

# SENATE NO. 404

## **AN ACT** ENSURING PROVIDERS RECEIVE REIMBURSEMENT FOR INFLATIONARY COST INCREASES

*Be it enacted by the Senate and House of Representatives in General Court assembled,  
And by the authority of the same, as follows:*

1 SECTION 1. Chapter 118G of the General Laws, as appearing in the 2000 Official Edition, is hereby  
2 amended by adding after section 24, the following new section:-

3 Section 25. Notwithstanding the provisions of any general law or special law or any rule or  
4 regulation to the contrary including any other section of this chapter 118G or of chapter 118E of the  
5 General Laws, the commissioner shall, in establishing rates of payment, whether by regulation or by  
6 contractual arrangement, for nursing homes and rest homes as defined under section seventy-one of  
7 chapter one hundred and eleven, for acute hospitals and non-acute hospitals as defined under section  
8 one hereof and for home health care as defined as a plan of care, ordered by a physician, and delivered  
9 by an agency that is a provider certified under Title XVIII and Title XIX, and meeting the Medicare  
10 conditions of participation for home health agencies in Massachusetts, appoint a committee to develop

11 and recommend a methodology for establishing cost adjustment factors to project for the effect of  
12 inflation for every year after a base year period. The committee shall consist of five independent  
13 consultants who are not otherwise employed by the commonwealth with experience in the field of  
14 health care economics. At least one member of the committee shall be designated by the  
15 Massachusetts Extended Care Federation, at least one member of the committee shall be designated by  
16 the Massachusetts Hospital Association and at least one member shall be designated by the  
17 Massachusetts Home and Health Care Association.

18 every year after a base year period. The committee shall consist of five independent consultants who  
19 are not otherwise employed by the commonwealth with experience in the field of health care  
20 economics. The Massachusetts Extended Care Federation shall designate at least one member of the  
21 committee, the Massachusetts Hospital Association shall designate at least one member of the  
22 committee and the Massachusetts Home and Health Care Association shall designate at least one  
23 member.

24 The methodology for developing the cost adjustment factors shall be applied to the appropriate portion  
25 of reimbursable costs of nursing homes, rest homes, hospitals and home health care so that the cost of  
26 said institutions subject to inflation are adequately reimbursed. The methodology for developing the  
27 cost adjustment factors shall include but not be limited to the appropriate external price indicators and  
28 shall also include but not be limited to the data from major or collective bargaining agreements as  
29 reported quarterly by the federal department of labor, bureau of labor statistics for supervisory and  
30 nonsupervisory personnel.

31 Thirty days prior to the commencement of a rate period affecting nursing homes, rest homes, hospitals  
32 and home health care as the case may be, the committee shall provide to the commissioner its  
33 recommendation as to the methodology to be used to determine the cost adjustment factors for said

34 rate period. The committee shall monitor the actual price movements of the external price indicators  
35 used in the methodology and based on such actual price movements and shall recommend to the  
36 commissioner the cost adjustment factors for each year after any base year period. The commissioner  
37 shall consider the recommendations of the committee when directing the division of health care  
38 finance and policy to make such adjustments to the rates set for nursing homes, rest homes, hospitals  
39 and home health care forthwith as provided for herein. Such adjustments, once approved by the  
40 commissioner, shall be automatic notwithstanding any caps or ceilings on administrative and general  
41 costs or other operating costs imposed by the division of health care finance and policy, or imposed by  
42 the division of medical assistance under any regulation or under any contractual arrangement. Any  
43 contract entered into by the division of medical assistance affecting rates set for nursing homes and  
44 rest homes and hospitals shall be automatically adjusted to reflect adjustments made by the  
45 commissioner to the cost adjustment factors.

46 This section shall apply to the rates established for nursing homes, rest homes, acute hospitals, non-  
47 acute hospitals and home health care, pursuant to any waiver of otherwise applicable federal  
48 requirements which the division of health care finance and policy or the division of medical assistance  
49 has obtained or may obtain from the secretary of health and human services for the purpose of  
50 implementing any type of managed care service delivery system.