

**Title 13—DEPARTMENT OF SOCIAL SERVICES
Division 70—Division of Medical Services
Chapter 15—Hospital Program**

PROPOSED AMENDMENT

13 CSR 70-15.010 Inpatient Hospital Services Reimbursement Plan; Outpatient Hospital Services Reimbursement Methodology. The Division is amending subsections (5)(C) and (F).

PURPOSE: The proposed amendment to subsections (5)(C) and (F) provides for the granting of rate increases to state operated hospitals for the completion of Certificate of Need (CON) type projects. Prior to this amendment state operated hospitals could not receive a rate increase for CON type projects as they did not receive the CON approval required for the rate increase.

(5) Administrative Actions.

(C) New, Expanded or Terminated Services.

1. A hospital, at times, may offer to the public new or expanded services for the provision of allowable inpatient *[or outpatient]* services which require Certificate of Need (CON) approval or permanently terminate a service. **For a state hospital, i.e., one owned or operated by the board of curators as provided for in Chapter 172, RSMo, or one owned or operated by the Department of Mental Health, the state hospital may offer new or expanded inpatient services to the public provided it receives legislative appropriations for the project and the project meets the CON costs threshold.** Within six (6) months after this event, the hospital must submit a request for rate reconsideration with a budget which shall take into consideration new, expanded or terminated services. **Since a state hospital is not subject to the CON approval process, a state hospital will have six (6) months after the effective date of this amendment to file a budget for CON type projects completed after its base year cost report and will then have six (6)-months after the completion of the new or expanded service is offered to the public.** The budgets will be subject to desk review and audit. Upon completion of the desk review, reimbursement rates may be adjusted, if indicated. Failure to submit a request for rate reconsideration and budget **within the six (6) month period** shall disqualify the hospital from receiving a rate increase. Failure to submit a request shall not prohibit the division from reducing the rate in the case of a terminated service.

2. Failure to submit a budget concerning terminated services may result in the imposition of sanctions as described in 13 CSR 70-3.030.

3. Rate adjustments due to new or expanded services will be determined as total allowable project cost (i.e., **the sum of annual depreciation, annualized interest expense and annual additional operating costs**) multiplied by the ratio of total inpatient costs (less swing bed cost) to total hospital cost as submitted on the most recent cost report filed with the agency as of the review date divided by total acute care patient days including all special care units and nursery, but excluding swing bed days.

4. Total acute care patient days (excluding nursery and swing bed days) must be at least sixty percent (60%) of total possible bed days. Total possible bed days will be determined using the number of licensed beds times three hundred sixty-five (365) days. If the days, including neonatal units, are less than sixty percent (60%), the sixty percent (60%) number plus newborn days will be used to determine the rate increase. This computation will apply to capital costs only.

(F) Rate Reconsideration.

1. Rate reconsideration may be requested under this subsection for changes in allowable cost which occur subsequent to the base period described in *[paragraph (1)(A)3.]* **subsection (2)(C).** The effective date for any increase granted under this sub-

section shall be no earlier than the first day of the month following the Division of Medical Services' final determination on rate reconsideration.

2. The following may be subject to review under procedures established by the Medicaid agency:

A. Substantial changes in or costs due to case mix;

B. New, expanded or terminated services as detailed in subsection (5)(C); and

C. When the hospital experiences extraordinary circumstances which may include, but are not limited to, an act of God, war or civil disturbance.

3. The following will not be subject to review under these procedures:

A. The use of Medicare standards and reimbursement principles;

B. The method for determining the trend factor;

C. The use of all-inclusive prospective reimbursement rates; and

D. Increased costs for the successor owner, management or leaseholder that result from changes in ownership, management, control, operation or leasehold interests by whatever form for any hospital previously certified at any time for participation in the Medicaid program, except a review may be conducted when a hospital changes from nonprofit *[proprietary]* **proprietary** or vice versa to recognize the change in its property taxes, see paragraph (5)(E)4.

4. As a condition of review, the Missouri Division of Medical Services may require the hospital to submit to a comprehensive operational review. The review will be made at the discretion of the state Medicaid agency and may be performed by it or its designee. The findings from any such review may be used to recalculate allowable costs for the hospital.

5. The request for an adjustment must be submitted in writing to the Missouri Division of Medical Services and must specifically and clearly identify the issue and the total dollar amount involved. The total dollar amount must be supported by generally acceptable accounting principles. The hospital shall demonstrate the adjustment is necessary, proper and consistent with efficient and economical delivery of covered patient care services. The hospital will be notified in writing of the agency's decision within sixty (60) days of receipt of the hospital's written request or within sixty (60) days of receipt of any additional documentation or clarification which may be required, whichever is later. Failure to submit requested information within the sixty (60)-day period shall be grounds for denial of the request. If the state does not respond within the sixty (60)-day period, the request shall be deemed denied.

