

the result of implementation of the funding formula for substance abuse programs contained in sections thirty-six (36) through forty-three (43) of this Act. If the implementation of sections thirty-six (36) through forty-three (43) of this Act is delayed pursuant to this section, the provisions of sections one hundred twenty-five point twenty-six (125.26) through one hundred twenty-five point thirty-four (125.34) of the Code shall continue to be in force as they existed prior to January 1, 1978 until sections thirty-six (36) through forty-three (43) of this Act are implemented by the governor on July 1, 1978.

Sec. 51. The Code editor shall place sections seventeen (17) through twenty-four (24) of this Act following section one hundred twenty-five point thirteen (125.13) of the Code and shall renumber all sections in chapter one hundred twenty-five (125) of the Code and correct internal references in chapter one hundred twenty-five (125) of the Code in accordance with this Act.

Sec. 52. The Code editor shall change all references to the word "division" in chapter one hundred twenty-five (125) of the Code to the word "department".  
Approved July 10, 1977

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## CHAPTER 75

### HEALTH CARE FACILITIES COUNCIL

H. F. 354

AN ACT to require that a certificate of need be obtained as a condition of offering certain new health care services or developing certain new health care facilities in this state, to establish a state health facilities council within the department of health, to prescribe the procedures by which certificates of need shall be applied for and may be granted or denied, to require that hospitals and health care facilities submit uniform annual financial reports to the department of health, to require the department to compile, analyze and annually report upon the data so submitted, and providing sanctions against violations.

WHEREAS, it is the public policy of this state that the offering or development of new institutional health services be accomplished in a manner which is orderly, economical and consistent with the goal of providing the necessary and adequate institutional health services to all of the people of

this state while avoiding unnecessary duplication of institutional health services and preventing or controlling increases in the cost of delivering these services; and

WHEREAS, it is further the public policy of this state that health care is a right of the people, but the general assembly finds and declares (1) that rising hospital and health care facility costs may place the services of these facilities beyond the means of a majority of the people of this state; (2) that it is therefore essential that the general assembly, the governor and the people of the state have access to uniform, timely and accurate data on the costs incurred and the charges established by hospitals and health care facilities; and (3) that a statute should be enacted to provide for uniform systems of reporting by hospitals and health care facilities in this state and for the regular compilation, analysis and reporting of financial data relative to hospitals and health care facilities within this state; NOW THEREFORE,

*Be It Enacted by the General Assembly of the State of Iowa:*

Section 1. NEW SECTION. DEFINITIONS. As used in this Act, unless the context otherwise requires:

1. "Affected persons" means, with respect to an application for a certificate of need:
  - a. The person submitting the application.
  - b. Consumers who would be served by the new institutional health service proposed in the application.
  - c. Each institutional health facility or health maintenance organization which is located in the geographic area which would appropriately be served by the new institutional health service proposed in the application. The appropriate geographic service area of each institutional health facility or health maintenance organization shall be determined on a uniform basis in accordance with criteria established in rules promulgated by the department in consultation with the appropriate health systems agency.
  - d. The designated health systems agencies for the health systems agency area in which the new institutional health service proposed in the application is to be located and for each of the health systems agency areas contiguous thereto, including those in other states.
  - e. Each institutional health facility or health maintenance organization which, prior to receipt of the application by the department, has formally indicated to the de-

partment pursuant to this Act an intent to furnish in the future institutional health services similar to the new institutional health service proposed in the application.

f. Any other person designated as an affected person by rules of the department.

2. "Commissioner" means the commissioner of public health, or the commissioner's designee.

3. "Consumer" means any individual whose occupation is other than health services, who has no fiduciary obligation to an institutional health facility, health maintenance organization or other facility primarily engaged in delivery of services provided by persons in health service occupations, and who has no material financial interest in the providing of any health services.

4. "Council" means the state health facilities council established by this Act.

5. "Department" means the department of health.

6. "Develop", when used in connection with health services, means to undertake those activities which on their completion will result in the offer of a new institutional health service or the incurring of a financial obligation in relation to the offering of such a service.

7. "Federal Act" means the national health planning and resources development Act of 1974, United States public law 93-641, as amended to January 1, 1977.

8. "Financial reporting" means reporting by which hospitals and health care facilities shall respectively record their revenues, expenses, other income, other outlays, assets and liabilities, and units of services.

