

HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 1146

A bill to amend 1978 PA 368, entitled  
"Public health code,"  
by amending section 20161 (MCL 333.20161), as amended by 2003 PA  
234.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 20161. (1) The department shall assess fees and other  
2 assessments for health facility and agency licenses and  
3 certificates of need on an annual basis as provided in this  
4 article. Except as otherwise provided in this article, fees and  
5 assessments shall be paid in accordance with the following  
6 schedule:

- 7       (a) Freestanding surgical outpatient  
8 facilities..... \$238.00 per facility.  
9       (b) Hospitals..... \$8.28 per licensed bed.  
10       (c) Nursing homes, county medical care

1 facilities, and hospital long-term care  
2 units..... \$2.20 per licensed bed.  
3 (d) Homes for the aged..... \$6.27 per licensed bed.  
4 (e) Clinical laboratories..... \$475.00 per laboratory.  
5 (f) Hospice residences..... \$200.00 per license  
6 survey; and \$20.00 per  
7 licensed bed.  
8 (g) Subject to subsection (13),  
9 quality assurance assessment for  
10 nongovernmentally owned nursing homes  
11 and hospital long-term care units..... an amount resulting in  
12 not more than 6% of  
13 total industry  
14 revenues.  
15 (h) Subject to subsection (14),  
16 quality assurance assessment for  
17 hospitals..... at a fixed or variable  
18 rate that generates  
19 funds not more than the  
20 maximum allowable under  
21 the federal matching  
22 requirements, after  
23 consideration for the  
24 amounts in subsection  
25 (14)(a) and ~~(k)~~ (j).  
26 (2) If a hospital requests the department to conduct a  
27 certification survey for purposes of title XVIII or title XIX of

1 the social security act, the hospital shall pay a license fee  
2 surcharge of \$23.00 per bed. As used in this subsection, "title  
3 XVIII" and "title XIX" mean those terms as defined in section  
4 20155.

5 (3) The base fee for a certificate of need is \$750.00 for  
6 each application. For a project requiring a projected capital  
7 expenditure of more than \$150,000.00 but less than \$1,500,000.00,  
8 an additional fee of \$2,000.00 shall be added to the base fee.  
9 For a project requiring a projected capital expenditure of  
10 \$1,500,000.00 or more, an additional fee of \$3,500.00 shall be  
11 added to the base fee.

12 (4) If licensure is for more than 1 year, the fees described  
13 in subsection (1) are multiplied by the number of years for which  
14 the license is issued, and the total amount of the fees shall be  
15 collected in the year in which the license is issued.

16 (5) Fees described in this section are payable to the  
17 department at the time an application for a license, permit, or  
18 certificate is submitted. If an application for a license,  
19 permit, or certificate is denied or if a license, permit, or  
20 certificate is revoked before its expiration date, the department  
21 shall not refund fees paid to the department.

22 (6) The fee for a provisional license or temporary permit is  
23 the same as for a license. A license may be issued at the  
24 expiration date of a temporary permit without an additional fee  
25 for the balance of the period for which the fee was paid if the  
26 requirements for licensure are met.

27 (7) The department may charge a fee to recover the cost of

1 purchase or production and distribution of proficiency evaluation  
2 samples that are supplied to clinical laboratories pursuant to  
3 section 20521(3).

4 (8) In addition to the fees imposed under subsection (1), a  
5 clinical laboratory shall submit a fee of \$25.00 to the  
6 department for each reissuance during the licensure period of the  
7 clinical laboratory's license.

8 (9) Except for the licensure of clinical laboratories, not  
9 more than half the annual cost of licensure activities as  
10 determined by the department shall be provided by license fees.

11 (10) The application fee for a waiver under section 21564 is  
12 \$200.00 plus \$40.00 per hour for the professional services and  
13 travel expenses directly related to processing the application.  
14 The travel expenses shall be calculated in accordance with the  
15 state standardized travel regulations of the department of  
16 management and budget in effect at the time of the travel.

17 (11) An applicant for licensure or renewal of licensure under  
18 part 209 shall pay the applicable fees set forth in part 209.

19 (12) Except as otherwise provided in this section, the fees  
20 and assessments collected under this section shall be deposited  
21 in the state treasury, to the credit of the general fund.

22 (13) The quality assurance assessment collected under  
23 subsection (1)(g) and all federal matching funds attributed to  
24 that assessment shall be used only for the following purposes and  
25 under the following specific circumstances:

26 (a) The quality assurance assessment and all federal matching  
27 funds attributed to that assessment shall be used to finance

1 medicaid nursing home reimbursement payments. Only licensed  
2 nursing homes and hospital long-term care units that are assessed  
3 the quality assurance assessment and participate in the medicaid  
4 program are eligible for increased per diem medicaid  
5 reimbursement rates under this subdivision.