AUTHORITY: sections 208.152, 208.153, 208.201 and 208.471, RSMo 1994. This rule was previously filed as 13 CSR 40-81.050. Original rule filed Feb. 13, 1969, effective Feb. 23, 1969. For intervening history, please consult the Code of State Regulations. Amended: Filed Dec. 15, 1999.

PUBLIC COST: This proposed amendment is expected to cost public entities \$602,000 in state fiscal year 2000 and \$1,032,000 in SFY 2001, and each fiscal year thereafter. A fiscal note containing detailed estimated cost of compliance has been filed with the secretary of state.

PRIVATE COST: This proposed amendment will not cost private entities more than \$500 in the aggregate.

NOTICE TO SUBMIT COMMENTS: Anyone may file a statement in support of or in opposition to this proposed amendment with the Department of Social Services, Division of Medical Services, Director of Medicaid, 615 Howerton Court, Jefferson City, MO 65102. To be considered, comments must be received within thirty days after publication of this notice in the Missouri Register. No public hearing is scheduled.

FISCAL NOTE
 PUBLIC ENTITY COST

I. RULE NUMBER

Title: 13 – Department of Social Services

 Division: 70 – Division of Medical Services

 Chapter: 15 – Hospital Program

 Type of Rulemaking: Proposed Amendment

 Rule Number and Name: 13 CSR 70-15.010 Inpatient Hospital Services Reimbursement Plan; Outpatient

 Hospital Services Reimbursement Methodology

II. SUMMARY OF FISCAL IMPACT

Affected Agency or Political Subdivision	Estimated Cost of Compliance in the Aggregate
Department of Social Services/Division of Medical Services	\$602,000 SFY 2000 \$1,032,000 SFY 2001

III. WORKSHEET

The worksheet shows additional cost per day of \$32.75 based on 60% occupancy for the hospital.

IV. ASSUMPTIONS

The projected fiscal impact is based on granting a rate increase in the amount of \$32.75 per day to one hospital for seven months in SFY 2000. Based on the proposed increase the hospital would receive the additional payment for 18,383 of its 31,514 projected Medicaid days for SFY 2000. The projected impact for SFY 2001 is \$1,032,000. The cost in the aggregate for future fiscal year can be determined by multiplying \$1,032,000 by the number of years the rule remains in effect. The \$32.75 rate increase is based on the assumption that the total increase in depreciation expenses from the hospitals 1996 cost report of the 1999 cost report would qualify for CON type project costs. Rate increase assumes hospital operates at 60% occupancy.

**Title 19—DEPARTMENT OF HEALTH
Division 60—Missouri Health Facilities Review
Committee
Chapter 50—Certificate of Need Program**

PROPOSED AMENDMENT

19 CSR 60-50.300 Definitions for the Certificate of Need Process. The committee is amending sections (1) and (11), adding sections (3) and (7), and renumbering sections (3)–(13).

PURPOSE: This proposed amendment modifies the definition of “applicant” and “predevelopment costs” and adds definitions for “charity care” and “health care facility expenditure” to the list the definitions of terms used in the Certificate of Need (CON) review process.

(1) Applicant means all owner(s) and operator(s) who undertake those activities which on their completion will result in the offering of any new institutional health service or the incurring of a financial obligation in relation to the provision of such a service, thus including the owner or any asset, such as land, building or equipment, and any leasee thereof.

(3) Charity care means uncompensated care given by a health care facility to indigent and medically indigent people as part of a written mission or policy, and it does not include accounts written off as “bad debts” or third party adjustments, including those for Medicare and Medicaid.

//(3) (4) Cost means—

(A) Price paid or to be paid by the applicant for a new institutional health service to acquire, purchase or develop a health care facility or major medical equipment; or

(B) Fair market value of the health care facility or major medical equipment as determined by the current selling price at the date of the application as quoted by builders or architects for similar facilities or normal suppliers of the requested equipment.

//(4) (5) Generally accepted accounting principles pertaining to capital expenditures include, but are not limited to—

(A) Expenditures related to acquisition or construction of capital assets;

(B) Capital assets are investments in property, plant and equipment used for the production of other goods and services approved by the committee; and

(C) Land is not considered a capital asset until actually converted for that purpose with commencement of above-ground construction approved by the committee.

//(5) (6) Health care facility means any premises as defined in section 197.305(8), RSMo.

(7) Health care facility expenditure includes the capital value of new construction or renovation costs, architectural/engineering fees, equipment not in the construction contract, land acquisition costs, consultants’/legal fees, interest during construction, predevelopment costs as defined in section 197.305(13), RSMo, in excess of one hundred fifty thousand dollars (\$150,000), for any existing land and building converted to medical use for the first time, and any other capitalizable costs as listed on the “Proposed Project Budget” form MO 580-1863.

