

FILED JAN 30 1996

SENATE FILE 2102

BY COMMITTEE ON HUMAN RESOURCES

(SUCCESSOR TO SSB 2068)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
 Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
 Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to the certificate of need program for  
 2 institutional health facilities.  
 3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 2102

1 Section 1. Section 135.61, subsection 14, Code 1995, is  
2 amended to read as follows:

3 14. "Institutional health facility" means any of the  
4 following, without regard to whether the facilities referred  
5 to are publicly or privately owned or are organized for profit  
6 or not or whether the facilities are part of or sponsored by a  
7 health maintenance organization:

8 a. A hospital.

9 b. A health care facility.

10 ~~c. A kidney disease treatment center, including any~~  
11 ~~freestanding hemodialysis unit but not including any home~~  
12 ~~hemodialysis unit.~~

13 ~~d. c.~~ An organized outpatient health facility.

14 ~~e. d.~~ An outpatient surgical facility.

15 ~~f. e.~~ A community mental health facility.

16 ~~g. f.~~ A birth center.

17 Sec. 2. Section 135.61, subsection 18, paragraphs c, k,  
18 and m, Code 1995, are amended to read as follows:

19 c. Any capital expenditure, lease, or donation by or on  
20 behalf of an institutional health facility in excess of **eight**  
21 ~~hundred-thousand~~ one million dollars within a twelve-month  
22 period.

23 k. Any air transportation system for transportation of  
24 patients or medical personnel offered in or through an  
25 institutional health facility at a specific time, which was  
26 not offered on a regular basis in or through the institutional  
27 health facility within the twelve-month period prior to the  
28 specified time.

29 m. Any of the following:

30 (1) Cardiac catheterization service.

31 (2) Open heart surgical service.

32 (3) Organ transplantation service.

33 (4) Magnetic resonance imaging at a fixed site.

34 (5) Radiation therapy.

35 Sec. 3. Section 135.63, subsection 2, Code Supplement

1 1995, is amended by adding the following new paragraphs:

2 NEW PARAGRAPH. j. The construction, modification, or  
3 replacement of nonpatient care services, including but not  
4 limited to parking facilities, heating, ventilation and air  
5 conditioning systems, computers, telephone systems, and  
6 medical office buildings, notwithstanding any provision in  
7 this division to the contrary.

8 NEW PARAGRAPH. k. The redistribution of beds within the  
9 acute care category of bed usage, notwithstanding any  
10 provision in this division to the contrary, if all of the  
11 following conditions are met:

12 (1) The hospital reports to the department, on a form  
13 prescribed by the department, the number and type of beds to  
14 be redistributed, at least thirty days prior to the  
15 redistribution.

16 (2) The hospital reports the new distribution of beds on  
17 the hospital's subsequent annual report to the department.

18 If these conditions are not met, the hospital is subject to  
19 review as a new institutional health service or changed  
20 institutional health service under section 135.61, subsection  
21 18, paragraph "d", and subject to sanctions under section  
22 135.73.

23 Sec. 4. Section 135.65, subsection 1, Code 1995, is  
24 amended to read as follows:

25 1. Before applying for a certificate of need, the sponsor  
26 of a proposed new institutional health service or changed  
27 institutional health service shall submit to the department a  
28 letter of intent to offer or develop a service requiring a  
29 certificate of need. The letter shall be submitted as soon as  
30 possible after initiation of the applicant's planning process,  
31 and in any case not less than ~~sixty~~ thirty days before  
32 applying for a certificate of need and before substantial  
33 expenditures to offer or develop the service are made. The  
34 letter shall include a brief description of the proposed new  
35 or changed service, its location, and its estimated cost.

1 Sec. 5. Section 135.71, unnumbered paragraph 1, Code 1995,  
2 is amended to read as follows:

3 A certificate of need shall be valid for a maximum of one  
4 year from the date of issuance. Upon the expiration of the  
5 certificate, or at any earlier time while the certificate is  
6 valid the holder thereof of the certificate shall provide the  
7 department such information on the development of the project  
8 covered by the certificate as the department may request. The  
9 council shall determine at the end of the certification period  
10 whether sufficient progress is being made on the development  
11 of the project ~~and-whether-there-has-been-compliance-with-any~~  
12 ~~conditions-on-which-issuance-of-the-certificate-was-premised.~~  
13 The certificate of need may be extended by the council for  
14 additional periods of time as are reasonably necessary to  
15 expeditiously complete the project, but may be revoked by the  
16 council at the end of the first or any subsequent  
17 certification period for insufficient progress in developing  
18 the project ~~or-noncompliance-with-any-conditions-on-which~~  
19 ~~issuance-of-the-certificate-was-premised.~~

20 EXPLANATION

21 This bill makes changes in the law relating to the  
22 certificate of need program which regulates the construction,  
23 development, and other establishment of health services and  
24 facilities.

25 The bill removes kidney disease treatment centers,  
26 otherwise referred to as dialysis services, from the  
27 definition of an institutional health facility which would  
28 otherwise be subject to review by the health facilities  
29 council prior to establishment.

