

**Second Regular Session
Seventy-first General Assembly
STATE OF COLORADO**

ENGROSSED

*This Version Includes All Amendments Adopted
on Second Reading in the House of Introduction*

LLS NO. 18-0608.01 Brita Darling x2241

HOUSE BILL 18-1207

HOUSE SPONSORSHIP

Kennedy and Rankin,

SENATE SPONSORSHIP

Moreno and Smallwood,

House Committees

Health, Insurance, & Environment

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING HOSPITAL TRANSPARENCY MEASURES REQUIRED TO**
102 **ANALYZE THE EFFICACY OF HOSPITAL DELIVERY SYSTEM**
103 **REFORM INCENTIVE PAYMENTS.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov>.)

The bill requires the department of health care policy and financing (department), in consultation with the Colorado healthcare affordability and sustainability enterprise board, to develop and prepare an annual report detailing uncompensated hospital costs and the different categories of expenditures made by general hospitals in the state (hospital

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

HOUSE
2nd Reading Unamended
March 13, 2018

expenditure report). In compiling the hospital expenditure report, the department shall use publicly available data sources whenever possible. Each general hospital in the state is required to make available to the department certain information, including:

- ! Hospital cost reports submitted to the federal centers for medicare and medicaid services;
- ! Annual audited financial statements; except that, if a hospital is part of a consolidated or combined group, the hospital may submit a consolidated or combined financial statement if the group's statement separately identifies the information for each of the group's licensed hospitals;
- ! Utilization and staffing information and standard units of measure; and
- ! Information accessed through a secure, online data collection and reporting system that provides a central location for the collection and analysis of hospital utilization and financial data.

The hospital expenditure report must include, but not be limited to:

- ! A description of the methods of analysis and definitions of report components by payer group;
- ! Uncompensated care costs by payer group; and
- ! The percentage that different categories of expenses contribute to overall expenses of hospitals.

The department is required to submit the hospital expenditure report to the governor, specified committees of the general assembly, and the medical services board in the department. The department is also directed to post the hospital expenditure report on the department's website.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, 25.5-4-402.4, **add**
3 (7)(e.5) follows:

4 **25.5-4-402.4. Hospitals - healthcare affordability and**
5 **sustainability fee - legislative declaration - Colorado healthcare**
6 **affordability and sustainability enterprise - federal waiver - fund**
7 **created - rules - reports. (7) Colorado healthcare affordability and**
8 **sustainability enterprise board. (e.5) THE ENTERPRISE BOARD, USING**
9 **STAFF AND ANALYSIS PROVIDED BY THE STATE DEPARTMENT, SHALL**

1 PROVIDE THE ESTIMATES DESCRIBED IN SUBSECTION (7)(e)(V) OF THIS
2 SECTION BASED ON APPROPRIATE INFORMATION PROVIDED TO THE STATE
3 DEPARTMENT BY HOSPITALS.

4 **SECTION 2.** In Colorado Revised Statutes, **add** 25.5-4-402.8 as
5 follows:

6 **25.5-4-402.8. Hospital expenditure report.** (1) (a) AS PART OF
7 ITS ADMINISTRATION OF THE HEALTHCARE AFFORDABILITY AND
8 SUSTAINABILITY FEE, THE STATE DEPARTMENT, IN CONSULTATION WITH
9 THE COLORADO HEALTHCARE AFFORDABILITY AND SUSTAINABILITY
10 ENTERPRISE BOARD, CREATED IN SECTION 25.5-4-402.4 AND REFERRED TO
11 IN THIS SECTION AS THE "ENTERPRISE BOARD", SHALL ANNUALLY PREPARE
12 A WRITTEN HOSPITAL EXPENDITURE REPORT DETAILING UNCOMPENSATED
13 HOSPITAL COSTS AND THE DIFFERENT CATEGORIES OF EXPENDITURES, BY
14 PAYER GROUP, MADE BY HOSPITALS IN THE STATE. IN COMPILING THE
15 HOSPITAL EXPENDITURE REPORT, THE STATE DEPARTMENT SHALL USE
16 PUBLICLY AVAILABLE DATA SOURCES WHENEVER POSSIBLE. SPECIFICALLY,
17 EACH GENERAL HOSPITAL IN THE STATE SHALL MAKE AVAILABLE THE
18 FOLLOWING INFORMATION TO THE STATE DEPARTMENT:

19 (I) THE HOSPITAL COST REPORT SUBMITTED TO THE FEDERAL
20 CENTERS FOR MEDICARE AND MEDICAID SERVICES PURSUANT TO 42 CFR
21 413.20, INCLUDING A COPY OF THE FINAL FORMS AND WORKSHEETS
22 SUBMITTED TO THE FEDERAL CENTERS FOR MEDICARE AND MEDICAID
23 SERVICES AS PART OF THE HOSPITAL COST REPORT;

24 (II) (A) AN ANNUAL AUDITED FINANCIAL STATEMENT PREPARED
25 IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.
26 EACH HOSPITAL SHALL SUBMIT THE STATEMENT WITHIN ONE HUNDRED
27 TWENTY DAYS AFTER THE END OF ITS FISCAL YEAR UNLESS THE STATE

1 DEPARTMENT GRANTS AN EXTENSION IN WRITING IN ADVANCE OF THAT
2 DATE.

3 (B) NOTWITHSTANDING THE PROVISIONS OF SUBSECTION
4 (1)(a)(II)(A) OF THIS SECTION, IF A HOSPITAL IS PART OF A CONSOLIDATED
5 OR COMBINED GROUP AND IS NORMALLY INCLUDED IN THAT GROUP'S
6 FINANCIAL STATEMENT, THE HOSPITAL MAY SUBMIT THE CONSOLIDATED
7 OR COMBINED STATEMENT IF THE GROUP'S STATEMENT SEPARATELY
8 IDENTIFIES THE FINANCIAL INFORMATION FOR EACH OF THE GROUP'S
9 LICENSED HOSPITALS OPERATING IN THIS STATE. FOR EACH HOSPITAL
10 OPERATING IN THIS STATE AND FOR EACH ADDITIONAL OPERATING UNIT
11 THAT ACCOUNTS FOR FIVE PERCENT OR MORE OF THE CONSOLIDATED OR
12 COMBINED GROUP'S GROSS REVENUES, THE STATEMENT MUST INCLUDE
13 FINANCIAL BALANCES AND INFORMATION FOR THAT UNIT, INCLUDING A
14 BALANCE SHEET, AN INCOME STATEMENT, A STATEMENT OF CHANGES IN
15 EQUITY OR FUND BALANCE, AND A STATEMENT OF CASH FLOWS. THE
16 FINANCIAL INFORMATION FOR EACH HOSPITAL INCLUDED IN A
17 CONSOLIDATED OR COMBINED FINANCIAL STATEMENT MUST ONLY
18 REFLECT FINANCIAL BALANCES AND INFORMATION FOR THE HOSPITAL AND
19 MUST NOT INCLUDE NONHOSPITAL OPERATIONS UNLESS NONHOSPITAL
20 OPERATIONS ARE CLEARLY DELINEATED IN THE FINANCIAL STATEMENT OR
21 THE HOSPITAL CLEARLY IDENTIFIES AND DELINEATES NONHOSPITAL
22 OPERATIONS.

23 (III) UTILIZATION AND STAFFING INFORMATION AND STANDARD
24 UNITS OF MEASURE; AND

25 (IV) INFORMATION PROVIDED THROUGH ACCESS TO A SECURE,
26 ONLINE DATA COLLECTION AND REPORTING SYSTEM THAT PROVIDES A
27 CENTRAL LOCATION FOR THE COLLECTION AND ANALYSIS OF HOSPITAL

1 UTILIZATION AND FINANCIAL DATA.

2 (b) PRIOR TO DEVELOPING THE FIRST ANNUAL HOSPITAL
3 EXPENDITURE REPORT, THE STATE DEPARTMENT SHALL CONSULT WITH THE
4 ENTERPRISE BOARD REGARDING THE DEVELOPMENT OF THE REPORT. THE
5 STATE DEPARTMENT SHALL STRIVE FOR CONSISTENCY IN REPORTING THE
6 COMPONENTS IN EACH ANNUAL REPORT.

7 (2) THE HOSPITAL EXPENDITURE REPORT MUST INCLUDE, BUT NOT
8 BE LIMITED TO:

9 (a) A DESCRIPTION OF THE METHODS OF ANALYSIS AND
10 DEFINITIONS OF REPORT COMPONENTS;

11 (b) UNCOMPENSATED CARE COSTS BY PAYER GROUP; AND

12 (c) THE PERCENTAGE THAT EACH OF THE FOLLOWING CATEGORIES
13 CONTRIBUTES TO OVERALL EXPENSES OF HOSPITALS:

14 (I) DELIVERY OF INPATIENT HEALTH CARE AND SERVICES BY PAYER
15 GROUP;

16 (II) DELIVERY OF OUTPATIENT HEALTH CARE AND SERVICES BY
17 PAYER GROUP AND SITE LOCATION;

18 (III) ADMINISTRATIVE COSTS;

19 (IV) CAPITAL CONSTRUCTION COSTS AND ASSOCIATED BOND
20 LIABILITIES;

21 (V) MAINTENANCE;

22 (VI) CAPITAL EXPENDITURES FOR EQUIPMENT AND TECHNOLOGY;

23 (VII) PERSONNEL SERVICES;

24 (VIII) UNCOMPENSATED CARE BY PAYER GROUP; AND

25 (IX) OTHER EXPENDITURE CATEGORIES, AS DETERMINED BY THE
26 STATE DEPARTMENT.

27 (3) (a) ON OR BEFORE JANUARY 15, 2019, AND ON OR BEFORE

1 JANUARY 15 EACH YEAR THEREAFTER, THE STATE DEPARTMENT SHALL
2 SUBMIT THE ANNUAL HOSPITAL EXPENDITURE REPORT TO THE PUBLIC
3 HEALTH CARE AND HUMAN SERVICES COMMITTEE OF THE HOUSE OF
4 REPRESENTATIVES, OR ANY SUCCESSOR COMMITTEE; THE HEALTH AND
5 HUMAN SERVICES COMMITTEE OF THE SENATE, OR ANY SUCCESSOR
6 COMMITTEE; THE JOINT BUDGET COMMITTEE OF THE GENERAL ASSEMBLY;
7 THE GOVERNOR; AND THE STATE BOARD. THE STATE DEPARTMENT MAY
8 COMBINE THE HOSPITAL EXPENDITURE REPORT DESCRIBED IN THIS SECTION
9 WITH THE REPORT OF THE ENTERPRISE BOARD SPECIFIED IN SECTION
10 25.5-4-402.4 (7)(e), SO LONG AS THE SPECIFIC REQUIREMENTS OF THIS
11 SECTION ARE FULFILLED. THE STATE DEPARTMENT SHALL POST THE
12 ANNUAL REPORT ON ITS WEBSITE BY JANUARY 15 OF EACH YEAR.

13 (b) NOTWITHSTANDING SECTION 24-1-136 (11)(a)(I), THE REPORT
14 REQUIRED IN THIS SECTION CONTINUES INDEFINITELY.

15 **SECTION 3. Act subject to petition - effective date.** This act
16 takes effect at 12:01 a.m. on the day following the expiration of the
17 ninety-day period after final adjournment of the general assembly (August
18 8, 2018, if adjournment sine die is on May 9, 2018); except that, if a
19 referendum petition is filed pursuant to section 1 (3) of article V of the
20 state constitution against this act or an item, section, or part of this act
21 within such period, then the act, item, section, or part will not take effect
22 unless approved by the people at the general election to be held in
23 November 2018 and, in such case, will take effect on the date of the
24 official declaration of the vote thereon by the governor.