and subsequently on October 1 of each following year, and is
13 payable on a quarterly basis, the first payment due 90 days after
14 the date the assessment is assessed.

15 (d) Beginning October 1, 2007, the department shall no longer
16 assess or collect the quality assurance assessment or apply for
17 federal matching funds.

18 (e) Upon implementation pursuant to subdivision (b), the
19 department of community health shall increase the per diem
20 nursing home medicaid reimbursement rates for the balance of that
21 year. For each subsequent year in which the quality assurance
22 assessment is assessed and collected, the department of community
23 health shall maintain the medicaid nursing home reimbursement
24 payment increase financed by the quality assurance assessment.

25 (f) The department of community health shall implement this
26 section in a manner that complies with federal requirements
27 necessary to assure that the quality assurance assessment

1 qualifies for federal matching funds.

2 (g) If a nursing home or a hospital long-term care unit fails
3 to pay the assessment required by subsection (1)(g), the
4 department of community health may assess the nursing home or
5 hospital long-term care unit a penalty of 5% of the assessment
6 for each month that the assessment and penalty are not paid up to
7 a maximum of 50% of the assessment. The department of community
8 health may also refer for collection to the department of
9 treasury past due amounts consistent with section 13 of 1941
10 PA 122, MCL 205.13.

11 (h) The medicaid nursing home quality assurance assessment
12 fund is established in the state treasury. The department of
13 community health shall deposit the revenue raised through the
14 quality assurance assessment with the state treasurer for deposit
15 in the medicaid nursing home quality assurance assessment fund.

16 (i) The department of community health shall not implement
17 this subsection in a manner that conflicts with 42 USC 1396b(w).

18 (j) The quality assurance assessment collected under
19 subsection (1)(g) shall be prorated on a quarterly basis for any
20 licensed beds added to or subtracted from a nursing home or
21 hospital long-term care unit since the immediately preceding
22 July 1. Any adjustments in payments are due on the next
23 quarterly installment due date.

24 (k) In each fiscal year governed by this subsection, medicaid
25 reimbursement rates shall not be reduced below the medicaid
26 reimbursement rates in effect on April 1, 2002 as a direct result
27 of the quality assurance assessment collected under

1 subsection (1) (g).

2 ~~(l) The amounts listed in this subdivision are appropriated~~
3 ~~for the department of community health, subject to the conditions~~
4 ~~set forth in this subsection, for the fiscal year ending~~
5 ~~September 30, 2003:~~

6 ~~MEDICAL SERVICES~~

7 ~~— Long term care services..... \$ 1,469,003,900~~
8 ~~— Cross appropriation..... \$ 1,469,003,900~~

9 ~~— Appropriated from:~~

10 ~~— Federal revenues:~~

11 ~~— Total federal revenues..... 814,122,200~~

12 ~~— Special revenue funds:~~

13 ~~— Medicaid quality assurance assessment..... 44,829,000~~

14 ~~— Total local revenues..... 8,445,100~~

15 ~~— State general fund/general purpose..... \$ 601,607,600~~

16 ~~(l) —(m) In fiscal year 2003-2004, \$18,900,000.00~~

17 ~~2004-2005, \$21,900,000.00 of the quality assurance assessment~~
18 ~~collected pursuant to subsection (1) (g) shall be appropriated to~~
19 ~~the department of community health to support medicaid~~
20 ~~expenditures for long-term care services. These funds shall~~
21 ~~offset an identical amount of general fund/general purpose~~
22 ~~revenue originally appropriated for that purpose.~~

23 (14) The quality assurance dedication is an earmarked
24 assessment collected under subsection (1) (h). That assessment
25 and all federal matching funds attributed to that assessment
26 shall be used only for the following purposes and under the
27 following specific circumstances:

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

12 (b) The quality assurance assessment shall be implemented on
13 October 1, 2002.

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

22 (d) Upon implementation pursuant to subdivision (b), the
23 department of community health shall increase the hospital
24 medicaid reimbursement rates for the balance of that year. For
25 each subsequent year in which the quality assurance assessment is
26 assessed and collected, the department of community health shall
27 maintain the hospital medicaid reimbursement rate increase

1 financed by the quality assurance assessments.

2 (e) The department of community health shall implement this
3 section in a manner that complies with federal requirements
4 necessary to assure that the quality assurance assessment
5 qualifies for federal matching funds.

6 (f) If a hospital fails to pay the assessment required by
7 subsection (1)(h), the department of community health may assess
8 the hospital a penalty of 5% of the assessment for each month
9 that the assessment and penalty are not paid up to a maximum of
10 50% of the assessment. The department of community health may
11 also refer for collection to the department of treasury past due
12 amounts consistent with section 13 of 1941 PA 122, MCL 205.13.

13 (g) The hospital quality assurance assessment fund is
14 established in the state treasury. The department of community
15 health shall deposit the revenue raised through the quality
16 assurance assessment with the state treasurer for deposit in the
17 hospital quality assurance assessment fund.

18 (h) In each fiscal year governed by this subsection, the
19 quality assurance assessment shall only be collected and expended
20 if medicaid hospital inpatient DRG and outpatient reimbursement
21 rates and disproportionate share hospital and graduate medical
22 education payments are not below the level of rates and payments
23 in effect on April 1, 2002 as a direct result of the quality
24 assurance assessment collected under subsection (1)(h), except as
25 provided in subdivision ~~-(j)-~~ (i).

26 ~~(i) The amounts listed in this subdivision are appropriated~~
27 ~~for the department of community health, subject to the conditions~~

1 ~~set forth in this subsection, for the fiscal year ending~~
2 ~~September 30, 2003:~~

3 ~~MEDICAL SERVICES~~

4 ~~Hospital services and therapy..... \$ 149,200,000~~

5 ~~Gross appropriation..... \$ 149,200,000~~

6 ~~Appropriated from:~~

7 ~~Federal revenues:~~

8 ~~Total federal revenues..... 82,686,800~~

9 ~~Special revenue funds:~~

10 ~~Medicaid quality assurance assessment..... 66,513,500~~

11 ~~Total local revenues..... 0~~

12 ~~State general fund/general purpose..... \$ 0~~

13 (i) ~~(j)~~ The quality assurance assessment collected under
14 subsection (1) (h) shall no longer be assessed or collected after
15 September 30, ~~2004~~ 2007, or in the event that the quality
16 assurance assessment is not eligible for federal matching funds.
17 Any portion of the quality assurance assessment collected from a
18 hospital that is not eligible for federal matching funds shall be
19 returned to the hospital.

20 (j) ~~(k)~~ In fiscal year ~~2002-2003, \$18,900,000.00~~
21 2004-2005, \$21,900,000.00 of the quality assurance assessment
22 shall be deposited into the general fund.

23 (k) ~~(l)~~ In fiscal year ~~2003-2004, \$18,900,000.00~~
24 2004-2005, \$21,900,000.00 of the quality assurance assessment
25 collected pursuant to subsection (1) (h) shall be appropriated to
26 the department of community health to support medicaid
27 expenditures for hospital services and therapy. These funds

1 shall offset an identical amount of general fund/general purpose
2 revenue originally appropriated for that purpose.

3 (15) The quality assurance assessment provided for under this
4 section is a tax that is levied on a health facility or agency.

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