9. "Health care facility" is defined as it is defined in section one hundred thirty-five C point one (135C.1) of the Code.

10. "Health care provider" means a person licensed or certified under chapters one hundred forty-seven (147), one hundred forty-eight (148), one hundred forty-eight A (148A), one hundred forty-eight B (148B), one hundred forty-nine (149), one hundred fifty (150), one hundred fifty A (150A), one hundred fifty-one (151), one hundred fifty-two (152), one hundred fifty-three (153), one hundred fifty-four (154), one hundred fifty-four B (154B) or one hundred fifty-five (155) of the Code to provide in this state professional health care service to an individual during that individual's medical care, treatment or confinement.

11. "Health maintenance organization" is defined as it is defined in section five hundred fourteen B point one (514B.1), subsection three (3) of the Code.

12. "Health services" means clinically related diagnostic, curative or rehabilitative services, and includes alcoholism, drug abuse and mental health services.

13. "Health systems agency" means an entity which is designated and operated in the manner described in the federal Act.

14. "Health systems plan" means a detailed statement of goals developed by a health systems agency, which describes a healthful environment and health systems in the area which, when developed, will assure that quality health services will be available and accessible in a manner which assures continuity of care at reasonable cost for all residents of the area, and which is responsive to the unique needs and resources of the area.

15. "Hospital" is defined as it is defined in section one hundred thirty-five B point one (135B.1), subsection one (1) of the Code.

16. "Institutional health facility" means any of the following, without regard to whether the facilities referred to are publicly or privately owned or are organized for profit or not:

- a. A hospital.
- b. A health care facility.
- c. A kidney disease treatment center, including any free-standing hemodialysis unit but not including any home hemodialysis unit.
- d. An organized outpatient health facility.
- e. An outpatient surgical facility.
- f. A community mental health facility.

17. "Institutional health service" means any health service furnished in or through institutional health facilities or health maintenance organizations.

18. "Modernization" means the alteration, repair, remodeling, replacement or renovation of existing buildings or of the equipment previously installed therein, or both.

19. "New institutional health service" or "changed institutional health service" means any of the following:

- a. The construction, development or other establishment of a new institutional health facility or health maintenance organization.

b. Relocation of an institutional health facility or a health maintenance organization.

c. Any expenditure by or on behalf of an institutional health facility or a health maintenance organization in excess of one hundred fifty thousand dollars which, under generally accepted accounting principles consistently applied, is a capital expenditure, or any acquisition by lease or donation to which this subsection would be applicable if the acquisition were made by purchase.

d. A permanent change in the bed capacity, as determined by the department, of an institutional health facility or a health maintenance organization. For purposes of this paragraph, a change is permanent if it is intended to be effective for one year or more.

e. Health services which are or will be offered in or through an institutional health facility or a health maintenance organization at a specific time but which were not offered on a regular basis in or through that institutional health facility or health maintenance organization within the twelve month period prior to that time.

f. The deletion of one or more health services, previously offered on a regular basis by an institutional health facility or health maintenance organization or the relocation of one or more health services from one physical facility to another.

g. Any expenditure by or on behalf of an individual health care provider or group of health care providers, in excess of one hundred fifty thousand dollars, which:

(1) Is made for the purchase or acquisition of a single piece of new equipment which is to be installed and used in a private office or clinic, and for which a certificate of need would be required if the equipment were being purchased or acquired by an institutional health facility or health maintenance organization; and

(2) Is, under generally accepted accounting principles consistently applied, a capital expenditure.

20. "Offer", when used in connection with health services, means that an institutional health facility or health maintenance organization holds itself out as capable of providing, or as having the means to provide, specified health services.

21. "Organized outpatient health facility" means a facility, not part of a hospital, organized and operated to provide

health care to noninstitutionalized and nonhomebound persons on an outpatient basis; it does not include private offices or clinics of individual physicians, dentists or other practitioners, or groups of practitioners, who are health care providers.

22. "Outpatient surgical facility" means a facility which as its primary function provides, through an organized medical staff and on an outpatient basis to patients who are generally ambulatory, surgical procedures not ordinarily performed in a private physician's office, but not requiring hospitalization, and which is neither a part of a hospital nor the private office of a health care provider who there engages in the lawful practice of surgery.

23. "Technologically innovative equipment" means equipment potentially useful for diagnostic or therapeutic purposes which introduces new technology in the diagnosis or treatment of disease, the usefulness of which is not well enough established to permit a specific plan of need to be developed for the state.