//(6) (8) Health maintenance organizations means entities as defined in section 354.400(6), RSMo, except for activities directly related to the provision of insurance only.

//(7) (9) Interested party means any licensed health care provider or other affected person who has expressed an interest in the Certificate of Need (CON) process or a CON application.

//(8) (10) Major medical equipment means any device or collection of devices and startup costs acquired over a twelve (12)-month period, including equipment, shipping, installation, supplies, and taxes, with an aggregate cost in excess of the expenditure minimum, when the project is intended to provide imaging, diagnostic, treatment, preventive or other health services.

//(9) (11) Nonsubstantive project includes, but is not limited to, at least one (1) of the following situations:

(A) An expenditure which is required solely to meet federal or state requirements;

(B) The construction or modification of nonpatient care services, including parking facilities, sprinkler systems, heating or air-conditioning equipment, fire doors, food service equipment, building maintenance, administrative equipment, telephone systems, energy conservation measures, land acquisition, medical office buildings, and other projects of a similar nature;

(C) The acquisition of minor x-ray units, computed tomography units, mammography units, and fluoroscopy units, adult day care centers, hospices, and home health care services;

(D) Expenditures for construction, equipment, or both, due to an act of God or a normal consequence of maintenance, but not replacement, of health care facilities, beds, or equipment; or

(E) Expenditures required to resolve the “Year 2000 Compliance Problem” for computers as part of or related to medical equipment. Documentation from a competent third party is required to verify that the project is required solely to solve the “Year 2000 Compliance Problem” along with an itemized equipment list of computers and/or medical equipment affected.

//(10) (12) Offer, when used in connection with health services, means that the applicant asserts having the capability and the means to provide and operate the specified health services.

//(11) (13) Predevelopment costs mean expenditures as defined in section 197.305(15), RSMo, including **land and building**, consulting, legal, architectural, engineering, financial and other activities directly related to the proposed project, but excluding the application fee for submission of the application for the proposed project.

//(12) (14) Related organization means an organization that is associated or affiliated with, has control over or is controlled by, or has any direct financial interest in, the organization applying for a project including, without limitation, an underwriter, guarantor, parent organization, joint venturer, partner or general partner.

//(13) (15) Service area means—

(A) A review area which is the geographic region within the fifteen (15)-mile radius of the proposed site; and

(B) A geographic region in excess of the fifteen (15)-mile review area appropriate to the proposed service, documented by the applicant and approved by the committee.

AUTHORITY: section 197.320, RSMo [Supp. 1997] Supp. 1999. Original rule filed June 2, 1994, effective Nov. 30, 1994. Emergency rescission and rule filed Aug. 29, 1997, effective Sept. 8, 1997, expires March 6, 1998. Rescinded and readopted: Filed Aug. 29, 1997, effective March 30, 1998. Emergency amendment filed Oct. 20, 1998, effective Oct. 30, 1998, expired April 27, 1999. Amended: Filed Oct. 20, 1998, effective April 30, 1999.

PUBLIC COST: This proposed amendment will not cost state agencies or political subdivisions more than \$500 in the aggregate.

PRIVATE COST: This proposed amendment will not cost private entities more than \$500 in the aggregate.

NOTICE TO SUBMIT COMMENTS: Anyone may file a statement in support or in opposition to this proposed amendment with Thomas R. Piper, Director, Certificate of Need Program, P.O. Box 570, Jefferson City, MO 65102. To be considered, comments must be received within thirty days after publication of this notice in the Missouri Register. No public hearing has been scheduled.

**Title 19—DEPARTMENT OF HEALTH
Division 60—Missouri Health Facilities Review
Committee
Chapter 50—Certificate of Need Program**

PROPOSED AMENDMENT

19 CSR 60-50.470 Criteria and Standards for Financial Feasibility. The committee is replacing three forms.

PURPOSE: The Missouri Health Facilities Review Committee is updating the following financial forms to comply with date changes for the year 2000: Form MO 580-1864, Form MO 580-1865, and Form MO 580-1866.

AUTHORITY: section 197.320, RSMo Supp. 1999. Emergency rule filed Aug. 29, 1997, effective Sept. 8, 1997, expires March 6, 1998. Original rule filed Aug. 29, 1997, effective March 30, 1998. Amended: Filed Oct. 19, 1999. Amended: Filed Dec. 15, 1999.

PUBLIC COST: This proposed amendment will not cost state agencies or political subdivisions more than \$500 in the aggregate.

PRIVATE COST: This proposed amendment will not cost private entities more than \$500 in the aggregate.

NOTICE TO SUBMIT COMMENTS: Anyone may file a statement in support or in opposition to this proposed amendment with Thomas R. Piper, Director, Certificate of Need Program, P.O. Box 570, Jefferson City, MO 65102. To be considered, comments must be received within thirty days after publication of this notice in the Missouri Register. No public hearing has been scheduled.



