

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2023**

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SENATE BILL 786

Short Title: Add Psychiatric Hospitals to Medicaid HASP. (Public)

Sponsors: Senators Hise and Krawiec (Primary Sponsors).

Referred to: Rules and Operations of the Senate

May 2, 2024

A BILL TO BE ENTITLED

AN ACT TO INCLUDE FREESTANDING PSYCHIATRIC HOSPITALS AS HOSPITALS THAT ARE ELIGIBLE TO RECEIVE PAYMENTS UNDER THE MEDICAID HEALTHCARE ACCESS AND STABILIZATION PROGRAM AND TO PROVIDE FUNDING FOR THOSE PAYMENTS THROUGH INCREASED HOSPITAL ASSESSMENTS.

The General Assembly of North Carolina enacts:

SECTION 1.(a) G.S. 108A-148.1(a) reads as rewritten:

"(a) The healthcare access and stabilization program is a directed payment program that provides acute care hospitals with increased reimbursements funded through hospital assessments in accordance with this section. Upon the approval of CMS, the healthcare access and stabilization program directed payment program shall additionally provide freestanding psychiatric hospitals with increased reimbursements funded through hospital assessments."

SECTION 1.(b) The Department of Health and Human Services shall submit a 42 C.F.R. § 438.6(c) preprint requesting approval to include freestanding psychiatric hospitals in the healthcare access and stabilization program (HASP) authorized under G.S. 108A-148.1, as amended by subsection (a) of this section.

SECTION 1.(c) This section is effective when it becomes law.

SECTION 2.(a) G.S. 108A-145.3 reads as rewritten:

"§ 108A-145.3. Definitions.

The following definitions apply in this Article:

...

(6c) Freestanding psychiatric hospital. – A hospital facility that is (i) licensed under Article 2 of Chapter 122C of the General Statutes, (ii) primarily engaged in providing to inpatients, by or under the supervision of a physician, psychiatric services for the diagnosis and treatment of individuals with mental illnesses, and (iii) not State-owned and State-operated.

(6d) HASP directed payments. – Payments made by the Department to prepaid health plans to be used for (i) increased reimbursements to hospitals under the HASP program and (ii) the costs to prepaid health plans from the gross premiums tax under G.S. 105-228.5 and the insurance regulatory charge under G.S. 58-6-25 associated with those hospital reimbursements.

~~(6d)~~(6e) Healthcare access and stabilization program (HASP). – The directed payment program providing increased reimbursements to acute care hospitals and freestanding psychiatric hospitals as approved by CMS and authorized by G.S. 108A-148.1.



1"

2 SECTION 2.(b) G.S. 108A-146.1 reads as rewritten:

3 **"§ 108A-146.1. Public hospital modernized assessment.**

4 (a) The public hospital modernized assessment imposed under this Part shall apply to all
5 public acute care hospitals.

6 (b) The public hospital modernized assessment shall be assessed as a percentage of each
7 public acute care hospital's hospital costs. The assessment percentage shall be calculated
8 quarterly by the Department of Health and Human Services in accordance with this Part. The
9 percentage for each quarter shall equal the aggregate acute care hospital modernized assessment
10 collection amount under G.S. 108A-146.5 multiplied by the public hospital historical assessment
11 share and divided by the total hospital costs for all public acute care hospitals holding a license
12 on the first day of the assessment quarter."

13 SECTION 2.(c) G.S. 108A-146.3 reads as rewritten:

14 **"§ 108A-146.3. Private hospital modernized assessment.**

15 (a) The private hospital modernized assessment imposed under this Part shall apply to all
16 private acute care hospitals.

17 (b) The private hospital modernized assessment shall be assessed as a percentage of each
18 private acute care hospital's hospital costs. The assessment percentage shall be calculated
19 quarterly by the Department of Health and Human Services in accordance with this Part. The
20 percentage for each quarter shall equal the aggregate acute care hospital modernized assessment
21 collection amount under G.S. 108A-146.5 multiplied by the private hospital historical assessment
22 share and divided by the total hospital costs for all private acute care hospitals holding a license
23 on the first day of the assessment quarter."