Sec. 2. NEW SECTION. DEPARTMENT TO ADMINISTER ACT--HEALTH FACILITIES COUNCIL ESTABLISHED--APPOINTMENTS--POWERS AND DUTIES.

1. This Act shall be administered by the state department of health. The commissioner of public health shall employ or cause to be employed the necessary persons to discharge the duties imposed on the department by this Act.

2. There is established a state health facilities council consisting of five persons appointed by the governor. The council shall be within the department for administrative and budgetary purposes.

a. QUALIFICATIONS. The members of the council shall be chosen so that the council as a whole is broadly representative of various geographical areas of the state, and no more than three of its members are affiliated with the same political party. Each council member shall be a person who has demonstrated by prior activities an informed concern for the planning and delivery of health services. No member of the council, nor any spouse of a member, shall during the time that member is serving on the council:

(1) Be a health care provider nor be otherwise directly or indirectly engaged in the delivery of health care services nor have a material financial interest in the providing or delivery of health services; nor

(2) Serve as a member of any board or other policy-making or advisory body of a health systems agency, an institutional health facility, a health maintenance organization, or any health or hospital insurer.

b. APPOINTMENTS. Terms of council members shall be six years, beginning July first of the year of appointment. A member shall be appointed in each odd-numbered year to succeed each member whose term expires in that year. Vacancies shall be filled by the governor for the balance of the unexpired term. Each appointment to the council shall be subject to confirmation by two-thirds of the members of the senate. A council member is ineligible for appointment to a second consecutive term, unless first appointed to an unexpired term of three years or less.

The governor shall designate one of the council members as chairperson. That designation may be changed not later than July first of any odd-numbered year, effective on the date of the organizational meeting held in that year under paragraph c of this subsection.

Notwithstanding the permanent provisions of paragraph a, the initial appointments to the council shall be made as soon as possible after the effective date of this Act. In making those appointments, the governor shall designate one member to serve a term ending June 30, 1979, two members to serve terms ending July 30, 1981, and two members to serve terms ending June 30, 1983. The persons appointed to serve terms ending in 1979 and 1981 may be reappointed to one additional consecutive term.

c. MEETINGS. The council shall hold an organizational meeting in July of each odd-numbered year, or as soon thereafter as the new appointee or appointees are confirmed and have qualified. Other meetings shall be held at least once each month, and may be held more frequently if necessary to enable the council to expeditiously discharge its duties. Meeting dates shall be set upon adjournment or by call of the chairperson upon five days' notice to the other members. Each member of the council shall receive a salary as fixed by the general assembly and reimbursement for necessary travel and expenses while engaged in his or her official duties.

d. DUTIES. The council shall:

(1) Make the final decision, as required by section nine (9) of this Act, with respect to each application for a certificate of need accepted by the department.

(2) Determine and adopt such policies as are authorized by law and are deemed necessary to the efficient discharge of its duties under this Act.

(3) Have authority to direct staff personnel of the department assigned to conduct formal or summary reviews of applications for certificates of need.

(4) Advise and counsel with the commissioner concerning the provisions of this Act, and the policies and procedures adopted by the department pursuant to this Act.

(5) Review and approve, prior to promulgation, all rules adopted by the department under this Act.

Sec. 3. NEW SECTION. CERTIFICATE OF NEED REQUIRED--  
EXCLUSIONS.

1. A new institutional health service or changed institutional health service shall not be offered or developed in this state without prior application to the department for and receipt of a certificate of need, pursuant to this Act. The application shall be made upon forms furnished or prescribed by the department and shall contain such information as the department may require under this Act after consultation with all health systems agencies serving the state of Iowa. The application shall be accompanied by a fee equivalent to two-tenths of one percent of the anticipated cost of the project, as determined under rules promulgated by the department. The fee shall be remitted by the department to the treasurer of state, who shall place it in the general fund of the state.