Certificate of Need Program

INSTITUTION'S INCOME STATEMENT

Historical Financial Data for Latest Three Years plus Projections Through Three Years Beyond Project Completion

(Use a sufficient number of copies of this form to cover entire period, and fill in the years in the appropriate blanks.)

Year

Revenue:

Gross Patient Charges			
Inpatient	_____	_____	_____
Outpatient	_____	_____	_____
Total	=====	=====	=====
Less Deductions			
Charity Care	_____	_____	_____
Third Party Loss	_____	_____	_____
Total Deductions	=====	=====	=====
Net Patient Service Revenue	_____	_____	_____
Other Operating Revenues	_____	_____	_____
Total Operating Revenues	=====	=====	=====

Operating Expenses:

Labor Costs	_____	_____	_____
Supplies and Other	_____	_____	_____
Professional Fees	_____	_____	_____
Depreciation and Amortization	_____	_____	_____
Interest	_____	_____	_____
Bad Debts	_____	_____	_____
Total Expenses	=====	=====	=====
Income From Operations	=====	=====	=====

Non-operating Gains:

Investment Income	_____	_____	_____
Donations	_____	_____	_____
Gain (Loss) on Disposition of Assets	_____	_____	_____
Other	_____	_____	_____
Net Non-operating Gains	=====	=====	=====
Revenue (Loss) Before Extraordinary Item(s)	_____	_____	_____
Extraordinary Gain (Loss)	_____	_____	_____
Excess (Shortage) of Revenue Over Expenses	=====	=====	=====



Certificate of Need Program

SERVICE-SPECIFIC REVENUES AND EXPENSES

Historical Financial Data for Latest Three Years plus Projections Through Three Years Beyond Project Completion

(Use an individual form for each affected service with a sufficient number of copies of this form to cover entire period, and fill in the years in the appropriate blanks.)

Year

	_____	_____	_____
Amount of Utilization:*	<input type="text"/>	<input type="text"/>	<input type="text"/>
Revenue:			
Average Charge**	_____	_____	_____
Gross Revenue	_____	_____	_____
Revenue Deductions	_____	_____	_____
Operating Revenue	_____	_____	_____
Other Revenue	_____	_____	_____
TOTAL REVENUE	_____	_____	_____
Expenses:			
Direct Expense			
Salaries	_____	_____	_____
Fees	_____	_____	_____
Supplies	_____	_____	_____
Other	_____	_____	_____
TOTAL DIRECT	_____	_____	_____
Indirect Expense			
Depreciation	_____	_____	_____
Interest***	_____	_____	_____
Overhead****	_____	_____	_____
TOTAL INDIRECT	_____	_____	_____
TOTAL EXPENSE	_____	_____	_____
NET INCOME (LOSS):	_____	_____	_____

* Utilization will be measured in "patient days" in nursing home or hospital beds, "procedures" for equipment, or other appropriate units of measure specific to the service affected.

** Indicate how the average charge/procedure was calculated.

*** Only on long term debt, not construction.

**** Indicate how overhead was calculated.



Certificate of Need Program

DETAILED INSTITUTIONAL CASH FLOWS

Historical Financial Data for Latest Three Years plus Projections Through Three Years Beyond Project Completion

(Use a sufficient number of copies of this form to cover entire period, and fill in the years in the appropriate blanks.)

Year

Net Cash Flows from Operating Activities and Nonoperating Gains and Losses:

Net Income	_____	_____	_____
Depreciation and Amortization	_____	_____	_____
Provision for Bad Debts	_____	_____	_____
Net Change in Assets and Liabilities	_____	_____	_____
Other (specify)	_____	_____	_____

Net Cash Provided by Operating Activities and Nonoperating Gains

Cash Flows from Investing Activities:

Purchases of Property and Equipment	_____	_____	_____
Proceeds from Disposition of Property	_____	_____	_____
Proceeds from Disposition of Equipment	_____	_____	_____
Increase in Assets Whose Use is Limited	_____	_____	_____
Decrease (Increase) in Investments	_____	_____	_____
Decrease (Increase) in Notes Receivable	_____	_____	_____
Other (specify)	_____	_____	_____

Net Cash Used in Investing Activities

Cash Flows from Financing Activities:

Issuance of Long-term Debt	_____	_____	_____
Defeasance of Long-term Debt	_____	_____	_____
Payments on Long-term Debt	_____	_____	_____
Payments on Capital Leases	_____	_____	_____
Fund Balance Transfers	_____	_____	_____
Other (specify)	_____	_____	_____

Net Cash Used in Financing Activities

Increase (Decrease) in Cash and Cash Equivalents	_____	_____	_____
Cash and Cash Equivalents, Beginning of Year	_____	_____	_____

CASH AND CASH EQUIVALENTS, END OF YEAR
