

1989

Session Law 89-355

Florida Senate & House of Representatives

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**S 220 GENERAL BILL/CS/1ST ENG by Health Care; Ros-Lehtinen
(Similar CS/H 744)**

Specialty Psychiatric Hospitals; exempts community mental health centers from definition of "specialty psychiatric hospital"; provides funds for certain mental health services; establishes eligibility criteria; provides for referral process; reserves funds for specialty psychiatric hospitals, etc. Amends 409.2662. Effective Date: 07/06/89.

02/09/89 SENATE Prefiled
02/17/89 SENATE Referred to Health Care; Appropriations
04/04/89 SENATE Introduced, referred to Health Care; Appropriations -SJ 26
04/11/89 SENATE On Committee agenda—Health Care, 04/13/89, 1:00 pm, Room-A-(LL-37)—Temporarily postponed
04/14/89 SENATE Extension of time granted Committee Health Care
04/27/89 SENATE On Committee agenda—Health Care, 05/01/89, 12:45 pm, Room-A-(LL-37)
04/28/89 SENATE Extension of time granted Committee Health Care
05/01/89 SENATE Comm. Report: CS by Health Care -SJ 242
05/02/89 SENATE CS read first time -SJ 244; Now in Appropriations -SJ 242
05/03/89 SENATE Extension of time granted Committee Appropriations
05/18/89 SENATE Extension of time granted Committee Appropriations
06/01/89 SENATE Withdrawn from Appropriations -SJ 790; Placed on Calendar
06/02/89 SENATE Placed on Special Order Calendar -SJ 863; CS passed as amended; YEAS 32 NAYS 2 -SJ 893
06/02/89 HOUSE In Messages
06/03/89 HOUSE Received, placed on Calendar; Read second time; Read third time; CS passed; YEAS 105 NAYS 6 -HJ 1551
06/03/89 Ordered enrolled -SJ 1406
06/20/89 Signed by Officers and presented to Governor
07/06/89 Became Law without Governor's Signature; Chapter No. 89-355

NOTES: Above bill history from Division of Legislative Information's *FINAL LEGISLATIVE BILL INFORMATION, 1989 SESSIONS*. Staff Analyses for bills amended beyond final committee action may not be in accordance with the enacted law. Journal page numbers (HJ & SJ) refer to daily Journals and may not be the same as final bound Journals.

REVISED: _____

BILL NO. CS/SB 220DATE: May 1, 1989Page 1

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

<u>ANALYST</u>	<u>STAFF DIRECTOR</u>	<u>REFERENCE</u>	<u>ACTION</u>
1. <u>Williams</u>	<u>Wilson</u>	1. <u>HC</u>	<u>Fav/CS</u>
2. _____	_____	2. <u>AP</u>	<u>Withdrawn</u>
3. _____	_____	3. _____	_____
4. _____	_____	4. _____	_____

SUBJECT:

Psychiatric Specialty Hospitals

BILL NO. AND SPONSOR:

CS for SB 220 by
Committee on Health Care and
Senator Ros-LehtinenI. SUMMARY:

A. Present Situation:

The Health Care Access Act of 1984 imposed upon each hospital in the state an assessment on the net operating revenue of the hospital. The current level of the assessment, as specified in section 395.101, Florida Statutes, is 1.5 percent of net operating revenue. The Health Care Cost Containment Board (HCCB) certifies the amount owed by each hospital and the assessment is paid to the Department of Health and Rehabilitative Services (HRS), for deposit into the Public Medical Assistance Trust Fund (PMATF). The PMATF is used to expand the Medicaid program, including both expansion of services and eligibility, and for other indigent health care initiatives. Since the first assessment in 1984, licensed freestanding psychiatric hospitals have been assessed approximately \$7.8 million as of December 31, 1988. However, because services to Medicaid patients in these hospitals are ineligible for reimbursement under the state's Medicaid plan, these hospitals have been unable to participate in the Medicaid program and have therefore received no money back from the PMATF.

The Florida Medicaid program currently provides reimbursement for psychiatric services provided to eligible recipients of all ages in general hospitals through the inpatient services program. Reimbursement is limited to a maximum length of stay of 45 days per fiscal year and applies to all ages of recipients and any type of general hospital admission.

Federal regulations allow states the option of providing reimbursement for psychiatric services in specialty psychiatric hospitals to two age groups of eligible recipients, those under 22 in facilities or programs accredited by the Joint Commission on Accreditation of Healthcare Organizations, and persons age 65 and older. Federal regulations specifically prohibit the expenditure of trust fund dollars for specialty psychiatric hospital services to individuals between the ages of 22 and 65. Florida reimburses inpatient psychiatric services provided in state psychiatric hospitals only, for persons over the age of 65. There is no limitation on length of stay.

There are 42 licensed specialty psychiatric hospitals in the state. Services rendered by these hospitals to individuals otherwise Medicaid eligible are not subject to reimbursement under the state's Medicaid plan.

B. Effect of Proposed Changes:

Committee Substitute for Senate Bill 220 provides a means by which private psychiatric hospitals, with the exception of hospitals that are community mental health centers, to access

money contributed to the PMATF by providing acute care mental health services which are currently unavailable for some non-Medicaid eligible indigent mentally ill persons.

Sectional Analysis

Section 1. Provides legislative intent, indicating that it is the intent of the Legislature that all hospitals except those owned and operated by HRS or the Department of Corrections be assessed 1.5 percent of annual net operating revenue for payment into the PMATF; and that a specialty psychiatric hospital which provides acute care services to specified indigent patients is eligible for reimbursement up to the amount that hospital contributed to the PMATF in the previous fiscal year.

Section 2. Provides definitions for key terms used in the bill including acute mental health services, charity care, department, HCCB, indigent, operating expense, PMATF, and specialty psychiatric hospital.

Section 3. Establishes the criteria, methodology, and mechanism by which an eligible hospital will receive PMATF funds for services rendered. Provides that a psychiatric hospital be reimbursed an amount not to exceed the hospital's previous year contribution to the PMATF for acute mental health services for indigent mental health clients who are determined, by HRS or its agent, to require such treatment and who are either not Medicaid eligible or are referred by HRS and are Medicaid eligible, are mentally ill, and meet the charity care definition.

Requires the HCCB, by October 1, 1989, and annually thereafter, to calculate a per diem rate for each psychiatric specialty hospital for the provision of services to eligible patients. Specifies the date to be used in calculating reimbursement rates based on operating costs per inpatient day. Limits hospitals to receipt of no more from PMATF than paid into the PMATF in the previous fiscal year. Specifies that payment is payment in full. Directs HRS to reimburse eligible hospitals quarterly.

Section 4. Directs HRS to develop, by rule, a referral process by which participating hospitals accept referrals from HRS. Indicates that hospitals may refuse referrals under certain circumstances. Directs HRS to adopt, by rule, a patient eligibility form and be responsible for eligibility determination, or contract with participating hospitals for eligibility determination. Requires an eligibility form for each inpatient for which reimbursement is sought. Requires hospitals to determine possible third party insurance coverage for patients.

Section 5. Provides that sufficient funds be reserved in the PMATF to reimburse participating hospitals pursuant to this act. Unspent reserved funds revert to the PMATF at the end of each fiscal year.

Section 6. Amends subsection (4) of section 409.2662, Florida Statutes (1988 Supplement), to authorize the use of PMATF funds for the purpose of section 3. of this act and section 25 of chapter 88-294, Laws of Florida.

Section 7. Provides an effective date of July 1, 1989, or upon becoming law, whichever occurs later.

II. ECONOMIC IMPACT AND FISCAL NOTE:**A. Public:**

Each psychiatric hospital meeting the criteria for reimbursement under this act will be eligible to receive the amount of money paid into the PMATF by that hospital the previous fiscal year. It is estimated that psychiatric hospitals will pay \$3,997,803 into the PMATF during the current fiscal year and potentially, they will be eligible to receive that amount in payments in fiscal year 1989-90.

B. Government:

Recent indigent care and Medicaid expansion efforts have led to decreased surpluses in the PMATF. This bill results in a further drain on the PMATF.

III. COMMENTS:

This bill will allow specialty psychiatric hospitals the opportunity to access the money assessed against them for the PMATF and allow payment to those hospitals for eligible, low-income patients. This will meet a current unmet need for services to these patients.

IV. AMENDMENTS:

None.

STORAGE NAME: s220-f.hc
DATE: June 15, 1989

**HOUSE OF REPRESENTATIVES
HEALTH CARE COMMITTEE
FINAL STAFF ANALYSIS & ECONOMIC IMPACT STATEMENT**

BILL #: CS/SB 220 (Identical to CS/HB 744)
RELATING TO: Indigent Mental Health
SPONSOR(S): House Sponsors: Rep. Gordon and Flagg
EFFECTIVE DATE: July 1, 1989, or upon becoming a law
DATE BECAME LAW: July 6, 1989
CHAPTER #: 89-355, Laws of Florida
COMPANION BILL(S): HB 744
OTHER COMMITTEES OF REFERENCE: (1) Appropriations

(2)

I. SUMMARY:

This bill provides that the revenues deposited annually into the Public Medical Assistance Trust Fund (PMATF) from the assessment on the net operating revenues of specialty psychiatric hospitals be utilized to purchase acute care mental health services for non-Medicaid indigent, mentally ill persons.

A. PRESENT SITUATION:

Section 395.101, Florida Statutes, provides for an annual assessment of 1.5% against each hospital's net operating revenues which is to be deposited into the Public Medical Assistance Trust Fund. Under this section, only hospitals operated by the Department of Health and Rehabilitative Services or the Department of Corrections are exempt from the assessment.

Section 409.2662, Florida Statutes, creates the Public Medical Assistance Trust Fund and establishes specific limitations for which monies deposited into the fund may be used. Generally, the PMATF was created to attract federal Medicaid dollars to fund the state's indigent care initiatives by expanding and enhancing the Medicaid program.

Currently the state provides Medicaid reimbursement for inpatient psychiatric services for eligible clients, regardless of age, in general acute care hospitals up to a maximum length of stay of 45 days per year or, will reimburse the state owned psychiatric hospitals for Medicaid eligible persons over the age of 65. There is no limitation on the length of stay for Medicaid clients in the state hospitals.

According to the Department of Health and Rehabilitative Services, federal Medicaid regulations classify psychiatric hospitals as "institutions for mental diseases" (IMD's). The federal regulations allow states to provide reimbursement to IMD's only for Medicaid clients under age 22 or over the age of 65, provided such facilities are accredited by the Joint Commission on the Accreditation of Hospitals (JCAH). IMD benefits are optional state Medicaid services. The Social Security Act prohibits federal financial participation for clients in IMD's who are between the ages of 22 and 65.

Under current state policy, private specialty psychiatric hospitals are not eligible for state Medicaid reimbursement. These hospitals, however, contributed \$2.55 million to the PMATF in FY 1987-88 and are estimated to contribute approximately \$2.75 million dollars in fiscal year 1988-89. There is no other current program available to allow these hospitals to draw monies from the PMATF. There are currently 45 licensed specialty psychiatric hospitals in the state including 5 community mental health centers (CMHC) with licensed hospital beds. One additional CMHC and 19 other licensed specialty psychiatric hospitals are scheduled to begin operations this year.

The state's Office of Alcohol, Drug Abuse and Mental Health indicates there is significant need in some counties for providing prompt and adequate inpatient acute care services to seriously mentally ill patients for which there is currently insufficient funding. Admission to state funded providers in these counties is limited because these facilities have often reached their licensed bed capacity in crisis stabilization or inpatient units. As a result many persons, particularly the indigent who are in need of acute care mental health services, must wait for days in hospital emergency rooms until there is an available state funded crisis bed. In addition, many of the public receiving facilities feel a great deal of pressure to discharge patients who may be in need of longer hospitalization because of the number of referrals from law enforcement, the courts, and private medical and mental health professionals for involuntary examinations or placement. There have also been reports of long waiting lists for beds at the state mental health hospitals, further causing a backlog in the system.

B. EFFECT OF PROPOSED CHANGES:

This bill would allow private psychiatric hospitals, with the exception of hospitals that are community mental health centers, to access monies they contributed to the PMATF by providing acute care mental health services currently unavailable for some non-Medicaid eligible indigent mentally ill persons.

C. SECTION-BY-SECTION ANALYSIS:

Section 1. Reconfirms the Legislature's intent that all hospitals, excluding the hospitals owned and operated by the department or the Department of Corrections but including specialty psychiatric hospitals, be assessed 1.5% of annual net

operating revenues and that such assessments be deposited into the PMATF. Provides legislative intent that specialty psychiatric hospitals be eligible for reimbursement up to the amount contributed to the PMATF in the previous year.