24 SECTION 2.(d) Part 2 of Article 7B of Chapter 108A of the General Statutes is
25 amended by adding a new section to read:

26 **"§ 108A-146.4. Freestanding psychiatric hospital modernized assessment.**

27 (a) The freestanding psychiatric hospital modernized assessment imposed under this Part
28 shall apply to all freestanding psychiatric hospitals.

29 (b) The freestanding psychiatric hospital modernized assessment shall be assessed as a
30 percentage of each freestanding psychiatric hospital's hospital costs. The assessment percentage
31 shall be calculated quarterly by the Department of Health and Human Services in accordance
32 with this Part. The percentage for each quarter shall equal the modernized freestanding
33 psychiatric hospital HASP component under G.S. 108A-146.10A divided by the total hospital
34 costs for all freestanding psychiatric hospitals holding a license on the first day of the assessment
35 quarter."

36 SECTION 2.(e) G.S. 108A-146.5 reads as rewritten:

37 **"§ 108A-146.5. Aggregate acute care hospital modernized assessment collection amount.**

38 (a) The aggregate modernized assessment collection amount is an amount of money that
39 is calculated by subtracting the modernized intergovernmental transfer adjustment component
40 under G.S. 108A-146.13 from the total modernized nonfederal receipts under subsection (b) of
41 this section and then adding the positive or negative amount of the modernized IGT actual
42 receipts adjustment component under G.S. 108A-146.14.

43 (b) The total modernized nonfederal receipts is the sum of all of the following:

44 (1) One-fourth of the State's annual Medicaid payment.

45 (2) The managed care component under G.S. 108A-146.7.

46 (3) The fee-for-service component under G.S. 108A-146.9.

47 (3a) The modernized acute care hospital HASP component under
48 G.S. 108A-146.10.

49 (3b) The modernized freestanding psychiatric hospital HASP component under
50 G.S. 108A-146.10A.

51 (4) The GME component under G.S. 108A-146.11.

- 1 (5) Beginning April 1, 2022, and ending March 31, 2027, the postpartum
2 coverage component under G.S. 108A-146.12.
3 (6) Beginning April 1, 2024, the home and community-based services component
4 under G.S. 108A-146.12A.

5 (c) The aggregate acute care hospital modernized assessment collection amount is an
6 amount of money equal to the aggregate modernized assessment collection amount under
7 subsection (a) of this section minus the modernized freestanding psychiatric hospital HASP
8 component under G.S. 108A-146.10A."

9 **SECTION 2.(f)** G.S. 108A-146.10 reads as rewritten:

10 **"§ 108A-146.10. Modernized acute care hospital HASP component.**

11 The modernized acute care hospital HASP component is an amount of money that is
12 calculated each quarter by multiplying the aggregate amount of HASP directed payments due to
13 PHPs in the current quarter for ~~hospital~~-reimbursements to acute care hospitals that are not
14 attributable to newly eligible individuals by the nonfederal share for not newly eligible
15 individuals."

16 **SECTION 2.(g)** Part 2 of Article 7B of Chapter 108A of the General Statutes is
17 amended by adding a new section to read:

18 **"§ 108A-146.10A. Modernized freestanding psychiatric hospital HASP component.**

19 The modernized freestanding psychiatric hospital HASP component is an amount of money
20 that is calculated each quarter by multiplying the aggregate amount of HASP directed payments
21 due to PHPs in the current quarter for reimbursements to freestanding psychiatric hospitals that
22 are not attributable to newly eligible individuals by the nonfederal share for not newly eligible
23 individuals."

24 **SECTION 2.(h)** G.S. 108A-146.13 reads as rewritten:

25 **"§ 108A-146.13. Modernized presumptive IGT adjustment component.**

26 ...