30 The bill increases the capital expenditure minimum during a  
31 12-month period from \$800,000 to \$1,000,000 for the purposes  
32 of review, redefines air transportation systems subject to  
33 review as only those which are offered as a new service at a  
34 particular location, and adds magnetic resonance imaging and  
35 radiation therapy to the list of services subject to review

1 notwithstanding the amount of expenditure associated with the  
2 service.

3     The bill also provides that review is inapplicable to the  
4 construction, modification, or replacement of, nonpatient care  
5 services including, but not limited to, parking facilities,  
6 heating, ventilation and air conditioning systems, computers,  
7 telephone systems, and medical office buildings, and is  
8 inapplicable to the redistribution of beds within the acute  
9 care category of bed usage, if the hospital reports the number  
10 and type of beds to be redistributed to the department at  
11 least 30 days prior to the redistribution and if a report of  
12 the new distribution is made on the hospital's subsequent  
13 annual report to the department.

14     The bill provides that the sponsor of a proposed new  
15 institutional health service or changed institutional health  
16 service is to submit a letter of intent not less than 30 days,  
17 instead of the currently required 60 days, before applying for  
18 a certificate of need and before substantial expenditures to  
19 offer or develop the service are made.

20     The bill eliminates language which refers to compliance  
21 with conditions on which the issuance of a certificate is  
22 premised relating to the time period during which a  
23 certificate of need is valid.

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## SENATE FILE 2102

S-5043

1 Amend Senate File 2102 as follows:  
2 1. By striking everything after the enacting  
3 clause and inserting the following:  
4 "Section 1. Section 68B.35, subsection 2,  
5 paragraph e, Code 1995, is amended to read as follows:  
6 e. Members of the banking board, the ethics and  
7 campaign disclosure board, the credit union review  
8 board, the economic development board, the employment  
9 appeal board, the environmental protection commission,  
10 ~~the health facilities council~~, the Iowa business  
11 investment corporation board of directors, the Iowa  
12 finance authority, the Iowa seed capital corporation,  
13 the Iowa public employees' retirement system  
14 investment board, the lottery board, the natural  
15 resource commission, the board of parole, the  
16 petroleum underground storage tank fund board, the  
17 public employment relations board, the state racing  
18 and gaming commission, the state board of regents, the  
19 tax review board, the transportation commission, the  
20 office of consumer advocate, the utilities board, and  
21 any full-time members of other boards and commissions  
22 as defined under section 7E.4 who receive an annual  
23 salary for their service on the board or commission.  
24 Sec. 2. Section 97B.41, subsection 8, paragraph b,  
25 subparagraph (13), Code Supplement 1995, is amended to  
26 read as follows:  
27 (13) Members of the state transportation  
28 commission, and the board of parole, ~~and the state~~  
29 ~~health facilities council~~ unless a member elects by  
30 filing an application with the department to be  
31 covered under this chapter.  
32 Sec. 3. Section 135C.2, subsection 5, unnumbered  
33 paragraph 1, Code Supplement 1995, is amended to read  
34 as follows:  
35 The department shall establish a special  
36 classification within the residential care facility  
37 category in order to foster the development of  
38 residential care facilities which serve persons with  
39 mental retardation, chronic mental illness, a  
40 developmental disability, or brain injury, as  
41 described under section 225C.26, and which contain  
42 five or fewer residents. ~~A facility within the~~  
43 ~~special classification established pursuant to this~~  
44 ~~subsection is exempt from the requirements of section~~  
45 ~~135-63.~~ The department shall adopt rules which are  
46 consistent with rules previously developed for the  
47 waiver demonstration project pursuant to 1986 Iowa  
48 Acts, chapter 1246, section 206, and which include all  
49 of the following provisions:  
50 Sec. 4. Section 135H.6, subsection 4, Code 1995,

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1 is amended by striking the subsection.

2 Sec. 5. Section 145.3, subsection 1, Code 1995, is  
3 amended to read as follows:

4 1. The health data commission shall enter into an  
5 agreement with the health policy corporation of Iowa  
6 or any other corporation, association, or entity it  
7 deems appropriate to provide staff for the commission,  
8 to provide staff for the compilation, correlation, and  
9 development of the data collected by the commission,  
10 to conduct or contract for studies on health-related  
11 questions which will further the purpose and intent  
12 expressed in section 145.17-~~and-to-provide-data-to-the~~  
13 ~~health-facilities-council-as-requested-by-the-Iowa~~  
14 ~~department-of-public-health.~~ The agreement may  
15 provide for the corporation, association, or entity to  
16 prepare and distribute or make available data to  
17 health care providers, health care subscribers, third-  
18 party payers, and the general public.

19 Sec. 6. Section 231B.2, subsection 1, Code 1995,  
20 is amended to read as follows:

21 1. The department shall establish by rule in  
22 accordance with chapter 17A a special classification  
23 for elder group homes. ~~An-elder-group-home~~  
24 ~~established-pursuant-to-this-subsection-is-exempt-from~~  
25 ~~the-requirements-of-section-135.63.~~

26 Sec. 7. Sections 135.61, 135.62, and 135.64  
27 through 135.83, Code 1995, are repealed.

28 Sec. 8. Section 135.63, Code Supplement 1995, is  
29 repealed."

30 2. Title page, line 1, by inserting after the  
31 word "the" the following: "elimination of the".

