

WEST VIRGINIA LEGISLATURE

REGULAR SESSION, 1987



ENROLLED

Com. Sub. for

HOUSE BILL No. 2342

(By Delegate *Knight*.....)



Passed *March 14,*..... 1987

In Effect *Ninety Days From*..... Passage

ENROLLED
COMMITTEE SUBSTITUTE
FOR
H. B. 2342
(By DELEGATE KNIGHT)

[Passed March 14, 1987; in effect ninety days from passage.]

AN ACT to repeal section six, article twenty-nine-b, chapter sixteen of the code of West Virginia, one thousand nine hundred thirty-one, as amended; to amend and reenact sections two, four, five and seven, article two-d; to further amend said article two-d by adding thereto a new section, designated section five-a; to amend and reenact sections eleven, nineteen, twenty, twenty-one and twenty-eight, article twenty-nine-b, all of said chapter sixteen, all relating to continuing and reestablishing the health care cost review authority with certain modifications in its functions; definitions; deleting certain references to federal act; changing expenditure minimums for certificate of need review; allowing certain exemptions from certificate of need review; charging of fees for certain requests for certificate of need review; certificate of need fund; transferring health planning functions to the department of health; state health plan; creating health care planning council; eliminating health care cost review council; regional health advisory councils; temporary moratorium on construction of long-term care beds; rate setting powers; automatic approval of rate increases under certain circumstances; procedure for obtaining adjustments and revisions of rate schedules; permitting

immediate implementation of temporary rate change in certain cases; and termination date.

Be it enacted by the Legislature of West Virginia:

That section six, article twenty-nine-b, chapter sixteen of the code of West Virginia, one thousand nine hundred thirty-one, as amended, be repealed; that sections two, four, five and seven, article two-d be amended and reenacted; that article two-d be further amended by adding thereto a new section, designated section five-a; that sections, eleven, nineteen, twenty, twenty-one and twenty-eight, article twenty-nine-b, all of said chapter sixteen, be amended and reenacted, all to read as follows:

ARTICLE 2D. CERTIFICATE OF NEED.

§16-2D-2. Definitions.

1 As used in this article, unless otherwise indicated by
2 the context:

3 (a) "Affected person" means:

4 (1) The applicant;

5 (2) An agency or organization representing
6 consumers;

7 (3) Any individual residing within the geographic
8 area served or to be served by the applicant;

9 (4) Any individual who regularly uses the health care
10 facilities within that geographic area;

11 (5) The health care facilities which provide services
12 similar to the services of the facility under review and
13 which will be significantly affected by the proposed
14 project;

15 (6) The health care facilities which, prior to receipt
16 by the state agency of the proposal being reviewed, have
17 formally indicated an intention to provide similar
18 services in the future;

19 (7) Third party payers who reimburse health care
20 facilities similar to those proposed for services;

21 (8) Any agency which establishes rates for health care

22 facilities similar to those proposed; or

23 (9) Organizations representing health care providers.

24 (b) "Ambulatory health care facility" means a facility,
 25 which is free-standing and not physically attached to a
 26 health care facility and which provides health care to
 27 noninstitutionalized and nonhomebound persons on an
 28 outpatient basis. This definition does not include the
 29 private office practice of any one or more health
 30 professionals licensed to practice in this state pursuant
 31 to the provisions of chapter thirty of this code: *Provided*,
 32 That such exemption from review of private office
 33 practice shall not be construed to include such practices
 34 where major medical equipment otherwise subject to
 35 review under the provisions of this article is acquired,
 36 offered or developed.

37 (c) "Ambulatory surgical facility" means a facility
 38 which is free-standing and not physically attached to a
 39 health care facility and which provides surgical treat-
 40 ment to patients not requiring hospitalization. This
 41 definition does not include the private office practice of
 42 any one or more health professionals licensed to practice
 43 surgery in this state pursuant to the provisions of
 44 chapter thirty of this code: *Provided*, That such exemp-
 45 tion from review of private office practice shall not be
 46 construed to include such practices where major
 47 medical equipment otherwise subject to review under
 48 the provisions of this article is acquired, offered or
 49 developed.

50 (d) "Applicant" means: (1) The governing body or the
 51 person proposing a new institutional health service who
 52 is, or will be, the health care facility licensee wherein
 53 the new institutional health service is proposed to be
 54 located, and (2) in the case of a proposed new institu-
 55 tional health service not to be located in a licensed
 56 health care facility, the governing body or the person
 57 proposing to provide such new institutional health
 58 service. Incorporators or promoters who will not
 59 constitute the governing body or persons responsible for
 60 the new institutional health service may not be an
 61 applicant.

62 (e) "Bed capacity" means the number of beds for
63 which a license is issued to a health care facility, or, if
64 a facility is unlicensed, the number of adult and
65 pediatric beds permanently staffed and maintained for
66 immediate use by inpatients in patient rooms or wards.

67 (f) "Capital expenditure" means an expenditure:

68 (1) Made by or on behalf of a health care facility; and

69 (2) (A) Which (i) under generally accepted accounting
70 principles is not properly chargeable as an expense of
71 operation and maintenance, or (ii) is made to obtain
72 either by lease or comparable arrangement any facility
73 or part thereof or any equipment for a facility or part;
74 and (B) which (i) exceeds the expenditure minimum, or
75 (ii) is a substantial change to the bed capacity of the
76 facility with respect to which the expenditure is made,
77 or (iii) is a substantial change to the services of such
78 facility. For purposes of part (i), subparagraph (B),
79 subdivision (2) of this definition, the cost of any studies,
80 surveys, designs, plans, working drawings, specifica-
81 tions, and other activities, including staff effort and
82 consulting and other services, essential to the acquisi-
83 tion, improvement, expansion, or replacement of any
84 plant or equipment with respect to which an expendi-
85 ture described in subparagraph (B), subdivision (2) of
86 this definition is made shall be included in determining
87 if such expenditure exceeds the expenditure minimum.
88 Donations of equipment or facilities to a health care
89 facility which if acquired directly by such facility would
90 be subject to review shall be considered capital expen-
91 ditures, and a transfer of equipment or facilities for less
92 than fair market value shall be considered a capital
93 expenditure for purposes of such subdivisions if a
94 transfer of the equipment or facilities at fair market
95 value would be subject to review. A series of expendi-
96 tures, each less than the expenditure minimum, which
97 when taken together are in excess of the expenditure
98 minimum, may be determined by the state agency to be
99 a single capital expenditure subject to review. In
100 making its determination, the state agency shall
101 consider: Whether the expenditures are for components
102 of a system which is required to accomplish a single

103 purpose; whether the expenditures are to be made over
 104 a two-year period and are directed towards the accomp-
 105 lishment of a single goal within the health care facility's
 106 long-range plan; or, whether the expenditures are to be
 107 made within a two-year period within a single depart-
 108 ment such that they will constitute a significant
 109 modernization of the department.

110 (g) "Expenditure minimum" means one million
 111 dollars for the twelve-month period beginning the first
 112 day of October, one thousand nine hundred eighty-seven.
 113 For each twelve-month period thereafter, the state
 114 agency may, by regulations adopted pursuant to section
 115 eight of this article, adjust the expenditure minimum to
 116 reflect the impact of inflation.

117 (h) "Health," used as a term, includes physical and
 118 mental health.