6 (b) The quality assurance assessment shall be implemented on  
7 May 10, 2002.

8 (c) The quality assurance assessment is based on the number  
9 of licensed nursing home beds and the number of licensed hospital  
10 long-term care unit beds in existence on July 1 of each year,  
11 shall be assessed upon implementation pursuant to subdivision (b)  
12 and subsequently on October 1 of each following year, and is  
13 payable on a quarterly basis, the first payment due 90 days after  
14 the date the assessment is assessed.

15 (d) Beginning October 1, 2007, the department shall no longer  
16 assess or collect the quality assurance assessment or apply for  
17 federal matching funds.

18 (e) Upon implementation pursuant to subdivision (b), the  
19 department of community health shall increase the per diem  
20 nursing home medicaid reimbursement rates for the balance of that  
21 year. For each subsequent year in which the quality assurance  
22 assessment is assessed and collected, the department of community  
23 health shall maintain the medicaid nursing home reimbursement  
24 payment increase financed by the quality assurance assessment.

25 (f) The department of community health shall implement this  
26 section in a manner that complies with federal requirements  
27 necessary to assure that the quality assurance assessment

1 qualifies for federal matching funds.

2 (g) If a nursing home or a hospital long-term care unit fails  
3 to pay the assessment required by subsection (1)(g), the  
4 department of community health may assess the nursing home or  
5 hospital long-term care unit a penalty of 5% of the assessment  
6 for each month that the assessment and penalty are not paid up to  
7 a maximum of 50% of the assessment. The department of community  
8 health may also refer for collection to the department of  
9 treasury past due amounts consistent with section 13 of 1941  
10 PA 122, MCL 205.13.

11 (h) The medicaid nursing home quality assurance assessment  
12 fund is established in the state treasury. The department of  
13 community health shall deposit the revenue raised through the  
14 quality assurance assessment with the state treasurer for deposit  
15 in the medicaid nursing home quality assurance assessment fund.

16 (i) The department of community health shall not implement  
17 this subsection in a manner that conflicts with 42 USC 1396b(w).

18 (j) The quality assurance assessment collected under  
19 subsection (1)(g) shall be prorated on a quarterly basis for any  
20 licensed beds added to or subtracted from a nursing home or  
21 hospital long-term care unit since the immediately preceding  
22 July 1. Any adjustments in payments are due on the next  
23 quarterly installment due date.

24 (k) In each fiscal year governed by this subsection, medicaid  
25 reimbursement rates shall not be reduced below the medicaid  
26 reimbursement rates in effect on April 1, 2002 as a direct result  
27 of the quality assurance assessment collected under

1 subsection (1)(g).

2 ~~(l) The amounts listed in this subdivision are appropriated~~  
3 ~~for the department of community health, subject to the conditions~~  
4 ~~set forth in this subsection, for the fiscal year ending~~  
5 ~~September 30, 2003:~~

6 ~~MEDICAL SERVICES~~

7 ~~— Long term care services..... \$ 1,469,003,900~~  
8 ~~— Cross appropriation..... \$ 1,469,003,900~~

9 ~~— Appropriated from:~~

10 ~~— Federal revenues:~~

11 ~~— Total federal revenues..... 814,122,200~~

12 ~~— Special revenue funds:~~

13 ~~— Medicaid quality assurance assessment..... 44,829,000~~

14 ~~— Total local revenues..... 8,445,100~~

15 ~~— State general fund/general purpose..... \$ 601,607,600~~

16 ~~(l) —(m) In fiscal year 2003-2004, \$18,900,000.00~~

17 **2004-2005, \$21,900,000.00** of the quality assurance assessment  
18 collected pursuant to subsection (1)(g) shall be appropriated to  
19 the department of community health to support medicaid  
20 expenditures for long-term care services. These funds shall  
21 offset an identical amount of general fund/general purpose  
22 revenue originally appropriated for that purpose.