2. Nothing in this Act shall be construed to augment, limit, contravene or repeal in any manner any other statute of this state which may authorize or relate to licensure, regulation, supervision or control of, nor to be applicable to:

a. Private offices and private clinics of an individual physician, dentist or other practitioner or group of health care providers, except as provided by section one (1), subsection nineteen (19), paragraph g of this Act.

b. Dispensaries and first aid stations, located within schools, businesses or industrial establishments, which are maintained solely for the use of students or employees of those establishments and which do not contain inpatient or resident beds that are customarily occupied by the same individual for more than twenty-four consecutive hours.

c. Establishments such as motels, hotels and boarding



houses which provide medical, nursing personnel, and other health related services as an incident to their primary business or function.

d. The remedial care or treatment of residents or patients in any home or institution conducted only for those who rely solely upon treatment by prayer or spiritual means in accordance with the creed or tenets of any recognized church or religious denomination.

Sec. 4. NEW SECTION. CRITERIA FOR EVALUATION OF APPLICATIONS.

1. In determining whether a certificate of need shall be issued, the department and council shall consider the following:

a. The relationship of the proposed institutional health services to the applicable health systems plan and annual implementation plan adopted by the affected health systems agency.

b. The relationship of the proposed institutional health services to the long-range development plan, if any, of the person providing or proposing the services.

c. The need of the population served or to be served by the proposed institutional health services for those services.

d. The distance, convenience, cost of transportation, and accessibility to health services for persons who live outside metropolitan areas.

e. The availability of alternative, less costly or more effective methods of providing the proposed institutional health services.

f. The immediate and long-term financial feasibility of the proposal presented in the application, as well as the probable impact of the proposal on the costs of and charges for providing health services by the person proposing the new institutional health service.

g. The relationship of the proposed institutional health services to the existing health care system of the area in which those services are proposed to be provided.

h. The appropriate and efficient use or prospective use of the proposed institutional health service, and of any existing similar services, including but not limited to a consideration of the capacity of the sponsor's facility to provide the proposed service, and possible sharing or cooperative arrangements among existing facilities and providers.

i. The availability of resources, including (but not limited to) health care providers, management personnel, and funds for capital and operating needs, to provide the proposed institutional health services and the possible alternative uses of those resources to provide other health services.

j. The appropriate and nondiscriminatory utilization of existing and available health care providers. Where both allopathic and osteopathic institutional health services exist, each application shall be considered in light of the availability and utilization of both allopathic and osteopathic facilities and services in order to protect the freedom of choice of consumers and health care providers.

k. The relationship, including the organizational relationship, of the proposed institutional health services to ancillary or support services.

l. Special needs and circumstances of those entities which provide a substantial portion of their services or resources, or both, to individuals not residing in the health systems agency areas in which the entities are located or in adjacent health systems agency areas, which entities may include but are not limited to medical and other health professional schools, multidisciplinary clinics and specialty centers.

m. The special needs and circumstances of health maintenance organizations.

n. The special needs and circumstances of biomedical and behavioral research projects designed to meet a national need and for which local conditions offer special advantages.

o. The impact of relocation of an institutional health facility or health maintenance organization on other institutional health facilities or health maintenance organizations and on the needs of the population to be served, or which was previously served, or both.

p. In the case of a construction project:

(1) The costs and methods of the proposed construction, including the costs and methods of energy supply; and

(2) The probable impact of the proposed construction project on the costs incurred by the person proposing the construction project in providing institutional health services.

q. In the case of a proposal for the addition of beds to a health care facility, the consistency of the proposed addition with the plans of other agencies of this state

responsible for provision and financing of long-term care services, including home health services.

2. In addition to the findings required with respect to any of the criteria listed in subsection one (1) of this section, the council shall grant a certificate of need for a new institutional health service or changed institutional health service only if it finds in writing, on the basis of data submitted to it by the department, that:

a. Less costly, more efficient or more appropriate alternatives to the proposed institutional health service are not available and the development of such alternatives is not practicable;

b. Any existing facilities providing institutional health services similar to those proposed are being used in an appropriate and efficient manner;

c. In the case of new construction, alternatives including but not limited to modernization or sharing arrangements have been considered and have been implemented to the maximum extent practicable;

d. Patients will experience serious problems in obtaining care of the type which will be furnished by the proposed new institutional health service or changed institutional health service, in the absence of that proposed new service.

3. In the evaluation of applications for certificates of need submitted by university hospital at Iowa City, the unique features of that institution relating to statewide tertiary health care, health science education, and clinical research shall be given due consideration. Further, in administering this Act, the unique capacity of university hospitals for the evaluation of technologically innovative equipment and other new health services shall be utilized.

Sec. 5. NEW SECTION. LETTER OF INTENT TO PRECEDE APPLICATION--REVIEW AND COMMENT.

1. Before applying for a certificate of need, the sponsor of a proposed new institutional health service or changed institutional health service shall submit to the department, and to the designated health systems agency in whose area the proposed new or changed service is or will be located, a letter of intent to offer or develop a service requiring a certificate of need. The letter shall be submitted as soon as possible after initiation of the applicant's planning process, and in any case not less than sixty days before applying for a certificate of need and before substantial

expenditures to offer or develop the service are made. The letter shall include a brief description of the proposed new or changed service, its location, and its estimated cost.

2. Upon request of the sponsor of the proposed new or changed service, the department shall make a preliminary review of the letter for the purpose of informing the sponsor of the project of any factors which may appear likely to result in denial of a certificate of need, based on the criteria for evaluation of applications in section four (4) of this Act. A comment by the department under this section shall not constitute a final decision.

Sec. 6. NEW SECTION. PROCEDURE UPON RECEIPT OF APPLICATION--PUBLIC NOTIFICATION.

1. Within fifteen business days after receipt of an application for a certificate of need, the department shall examine the application for form and completeness and accept or reject it. An application shall be rejected only if it fails to provide all information required by the department pursuant to section three (3), subsection one (1) of this Act. The department shall promptly return to the applicant any rejected application, with an explanation of the reasons for its rejection.

2. Upon acceptance of an application for a certificate of need, the department shall promptly undertake to notify all affected persons in writing that formal review of the application has been initiated. Notification to those affected persons who are consumers may be provided by distribution of the pertinent information to the news media.

3. Each application accepted by the department shall be formally reviewed for the purpose of furnishing to the council the information necessary to enable it to determine whether or not to grant the certificate of need. A formal review shall consist at a minimum of the following steps:

a. Evaluation of the application against the criteria specified in section four (4) of this Act.

b. A public hearing on the application, to be held prior to completion of the evaluation required by paragraph a of this subsection, if requested by any party who is an affected person with respect to the application within thirty days after notification of affected persons that the application has been accepted for completeness.

c. A request to the designated health systems agency in whose area the proposed new institutional health service or

changed institutional health service would be located for a recommendation for or against the granting of the certificate of need. The department shall assist the designated health systems agency to formulate a recommendation by furnishing any appropriate data and information on the proposed new institutional health service or changed institutional health service. The health systems agency may give notice of its intent to formulate a recommendation on the application, and may hold a public hearing on the application if requested by any party who is an affected person with respect to that application. If a hearing is held on the application by the health systems agency, the department may but shall not be required to hold a separate hearing under paragraph b of this subsection. The department shall allow the health systems agency sixty days after acceptance of the application by the department, except as otherwise provided by section twelve (12), subsection four (4) of this Act, to submit to the department recommendations with respect to the application. The department shall consider any recommendations timely submitted by the health systems agency.

4. When a hearing is to be held pursuant to either paragraph b or paragraph c of subsection three (3) of this section, the department or the health systems agency, as the case may be, shall give at least ten days notice of the time and place of the hearing. At the hearing, any affected person or that person's designated representative shall have the opportunity to present testimony.

Sec. 7. NEW SECTION. SUMMARY REVIEW PROCEDURE. The department may, with approval of the council, waive the procedures prescribed by section six (6) of this Act and substitute a summary review procedure, which shall be established by rules of the department, when it accepts an application for a certificate of need for a project which meets any of the following criteria:

1. A project which is limited to repair or replacement of a facility or equipment damaged or destroyed by a disaster, and which will not expand the facility nor increase the services provided beyond the level existing prior to the disaster.

2. A project necessary to enable the facility or service to achieve or maintain compliance with federal, state or other appropriate licensing, certification or safety requirements.

3. A project which will not change the existing bed

capacity of the applicant's facility or service, as determined by the department, by more than ten percent or ten beds, whichever is less, over a two-year period.

4. A project the total cost of which will not exceed one hundred fifty thousand dollars.

5. Any other project for which the applicant proposes, and both the council and the appropriate health systems agency agree to, summary review.

Sec. 8. NEW SECTION. STATUS REPORTS ON REVIEW IN PROGRESS. While formal review of an application for a certificate of need is in progress, the department shall upon request inform any affected person of the status of the review, any findings which have been made in the course of the review, and any other appropriate information concerning the review.

Sec. 9. NEW SECTION. COUNCIL TO MAKE FINAL DECISION. The department shall complete its formal review of the application within ninety days after acceptance of the application, except as otherwise provided by section twelve (12), subsection four (4) of this Act. Upon completion of the formal review, the council shall approve, approve with conditions, or deny the application. However, the council shall not approve an application with conditions which mandate new institutional health services not proposed by the applicant. The council shall issue written findings stating the basis for its decision on the application, and the department shall send copies of the council's decision and the written findings supporting it to the applicant, to the designated health systems agency in whose area the new or changed institutional health service is proposed to be offered or developed, and to any other person who so requests. If the application is approved or approved with conditions, the department shall issue a certificate of need to the applicant at the time the applicant is informed of the council's decision.

Failure by the council to issue a written decision on an application for a certificate of need within the time required by this section shall constitute denial of and final administrative action on the application, and is subject to appeal under section ten (10) of this Act.

Sec. 10. NEW SECTION. APPEAL OF CERTIFICATE OF NEED DECISIONS. The council's final decision on an application for a certificate of need, when announced pursuant to section nine (9) of this Act, may be appealed by any dissatisfied

party who is an affected person with respect to that application, and who participated or sought unsuccessfully to participate in the formal review procedure prescribed by section six (6) of this Act. The appeal shall be taken in the manner provided by chapter seventeen A (17A) of the Code.

Sec. 11. NEW SECTION. PERIOD FOR WHICH CERTIFICATE IS VALID--EXTENSION OR REVOCATION. A certificate of need shall be valid for a maximum of one year from the date of issuance. Upon the expiration of the certificate, or at any earlier time while the certificate is valid the holder thereof shall provide the department such information on the development of the project covered by the certificate as the department may request. The council shall determine at the end of the certification period whether sufficient progress is being made on the development of the project and whether there has been compliance with any conditions on which issuance of the certificate was premised. The certificate of need may be extended by the council for additional periods of time as are reasonably necessary to expeditiously complete the project, but may be revoked by the council at the end of the first or any subsequent certification period for insufficient progress in developing the project or noncompliance with any conditions on which issuance of the certificate was premised.

Upon expiration of certificate of need, and prior to extension thereof, any affected person shall have the right to submit to the department information which may be relevant to the question of granting an extension. The department may call a public hearing for this purpose.

Sec. 12. NEW SECTION. AUTHORITY TO ADOPT RULES. The department shall adopt, with approval of the council, such administrative rules as are necessary to enable it to implement this Act. These rules shall include:

1. Additional procedures and criteria for review of applications for certificates of need.
2. Uniform procedures for variations in application of criteria specified by section four (4) of this Act for use in formal review of applications for certificates of need, when such variations are appropriate to the purpose of a particular review or to the type of institutional health service proposed in the application being reviewed.
3. Uniform procedures for summary reviews conducted under section seven (7) of this Act.
4. Criteria for determining when it is not feasible to

complete formal review of an application for a certificate of need, or not feasible for a designated health systems agency to formulate and submit a recommendation on an application, within the time limits specified in section nine (9), and section six (6), subsection three (3), paragraph c, respectively, of this Act. The rules adopted under this subsection shall include criteria for determining whether an application proposes introduction of technologically innovative equipment, and if so, procedures to be followed in reviewing the application. However, no rule adopted under this subsection shall permit a deferral of more than sixty days beyond the time when a decision is required under section nine (9) of this Act, unless both the applicant and the department agree to a longer deferment.

Sec. 13. NEW SECTION. SANCTIONS.

1. Any party constructing a new institutional health facility or a major addition to or renovation of an existing institutional health facility without first obtaining a certificate of need therefor as required by this Act, or who shall violate any of the provisions of this Act, may be denied licensure or change of licensure by the appropriate responsible licensing agency of this state.

2. Any party offering or developing any new institutional health service or changed institutional health service without first obtaining a certificate of need therefor as required by this Act may be temporarily or permanently restrained therefrom by any court of competent jurisdiction in any action brought by the state, any of its political subdivisions, or any other interested person.

3. The sanctions provided by this section are in addition to, and not in lieu of, any penalty prescribed by law for the acts against which these sanctions are invoked.

Sec. 14. NEW SECTION. UNIFORM FINANCIAL REPORTING.

1. The department, after study and in consultation with any advisory committees which may be established pursuant to law, shall promulgate by rule pursuant to chapter seventeen A (17A) of the Code uniform methods of financial reporting, including such allocation methods as may be prescribed, by which hospitals and health care facilities shall respectively record their revenues, expenses, other income, other outlays, assets and liabilities, and units of service, according to functional activity center. These uniform methods of financial reporting shall not preclude a hospital or health care facility



from using any accounting methods for its own purposes provided these accounting methods can be reconciled to the uniform methods of financial reporting prescribed by the department and can be audited for validity and completeness. Each hospital and each health care facility shall adopt the appropriate system for its fiscal year, effective upon such date as the department shall direct. In determining the effective date for reporting requirements, the department shall consider both the immediate need for uniform reporting of information to effectuate the purposes of this Act and the administrative and economic difficulties which hospitals and health care facilities may encounter in complying with the uniform financial reporting requirement, but the effective date shall not be later than one year after the effective date of this Act.

2. In establishing uniform methods of financial reporting, the department shall consider:

- a. The existing systems of accounting and reporting currently utilized by hospitals and health care facilities;
- b. Differences among hospitals and health care facilities, respectively, according to size, financial structure, methods of payment for services, and scope, type and method of providing services; and
- c. Other pertinent distinguishing factors.

3. The department shall, where appropriate, provide for modification, consistent with the purposes of this Act, of reporting requirements to correctly reflect the differences among hospitals and among health care facilities referred to in subsection two (2) of this section, and to avoid otherwise unduly burdensome costs in meeting the requirements of uniform methods of financial reporting.

4. The uniform financial reporting methods, where appropriate, shall be structured so as to establish and differentiate costs incurred for patient-related services rendered by hospitals and health care facilities, as distinguished from those incurred in the course of educational, research and other nonpatient-related activities including but not limited to charitable activities of these hospitals and health care facilities.

Sec. 15. NEW SECTION. ANNUAL REPORTS BY HOSPITALS, HEALTH CARE FACILITIES.

1. Each hospital and each health care facility shall annually, after the close of its fiscal year, file with the

department:

- a. A balance sheet detailing the assets, liabilities and net worth of the hospital or health care facility;
- b. A statement of its income and expenses; and
- c. Such other reports of the costs incurred in rendering services as the department may prescribe.

2. Where more than one licensed hospital or health care facility is operated by the reporting organization, the information required by this section shall be reported separately for each licensed hospital or health care facility. The department shall require preparation of specified financial reports by a certified public accountant, and may require attestation of responsible officials of the reporting hospital or health care facility that the reports submitted are to the best of their knowledge and belief prepared in accordance with the prescribed methods of reporting. The department shall have the right to inspect the books, audits and records of any hospital or health care facility as reasonably necessary to verify reports submitted pursuant to this Act.

3. In obtaining the reports required by this section, the department and other state agencies shall coordinate their reporting requirements.

4. All reports filed under this section, except privileged medical information, shall be open to public inspection.

Sec. 16. NEW SECTION. ANALYSES AND STUDIES BY DEPARTMENT.

1. The department shall from time to time undertake analyses and studies relating to hospital and health care facility costs and to the financial status of hospitals or health care facilities, or both, which are subject to the provisions of this Act. It shall further require the filing of information concerning the total financial needs of each individual hospital or health care facility and the resources currently or prospectively available to meet these needs, including the effect of proposals made by health systems agencies. The department shall also prepare and file such summaries and compilations or other supplementary reports based on the information filed with it as will, in its judgment, advance the purposes of this Act.

2. The analyses and studies required by this section shall be conducted with the objective of providing a basis for determining whether or not regulation of hospital and health care facility rates and charges by the state of Iowa is necessary to protect the health or welfare of the people of

the state.

3. In conducting its analyses and studies, the department should determine whether:

a. The rates charged and costs incurred by hospitals and health care facilities are reasonably related to the services offered by those respective groups of institutions.

b. Aggregate rates of hospitals and of health care facilities are reasonably related to the aggregate costs incurred by those respective groups of institutions.

c. Rates are set equitably among all purchasers or classes of purchasers of hospital and of health care facility services.

d. The rates for particular services, supplies or materials established by hospitals and by health care facilities are reasonable. Determination of reasonableness of rates shall include consideration of a fair rate of return to proprietary hospitals and health care facilities.

4. All data gathered and compiled and all reports prepared under this section, except privileged medical information, shall be open to public inspection.

Sec. 17. NEW SECTION. REPORT TO GOVERNOR AND LEGISLATURE. The department shall annually prepare and transmit to the governor and to the general assembly, on or before the date of the convening of each regular session of the general assembly, a report of the department's operations and activities pursuant to this Act for the preceding fiscal year. This report shall include a compilation of all summaries and reports required by this Act together with such findings and recommendations as the department deems necessary.

Sec. 18. NEW SECTION. DATA TO BE COMPILED. Immediately upon the effective date of this Act, or as soon thereafter as reasonably possible, the department shall begin to compile all relevant financial and utilization data in order to have available the statistical information necessary to properly monitor hospital and health care facility charges and costs. Such data shall include necessary operating expenses, appropriate expenses incurred for rendering services to patients who cannot or do not pay, all properly incurred interest charges, and reasonable depreciation expenses based on the expected useful life of the property and equipment involved. The department shall also obtain from each hospital and health care facility a current rate schedule as well as any subsequent amendments or modifications of that schedule

as it may require. In collection of the data required by sections fourteen (14) through eighteen (18) of this Act, the department and other state agencies shall coordinate their reporting requirements.

Sec. 19. NEW SECTION. CIVIL PENALTY. Any hospital or health care facility which fails to file with the department the financial reports required by sections fourteen (14) through eighteen (18) of this Act is subject to a civil penalty of not to exceed five hundred dollars for each offense.

Sec. 20.

1. Sections three (3) through thirteen (13), inclusive, of this Act shall not apply to the development or expansion of new or changed institutional health services by a new institutional health facility or health maintenance organization, or by an institutional health facility or health maintenance organization engaged in furnishing institutional health services as of July 1, 1977, which on that date is committed to a formal plan of development or expansion of new or changed institutional health services toward which preliminary expenditures of one hundred fifty thousand dollars or more had been made during the three-year period ending June 30, 1977, including but not limited to payments for studies, surveys, designs, plans, working drawings, specifications and site acquisition essential to the development or expansion of the new or expanded institutional health services. However, upon the completion of that proposed development or expansion all of the provisions of this Act shall apply to the institutional health facility or health maintenance organization involved.

2. A new or existing institutional health facility or health maintenance organization which wishes to claim an exemption under this section may do so by submitting an application to the department, upon forms furnished or prescribed by the department, containing such information as the department may require. The council shall determine as promptly as reasonably possible whether the applicant is entitled to the exemption, and the applicant shall be notified of the council's decision. If the applicant is dissatisfied with the council's decision, it may appeal in the same manner as applicants for certificates of need.

Sec. 21. Not later than two years after the effective date of this Act, the department shall submit to the general assembly a report based on the information gathered, compiled

and analyzed pursuant to sections fourteen (14) through eighteen (18) of this Act, prepared for the purpose of assisting the general assembly to determine whether regulation of hospital and health care facility rates by the state is warranted, and is likely to prove effective, in order to prevent unnecessary increases and control other increases in the cost of delivering institutional health care services to the people of this state.

Sec. 22. Until such time as the agreement of the state of Iowa to conduct reviews pursuant to section one thousand one hundred twenty-two (1122) of the United States Social Security Act is terminated, the department shall furnish or prescribe forms so that the application for a certificate of need and the application for review pursuant to said section one thousand one hundred twenty-two (1122) may be made at the same time with minimal duplication, and shall provide coordinated procedures for review and action on both applications. This section shall not be construed to require or to indicate legislative intent that the state continue to conduct such reviews if federal law does not so require as a condition of federal participation in state programs including, but not limited to, the medical assistance program.

Sec. 23. Sections one (1) and three (3) through twenty-one (21) of this Act shall take effect July 1, 1978. The governor shall appoint the initial members of the health facilities council no later than October 1, 1977, and the council and department shall then begin preparations to implement this Act on July 1, 1978.

Approved July 13, 1977

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CHAPTER 76  
IMMUNIZATION OF SCHOOL CHILDREN

H. F. 163

AN ACT relating to the immunization of persons attending elementary or secondary schools or licensed child care centers and to the authority of the state department of health to modify immunization requirements for admission to school.

*Be It Enacted by the General Assembly of the State of Iowa:*

Section 1. Chapter one hundred thirty-nine (139), Code 1977, is amended by adding the following new section: