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### Overview

This bill makes changes in MA hospital reimbursement methods. These changes include:

- moving rehabilitation hospitals into the DRG system
- extending the time period that DHS can adjust rebased rates
- changing the reimbursement method used for hospital stays over 180 days
- specifying the method used to determine payments for outpatient services provided by critical access hospitals

### Section

- 1 Rate year.** Amends § 256.9686, subd. 8. Defines “rate year” as the state fiscal year, effective with the 2012 base year. Provides an immediate effective date.
- 2 Hospital cost index.** Amends § 256.969, subd. 1. Allows automatic inflation adjustments for hospital payment rates, if authorized by this section of law. Provides a July 1, 2017, effective date.
- 3 Hospital payment rates.** Amends § 256.969, subd. 2b. The amendment to (e) extends the period by which the commissioner may make additional adjustments to rebased rates, to include the next two rebasing periods (current law allows this until the next rebasing).

The amendment to (f) provides that for determining rates for discharges in subsequent base years, the per discharge rates shall be based on Medicare cost-finding methods and allowable costs.

## Section

The amendment to (h) requires changes in costs between base years to be measured using the lower of the change in the CMS Inpatient Hospital Market Basket or the change in the case mix adjusted cost per claim.

The amendment to (i) clarifies that it is “inpatient” rates for critical access hospitals that are to be determine using the new cost-based methodology.

Provides a July 1, 2017, effective date.

- 4 **Payments.** Amends § 256.969, subd. 3a. Effective for discharges on or after July 1, 2017, requires rate adjustments for long-term hospitals to be incorporated into the rates and not applied to each claim. Provides a July 1, 2017, effective date.
- 5 **Ratable reduction and readmissions reduction.** Amends § 256.969, subd. 3c. Effective for discharges on or after July 1, 2017, requires rate adjustments for long-term hospitals to be incorporated into the rates and not applied to each claim. Provides a July 1, 2017, effective date.
- 6 **Medical assistance cost reports for services.** Amends § 256.969, subd. 4b. Adds licensed children's hospitals to the list of groups of hospitals that must submit MA cost reports to the commissioner. Provides a July 1, 2017, effective date.
- 7 **Unusual length of stay experience.** Amends § 256.969, subd. 8. Requires the commissioner to establish outlier payment rates for admissions that result in long length of stays (current law refers only to transfers). Provides a July 1, 2017, effective date.
- 8 **Hospital residents.** Amends § 256.969, subd. 8c. Effective for discharges on or after July 1, 2017, requires payment for long stays to equal the payments established under the DRG system for unusual length of stay. Provides a July 1, 2017, effective date.
- 9 **Disproportionate numbers of low-income patients served.** Amends § 256.969, subd. 9. Makes a technical change in the terminology used to refer to nonchildren's hospitals. Provides a July 1, 2017, effective date.
- 10 **Rehabilitation hospitals and distinct parts.** Amends § 256.969, subd. 12. Effective for discharges on or after July 1, 2017, requires payment to rehabilitation hospitals to be established using the DRG methodology. Provides a July 1, 2017, effective date.
- 11 **Hospital outpatient reimbursement.** Amends § 256B.75. Specifies the method for determining outpatient payment rates for critical access hospitals. Requires Medicare cost report information to be used until DHS finalizes the MA cost reporting process for critical access hospitals. Specifies components of the outpatient rate. Provides a July 1, 2017, effective date.