27 (c) The modernized presumptive IGT adjustment component is an amount of money
28 equal to the sum of all of the following subcomponents:

- 29 (1) The public hospital IGT subcomponent is the total of the following amounts:
30 a. Sixteen and forty-three hundredths percent (16.43%) of the amount of
31 money that is equal to the total modernized nonfederal receipts under
32 G.S. 108A-146.5(b) for the current quarter minus the modernized
33 acute care hospital HASP component under G.S. 108A-146.10 for the
34 current quarter and minus the modernized freestanding psychiatric
35 hospital HASP component under G.S. 108A-146.10A for the current
36 quarter.
37 b. Sixty percent (60%) of the nonfederal share for not newly eligible
38 individuals of the aggregate amount of HASP directed payments due
39 to PHPs in the current quarter for reimbursements to public acute care
40 hospitals and that are not attributable to newly eligible individuals.
41 (2) The UNC Health Care System IGT subcomponent is the total of the following
42 amounts:
43 a. Four and sixty-two hundredths percent (4.62%) of the ~~difference of~~
44 amount of money that is equal to the total modernized nonfederal
45 receipts under G.S. 108A-146.5(b) for the current quarter minus the
46 modernized acute care hospital HASP component under
47 G.S. 108A-146.10 for the current quarter and minus the modernized
48 freestanding psychiatric hospital HASP component under
49 G.S. 108A-146.10A for the current quarter.
50 b. The nonfederal share for not newly eligible individuals of the
51 aggregate amount of HASP directed payments due to PHPs in the

- 1 current quarter for reimbursements to UNC Health Care System
2 hospitals that are not attributable to newly eligible individuals.
- 3 (3) The East Carolina University IGT subcomponent is the total of the following
4 amounts:
- 5 a. One and four hundredths percent (1.04%) of the ~~difference of amount~~
6 of money that is equal to the total modernized nonfederal receipts
7 under G.S. 108A-146.5(b) for the current quarter minus the
8 modernized acute care hospital HASP component under
9 G.S. 108A-146.10 for the current quarter and minus the modernized
10 freestanding psychiatric hospital HASP component under
11 G.S. 108A-146.10A for the current quarter.
- 12 b. The nonfederal share for not newly eligible individuals of the
13 aggregate amount of HASP directed payments due to PHPs in the
14 current quarter for reimbursements to the primary affiliated teaching
15 hospital for the East Carolina University Brody School of Medicine
16 that are not attributable to newly eligible individuals."

17 **SECTION 3.(a)** G.S. 108A-147.1 reads as rewritten:

18 **"§ 108A-147.1. Public hospital health advancement assessment.**

19 (a) The public hospital health advancement assessment imposed under this Part shall
20 apply to all public acute care hospitals.

21 (b) The public hospital health advancement assessment shall be assessed as a percentage
22 of each public acute care hospital's hospital costs. The assessment percentage shall be calculated
23 quarterly by the Department in accordance with this Part. The percentage for each quarter shall
24 equal the aggregate acute care hospital health advancement assessment collection amount
25 calculated under G.S. 108A-147.3 multiplied by the public hospital historical assessment share
26 and divided by the total hospital costs for all public acute care hospitals holding a license on the
27 first day of the assessment quarter."

28 **SECTION 3.(b)** G.S. 108A-147.2 reads as rewritten:

29 **"§ 108A-147.2. Private hospital health advancement assessment.**

30 (a) The private hospital health advancement assessment imposed under this Part shall
31 apply to all private acute care hospitals.

32 (b) The private hospital health advancement assessment shall be assessed as a percentage
33 of each private acute care hospital's hospital costs. The assessment percentage shall be calculated
34 quarterly by the Department in accordance with this Part. The percentage for each quarter shall
35 equal the aggregate acute care hospital health advancement assessment collection amount
36 calculated under G.S. 108A-147.3 multiplied by the private hospital historical assessment share
37 and divided by the total hospital costs for all private acute care hospitals holding a license on the
38 first day of the assessment quarter."