Section 2. Provides definitions for the act.

Section 3. Provides that beginning October 1, 1989, and on July 1 annually thereafter, PMATF funds collected from specialty psychiatric hospitals be redistributed to those psychiatric hospitals which provide inpatient services to indigent mentally ill persons. No hospital shall be entitled to receive more in one year than it contributed to the PMATF in the previous year. The Health Care Cost Containment Board shall calculate reimbursement rates equal to the average daily operating cost for each hospital. Payment shall be based on a prospective reimbursement methodology in which historic costs are adjusted for changes in the costs of operating a hospital over time. Reimbursement rates for each state fiscal year shall be determined by taking historic costs and inflating them forward, using inflation indices calculated by the Medicaid Program Office, to the midpoint of the prospective fiscal year. Actual payment shall be on a quarterly basis.

Section 4. Provides that the department shall adopt by rule a referral process for hospitals to accept indigent mentally ill patients from the department, notwithstanding a hospital's right to refuse a patient due to lack of bed space or treatment capacity appropriate to meet a patient's specific needs.

The bill requires the department to adopt, by rule, a patient eligibility form and be responsible for eligibility determination. The department is given latitude to contract with participating hospitals for eligibility determination.

Section 5. Provides that sufficient funds to reimburse psychiatric hospitals are reserved in the PMATF, though unspent funds are to revert to the PMATF at the end of the fiscal year.

Section 6. Permits the use of PMATF funds for reimbursement to specialty psychiatric hospitals.

Section 7. Provides an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring or First Year Start-Up Effects:

Expenditures:

PMATF

\$2,754,969 (est)

While it is anticipated there will be some minimal administrative costs incurred by the Health Care Cost

Containment Board associated with the calculation of the reimbursement rates, no funding is provided in either the bill or the Appropriations Act.

2. Recurring or Annualized Continuation Effects:

Expenditures:	FY90-91	FY91-92
PMATF	\$2,991,895 (est)	\$3,252,191 (est)

3. Long Run Effects Other Than Normal Growth:

The availability of funds may reduce the critical need that exists in some counties for inpatient services to seriously mentally ill patients and alleviate the burden of general acute care hospitals who currently serve these patients.

4. Appropriations Consequences:

Expenditures	FY89-90	FY90-91	FY91-92
PMATF	\$2,754,969	\$2,991,895	\$3,252,191

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

Indeterminate.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

There should be no additional private sector costs associated with this bill.

2. Direct Private Sector Benefits:

Distribution of monies from the PMATF to qualifying providers should benefit those providers who are currently ineligible for Medicaid reimbursement. In turn, these providers will provide relief to an overburdened mental health care system in which indigent mentally ill persons have to experience long waits until state funded beds are available to them.

3. Effects on Competition, Private Enterprise, and Employment Markets:

Undetermined.

D. FISCAL COMMENTS:

None.

III. LONG RANGE CONSEQUENCES:

The bill promotes access to necessary health care services for the indigent mentally ill and as such is consistent with the Comprehensive State Plan, the Committee Mission Statement, and the Issues Conference Policy Statement. It provides a positive long term policy change in that explicitly integrates private specialty psychiatric hospitals into a health care program for the medically indigent population.

IV. COMMENTS:

None.

V. BILL HISTORY

- 4/4/89 Introduced to Senate, referred to Health Care Committee and Appropriations Committee.
- 5/1/89 Passed out of Health Care as a Committee Substitute, referred to Appropriations Committee.
- 6/1/89 Withdrawn from Appropriations Committee; Placed on Calendar.
- 6/2/89 Placed on Special Order Calendar. Committee Substitute passed with amendments (32 yeas, 2 nays). Amendments included the requirement that the inflation factor for adjusting historic hospital costs be calculated by the Medicaid Program office and the provision that a hospital not seeking compensation under the provisions of this act is not obliged to accept department referrals.
- 6/2/89 Passed House (105 yeas, 6 nays).

VI. SIGNATURES:


SUBSTANTIVE COMMITTEE:

Prepared by:



Kate C. Morgan

Staff Director:



Mike Hansen

SECOND COMMITTEE OF REFERENCE:

Prepared by:

Staff Director:

APPROPRIATIONS:

Prepared by:

Staff Director:
