

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

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

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

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

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

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

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

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

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

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

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

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

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

24 (7) The record made on appeal to the review board shall
25 contain all of the evidence required to sustain any decisions or
26 determinations by the department in reaching its decision. The
27 department may rely upon regulations unless the authority of the
28 department or the reasonableness of the regulations is
29 challenged. The record for determining the propriety of the
30 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.