39 **SECTION 3.(c)** Part 3 of Article 7B of Chapter 108A of the General Statutes is
40 amended by adding a new section to read:

41 **"§ 108A-147.2A. Freestanding psychiatric hospital health advancement assessment.**

42 (a) The freestanding psychiatric hospital health advancement assessment imposed under
43 this Part shall apply to all freestanding psychiatric hospitals.

44 (b) The freestanding psychiatric hospital health advancement assessment shall be
45 assessed as a percentage of each freestanding psychiatric hospital's hospital costs. The assessment
46 percentage shall be calculated quarterly by the Department in accordance with this Part. The
47 percentage for each quarter shall equal the health advancement freestanding psychiatric hospital
48 HASP component calculated under G.S. 108A-147.6A divided by the total hospital costs for all
49 freestanding psychiatric hospitals holding a license on the first day of the assessment quarter."

50 **SECTION 3.(d)** G.S. 108A-147.3 reads as rewritten:

1 **"§ 108A-147.3. Aggregate acute care hospital health advancement assessment collection**
2 **amount.**

3 (a) The aggregate health advancement assessment collection amount is an amount of
4 money that is calculated quarterly by adjusting the total nonfederal receipts for health
5 advancement calculated under subsection (b) of this section by (i) subtracting the health
6 advancement presumptive IGT adjustment component calculated under G.S. 108A-147.9, (ii)
7 adding the positive or negative health advancement IGT actual receipts adjustment component
8 calculated under G.S. 108A-147.10, and (iii) subtracting the positive or negative IGT share of
9 the reconciliation adjustment component calculated under G.S. 108A-147.11(b).

10 (b) The total nonfederal receipts for health advancement is an amount of money that is
11 calculated quarterly by adding all of the following:

12 (1) The presumptive service cost component calculated under G.S. 108A-147.5.

13 (2) The ~~HASP~~ health advancement acute care hospital HASP component
14 calculated under G.S. 108A-147.6.

15 (2a) The health advancement freestanding psychiatric hospital HASP component
16 calculated under G.S. 108A-147.6A.

17 (3) The administration component calculated under G.S. 108A-147.7.

18 (4) The State retention component under G.S. 108A-147.9.

19 (5) The positive or negative health advancement reconciliation adjustment
20 component calculated under G.S. 108A-147.11(a).

21 (c) The aggregate acute care hospital health advancement assessment collection amount
22 is an amount of money equal to the aggregate health advancement assessment collection amount
23 under subsection (a) of this section minus the health advancement freestanding psychiatric
24 hospital HASP component under G.S. 108A-147.6A."

25 **SECTION 3.(e)** G.S. 108A-147.5 reads as rewritten:

26 **"§ 108A-147.5. Presumptive service cost component.**

27 (a) For every State fiscal quarter prior to the fiscal quarter in which G.S. 108A-54.3A(24)
28 becomes effective, the presumptive service cost component is zero.

29 (b) For the State fiscal quarter in which G.S. 108A-54.3A(24) becomes effective, the
30 presumptive service cost component is the product of forty-eight million seven hundred fifty
31 thousand dollars (\$48,750,000) multiplied by the number of months in that State fiscal quarter in
32 which G.S. 108A-54.3A(24) is effective during any part of the month.

33 (c) For the first State fiscal quarter after the State fiscal quarter in which
34 G.S. 108A-54.3A(24) becomes effective, the presumptive service cost component is one hundred
35 forty-six million two hundred fifty thousand dollars (\$146,250,000).

36 (d) For the second State fiscal quarter after the State fiscal quarter in which
37 G.S. 108A-54.3A(24) becomes effective, and for each State fiscal quarter thereafter, the
38 presumptive service cost component is an amount of money that is the greatest of the following:

39 (1) The prior quarter's presumptive service cost component amount.

40 (2) The prior quarter's presumptive service cost component amount increased by
41 a percentage that is the sum of each monthly percentage change in the
42 Consumer Price Index: Medical Care for the most recent three months
43 available on the first day of the current quarter.

44 (3) The prior quarter's presumptive service cost component amount increased by
45 the percentage change in the weighted average of the base capitation rates for
46 standard benefit plans for all rating groups associated with newly eligible
47 individuals compared to the prior quarter. The weight for each rating group
48 shall be calculated using member months documented in the Medicaid
49 managed care capitation rate certification for standard benefit plans.

50 (4) The prior quarter's presumptive service cost component amount increased by
51 the percentage change in the weighted average of the base capitation rates for

1 BH IDD tailored plans for all rating groups associated with newly eligible
2 individuals compared to the prior quarter. The weight for each rating group
3 shall be calculated using member months documented in the Medicaid
4 managed care capitation rate certification for BH IDD tailored plans.

- 5 (5) The amount produced from multiplying 1.15 by the highest amount produced
6 when calculating, for each quarter that is at least two and not more than five
7 quarters prior to the current quarter, the actual nonfederal expenditures for the
8 applicable quarter minus the ~~HASP~~health advancement acute care hospital
9 HASP component calculated under G.S. 108A-147.6 for the applicable
10 quarter and minus the health advancement freestanding psychiatric hospital
11 HASP component calculated under G.S. 108A-147.6A for the applicable
12 quarter."

13 **SECTION 3.(f)** G.S. 108A-147.6 reads as rewritten:

14 "**§ 108A-147.6. ~~HASP~~health Health advancement acute care hospital HASP component.**

15 The ~~HASP~~health advancement acute care hospital HASP component is an amount of money
16 that is calculated by multiplying the aggregate amount of HASP directed payments due to PHPs
17 in the current quarter for ~~hospital~~reimbursements to acute care hospitals attributable to newly
18 eligible individuals by the nonfederal share for newly eligible individuals."

19 **SECTION 3.(g)** Part 3 of Article 7B of Chapter 108A of the General Statutes is
20 amended by adding a new section to read:

21 "**§ 108A-147.6A. Health advancement freestanding psychiatric hospital HASP component.**

22 The health advancement freestanding psychiatric hospital HASP component is an amount of
23 money that is calculated by multiplying the aggregate amount of HASP directed payments due
24 to PHPs in the current quarter for reimbursements to freestanding psychiatric hospitals
25 attributable to newly eligible individuals by the nonfederal share for newly eligible individuals."

26 **SECTION 3.(h)** G.S. 108A-147.11 reads as rewritten:

27 "**§ 108A-147.11. Health advancement reconciliation adjustment component.**

28 (a) The health advancement reconciliation adjustment component is a positive or
29 negative dollar amount equal to the actual nonfederal expenditures for the quarter that is two
30 quarters prior to the current quarter minus the sum of the following specified amounts:

- 31 (1) The presumptive service cost component calculated under G.S. 108A-147.5
32 for the quarter that is two quarters prior to the current quarter.
33 (2) The positive or negative gross premiums tax offset amount calculated under
34 G.S. 108A-147.12(b).
35 (3) The ~~HASP~~health advancement acute care hospital HASP component
36 calculated under G.S. 108A-147.6 for the quarter that is two quarters prior to
37 the current quarter.
38 (4) The health advancement freestanding psychiatric hospital HASP component
39 calculated under G.S. 108A-147.6A for the quarter that is two quarters prior
40 to the current quarter.

41 (b) The IGT share of the reconciliation adjustment component is a positive or negative
42 dollar amount that is calculated by multiplying the health advancement reconciliation adjustment
43 component calculated under subsection (a) of this section by the share of public hospital costs
44 calculated under subsection (c) of this section.

45 (c) The share of public hospital costs is calculated by adding total hospital costs for the
46 UNC Health Care System, total hospital costs for the primary affiliated teaching hospital for the
47 East Carolina University Brody School of Medicine, and sixty percent (60%) of the total hospital
48 costs for all public acute care hospitals and dividing that sum by the total hospital costs for all
49 acute care hospitals except for critical access hospitals."

1 **SECTION 4.** Except as otherwise provided, this act is effective on the first day of
2 the next assessment quarter after the date this act becomes law and applies to assessments
3 imposed on or after that date.