23 (14) The quality assurance dedication is an earmarked  
24 assessment collected under subsection (1)(h). That assessment  
25 and all federal matching funds attributed to that assessment  
26 shall be used only for the following purposes and under the  
27 following specific circumstances:

1 (a) Part of the quality assurance assessment shall be used to  
2 maintain the increased medicaid reimbursement rate increases as  
3 provided for in subdivision (d). A portion of the funds  
4 collected from the quality assurance assessment may be used to  
5 offset any reduction to existing intergovernmental transfer  
6 programs with public hospitals that may result from  
7 implementation of the enhanced medicaid payments financed by the  
8 quality assurance assessment. Any portion of the funds collected  
9 from the quality assurance assessment reduced because of existing  
10 intergovernmental transfer programs shall be used to finance  
11 medicaid hospital appropriations.

12 (b) The quality assurance assessment shall be implemented on  
13 October 1, 2002.

14 (c) The quality assurance assessment shall be assessed on all  
15 net patient revenue, before deduction of expenses, less medicare  
16 net revenue, as reported in the most recently available medicare  
17 cost report and is payable on a quarterly basis, the first  
18 payment due 90 days after the date the assessment is assessed.  
19 As used in this subdivision, "medicare net revenue" includes  
20 medicare payments and amounts collected for coinsurance and  
21 deductibles.

22 (d) Upon implementation pursuant to subdivision (b), the  
23 department of community health shall increase the hospital  
24 medicaid reimbursement rates for the balance of that year. For  
25 each subsequent year in which the quality assurance assessment is  
26 assessed and collected, the department of community health shall  
27 maintain the hospital medicaid reimbursement rate increase



1 financed by the quality assurance assessments.

2 (e) The department of community health shall implement this  
3 section in a manner that complies with federal requirements  
4 necessary to assure that the quality assurance assessment  
5 qualifies for federal matching funds.

6 (f) If a hospital fails to pay the assessment required by  
7 subsection (1)(h), the department of community health may assess  
8 the hospital a penalty of 5% of the assessment for each month  
9 that the assessment and penalty are not paid up to a maximum of  
10 50% of the assessment. The department of community health may  
11 also refer for collection to the department of treasury past due  
12 amounts consistent with section 13 of 1941 PA 122, MCL 205.13.

13 (g) The hospital quality assurance assessment fund is  
14 established in the state treasury. The department of community  
15 health shall deposit the revenue raised through the quality  
16 assurance assessment with the state treasurer for deposit in the  
17 hospital quality assurance assessment fund.

18 (h) In each fiscal year governed by this subsection, the  
19 quality assurance assessment shall only be collected and expended  
20 if medicaid hospital inpatient DRG and outpatient reimbursement  
21 rates and disproportionate share hospital and graduate medical  
22 education payments are not below the level of rates and payments  
23 in effect on April 1, 2002 as a direct result of the quality  
24 assurance assessment collected under subsection (1)(h), except as  
25 provided in subdivision ~~-(j)-~~ (i).

26 ~~(i) The amounts listed in this subdivision are appropriated~~  
27 ~~for the department of community health, subject to the conditions~~

1 ~~set forth in this subsection, for the fiscal year ending~~  
2 ~~September 30, 2003:~~

3 ~~MEDICAL SERVICES~~

4 ~~Hospital services and therapy..... \$ 149,200,000~~

5 ~~Gross appropriation..... \$ 149,200,000~~

6 ~~Appropriated from:~~

7 ~~Federal revenues:~~

8 ~~Total federal revenues..... 82,686,800~~

9 ~~Special revenue funds:~~

10 ~~Medicaid quality assurance assessment..... 66,513,500~~

11 ~~Total local revenues..... 0~~

12 ~~State general fund/general purpose..... \$ 0~~

13 ~~(i) -(j)-~~ The quality assurance assessment collected under  
14 subsection (1)(h) shall no longer be assessed or collected after  
15 September 30, ~~2004~~ 2007, or in the event that the quality  
16 assurance assessment is not eligible for federal matching funds.  
17 Any portion of the quality assurance assessment collected from a  
18 hospital that is not eligible for federal matching funds shall be  
19 returned to the hospital.

20 ~~(k) In fiscal year 2002-2003, \$18,900,000.00 of the quality~~  
21 ~~assurance assessment shall be deposited into the general fund.~~

22 ~~(j) -(l)-~~ In fiscal year ~~2003-2004~~ 2004-2005,  
23 \$18,900,000.00 of the quality assurance assessment collected  
24 pursuant to subsection (1)(h) shall be appropriated to the  
25 department of community health to support medicaid expenditures  
26 for hospital services and therapy. These funds shall offset an  
27 identical amount of general fund/general purpose revenue

1 originally appropriated for that purpose.

2       (15) The quality assurance assessment provided for under this  
3 section is a tax that is levied on a health facility or agency.

4       (16) As used in this section, "medicaid" means that term as  
5 defined in section 22207.