By BRAD BANKS

S-5043 FILED FEBRUARY 6, 1996

SENATE FILE 2102

S-5041

1 Amend Senate File 2102 as follows:

2 1. Page 1, by striking line 31 and inserting the  
3 following:

4 "~~(2)--Open-heart-surgical-service-~~"

5 2. Page 1, line 32, by striking the figure "(3)"  
6 and inserting the following: "~~(3)~~ (2)".

7 3. Page 1, line 33, by striking the figure "(4)"  
8 and inserting the following: "(3)".

9 4. Page 1, line 34, by striking the figure "(5)"  
10 and inserting the following: "(4)".

By BRAD BANKS

S-5041 FILED FEBRUARY 6, 1996

S-5089

1 Amend Senate File 2102 as follows:  
 2 1. By striking everything after the enacting  
 3 clause and inserting the following:  
 4 "Section 1. Section 135.61, Code 1995, is amended  
 5 to read as follows:  
 6 135.61 DEFINITIONS.  
 7 As used in this division, unless the context  
 8 otherwise requires:  
 9 1. "Affected persons" means, with respect to an  
 10 application for a certificate of need:  
 11 a. The person submitting the application.  
 12 b. Consumers who would be served by the new  
 13 institutional health service proposed in the  
 14 application.  
 15 c. Each institutional health facility or health  
 16 maintenance organization which is located in the  
 17 geographic area which would appropriately be served by  
 18 the new institutional health service proposed in the  
 19 application. The appropriate geographic service area  
 20 of each institutional health facility or health  
 21 maintenance organization shall be determined on a  
 22 uniform basis in accordance with criteria established  
 23 in rules adopted by the department.  
 24 d. Each institutional health facility or health  
 25 maintenance organization which, prior to receipt of  
 26 the application by the department, has formally  
 27 indicated to the department pursuant to this division  
 28 an intent to furnish in the future institutional  
 29 health services similar to the new institutional  
 30 health service proposed in the application.  
 31 e. Any other person designated as an affected  
 32 person by rules of the department.  
 33 f. Any payer or third-party payer for health  
 34 services.  
 35 ~~2. "Birth-center" means birth-center as defined in~~  
 36 ~~section 135G.2.~~  
 37 ~~3. 2. "Consumer" means any individual whose~~  
 38 ~~occupation is other than health services, who has no~~  
 39 ~~fiduciary obligation to an institutional health~~  
 40 ~~facility, health maintenance organization or other~~  
 41 ~~facility primarily engaged in delivery of services~~  
 42 ~~provided by persons in health service occupations, and~~  
 43 ~~who has no material financial interest in the~~  
 44 ~~providing of any health services.~~  
 45 ~~4. 3. "Council" means the state health facilities~~  
 46 ~~council established by this division.~~  
 47 ~~5. 4. "Department" means the Iowa department of~~  
 48 ~~public health.~~  
 49 ~~6. 5. "Develop", when used in connection with~~  
 50 ~~health services, means to undertake those activities~~

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1 which on their completion will result in the offer of  
2 a new institutional health service or the incurring of  
3 a financial obligation in relation to the offering of  
4 such a service.

5 ~~7-~~ 6. "Director" means the director of public  
6 health, or the director's designee.

7 ~~8-~~ 7. "Financial reporting" means reporting by  
8 which ~~hospitals and~~ health care facilities shall  
9 respectively record their revenues, expenses, other  
10 income, other outlays, assets and liabilities, and  
11 units of services.

12 ~~9-~~ 8. "Health care facility" means health care  
13 facility as defined in section 135C.1.

14 ~~10-~~ 9. "Health care provider" means a person  
15 licensed or certified under chapter 147, 148, 148A,  
16 148C, 149, 150, 150A, 151, 152, 153, 154, 154B, or  
17 155A to provide in this state professional health care  
18 service to an individual during that individual's  
19 medical care, treatment or confinement.

20 ~~11-~~ 10. "Health maintenance organization" means  
21 health maintenance organization as defined in section  
22 514B.1, subsection 6.

23 ~~12-~~ 11. "Health services" means clinically related  
24 diagnostic, curative, or rehabilitative services, and  
25 includes alcoholism, drug abuse, and mental health  
26 services.

27 ~~13--"Hospital"--means-hospital-as-defined-in~~  
28 ~~section-135B-17-subsection-3-~~

29 ~~14-~~ 12. "Institutional health facility" means any  
30 ~~of-the-following a health care facility,~~ without  
31 regard to whether the ~~facilities-referred-to-are~~  
32 ~~facility is~~ publicly or privately owned or ~~are is~~  
33 organized for profit or not or whether the ~~facilities~~  
34 ~~are~~ facility is part of or sponsored by a health  
35 maintenance organization:

36 ~~a--A-hospital-~~

37 ~~b--A-health-care-facility-~~

38 ~~c--A-kidney-disease-treatment-center,-including~~  
39 ~~any-freestanding-hemodialysis-unit-but-not-including~~  
40 ~~any-home-hemodialysis-unit-~~

41 ~~d--An-organized-outpatient-health-facility-~~

42 ~~e--An-outpatient-surgical-facility-~~

43 ~~f--A-community-mental-health-facility-~~

44 ~~g--A-birth-center-~~

45 ~~15-~~ 13. "Institutional health service" means any  
46 health service furnished in or through institutional  
47 health facilities or health maintenance organizations,  
48 including mobile health services.

49 ~~16-~~ 14. "Mobile health service" means equipment  
50 used to provide a health service that can be

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1 transported from one delivery site to another.

2 ~~17~~ 15. "Modernization" means the alteration,  
3 repair, remodeling, replacement or renovation of  
4 existing buildings or of the equipment previously  
5 installed therein, or both.

6 ~~18~~ 16. "New institutional health service" or  
7 "changed institutional health service" means any of  
8 the following:

9 a. The construction, development or other  
10 establishment of a new institutional health facility  
11 regardless of ownership.

12 b. Relocation of an institutional health facility.

13 c. Any capital expenditure, lease, or donation by  
14 or on behalf of an institutional health facility in  
15 excess of eight hundred thousand dollars within a  
16 twelve-month period.

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

22 e. Any expenditure in excess of three hundred  
23 thousand dollars by or on behalf of an institutional  
24 health facility for health services which are or will  
25 be offered in or through an institutional health  
26 facility at a specific time but which were not offered  
27 on a regular basis in or through that institutional  
28 health facility within the twelve-month period prior  
29 to that time.

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

35 g. Any acquisition by or on behalf of a health  
36 care provider or a group of health care providers of  
37 any piece of replacement equipment with a value in  
38 excess of four hundred thousand dollars, whether  
39 acquired by purchase, lease, or donation.

40 h. Any acquisition by or on behalf of a health  
41 care provider or group of health care providers of any  
42 piece of equipment with a value in excess of three  
43 hundred thousand dollars, whether acquired by  
44 purchase, lease, or donation, which results in the  
45 offering or development of a health service not  
46 previously provided. A mobile service provided on a  
47 contract basis is not considered to have been  
48 previously provided by a health care provider or group  
49 of health care providers.

50 i. Any acquisition by or on behalf of an

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1 institutional health facility or a health maintenance  
2 organization of any piece of replacement equipment  
3 with a value in excess of four hundred thousand  
4 dollars, whether acquired by purchase, lease, or  
5 donation.

6 j. Any acquisition by or on behalf of an  
7 institutional health facility or health maintenance  
8 organization of any piece of equipment with a value in  
9 excess of three hundred thousand dollars, whether  
10 acquired by purchase, lease, or donation, which  
11 results in the offering or development of a health  
12 service not previously provided. A mobile service  
13 provided on a contract basis is not considered to have  
14 been previously provided by an institutional health  
15 facility.

16 k. Any air transportation system for  
17 transportation of patients or medical personnel.

18 l. Any mobile health service with a value in  
19 excess of three hundred thousand dollars.

20 m. ~~Any of the following:~~

21 ~~(1) Cardiac catheterization service.~~

22 ~~(2) Open heart surgical service.~~

23 ~~(3) Organ transplantation service.~~

24 ~~19. 17. "Offer", when used in connection with~~  
25 ~~health services, means that an institutional health~~  
26 ~~facility, health maintenance organization, health care~~  
27 ~~provider, or group of health care providers holds~~  
28 ~~itself out as capable of providing, or as having the~~  
29 ~~means to provide, specified health services.~~

30 ~~20. "Organized outpatient health facility" means a~~  
31 ~~facility, not part of a hospital, organized and~~  
32 ~~operated to provide health care to~~  
33 ~~noninstitutionalized and nonhomebound persons on an~~  
34 ~~outpatient basis; it does not include private offices~~  
35 ~~or clinics of individual physicians, dentists or other~~  
36 ~~practitioners, or groups of practitioners, who are~~  
37 ~~health care providers.~~

38 ~~21. "Outpatient surgical facility" means a~~  
39 ~~facility which as its primary function provides,~~  
40 ~~through an organized medical staff and on an~~  
41 ~~outpatient basis to patients who are generally~~  
42 ~~ambulatory, surgical procedures not ordinarily~~  
43 ~~performed in a private physician's office, but not~~  
44 ~~requiring twenty-four-hour hospitalization, and which~~  
45 ~~is neither a part of a hospital nor the private office~~  
46 ~~of a health care provider who there engages in the~~  
47 ~~lawful practice of surgery. "Outpatient surgical~~  
48 ~~facility" includes a facility certified or seeking~~  
49 ~~certification as an ambulatory surgical center, under~~  
50 ~~the federal Medicare program or under the medical~~

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1 assistance-program-established-pursuant-to-chapter  
2 249A-

3 ~~22~~ 18. "Technologically innovative equipment"  
4 means equipment potentially useful for diagnostic or  
5 therapeutic purposes which introduces new technology  
6 in the diagnosis or treatment of disease, the  
7 usefulness of which is not well enough established to  
8 permit a specific plan of need to be developed for the  
9 state.

10 Sec. 2. Section 135.63, subsection 2, Code  
11 Supplement 1995, is amended to read as follows:

12 2. This division shall not be construed to  
13 augment, limit, contravene, or repeal in any manner  
14 any other statute of this state which may authorize or  
15 relate to licensure, regulation, supervision, or  
16 control of, nor to be applicable to:

17 ~~a. Private offices and private clinics of an  
18 individual physician, dentist or other practitioner or  
19 group of health care providers, except as provided by  
20 section 135.61, subsection 18, paragraphs "g" and "h",  
21 and subsections 20 and 21.~~

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

29 ~~c. a. Establishments such as motels, hotels, and  
30 boarding houses which provide medical, nursing  
31 personnel, and other health related services as an  
32 incident to their primary business or function.~~

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

38 ~~e. c. A health maintenance organization or  
39 combination of health maintenance organizations or an  
40 institutional health facility controlled directly or  
41 indirectly by a health maintenance organization or  
42 combination of health maintenance organizations,  
43 except when the health maintenance organization or  
44 combination of health maintenance organizations does  
45 any of the following:~~

46 (1) Constructs, develops, renovates, relocates, or  
47 otherwise establishes an institutional health  
48 facility.

49 (2) Acquires major medical equipment as provided  
50 by section 135.61, subsection 18 16, paragraphs "i"

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1 and "j".

2 f- d. A residential care facility, as defined in  
3 section 135C.1, including a residential care facility  
4 for the mentally retarded, notwithstanding any  
5 provision in this division to the contrary.

6 g- e. A reduction in bed capacity of an  
7 institutional health facility, notwithstanding any  
8 provision in this division to the contrary, if all of  
9 the following conditions exist:

10 (1) The institutional health facility reports to  
11 the department the number and type of beds reduced on  
12 a form prescribed by the department at least thirty  
13 days before the reduction. In the case of a health  
14 care facility, the new bed total must be consistent  
15 with the number of licensed beds at the facility. In  
16 the case of a hospital, the number of beds must be  
17 consistent with bed totals reported to the department  
18 of inspections and appeals for purposes of licensure  
19 and certification.

20 (2) The institutional health facility reports the  
21 new bed total on its next annual report to the  
22 department.

23 If these conditions are not met, the institutional  
24 health facility is subject to review as a "new  
25 institutional health service" or "changed  
26 institutional health service" under section 135.61,  
27 subsection 18 16, paragraph "d", and subject to  
28 sanctions under section 135.73. If the institutional  
29 health facility reestablishes the deleted beds at a  
30 later time, review as a "new institutional health  
31 service" or "changed institutional health service" is  
32 required pursuant to section 135.61, subsection 18 16,  
33 paragraph "d".

34 h- f. The deletion of one or more health services,  
35 previously offered on a regular basis by an  
36 institutional health facility or health maintenance  
37 organization, notwithstanding any provision of this  
38 division to the contrary, if all of the following  
39 conditions exist:

40 (1) The institutional health facility or health  
41 maintenance organization reports to the department the  
42 deletion of the service or services at least thirty  
43 days before the deletion on a form prescribed by the  
44 department.

45 (2) The institutional health facility or health  
46 maintenance organization reports the deletion of the  
47 service or services on its next annual report to the  
48 department.

49 If these conditions are not met, the institutional  
50 health facility or health maintenance organization is

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1 subject to review as a "new institutional health  
2 service" or "changed institutional health service"  
3 under section 135.61, subsection ~~18~~ 16, paragraph "f",  
4 and subject to sanctions under section 135.73.

5 If the institutional health facility or health  
6 maintenance organization reestablishes the deleted  
7 service or services at a later time, review as a "new  
8 institutional health service" or "changed  
9 institutional health service" may be required pursuant  
10 to section 135.61, subsection ~~18~~ 16.

11 i. A residential program exempt from licensing as  
12 a health care facility under chapter 135C in  
13 accordance with section 135C.6, subsection 8.

14 Sec. 3. Section 135.64, subsection 3, Code 1995,  
15 is amended by striking the subsection.

16 Sec. 4. Section 135.74, Code 1995, is amended to  
17 read as follows:

18 135.74 UNIFORM FINANCIAL REPORTING.

19 1. The department, after study and in consultation  
20 with any advisory committees which may be established  
21 pursuant to law, shall promulgate by rule pursuant to  
22 chapter 17A uniform methods of financial reporting,  
23 including such allocation methods as may be  
24 prescribed, by which ~~hospitals-and~~ health care  
25 facilities shall respectively record their revenues,  
26 expenses, other income, other outlays, assets and  
27 liabilities, and units of service, according to  
28 functional activity center. These uniform methods of  
29 financial reporting shall not preclude a ~~hospital-or~~  
30 health care facility from using any accounting methods  
31 for its own purposes provided these accounting methods  
32 can be reconciled to the uniform methods of financial  
33 reporting prescribed by the department and can be  
34 audited for validity and completeness. Each ~~hospital~~  
35 ~~and-each~~ health care facility shall adopt the  
36 appropriate system for its fiscal year, effective upon  
37 such date as the department shall direct. In  
38 determining the effective date for reporting  
39 requirements, the department shall consider both the  
40 immediate need for uniform reporting of information to  
41 effectuate the purposes of this division and the  
42 administrative and economic difficulties which  
43 ~~hospitals-and~~ health care facilities may encounter in  
44 complying with the uniform financial reporting  
45 requirement, but the effective date shall not be later  
46 than January 1, 1980.

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

49 a. The existing systems of accounting and  
50 reporting currently utilized by ~~hospitals-and~~ health

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1 care facilities;  
2 b. Differences among hospitals and health care  
3 facilities, respectively, according to size, financial  
4 structure, methods of payment for services, and scope,  
5 type and method of providing services; and  
6 c. Other pertinent distinguishing factors.  
7 3. The department shall, where appropriate,  
8 provide for modification, consistent with the purposes  
9 of this division, of reporting requirements to  
10 correctly reflect the differences among ~~hospitals-and~~  
11 ~~among~~ health care facilities referred to in subsection  
12 2, and to avoid otherwise unduly burdensome costs in  
13 meeting the requirements of uniform methods of  
14 financial reporting.

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

24 Sec. 5. Section 135.75, Code 1995, is amended to  
25 read as follows:

26 135.75 ANNUAL REPORTS BY ~~HOSPITALS~~, HEALTH CARE  
27 FACILITIES.

28 1. Each ~~hospital-and-each~~ health care facility  
29 shall annually, after the close of its fiscal year,  
30 file with the department:

31 a. A balance sheet detailing the assets,  
32 liabilities and net worth of the ~~hospital-or~~ health  
33 care facility;

34 b. A statement of its income and expenses; ~~and.~~

35 c. Such other reports of the costs incurred in  
36 rendering services as the department may prescribe.

37 2. Where more than one licensed ~~hospital-or~~ health  
38 care facility is operated by the reporting  
39 organization, the information required by this section  
40 shall be reported separately for each licensed  
41 ~~hospital-or~~ health care facility. The department  
42 shall require preparation of specified financial  
43 reports by a certified public accountant, and may  
44 require attestation of responsible officials of the  
45 reporting ~~hospital-or~~ health care facility that the  
46 reports submitted are to the best of their knowledge  
47 and belief prepared in accordance with the prescribed  
48 methods of reporting. The department shall have the  
49 right to inspect the books, audits and records of any  
50 ~~hospital-or~~ health care facility as reasonably

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1 necessary to verify reports submitted pursuant to this  
2 division.

3 3. In obtaining the reports required by this  
4 section, the department and other state agencies shall  
5 co-ordinate their reporting requirements.

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

9 Sec. 6. Section 135.76, subsections 1, 2, and 3,  
10 Code 1995, are amended to read as follows:

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

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

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

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

39 b. Aggregate rates of ~~hospitals-and-of~~ health care  
40 facilities are reasonably related to the aggregate  
41 costs incurred by those respective groups of  
42 institutions.

43 c. Rates are set equitably among all purchasers or  
44 classes of purchasers of ~~hospital-and-of~~ health care  
45 facility services.

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

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1 health care facilities.

2 Sec. 7. Section 135.78, Code 1995, is amended to  
3 read as follows:

4 135.78 DATA TO BE COMPILED.

5 Immediately upon July 1, 1978, or as soon  
6 thereafter as reasonably possible, the department  
7 shall begin to compile all relevant financial and  
8 utilization data in order to have available the  
9 statistical information necessary to properly monitor  
10 ~~hospital-and~~ health care facility charges and costs.  
11 Such data shall include necessary operating expenses,  
12 appropriate expenses incurred for rendering services  
13 to patients who cannot or do not pay, all properly  
14 incurred interest charges, and reasonable depreciation  
15 expenses based on the expected useful life of the  
16 property and equipment involved. The department shall  
17 also obtain from each ~~hospital-and~~ health care  
18 facility a current rate schedule as well as any  
19 subsequent amendments or modifications of that  
20 schedule as it may require. In collection of the data  
21 required by sections 135.74 to 135.78, the department  
22 and other state agencies shall co-ordinate their  
23 reporting requirements.

24 Sec. 8. Section 135.79, Code 1995, is amended to  
25 read as follows:

26 135.79 CIVIL PENALTY.

27 Any ~~hospital-or~~ health care facility which fails to  
28 file with the department the financial reports  
29 required by sections 135.74 to 135.78 is subject to a  
30 civil penalty of not to exceed five hundred dollars  
31 for each offense.

32 Sec. 9. Section 135.83, Code 1995, is amended to  
33 read as follows:

34 135.83 CONTRACTS FOR ASSISTANCE WITH ANALYSES,  
35 STUDIES AND DATA.

36 In furtherance of the department's responsibilities  
37 under sections 135.76, 135.77 and 135.78, the director  
38 may contract with ~~the-Iowa-hospital-association-and~~  
39 ~~third-party-payers,~~ the Iowa health care facilities  
40 association and third party payers, or the Iowa  
41 association of homes for the aging and third party  
42 payers for the establishment of pilot programs dealing  
43 with prospective rate review in ~~hospitals-or~~ health  
44 care facilities, ~~-or-both.~~ Such contract shall be  
45 subject to the approval of the executive council and  
46 shall provide for an equitable representation of  
47 health care providers, third party payers, and health  
48 care consumers in the determination of criterion for  
49 rate review. No third party payer shall be excluded  
50 from positive financial incentives based upon volume

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1 of gross patient revenues. No state or federal funds  
2 appropriated or available to the department shall be  
3 used for any such pilot program."

By MARY LOU FREEMAN

WAYNE D. BENNETT

BERL E. PRIEBE

WILMER RENSINK

H. KAY HEDGE

BRAD BANKS

DON GETTINGS

JOHN W. JENSEN

S-5089 FILED FEBRUARY 20, 1996

## SENATE FILE 2102

S-5042

1 Amend Senate File 2102 as follows:

2 1. Page 1, by striking line 31 and inserting the  
3 following:4 "~~(2)--Open-heart-surgical-service-~~"5 2. Page 1, line 32, by striking the figure "(3)"  
6 and inserting the following: "~~(3)~~ (2)".7 3. Page 1, line 33, by striking the figure "(4)"  
8 and inserting the following: "(3)".

9 4. Page 1, by striking line 34.

By BRAD BANKS

S-5042 FILED FEBRUARY 6, 1996

## SENATE FILE 2102

S-5032

1 Amend Senate File 2102 as follows:

2 1. Page 3, by inserting after line 19 the  
3 following:4 "Sec. 6. EFFECTIVE DATE. This Act, being deemed  
5 of immediate importance, takes effect upon enactment."6 2. Title page, line 2, by inserting after the  
7 word "facilities" the following: "and providing an  
8 effective date".

By MARY E. KRAMER

NANCY BOETTGER

S-5032 FILED JANUARY 31, 1996

Vilsack  
Szymoniak  
Bartz

Succeeded By  
SF/HF 2102

SSB-2068  
Human Resources

Succeeded By  
SF/HF 2102

SENATE/HOUSE FILE  
BY (PROPOSED DEPARTMENT OF  
PUBLIC HEALTH BILL)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to the certificate of need program for  
2 institutional health facilities.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 135.61, subsection 14, Code 1995, is  
2 amended to read as follows:

3 14. "Institutional health facility" means any of the  
4 following, without regard to whether the facilities referred  
5 to are publicly or privately owned or are organized for profit  
6 or not or whether the facilities are part of or sponsored by a  
7 health maintenance organization:

- 8 a. A hospital.
- 9 b. A health care facility.
- 10 ~~c. A kidney disease treatment center, including any~~
- 11 ~~freestanding hemodialysis unit but not including any home~~
- 12 ~~hemodialysis unit.~~
- 13 ~~d. c.~~ An organized outpatient health facility.
- 14 ~~e. d.~~ An outpatient surgical facility.
- 15 ~~f. e.~~ A community mental health facility.
- 16 ~~g. f.~~ A birth center.

17 Sec. 2. Section 135.61, subsection 18, paragraphs c, k,  
18 and m, Code 1995, are amended to read as follows:

19 c. Any capital expenditure, lease, or donation by or on  
20 behalf of an institutional health facility in excess of eight  
21 ~~hundred-thousand~~ one million dollars within a twelve-month  
22 period.

23 k. Any air transportation system for transportation of  
24 patients or medical personnel offered in or through an  
25 institutional health facility at a specific time, which was  
26 not offered on a regular basis in or through the institutional  
27 health facility within the twelve-month period prior to the  
28 specified time.

- 29 m. Any of the following:
- 30 (1) Cardiac catheterization service.
- 31 (2) Open heart surgical service.
- 32 (3) Organ transplantation service.
- 33 (4) Magnetic resonance imaging at a fixed site.
- 34 (5) Radiation therapy.

35 Sec. 3. Section 135.63, subsection 2, Code Supplement

1 1995, is amended by adding the following new paragraphs:

2 NEW PARAGRAPH. j. The construction, modification, or  
3 replacement of nonpatient care services, including but not  
4 limited to parking facilities, heating, ventilation and air  
5 conditioning systems, computers, telephone systems, and  
6 medical office buildings, notwithstanding any provision in  
7 this division to the contrary.

8 NEW PARAGRAPH. k. The redistribution of beds within the  
9 acute care category of bed usage, notwithstanding any  
10 provision in this division to the contrary, if all of the  
11 following conditions are met:

12 (1) The hospital reports to the department, on a form  
13 prescribed by the department, the number and type of beds to  
14 be redistributed, at least thirty days prior to the  
15 redistribution.

16 (2) The hospital reports the new distribution of beds on  
17 the hospitals's subsequent annual report to the department.

18 If these conditions are not met, the hospital is subject to  
19 review as a new institutional health service or changed  
20 institutional health service under section 135.61, subsection  
21 18, paragraph "d", and subject to sanctions under section  
22 135.73.

23 Sec. 4. Section 135.65, subsection 1, Code 1995, is  
24 amended to read as follows:

25 1. Before applying for a certificate of need, the sponsor  
26 of a proposed new institutional health service or changed  
27 institutional health service shall submit to the department a  
28 letter of intent to offer or develop a service requiring a  
29 certificate of need. The letter shall be submitted as soon as  
30 possible after initiation of the applicant's planning process,  
31 and in any case not less than ~~sixty~~ thirty days before  
32 applying for a certificate of need and before substantial  
33 expenditures to offer or develop the service are made. The  
34 letter shall include a brief description of the proposed new  
35 or changed service, its location, and its estimated cost.

1 Sec. 5. Section 135.71, unnumbered paragraph 1, Code 1995,  
2 is amended to read as follows:

3 A certificate of need shall be valid for a maximum of one  
4 year from the date of issuance. Upon the expiration of the  
5 certificate, or at any earlier time while the certificate is  
6 valid the holder ~~thereof~~ of the certificate shall provide the  
7 department such information on the development of the project  
8 covered by the certificate as the department may request. The  
9 council shall determine at the end of the certification period  
10 whether sufficient progress is being made on the development  
11 of the project ~~and-whether-there-has-been-compliance-with-any~~  
12 ~~conditions-on-which-issuance-of-the-certificate-was-premised.~~  
13 The certificate of need may be extended by the council for  
14 additional periods of time as are reasonably necessary to  
15 expeditiously complete the project, but may be revoked by the  
16 council at the end of the first or any subsequent  
17 certification period for insufficient progress in developing  
18 the project ~~or-noncompliance-with-any-conditions-on-which~~  
19 ~~issuance-of-the-certificate-was-premised.~~

20 EXPLANATION

21 This bill makes changes in the law relating to the  
22 certificate of need program which regulates the construction,  
23 development, and other establishment of health services and  
24 facilities.

25 The bill removes kidney disease treatment centers,  
26 otherwise referred to as dialysis services, from the  
27 definition of an institutional health facility which would  
28 otherwise be subject to review by the health facilities  
29 council prior to establishment.

30 The bill increases the capital expenditure minimum during a  
31 12-month period from \$800,000 to \$1,000,000 for the purposes  
32 of review, redefines air transportation systems subject to  
33 review as only those which are offered as a new service at a  
34 particular location, and adds magnetic resonance imaging and  
35 radiation therapy to the list of services subject to review

1 notwithstanding the amount of expenditure associated with the  
2 service.

3 The bill also provides that review is inapplicable to the  
4 construction, modification, or replacement of, nonpatient care  
5 services including, but not limited to, parking facilities,  
6 heating, ventilation and air condition systems, computers,  
7 telephone systems, and medical office buildings, and is  
8 inapplicable to the redistribution of beds within the acute  
9 care category of bed usage, if the hospital reports the number  
10 and type of beds to be redistributed to the department at  
11 least 30 days prior to the redistribution and if a report of  
12 the new distribution is made on the hospital's subsequent  
13 annual report to the department.

14 The bill provides that the sponsor of a proposed new  
15 institutional health service or changed institutional health  
16 service is to submit a letter of intent not less than 30 days,  
17 instead of the currently required 60 days, before applying for  
18 a certificate of need and before substantial expenditures to  
19 offer or develop the service are made.

20 The bill eliminates language which refers to compliance  
21 with conditions on which the issuance of a certificate is  
22 premised relating to the time period during which a  
23 certificate of need is valid.

24 BACKGROUND STATEMENT

25 SUBMITTED BY THE AGENCY

26 This bill makes several changes relating to the certificate  
27 of need program.

28 Section 1 exempts dialysis services from review. Most  
29 dialysis patients are covered by Medicare and the Medicare  
30 reimbursement mechanism provides an adequate control of  
31 expenditures. Section 2 raises the threshold for a reviewable  
32 capital expenditure from \$800,000 to \$1,000,000 specifies that  
33 an air medical transport system is only reviewed if it is a  
34 new service for a particular location and adds radiation  
35 therapy and magnetic resonance imaging (MRIs) to review

1 regardless of cost. Radiation therapy (linear accelerators)  
2 and MRIs provide regional medical services and the focus of  
3 reviews are access and quality, not cost. Currently, the  
4 health facilities council review nearly all linear accelerator  
5 and MRI projects as they exceed the equipment cost threshold  
6 of \$300,000.

7 Section 3 exempts from review, nonpatient care services  
8 including but not limited to HVAC/boilers, computer systems,  
9 telephone systems, medical office buildings, and parking  
10 facilities and also establishes that the redistribution of  
11 beds within the acute care category of bed usage would not  
12 require a review as long as the hospital submitted the  
13 appropriate information to the health facilities council. The  
14 changing of acute care beds to a distinct long-term care unit  
15 would still require a full review.

16 Section 4 shortens the period between the submission letter  
17 of intent and application for a certificate of need, from 60  
18 days to 30 days, in response to concerns expressed that the  
19 review process is too long.

20 Section 5 eliminates statutory language regarding  
21 compliance with conditions placed on the issuance of  
22 certificates of need. The language is deleted to be  
23 consistent with the prior elimination of language allowing  
24 conditions to be placed on the issuance of certificate of  
25 need.

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