119 (i) "Health care facility" is defined as including
 120 hospitals, skilled nursing facilities, kidney disease
 121 treatment centers, including free-standing hemodialysis
 122 units, intermediate care facilities, ambulatory health
 123 care facilities, ambulatory surgical facilities, home
 124 health agencies, rehabilitation facilities, and health
 125 maintenance organizations; community mental health
 126 and mental retardation facilities; whether under public
 127 or private ownership, or as a profit or nonprofit
 128 organization and whether or not licensed or required to
 129 be licensed in whole or in part by the state. For purposes
 130 of this definition, "community mental health and mental
 131 retardation facility" means a private facility which
 132 provides such comprehensive services and continuity of
 133 care as emergency, outpatient, partial hospitalization,
 134 inpatient and consultation and education for individuals
 135 with mental illness, mental retardation or drug or
 136 alcohol addiction.

137 (j) "Health care provider" means a person, partner-
 138 ship, corporation, facility or institution licensed or
 139 certified or authorized by law to provide professional
 140 health care service in this state to an individual during
 141 that individual's medical care, treatment or
 142 confinement.

143 (k) "Health maintenance organization" means a
144 public or private organization, organized under the laws
145 of this state, which:

146 (1) Is a qualified health maintenance organization
147 under Section 1310(d) of the Public Health Service Act,
148 as amended, Title 42 United States Code Section 300e-
149 9(d); or

150 (2) (A) Provides or otherwise makes available to
151 enrolled participants health care services, including
152 substantially the following basic health care services:
153 Usual physician services, hospitalization, laboratory, X-
154 ray, emergency and preventive services and out-of-area
155 coverage; and

156 (B) Is compensated except for copayments for the
157 provision of the basic health care services listed in
158 subparagraph (2)(A), subdivision (m) of this definition
159 to enrolled participants on a predetermined periodic
160 rate basis without regard to the date the health care
161 services are provided and which is fixed without regard
162 to the frequency, extent or kind of health service
163 actually provided; and

164 (C) Provides physicians' services primarily (i) directly
165 through physicians who are either employees or
166 partners of such organization, or (ii) through arrange-
167 ments with individual physicians or one or more groups
168 of physicians organized on a group practice or individ-
169 ual practice basis.

170 (l) "Health services" means clinically related preven-
171 tive, diagnostic, treatment or rehabilitative services,
172 including alcohol, drug abuse and mental health
173 services.

174 (m) "Home health agency" is an organization primar-
175 ily engaged in providing directly or through contract
176 arrangements, professional nursing services, home
177 health aide services, and other therapeutic and related
178 services including, but not limited to, physical, speech
179 and occupational therapy and nutritional and medical
180 social services to persons in their place of residence on
181 a part-time or intermittent basis.

182 (n) "Hospital" means an institution which is primarily
 183 engaged in providing to inpatients, by or under the
 184 supervision of physicians, diagnostic and therapeutic
 185 services for medical diagnosis, treatment, and care of
 186 injured, disabled or sick persons, or rehabilitation
 187 services for the rehabilitation of injured, disabled or sick
 188 persons. This term also includes psychiatric and
 189 tuberculosis hospitals.

190 (o) "Intermediate care facility" means an institution
 191 which provides, on a regular basis, health-related care
 192 and services to individuals who do not require the
 193 degree of care and treatment which a hospital or skilled
 194 nursing facility is designed to provide, but who, because
 195 of their mental or physical condition require health
 196 related care and services above the level of room and
 197 board.

198 (p) "Long-range plan" means a document formally
 199 adopted by the legally constituted governing body of an
 200 existing health care facility or by a person proposing a
 201 new institutional health service. Each long-range plan
 202 shall consist of the information required by the state
 203 agency in regulations adopted pursuant to section eight
 204 of this article.

205 (q) "Major medical equipment" means a single unit of
 206 medical equipment or a single system of components
 207 with related functions which is used for the provision
 208 of medical and other health services and which costs in
 209 excess of seven hundred fifty thousand dollars, except
 210 that such term does not include medical equipment
 211 acquired by or on behalf of a clinical laboratory to
 212 provide clinical laboratory services if the clinical
 213 laboratory is independent of a physician's office and a
 214 hospital and it has been determined under Title XVIII
 215 of the Social Security Act to meet the requirements of
 216 paragraphs ten and eleven of Section 1861(s) of such act,
 217 Title 42 United States Code Sections 1395x (10) and (11).
 218 In determining whether medical equipment costs more
 219 than seven hundred fifty thousand dollars, the cost of
 220 studies, surveys, designs, plans, working drawings,
 221 specifications, and other activities essential to the
 222 acquisition of such equipment shall be included. If the

223 equipment is acquired for less than fair market value,
224 the term "cost" includes the fair market value.

225 (r) "Medically underserved population" means the
226 population of an urban or rural area designated by the
227 state agency as an area with a shortage of personal
228 health services or a population having a shortage of such
229 services, after taking into account unusual local condi-
230 tions which are a barrier to accessibility or availability
231 of such services. Such designation shall be in regulations
232 adopted by the state agency pursuant to section eight of
233 this article, and the population so designated may
234 include the state's medically underserved population
235 designated by the Federal Secretary of Health and
236 Human Services under Section 330(b)(3) of the Public
237 Health Service Act, as amended, Title 42 United States
238 Code Section 254(b)(3).

239 (s) "New institutional health service" means such
240 service as described in section three of this article.

241 (t) "Offer" when used in connection with health
242 services, means that the health care facility or health
243 maintenance organization holds itself out as capable of
244 providing, or as having the means for the provision of,
245 specified health services.

246 (u) "Person" means an individual, trust, estate,
247 partnership, committee, corporation, association and
248 other organizations such as joint-stock companies and
249 insurance companies, a state or a political subdivision
250 or instrumentality thereof or any legal entity recognized
251 by the state.

252 (v) "Physician" means a doctor of medicine or osteo-
253 pathy legally authorized to practice medicine and
254 surgery by the state.

255 (w) "Proposed new institutional health service" means
256 such service as described in section three of this article.

257 (x) "Psychiatric hospital" means an institution which
258 primarily provides to inpatients, by or under the
259 supervision of a physician, specialized services for the
260 diagnosis, treatment and rehabilitation of mentally ill
261 and emotionally disturbed persons.

262 (y) "Rehabilitation facility" means an inpatient
 263 facility which is operated for the primary purpose of
 264 assisting in the rehabilitation of disabled persons
 265 through an integrated program of medical and other
 266 services which are provided under competent profes-
 267 sional supervision.

268 (z) "Review agency" means an agency of the state,
 269 designated by the governor as the agency for the review
 270 of state agency decisions.

271 (aa) "Skilled nursing facility" means an institution or
 272 a distinct part of an institution which is primarily
 273 engaged in providing to inpatients skilled nursing care
 274 and related services for patients who require medical or
 275 nursing care, or rehabilitation services for the rehabil-
 276 itation of injured, disabled or sick persons.

277 (bb) "State agency" means the health care cost review
 278 authority created, established, and continued pursuant
 279 to article twenty-nine-b of this chapter.

280 (cc) "State health plan" means the document approved
 281 by the governor after preparation by the former
 282 statewide health coordinating council, or that document
 283 as approved by the governor after amendment by the
 284 health care planning council.

285 (dd) "Health care planning council" means the body
 286 established by section five-a of this article to participate
 287 in the preparation and amendment of the state health
 288 plan and to advise the state agency.

289 (ee) "Substantial change to the bed capacity" of a
 290 health care facility means a change, with which a
 291 capital expenditure is associated, in any two-year period
 292 of ten or more beds or more than ten percent, whichever
 293 is less, of the bed capacity of such facility that increases
 294 or decreases the bed capacity, or relocates beds from one
 295 physical facility or site to another, but does not include
 296 a change by which a health care facility reassigns
 297 existing beds as swing beds between acute care and
 298 long-term care categories. A series of changes to the bed
 299 capacity of a health care facility in any two-year period,
 300 each less than ten beds or ten percent of the bed capacity

301 of such facility, but which when taken together comprise
302 ten or more beds or more than ten percent of the bed
303 capacity of such facility, whichever is less, is a substan-
304 tial change to the bed capacity.

