

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 696 Session of 2005

INTRODUCED BY SCARNATI, GORDNER, ERICKSON, ORIE, PIPPY,  
RAFFERTY, PUNT, M. WHITE, LEMMOND, RHOADES, D. WHITE,  
PILEGGI, WOZNIAK, BOSCOLA, COSTA, BROWNE, TOMLINSON AND  
THOMPSON, MAY 23, 2005

REFERRED TO PUBLIC HEALTH AND WELFARE, MAY 23, 2005

AN ACT

1 Amending the act of June 13, 1967 (P.L.31, No.21), entitled "An  
2 act to consolidate, editorially revise, and codify the public  
3 welfare laws of the Commonwealth;" providing for payment  
4 policies for hospital inpatient and outpatient services; and  
5 establishing the State Health Payment Review Board.

6 The General Assembly of the Commonwealth of Pennsylvania  
7 hereby enacts as follows:

8 Section 1. The act of June 13, 1967 (P.L.31, No.21), known  
9 as the Public Welfare Code, is amended by adding sections to  
10 read:

11 Section 443.9. Payment Policies for Hospital Inpatient and  
12 Outpatient Services.--Payment rates for services provided by  
13 hospitals enrolled in the medical assistance program shall be  
14 adequate to provide incentives for provider efficiency in order  
15 to facilitate beneficiaries' access to high-quality care and to  
16 offer cost-effective care and shall comply with the following:

17 (1) The rates shall be supported by factual evidence in  
18 sufficient detail to demonstrate why they are deemed reasonable.

1     (2) The rates shall be established and adjusted annually  
2 using accepted and verifiable benchmarks for assessing adequacy,  
3 including calculation of provider costs, comparison to rates  
4 established by federally funded health care programs,  
5 consideration of geographic variations across this Commonwealth  
6 and their relationship to providers' clinical activity.

7     (3) The rates shall be fair and equitable across and within  
8 categories of hospitals so that comparable services are  
9 comparably reimbursed based on resource use. Fairness and equity  
10 shall be established by assuring, at a minimum, that rates  
11 account for such variables as severity and complexity of  
12 patients' conditions and resources required to treat them, the  
13 number or percentage of indigent patients treated by providers  
14 and hospitals' health professional educational costs.

15     (4) The rates shall exclude any disproportionate share or  
16 medical education payments. Disproportionate share payments  
17 shall be based on the number or percentage of low-income persons  
18 served by the hospital. Medical education costs shall reflect  
19 the medical assistance share of actual allowable costs for  
20 medical education.

21     Section 443.10. State Health Payment Review Board.--The  
22 State Health Payment Review Board is established and shall  
23 consist of:

24     (a) The following members who shall be appointed in  
25 accordance with the following:

26     (1) One member who shall be a resident appointed by the  
27 Governor, who will serve as chairman of the review board.

28     (2) Four members who shall be residents of this  
29 Commonwealth, one of whom shall be appointed by the President  
30 pro tempore of the Senate, one of whom shall be appointed by the

Minority Leader of the Senate, one of whom shall be appointed by the Speaker of the House of Representatives and one of whom shall be appointed by the Minority Leader of the House of Representatives.

(b) All appointees shall serve terms coterminous with their respective appointing authorities. Members of the review board shall be chosen for their familiarity and experience with health care finance, economics, delivery or law and have relevant training and experience, to assist the board in performing its designated functions. No person shall be chosen who is an employe of the Commonwealth or of any health care provider. No member shall participate in any action or decision concerning any matter in which the member has an economic interest or other conflict of interest. The appointing authorities shall make their initial appointments within sixty days of the effective date of this section.

(c) The review board shall hear de novo appeals on payments for inpatient and outpatient hospital services.

(d) The Governor shall appoint counsel to serve and advise the review board and shall replace such counsel upon request of the board.

(e) Each member of the review board shall be paid travel and other necessary expenses and compensation at a rate to be fixed by the Executive Board established in the act of April 9, 1929 (P.L.177, No.175), known as "The Administrative Code of 1929," and the Executive Board shall establish the compensation of the members appointed pursuant to this section.

(f) (1) All hearings before the review board shall be subject to the right of notice, hearing and adjudication in accordance with 2 Pa.C.S. (relating to administrative law and

procedure) and a written record shall be kept of said  
proceedings and a copy thereof provided to the parties at cost.

(2) Persons conducting hearings under this section shall  
have the power to subpoena witnesses and documents required for  
the hearing, to administer oaths and examine witnesses and  
receive evidence in any locality which the hearing body may  
designate, having regard for the public convenience and proper  
discharge of its functions and duties.

(3) Notice of hearings before the hearing board shall be  
given to the parties at least twenty-one calendar days in  
advance of the hearing.

(4) Any party may request an expedited hearing, which  
request shall not be unreasonably denied.

(5) The review board shall make best efforts to conclude  
each proceeding within one hundred eighty days.

(6) Decisions of the department regarding payment for  
hospital services to medical assistance recipients may be  
appealed to the review board. The appeal to the review board  
shall be de novo, and shall be limited to issues raised by the  
appellant in the specification of objections. Decisions of the  
review board relating to payment rates may be appealed to the  
Commonwealth Court as provided in this section by any party to  
the proceeding. Group appeals by hospitals shall be permitted.

(7) The record made on appeal to the review board shall  
contain all of the evidence required to sustain any decisions or  
determinations by the department in reaching its decision. The  
department may rely upon regulations unless the authority of the  
department or the reasonableness of the regulations is  
challenged. The record for determining the propriety of the  
regulations shall be made before the review board, and any

1 evidence the department may wish to introduce to establish  
2 justification for the regulations shall be submitted at the  
3 hearing. The review board may pass upon the reasonableness of  
4 the regulation and the authority for its promulgation under this  
5 section.

6 (8) An aggrieved party may appeal an adverse decision by the  
7 review board to the Commonwealth Court and shall provide notice  
8 of such appeal to the review board within thirty days.

9 Section 2. This act shall take effect in 60 days.