305 (ff) "Substantial change to the health services" of a
306 health care facility means the addition of a health
307 service which is offered by or on behalf of the health
308 care facility and which was not offered by or on behalf
309 of the facility within the twelve-month period before the
310 month in which the service is first offered, or the
311 termination of a health service which was offered by or
312 on behalf of the facility, but does not include the
313 providing of hospice care, ambulance service, wellness
314 centers or programs, adult day care, or respite care by
315 acute care facilities.

316 (gg) "To develop," when used in connection with
317 health services, means to undertake those activities
318 which upon their completion will result in the offer of
319 a new institutional health service or the incurring of a
320 financial obligation, in relation to the offering of such
321 a service.

§16-2D-4. Exemptions from certificate of need program.

1 (a) Except as provided in subdivision (h), section three
2 of this article, nothing in this article or the rules and
3 regulations adopted pursuant to the provisions of this
4 article may be construed to authorize the licensure,
5 supervision, regulation or control in any manner of: (1)
6 Private office practice of any one or more health
7 professionals licensed to practice in this state pursuant
8 to the provisions of chapter thirty of this code: *Provided*,
9 That such exemption from review of private office
10 practice shall not be construed to include such practices
11 where major medical equipment otherwise subject to
12 review under the provisions of this article is acquired,
13 offered or developed; (2) dispensaries and first-aid
14 stations located within business or industrial establish-
15 ments maintained solely for the use of employees:
16 *Provided, however*, That such facility does not contain
17 inpatient or resident beds for patients or employees who
18 generally remain in the facility for more than twenty-

19 four hours; (3) establishments, such as motels, hotels and
 20 boardinghouses, which provide medical, nursing person-
 21 nel and health related services; and (4) the remedial care
 22 or treatment of residents or patients in any home or
 23 institution conducted only for those who rely solely upon
 24 treatment by prayer or spiritual means in accordance
 25 with the creed or tenets of any recognized church or
 26 religious denomination.

27 (b) (1) A certificate of need is not required for the
 28 offering of an inpatient institutional health service or
 29 the acquisition of major medical equipment for the
 30 provision of an inpatient institutional health service or
 31 the obligation of a capital expenditure for the provisions
 32 of an inpatient institutional health service, if with
 33 respect to such offering, acquisition or obligation, the
 34 state agency has, upon application under subdivision (2),
 35 subsection (b) of this section, granted an exemption to:

36 (A) A health maintenance organization or a combina-
 37 tion of health maintenance organizations if (i) the
 38 organization or combination of organizations has, in the
 39 service area of the organization or the service areas of
 40 the organizations in the combination, an enrollment of
 41 at least fifty thousand individuals, (ii) the facility in
 42 which the service will be provided is or will be
 43 geographically located so that the service will be
 44 reasonably accessible to such enrolled individuals, and
 45 (iii) at least seventy-five percent of the patients who can
 46 reasonably be expected to receive the institutional
 47 health service will be individuals enrolled with such
 48 organization or organizations in the combination;

49 (B) A health care facility if (i) the facility primarily
 50 provides or will provide inpatient health services, (ii) the
 51 facility is or will be controlled, directly or indirectly, by
 52 a health maintenance organization or a combination of
 53 health maintenance organizations which has, in the
 54 service area of the organization or service areas of the
 55 organizations in the combination, an enrollment of at
 56 least fifty thousand individuals, (iii) the facility is or will
 57 be geographically located so that the service will be
 58 reasonably accessible to such enrolled individuals, and
 59 (iv) at least seventy-five percent of the patients who can

60 reasonably be expected to receive the institutional
61 health service will be individuals enrolled with such
62 organization or organizations in the combination; or

63 (C) A health care facility, or portion thereof, if (i) the
64 facility is or will be leased by a health maintenance
65 organization or combination of health maintenance
66 organizations which has, in the service area of the
67 organization or the service areas of the organizations in
68 the combination, an enrollment of at least fifty thousand
69 individuals and on the date the application is submitted
70 under subdivision (2), subsection (b) of this section, at
71 least fifteen years remain in the term of the lease, (ii)
72 the facility is or will be geographically located so that
73 the service will be reasonably accessible to such enrolled
74 individuals, and (iii) at least seventy-five percent of the
75 patients who can reasonably be expected to receive the
76 new institutional health service will be individuals
77 enrolled with such organization.

78 (2) (A) A health maintenance organization, combina-
79 tion of health maintenance organizations, or other health
80 care facility is not exempt under subdivision (1),
81 subsection (b) of this section from obtaining a certificate
82 of need unless:

83 (i) It has submitted, at such time and in such form
84 and manner as the state agency shall prescribe, an
85 application for such exemption to the state agency;

86 (ii) The application contains such information respect-
87 ing the organization, combination or facility and the
88 proposed offering, acquisition or obligation as the state
89 agency may require to determine if the organization or
90 combination meets the requirements of subdivision (1),
91 subsection (b) of this section or the facility meets or will
92 meet such requirements; and

93 (iii) The state agency approves such application.

94 (B) The state agency shall approve an application
95 submitted under subparagraph (A), subdivision (2),
96 subsection (b) of this section, if it determines that the
97 applicable requirements of subdivision (1), subsection
98 (b) of this section, are met or will be met on the date

99 the proposed activity for which an exemption was
100 requested will be undertaken.

101 (3) A health care facility, or any part thereof, or
102 medical equipment with respect to which an exemption
103 was granted under subdivision (1), subsection (b) of this
104 section, may not be sold or leased and a controlling
105 interest in such facility or equipment or in a lease of
106 such facility or equipment may not be acquired and a
107 health care facility described in subparagraph (C),
108 subdivision (1), subsection (b) of this section, which was
109 granted an exemption under subdivision (1), subsection
110 (b) of this section, may not be used by any person other
111 than the lessee described in subparagraph (C), subdivi-
112 sion (1), subsection (b) of this section, unless:

113 (A) The state agency issues a certificate of need
114 approving the sale, lease, acquisition or use; or

115 (B) The state agency determines, upon application,
116 that the entity to which the facility or equipment is
117 proposed to be sold or leased, which intends to acquire
118 the controlling interest in or to use the facility is:

119 (i) A health maintenance organization or a combina-
120 tion of health maintenance organizations which meets
121 the enrollment requirements of part (i), subparagraph
122 (A), subdivision (1), subsection (b) of this section, and
123 with respect to such facility or equipment, the entity
124 meets the accessibility and patient enrollment require-
125 ments of parts (ii) and (iii), subparagraph (A), subdivi-
126 sion (1), subsection (b) of this section; or

127 (ii) A health care facility which meets the inpatient,
128 enrollment and accessibility requirements of parts (i),
129 (ii) and (iii), subparagraph (B), subdivision (1), subsec-
130 tion (b) of this section and with respect to its patients
131 meets the enrollment requirements of part (iv), subpa-
132 ragraph (B), subdivision (1), subsection (b) of this
133 section.

134 (4) In the case of a health maintenance organization
135 or an ambulatory care facility or health care facility
136 which ambulatory or health care facility is controlled,
137 directly or indirectly, by a health maintenance organ-

138 ization or a combination of health maintenance organ-
139 izations, the certificate of need requirements apply only
140 to the offering of inpatient institutional health services,
141 the acquisition of major medical equipment, and the
142 obligation of capital expenditures for the offering of
143 inpatient institutional health services and then only to
144 the extent that such offering, acquisition or obligation
145 is not exempt under subdivision (1), subsection (b) of this
146 section.

147 (5) The state agency shall establish the period within
148 which approval or disapproval by the state agency of
149 applications for exemptions under subdivision (1),
150 subsection (b) of this section, shall be made.

151 (c) (1) A health care facility is not required to obtain
152 a certificate of need for the acquisition of major medical
153 equipment to be used solely for research, the addition
154 of health services to be offered solely for research, or the
155 obligation of a capital expenditure to be made solely for
156 research if the health care facility provides the notice
157 required in subdivision (2), subsection (c) of this section,
158 and the state agency does not find, within sixty days
159 after it receives such notice, that the acquisition,
160 offering or obligation will, or will have the effect to:

161 (A) Affect the charges of the facility for the provision
162 of medical or other patient care services other than the
163 services which are included in the research;

164 (B) Result in a substantial change to the bed capacity
165 of the facility; or

166 (C) Result in a substantial change to the health
167 services of the facility.

168 (2) Before a health care facility acquires major
169 medical equipment to be used solely for research, offers
170 a health service solely for research, or obligates a capital
171 expenditure solely for research, such health care facility
172 shall notify in writing the state agency of such facility's
173 intent and the use to be made of such medical equip-
174 ment, health service or capital expenditure.

175 (3) If major medical equipment is acquired, a health
176 service is offered, or a capital expenditure is obligated

177 and a certificate of need is not required for such
178 acquisition, offering or obligation as provided in
179 subdivision (1), subsection (c) of this section, such
180 equipment or service or equipment or facilities acquired
181 through the obligation of such capital expenditure may
182 not be used in such a manner as to have the effect or
183 to make a change described in subparagraphs (A), (B)
184 and (C), subdivision (1), subsection (c) of this section
185 unless the state agency issues a certificate of need
186 approving such use.

187 (4) For purposes of this subsection, the term “solely
188 for research” includes patient care provided on an
189 occasional and irregular basis and not as part of a
190 research program.

191 (d) (1) The state agency may adopt regulations
192 pursuant to section eight of this article to specify the
193 circumstances under which a certificate of need may not
194 be required for the obligation of a capital expenditure
195 to acquire, either by purchase or under lease or
196 comparable arrangement, an existing health care
197 facility: *Provided*, That a certificate of need shall be
198 required for the obligation of a capital expenditure to
199 acquire, either by purchase or under lease or compar-
200 able arrangement, an existing health care facility if:

201 (A) The notice required by subdivision (2), subsection
202 (d) of this section is not filed in accordance with that
203 subdivision with respect to such acquisition; or (B) the
204 state agency finds, within thirty days after the date it
205 receives a notice in accordance with subdivision (2),
206 subsection (d) of this section, with respect to such
207 acquisition, that the services or bed capacity of the
208 facility will be changed by reason of said acquisition.

209 (2) Before any person enters into a contractual
210 arrangement to acquire an existing health care facility,
211 such person shall notify the state agency of his or her
212 intent to acquire the facility and of the services to be
213 offered in the facility and its bed capacity. Such notice
214 shall be made in writing and shall be made at least
215 thirty days before contractual arrangements are entered
216 into to acquire the facility with respect to which the

217 notice is given. The notice shall contain all information
218 the state agency requires in accordance with subsections
219 (e) and (s), section seven of this article.

220 (e) The state agency shall adopt regulations, pursuant
221 to section eight of this article, wherein criteria are
222 established to exempt from review the addition of
223 certain health services, not associated with a capital
224 expenditure, that are projected to entail annual operat-
225 ing costs of less than the expenditure minimum for
226 annual operating costs. For purposes of this subsection,
227 "expenditure minimum for annual operating costs"
228 means five hundred thousand dollars for the twelve-
229 month period beginning the first day of October, one
230 thousand nine hundred eighty-five, and for each twelve-
231 month period thereafter, the state agency may, by
232 regulations adopted pursuant to section eight of this
233 article, adjust the expenditure minimum for annual
234 operating costs to reflect the impact of inflation.

235 (f) The state agency may adopt regulations pursuant
236 to section eight of this article to specify the circumstan-
237 ces under which and the procedures by which a
238 certificate of need may not be required for the obligation
239 of a capital expenditure to acquire, either by purchase
240 or under lease or comparable arrangement, major
241 medical equipment which merely replaces medical
242 equipment which is already owned by the health care
243 facility and which has become outdated, worn-out, or
244 obsolete.

245 (g) The state agency may adopt regulations pursuant
246 to section eight of this article to specify the circumstan-
247 ces under which and the procedures by which a
248 certificate of need may not be required for the obligation
249 of a capital expenditure in excess of the expenditure
250 minimum for certain items not directly related to the
251 provision of health services. The state agency shall
252 specify the types of items in the regulations which may
253 be so exempted from review.

254 (h) The state agency may adopt regulations pursuant
255 to section eight of this article to specify the circumstan-
256 ces under which and the procedures by which a

257 certificate of need may not be required for shared
258 services between two or more acute care facilities
259 providing services made available through new or
260 existing technology that can reasonably be mobile. The
261 state agency shall specify the types of items in the
262 regulations which may be so exempted from review.

263 (i) Nothing in this article shall be construed to require
264 the filing of a certificate of need application for any
265 expenditure, health service, or change in health service
266 which is exempt from review under this article.
267 However, the state agency may promulgate rules and
268 regulations pursuant to section eight of this article to
269 require the filing of a notice with the state agency by
270 a health care facility that proposes to make such an
271 expenditure, initiate a health service, or effect a change
272 in a health service for which the health care facility
273 claims an exemption from review. The state agency
274 shall, within ten days of a receipt of such notice, make
275 one of the following responses:

276 (1) Accept the claim of exemption;

277 (2) Require the health care facility to furnish the state
278 agency with additional information;

279 (3) Reject the claim of exemption; or

280 (4) Determine that a certificate of need application is
281 necessary for a review of the proposed expenditure, new
282 health service, or change in a health service in order to
283 determine if the claim of exemption may be upheld:
284 *Provided*, That when a new health service is proposed
285 to be developed, the state agency shall, within the ten
286 days of receipt of the required notice, determine
287 whether or not economic and geographic factors within
288 the geographic area of the proposed addition to service
289 are such that the proposed new health service will be
290 offered in competition with other health care facilities
291 providing the same or similar service. In the event that
292 an affirmative determination is made on the issue of
293 competition, then the state agency shall require a
294 certificate of need application for the proposed new
295 health service.

§16-2D-5. Powers and duties of state health planning and development agency.

1 (a) The state agency is hereby empowered to admin-
2 ister the certificate of need program as provided by this
3 article.

4 (b) The state agency shall cooperate with the health
5 care planning council in developing rules and regula-
6 tions for the certificate of need program to the extent
7 appropriate for the achievement of efficiency in their
8 reviews and consistency in criteria for such reviews.

9 (c) The state agency may seek advice and assistance
10 of other persons, organizations, and other state agencies
11 in the performance of the state agency's responsibilities
12 under this article.

13 (d) For health services for which competition approp-
14 riately allocates supply consistent with the state health
15 plan, the state agency shall, in the performance of its
16 functions under this article, give priority, where
17 appropriate to advance the purposes of quality assu-
18 rance, cost effectiveness, and access, to actions which
19 would strengthen the effect of competition on the supply
20 of such services.

21 (e) For health services for which competition does not
22 or will not appropriately allocate supply consistent with
23 the state health plan, the state agency shall, in the
24 exercise of its functions under this article, take actions,
25 where appropriate to advance the purposes of quality
26 assurance, cost effectiveness, and access and the other
27 purposes of this article, to allocate the supply of such
28 services.

29 (f) The state agency is hereby empowered to order a
30 moratorium upon the processing of an application or
31 applications for the acquisition of major medical
32 equipment filed pursuant to section three of this article
33 and considered by the agency to be new medical
34 technology, when criteria and guidelines for evaluating
35 the need for such new medical technology have not yet
36 been adopted. Such moratoriums shall be declared by
37 a written order which shall detail the circumstances

38 requiring the moratorium. Upon the adoption of criteria
 39 for evaluating the need for the new medical technology
 40 affected by the moratorium, or ninety days from the
 41 declaration of a moratorium, whichever is less, the
 42 moratorium shall be declared to be over and affected
 43 applications shall be processed pursuant to section six
 44 of this article.

45 (g) Notwithstanding the provisions of section seven of
 46 this article, the state agency may charge a fee for the
 47 filing of any application, the filing of any notice in lieu
 48 of an application, the filing of any exemption determi-
 49 nation request, or the filing of any request for a
 50 declaratory ruling. The fees charged may vary accord-
 51 ing to the type of matter involved, the type of health
 52 service or facility involved, or the amount of capital
 53 expenditure involved. The state agency shall implement
 54 this subsection by filing procedural rules pursuant to
 55 chapter twenty-nine-a of this code. The fees charged
 56 shall be deposited into a special fund known as the
 57 Certificate of Need Program Fund to be expended for
 58 the purposes of this article.

59 (h) No additional intermediate care facility/skilled
 60 nursing facility (ICF/SNF) nursing home beds shall be
 61 granted a certificate of need, except for applicants
 62 which have filed letters of intent or applications for
 63 certificates of need for such facilities prior to the
 64 fifteenth day of March, one thousand nine hundred
 65 eighty-seven and except in the case of facilities designed
 66 to replace existing beds in unsafe or substandard
 67 existing facilities.

**§16-2D-5a. Health care planning council; state health
 plan; regional health advisory councils.**

1 (a) The department of health shall be responsible for
 2 coordinating and developing the health planning
 3 research efforts of the state and for all amendments,
 4 revisions and updates of the state health plan referred
 5 to herein.

6 (b) There is hereby created a fifteen member health
 7 care planning council, whose purpose is to give input
 8 and direction to the health care cost review authority

9 and to the West Virginia department of health in the
10 state health planning process and annual updates of the
11 state health plan.

12 (c) The state health plan heretofore approved by the
13 Governor shall remain in effect until replaced or
14 modified as follows: The department of health shall
15 prepare a draft of all amendments to the state health
16 plan and shall transmit the drafts to the council and to
17 the state agency. The state agency may present amend-
18 ments to the department of health proposal to the
19 council for consideration. The council shall then hold
20 public hearings on each amendment as prepared by the
21 department of health. Following the public hearings, the
22 council may amend the proposal and, if the proposed
23 amendment is approved by a majority of the council, the
24 council shall submit the proposed amendment to the
25 Governor for his approval.

26 (d) The state health plan shall describe those institu-
27 tional health services which entail annual operating cost
28 in excess of the expenditure minimum for annual
29 operating costs which are needed to provide for the well-
30 being of persons receiving care within the state. At a
31 minimum, these shall include acute inpatient (including
32 psychiatric inpatient, obstetrical inpatient, and neonatal
33 inpatient), rehabilitation, and long-term care services.
34 The state health plan shall also describe other health
35 services needed to provide for the well-being of persons
36 receiving care within the state, including, at a min-
37 imum, preventive, ambulatory, and home health servi-
38 ces and treatment for alcohol and drug abuse. The state
39 health plan shall also describe the number and type of
40 resources, including facilities, personnel, major medical
41 equipment, and other resources required to meet the
42 goal of the plan and shall state the extent to which
43 existing health care facilities are in need of moderniza-
44 tion, conversion to other uses, or closure and the extent
45 to which new health care facilities need to be con-
46 structed or acquired. Finally, the state health plan shall
47 contain a detailed statement of goals.

48 (e) The health care planning council shall be com-
49 posed of the director of the West Virginia department

50 of health, the commissioner of the West Virginia
51 department of human services, the commissioner of
52 insurance, the chairman of the public employees
53 insurance board, the chairman of the West Virginia
54 health care cost review authority, and the executive
55 director of the commission on aging by virtue of their
56 appointive office; five public members, who shall consist
57 of one representative of senior citizens, one representa-
58 tive of labor, one representative of business, one
59 representative of the health insurance industry, one
60 representative from regional health advisory councils
61 who shall be nominated by the regional health advisory
62 councils; and four representatives of the health care
63 industry, one of whom shall represent physicians, one of
64 whom shall represent registered nurses, one of whom
65 shall represent the long term care industry, and one of
66 whom shall represent hospitals. The members shall be
67 appointed by the governor with the advice and consent
68 of the senate. Appointment of members of the health
69 care planning council shall be made with due diligence
70 to ensure membership thereon by persons representing
71 cultural, demographic and ethnic segments of the
72 population of this state. Lay and professional members
73 of the health care planning council shall be appointed
74 for terms of three years each, except that of those first
75 appointed, three members shall be appointed for terms
76 of one year, three members for terms of two years and
77 three members for terms of three years, and each shall
78 be eligible for reappointment to a subsequent three-year
79 term. Vacancies shall be filled in the same manner as
80 the original appointments for the duration of the
81 unexpired term.

82 (f) The presence of a majority of the members of the
83 health care planning council shall constitute a quorum
84 for the transaction of business. The health care planning
85 council shall elect a chairman, vice chairman, and such
86 other officers as it shall deem necessary who shall serve
87 at the will and pleasure of the members. The health care
88 planning council shall meet no less than four times
89 during the calendar year, and additional meetings shall
90 be held upon call of the chairman or a majority of the
91 members.

92 (g) The health care planning council members shall
93 be reimbursed for expenses necessary to carry out their
94 responsibilities and for reasonable travel expenses to
95 attend health care planning council meetings.

96 (h) The health care cost review authority shall
97 transmit to the department of health such data, records,
98 reports, analyses and summaries filed, collected and
99 developed by the authority as are necessary to health
100 planning functions or related to health planning
101 activities.

102 (i) In recognition of the importance of local commun-
103 ity involvement in health planning and development
104 efforts, each planning and development council region
105 of the state shall have a regional health advisory council
106 which shall meet at least quarterly and shall review
107 health care needs and organize public hearings on the
108 health care issues within the region. Regional health
109 advisory councils shall regularly report to the health
110 care planning council regarding recommendations on
111 health care needs and concerns in their respective
112 regions. Regional health advisory councils shall be
113 provided sufficient staff by the department of health to
114 carry out their responsibility under this article. The
115 department of health shall arrange for an annual
116 meeting of the regional health advisory councils for
117 purposes of exchanging information, continuing educa-
118 tion and electing a regional health advisory council
119 representative to serve on the health care planning
120 council. Each regional health advisory council shall
121 consist of members from each county within the region,
122 which members shall be appointed by the respective
123 county commissions. One representative appointed from
124 each county shall be actively involved in health care
125 delivery in the county which such member is appointed,
126 and two representatives from each county within the
127 region shall have no direct affiliation with any health
128 care provider and shall be consumers of health care
129 services. No more than two members appointed from
130 each county may be from the same political party. The
131 presence of a majority of members at regional health
132 advisory council meetings shall constitute a quorum for

133 purposes of transacting business.

134 (j) The council shall make its own report to the state
 135 agency, the Governor and the Legislature within thirty
 136 days of the close of each fiscal year. This report shall
 137 include summaries of all meetings of the council and any
 138 public comments on decisions, together with any
 139 suggestions and policy recommendations. In addition,
 140 the council shall make a study of the impact of the
 141 moratorium imposed by section five, subsection (h) of
 142 this article as to its effects on the long-term care
 143 availability and accessibility and report to the Legisla-
 144 ture on or before the first day of January, one thousand
 145 nine hundred eighty-eight.

146 (k) In the event that the health planning function
 147 established by this section is not funded through the
 148 general revenue fund, the state agency will provide, on
 149 an annual basis, through inter-agency transfer to the
 150 department of health the sum of two hundred thousand
 151 dollars for health planning programs described herein.

152 (l) The department of health shall promulgate rules
 153 and regulations in accordance with chapter twenty-nine-
 154 a to further implement the provisions of this section.

§16-2D-7. Procedures for certificate of need reviews.

1 (a) Prior to submission of an application for a
 2 certificate of need, the state agency shall require the
 3 submission of long-range plans by health care facilities
 4 with respect to the development of proposals subject to
 5 review under this article. The plans shall be in such
 6 form and contain such information as the state agency
 7 shall require.

8 (b) An application for a certificate of need shall be
 9 submitted to the state agency prior to the offering or
 10 development of all new institutional services within this
 11 state. Persons proposing new institutional health
 12 services shall submit letters of intent not less than
 13 fifteen days prior to submitting an application. The
 14 letters of intent shall be of such detail as specified by
 15 the state agency.

16 (c) The state agency may adopt regulations pursuant

17 to section eight of this article for:

18 (1) Provision for applications to be submitted in
19 accordance with a timetable established by the state
20 agency;

21 (2) Provision for such reviews to be undertaken in a
22 timely fashion; and

23 (3) Except for proposed new institutional health
24 services which meet the requirements for consideration
25 under subsection (g), section nine of this article with
26 regard to the elimination or prevention of certain
27 imminent safety hazards or to comply with certain
28 licensure or accreditation standards, provision for all
29 completed applications pertaining to similar types of
30 services, facilities or equipment to be considered in
31 relation to each other, at least three times a year.

32 (d) An application for a certificate of need shall
33 specify the time the applicant will require to make such
34 service or equipment available or to obligate such
35 expenditure and a timetable for making such service or
36 equipment available or obligating such expenditure.

37 (e) The application shall be in such form and contain
38 such information as the state agency shall establish by
39 rule or regulation, but requests for information shall be
40 limited to only that information which is necessary for
41 the state agency to perform the review.

42 (f) Within fifteen days of receipt of application, the
43 state agency shall determine if the application is
44 complete. The state agency may request additional
45 information from the applicant.

46 (g) The state agency shall provide timely written
47 notice to the applicant and to all affected persons of the
48 beginning of the review, and to any person who has
49 asked the state agency to place the person's name on a
50 mailing list maintained by the state agency. Notification
51 shall include the proposed schedule for review, the
52 period within which a public hearing during the course
53 of the review may be requested by affected persons,
54 which period may not be less than thirty days from the
55 date of the written notification of the beginning of the

56 review required by this section, and the manner in
57 which notification will be provided of the time and place
58 of any public hearing so requested. For the purposes of
59 this subsection, the date of notification is the date on
60 which the notice is sent or the date on which the notice
61 appears in a newspaper of general circulation, whi-
62 chever is later.

63 (h) Written notification to members of the public and
64 third-party payers may be provided through newspap-
65 ers of general circulation in the applicable health
66 service area and public information channels; notifica-
67 tion to all other affected persons shall be by mail which
68 may be as part of a newsletter.

69 (i) If, after a review has begun, the state agency
70 requires the person subject to the review to submit
71 additional information respecting the subject of the
72 review, such person shall be provided at least fifteen
73 days to submit the information and the state agency
74 shall, at the request of such person, extend the review
75 period by fifteen days. This extension applies to all other
76 applications which have been considered in relation to
77 the application for which additional information is
78 required.

79 (j) The state agency shall adopt schedules for reviews
80 which provide that no review may, to the extent
81 practicable, take longer than ninety days from the date
82 that notification, as described under subsection (g) of
83 this section, is sent to the applicant to the date of the
84 final decision of the state agency, and in the case of
85 expedited applications, may by regulations adopted
86 pursuant to section eight of this article provide for a
87 shortened review period.

88 (k) The state agency shall adopt criteria for determin-
89 ing when it would not be practicable to complete a
90 review within ninety days.

91 (l) The state agency shall provide a public hearing in
92 the course of agency review if requested by any affected
93 person and the state agency may on its own initiate such
94 a public hearing.

95 (1) The state agency shall, prior to such hearing,
96 provide notice of such hearing and shall conduct such
97 hearing in accordance with administrative hearing
98 requirements in article five, chapter twenty-nine-a of
99 this code, and its procedure adopted pursuant to this
100 section.

101 (2) In a hearing any person has the right to be
102 represented by counsel and to present oral or written
103 arguments and evidence relevant to the matter which
104 is the subject of the hearing. Any person affected by the
105 matter which is the subject of the hearing may conduct
106 reasonable questioning of persons who make factual
107 allegations relevant to such matter.

108 (3) The state agency shall maintain a verbatim record
109 of the hearing.

110 (4) After the commencement of a hearing on the
111 applicant's application and before a decision is made
112 with respect to it, there may be no ex parte contacts
113 between (a) the applicant for the certificate of need, any
114 person acting on behalf of the applicant or holder of a
115 certificate of need, or any person opposed to the issuance
116 of a certificate for the applicant and (b) any person in
117 the state agency who exercises any responsibility
118 respecting the application.

119 (5) The state agency may not impose fees for such a
120 public hearing.

121 (m) If a public hearing is not conducted during the
122 review of a new institutional health service, the state
123 agency may, by regulations adopted pursuant to section
124 eight of this article, provide for a file closing date
125 during the review period after which date no other
126 factual information or evidence may be considered in
127 the determination of the application for the certificate
128 of need. A detailed itemization of documents in the state
129 agency file on a proposed new institutional health
130 service shall, on request, be made available by the state
131 agency at any time before the file closing date.

132 (n) The extent of additional information received by
133 the state agency from the applicant for a certificate of

134 need after a review has begun on the applicant's
135 proposed new institutional health service, with respect
136 to the impact on such new institutional health service
137 and additional information which is received by the
138 state agency from the applicant, may be cause for the
139 state agency to determine the application to be a new
140 proposal, subject to a new review cycle.

141 (o) The state agency shall in timely fashion notify,
142 upon request, providers of health services and other
143 persons subject to review under this article of the status
144 of the state agency review of new institutional health
145 services subject to review, findings made in the course
146 of such review, and other appropriate information
147 respecting such review.

148 (p) The state agency shall prepare and publish, at
149 least annually, reports of reviews completed and being
150 conducted, with general statements about the status of
151 each review still in progress and the findings and
152 rationale for each completed review since the publica-
153 tion of the last report.

154 (q) The state agency shall provide for access by the
155 general public to all applications reviewed by the state
156 agency and to all other pertinent written materials
157 essential to agency review.

158 (r) (1) Any person may request in writing a public
159 hearing for purposes of reconsideration of a state agency
160 decision. No fees may be imposed by the state agency
161 for the hearing. For purposes of this section, a request
162 for a public hearing for purposes of reconsideration
163 shall be deemed to have shown good cause if, in a
164 detailed statement, it:

165 (A) Presents significant, relevant information not
166 previously considered by the state agency, and demon-
167 strates that with reasonable diligence the information
168 could not have been presented before the state agency
169 made its decision;

170 (B) Demonstrates that there have been significant
171 changes in factors or circumstances relied upon by the
172 state agency in reaching its decision;

173 (C) Demonstrates that the state agency has materially
174 failed to follow its adopted procedures in reaching its
175 decision; or

176 (D) Provides such other bases for a public hearing as
177 the state agency determines constitutes good cause.

178 (2) To be effective, a request for such a hearing shall
179 be received within thirty days after the date upon which
180 all parties received notice of the state agency decision,
181 and the hearing shall commence within thirty days of
182 receipt of the request.

183 (3) Notification of such public hearing shall be sent,
184 prior to the date of the hearing, to the person requesting
185 the hearing, the person proposing the new institutional
186 health service, and shall be sent to others upon request.

187 (4) The state agency shall hold public reconsideration
188 hearings in accordance with the provisions for adminis-
189 trative hearings contained in:

190 (A) Its adopted procedures;

191 (B) Ex parte contact provisions of subdivision (4),
192 subsection (1) of this section; and

193 (C) The administrative procedures for contested cases
194 contained in article five, chapter twenty-nine-a of this
195 code.

196 (5) The state agency shall make written findings
197 which state the basis for its decision within forty-five
198 days after the conclusion of such hearing.

199 (6) A decision of the state agency following a recon-
200 sideration hearing shall be considered a decision of the
201 state agency for purposes of sections nine and ten of this
202 article and for purposes of the notification of the status
203 of review, findings and annual report provisions of
204 subsections (o) and (p) of this section.

205 (s) The state agency may adopt regulations pursuant
206 to section eight of this article for reviews and such
207 regulations may vary according to the purpose for which
208 a particular review is being conducted or the type of
209 health services being reviewed.

210 (t) Notwithstanding other provisions of this article,
 211 the state agency shall adopt rules and regulations for
 212 determining when there is an application which war-
 213 rants expedited review. If procedures adopted by the
 214 state agency to handle expedited applications do not
 215 conform to the provisions of this article, such procedures
 216 shall be approved by the federal secretary of health and
 217 human services and shall be adopted as regulations
 218 pursuant to section eight of this article.

**ARTICLE 29B. WEST VIRGINIA HEALTH CARE COST REVIEW
 AUTHORITY.**

§16-29B-11. Certificate of need program.

1 The board shall carry out and perform all functions
 2 set forth in article two-d of this chapter, including
 3 review and approval or disapproval of capital expendi-
 4 tures for health care facilities or services. In making
 5 decisions in the certificate of need review process, the
 6 board shall be guided by the state health plan approved
 7 by the Governor.

§16-29B-19. Rate-setting powers generally.

1 (a) The board shall have power: (1) To initiate reviews
 2 and investigations of hospital rates and establish and
 3 approve such rates; (2) to initiate reviews and investi-
 4 gations of hospital rates for specific services and the
 5 component factors which determine such rates; (3) to
 6 initiate reviews and investigations of hospital budgets
 7 and the specific components of such budgets; and (4) to
 8 approve or disapprove hospital rates and budgets taking
 9 into consideration the criteria set forth in section twenty
 10 of this article.

11 (b) In the interest of promoting the most efficient and
 12 effective use of hospital service, the board may adopt
 13 and approve alternative methods of rate determination.
 14 The board may also adopt methods of charges and
 15 payments of an experimental nature which are in the
 16 public interest and consistent with the purpose of this
 17 article.

§16-29B-20. Rate determination.

1 (a) Upon commencement of review activities, no rates

2 may be approved by the board nor payment be made
3 for services provided by hospitals under the jurisdiction
4 of the board by any purchaser or third-party payor to
5 or on behalf of any purchaser or class of purchasers
6 unless:

7 (1) The costs of the hospital's services are reasonably
8 related to the services provided and the rates are
9 reasonably related to the costs;

10 (2) The rates are equitably established among all
11 purchasers or classes of purchasers within a hospital
12 without discrimination unless federal or state statutes or
13 regulations conflict with this requirement. Equity
14 among classes of purchasers may be achieved by
15 considering demonstrated differences in the financial
16 requirements of hospitals resulting from service,
17 coverage and payment characteristics of a class of
18 purchasers. The provision for differentials in rates
19 among classes of purchasers should be carried out in the
20 context of each hospital's total financial requirements
21 for the efficient provision of necessary services. The
22 board shall institute a study of objective methods of
23 computing the percentage differential to be utilized for
24 all hospitals in determining appropriate projected gross
25 revenues under subsection (b) of this section. Such study
26 shall include a review and determination of the relevant
27 and justifiable economic factors which can be considered
28 in setting such differential. The differential shall be
29 allowed for only those activities and programs which
30 result in quantifiable savings to the hospital with
31 respect to patient care costs, bad debts, free care or
32 working capital, or reductions in the payments of other
33 payors. Each component utilized in determining the
34 differential shall be individually quantified so that the
35 differential shall equal the value assigned to each
36 component. The board shall consider such matters as
37 coverage to individual subscribers, the elderly and small
38 groups, payment practices, savings in hospital adminis-
39 trative costs, cost containment programs and working
40 capital. The study shall also provide for a method of
41 annual recomputation of the differential and triennial
42 recomputation of all other components. The board may

43 contract with any person or entity to assist the board
44 in the discharge of its duties as herein stated. Whoever
45 obstructs any person or entity conducting a study
46 authorized under the provisions of this section shall be
47 deemed to be in violation of this article and shall be
48 subject to any appropriate actions, including injunctive
49 relief, as may be necessary for the enforcement of this
50 section;

51 (3) The rates of payment for medicaid are reasonable
52 and adequate to meet the costs which must be incurred
53 by efficiently and economically operated hospitals
54 subject to the provisions of this article. The rates shall
55 take into account the situation of hospitals which serve
56 disproportionate numbers of low income patients and
57 assure that individuals eligible for medicaid have
58 reasonable access, taking into account geographic
59 location and reasonable travel time, to inpatient hospital
60 services of adequate quality;

61 (4) The rates are equitable in comparison to prevail-
62 ing rates for similar services in similar hospitals as
63 determined by the board;

64 (5) In no event shall a hospital's receipt of emergency
65 disaster funds from the federal government be included
66 in such hospital's gross revenues for either rate-setting
67 or assessment purposes.

68 (b) In the interest of promoting efficient and approp-
69 riate utilization of hospital services the board shall
70 review and make findings on the appropriateness of
71 projected gross revenues for a hospital as such revenues
72 relate to charges for services and anticipated incidence
73 of service. The board shall further render a decision as
74 to the amount of net revenue over expenditures that is
75 appropriate for the effective operation of the hospital.

76 (c) When applying the criteria set forth above, the
77 board shall consider all relevant factors including, but
78 not limited to, the following: The economic factors in the
79 hospital's area; the hospital's efforts to share services;
80 the hospital's efforts to employ less costly alternatives
81 for delivering substantially similar services or produc-
82 ing substantially similar or better results in terms of the

83 health status of those served; the efficiency of the
84 hospital as to cost and delivery of health care; the
85 quality of care; occupancy level; a fair return on
86 invested capital, not otherwise compensated for;
87 whether the hospital is operated for profit or not for
88 profit; costs of education; and, income from any
89 investments and assets not associated with patient care,
90 including, but not limited to, parking garages, residen-
91 ces, office buildings, and income from foundations and
92 restricted funds whether or not so associated.

93 (d) Wages, salaries and benefits paid to or on behalf
94 of nonsupervisory employees of hospitals subject to this
95 article shall not be subject to review unless the board
96 first determines that such wages, salaries and benefits
97 may be unreasonably or uncustomarily high or low. Said
98 exemption does not apply to accounting and reporting
99 requirements contained in this article, nor to any that
100 may be established by the board. "Nonsupervisory
101 personnel," for the purposes of this section, means, but
102 is not limited to, employees of hospitals subject to the
103 provisions of this article who are paid on an hourly
104 basis.

105 (e) Reimbursement of capital and operating costs for
106 new services and capital projects subject to article two-
107 d of this chapter shall not be allowed by the board if
108 such costs were incurred subsequent to the eighth day
109 of July, one thousand nine hundred seventy-seven, unless
110 they were exempt from review or approved by the state
111 health planning and development agency prior to the
112 first day of July, one thousand nine hundred eighty-four,
113 pursuant to the provisions of article two-d of this
114 chapter.

115 (f) The board shall consult with relevant licensing
116 agencies and may require them to provide written
117 findings with regard to their statutory functions and
118 information obtained by them in the pursuit of those
119 functions. Any licensing agency empowered to suggest
120 or mandate changes in buildings or operations of
121 hospitals shall give notice to the board together with any
122 findings.

123 (g) Rates shall be set by the board in advance of the
 124 year during which they apply except for the procedure
 125 set forth in subsection (c), section twenty-one of this
 126 article and shall not be adjusted for costs actually
 127 incurred.

128 (h) All determinations, orders and decisions of the
 129 board with respect to rates and revenues shall be
 130 prospective in nature.

131 (i) No hospital may charge for services at rates in
 132 excess of those established in accordance with the
 133 requirements of and procedures set forth in this article.

134 (j) Notwithstanding any other provision of this article,
 135 the board shall approve all requests for rate increases
 136 by hospitals where the rate of increase in the hospital's
 137 gross inpatient revenues per discharge for nonmedicare
 138 and nonmedicaid payors is equal to or less than the rate
 139 of inflation for the hospital industry nationally as
 140 measured by the most recent hospital market basket
 141 component of the consumer price index as reported by
 142 the United States Bureau of Labor Statistics applicable
 143 to the hospital's fiscal year. The board may, by regula-
 144 tion, impose reporting requirements to ensure that a
 145 hospital does not exceed the rate of increases permitted
 146 herein.

**§16-29B-21. Procedure for obtaining initial rate sche-
 dule; adjustments and revisions of rate
 schedules.**

1 (a) No hospital subject to this article may change or
 2 amend its schedule of rates except in accordance with
 3 the following procedures:

4 (1) Any request for a change in rate schedules or
 5 other changes must be filed in writing to the board with
 6 such supporting data as the hospital seeking to change
 7 its rates considers appropriate, in the form prescribed
 8 by the board. Upon receipt of notice, the board, if it
 9 considers necessary, may hold a public hearing on the
 10 proposed change. Such hearing shall be held no later
 11 than forty-five days after receipt of the notice. The
 12 review of the proposed change may not exceed an overall

13 period of one hundred eighty days from the date of filing
14 to the date of the board's order. If the board fails to
15 complete its review of the proposed change within the
16 time period specified for the review, the proposed
17 change shall be deemed to have been approved by the
18 board. Any proposed change shall go into effect upon the
19 date specified in the order;

20 (2) Each hospital shall establish, in a written report
21 which shall be incorporated into each proposed rate
22 application, that it has thoroughly investigated and
23 considered:

24 (A) The economic and social impact of any proposed
25 rate increase, or service decrease, on hospital cost
26 containment and upon health care purchasers, including
27 classes of purchasers, such as the elderly and low and
28 fixed income persons;

29 (B) State-of-the-art advances in health care cost
30 containment, hospital management and rate design, as
31 alternatives to or in mitigation of any rate increase, or
32 service decrease, which report shall describe the state-
33 of-the-art advances considered and shall contain specific
34 findings as to each consideration, including the reasons
35 for adoption or rejection of each;

36 (C) Implementation of cost control systems, including
37 the elimination of unnecessary or duplicative facilities
38 and services, promotion of alternative forms of care, and
39 other cost control mechanisms;

40 (D) Initiatives to create alternative delivery systems;
41 and

42 (E) Efforts to encourage third-party payors, includ-
43 ing, but not limited to, insurers, health service, care and
44 maintenance organizations, to control costs, including a
45 combination of education, persuasion, financial incen-
46 tives and disincentives to control costs;

47 (3) In the event the board modifies the request of a
48 hospital for a change in its rates so that the hospital
49 obtains only a partial increase in its rate schedule, the
50 hospital shall have the right to accept the benefits of the
51 partial increase in rates and charge its purchasers

52 accordingly without in any way adversely affecting or
53 waiving its right to appeal that portion of the decision
54 and order of the board which denied the remainder of
55 the requested rate increase.

56 (b) The board shall allow a temporary change in a
57 hospital's rates which may be effective immediately
58 upon filing and in advance of review procedures when
59 a hospital files a verified claim that such temporary rate
60 changes are in the public interest, and are necessary to
61 prevent insolvency, to maintain accreditation or for
62 emergency repairs or to relieve undue financial hard-
63 ship. The verified claim shall state the facts supporting
64 the hospital's position, the amount of increase in rates
65 required to alleviate the situation, and shall summarize
66 the overall effect of the rate increase. The claim shall
67 be verified by either the chairman of the hospital's
68 governing body or by the chief executive officer of the
69 hospital.

70 (c) Following receipt of the verified claim for tempor-
71 ary relief, the board shall review the claim through its
72 usual procedures and standards; however, this power of
73 review does not affect the hospital's ability to place the
74 temporary rate increase into effect immediately. The
75 review of the hospital's claim shall be for a permanent
76 rate increase and the board may include such other
77 factual information in the review as may be necessary
78 for a permanent rate increase review. As a result of its
79 findings from the permanent review, the board may
80 allow the temporary rate increase to become permanent,
81 to deny any increase at all, to allow a lesser increase,
82 or to allow a greater increase.

83 (d) When any change affecting an increase in rates
84 goes into effect before a final order is entered in the
85 proceedings, for whatever reasons, where it deems it
86 necessary and practicable, the board may order the
87 hospital to keep a detailed and accurate account of all
88 amounts received by reason of the increase in rates and
89 the purchasers and third-party payors from whom such
90 amounts were received. At the conclusion of any
91 hearing, appeal or other proceeding, the board may
92 order the hospital to refund with interest to each

93 affected purchaser and/or third-party payor any part of
94 the increase in rates that may be held to be excessive
95 or unreasonable. In the event a refund is not practicable,
96 the hospital shall, under appropriate terms and condi-
97 tions determined by the board, charge over and amor-
98 tize by means of a temporary decrease in rates whatever
99 income is realized from that portion of the increase in
100 rates which was subsequently held to be excessive or
101 unreasonable.

102 (e) The board, upon a determination that a hospital
103 has overcharged purchasers or charged purchasers at
104 rates not approved by the board or charged rates which
105 were subsequently held to be excessive or unreasonable,
106 may prescribe rebates to purchasers and third-party
107 payors in effect by the aggregate total of the overcharge.

108 (f) The board may open a proceeding against any
109 hospital at any time with regard to compliance with
110 rates approved and the efficiency and effectiveness of
111 the care being rendered in the hospital.

§16-29B-28. Termination date.

1 After having conducted a performance and fiscal
2 audit through its joint committee on government
3 operations, pursuant to section nine, article ten, chapter
4 four of this code, the Legislature hereby finds and
5 declares that the health care cost review authority
6 should be continued and reestablished. Accordingly,
7 notwithstanding the provisions of subsection seven of
8 section four, article ten, chapter four of this code, the
9 health care cost review authority shall continue to exist
10 until the first day of July, one thousand nine hundred
11 ninety-one.

The Joint Committee on Enrolled Bills hereby certifies that the foregoing bill is correctly enrolled.

Bruce O. Williams
Chairman Senate Committee

Lyle Setter
Chairman House Committee

Originating in the House.

Takes effect ninety days from passage.

Todd C. Mills
Clerk of the Senate

Donald L. Hopp
Clerk of the House of Delegates

Don Tankership
President of the Senate

Robert L. ...
Speaker of the House of Delegates

The within *appeared* this the *2nd*
day of *April*, 1987.

Andrew A. ...
Governor

PRESENTED TO THE

GOVERNOR

Date 5/27/87

Time 2:24 p.m.