

MAR 27 1997

WAYS & MEANS CALENDAR

HOUSE FILE 714  
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 199)

Passed House, Date <sup>(P. 140)</sup> 4-23-97 Passed Senate, Date \_\_\_\_\_  
Vote: Ayes 95 Nays 5 Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to hospitals and health care facilities,  
2 including licensing and license fees, inspections and  
3 inspection fees and fines.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

5

HOUSE FILE 714

S-5032

- 1 Amend House File 714, as passed by the House, as
- 2 follows:
- 3 1. Page 1, by striking lines 34 and 35 and
- 4 inserting the following: "The inspection fee for each
- 5 nonaccredited hospital".
- 6 2. Page 2, by striking lines 2 through 10.

By H. KAY HEDGE

S-5032 FILED FEBRUARY 12, 1998

HF 714

15  
16  
17  
18  
19  
20  
21  
22  
23

1 Section 1. Section 135B.4, Code 1997, is amended by  
2 striking the section and inserting in lieu thereof the  
3 following:

4 135B.4 LICENSES -- APPLICATION, FEES, ISSUANCE, AND  
5 RENEWAL.

6 1. Licenses shall be obtained from the department.  
7 Applications shall be upon forms and shall contain information  
8 as the department may require, which may include affirmative  
9 evidence of ability to comply with standards and rules  
10 prescribed under this chapter. Each application for license  
11 shall be accompanied by the license fee, which shall be  
12 deposited in the general fund.

13 2. Each hospital shall pay an initial license fee of fifty  
14 dollars.

15 3. Licenses shall be renewed annually. The annual license  
16 renewal fee is fifty dollars for each hospital.

17 4. Licenses shall be general, specific, or restricted in  
18 form. Each license shall be issued only for the premises and  
19 persons or governmental units approved by the department and  
20 is not transferable or assignable except with the written  
21 approval of the department. Licenses shall be posted in a  
22 conspicuous place on the licensed premises as prescribed by  
23 rule of the department.

24 Sec. 2. Section 135B.5, Code 1997, is amended by striking  
25 the section and inserting in lieu thereof the following:

26 135B.5 INSPECTION FEES.

27 1. In addition to the license fee prescribed pursuant to  
28 section 135B.4, each hospital not accredited by the joint  
29 commission on the accreditation of health care organizations  
30 or the American osteopathic association shall pay an  
31 inspection fee for each licensing inspection, not including  
32 follow up visits and complaint investigations, conducted for  
33 the hospital during a license period.

34 2. a. For the fiscal year July 1, 1997, through June 30,  
35 1998, the inspection fee for each nonaccredited hospital

1 inspected during a license period is seven hundred dollars.

2 b. For the fiscal year July 1, 1998, through June 30,  
3 1999, and each fiscal year thereafter, the inspection fee  
4 shall be adjusted annually to reflect the actual state costs  
5 for all inspections conducted the previous fiscal year divided  
6 by the number of inspections conducted. The department shall  
7 receive approval from the hospital licensing board of the  
8 adjusted fee prior to notifying each nonaccredited hospital.  
9 Each nonaccredited hospital shall be notified of the adjusted  
10 inspection fee annually by October 1.

11 3. The hospital receiving the inspection shall remit the  
12 inspection fee to the department within ten days following  
13 receipt of the inspection report.

14 4. The inspection fees collected shall be deposited in the  
15 general fund of the state.

16 Sec. 3. Section 135C.36, subsection 2, Code 1997, is  
17 amended to read as follows:

18 2. A Class II violation is one which has a direct or  
19 immediate relationship to the health, safety or security of  
20 residents of a health care facility, but which presents no  
21 imminent danger nor substantial probability of death or  
22 physical harm to them. A physical condition or one or more  
23 practices within a facility, including either physical abuse  
24 of any resident or failure to treat any resident with  
25 consideration, respect and full recognition of the resident's  
26 dignity and individuality, in violation of a specific rule  
27 adopted by the department, may constitute a Class II  
28 violation. A violation of section 135C.14, subsection 8, or  
29 section 135C.31 and rules adopted under those sections shall  
30 be at least a Class II violation and may be a Class I  
31 violation. A Class II violation shall be corrected within a  
32 stated period of time determined by the department and  
33 specified in the citation issued under section 135C.40. The  
34 stated period of time specified in the citation may  
35 subsequently be modified by the department for good cause

1 shown. A licensee is subject to a penalty of not less than one  
2 hundred nor more than five-hundred two thousand dollars for  
3 each Class II violation for which the licensee's facility is  
4 cited, however the director may waive the penalty if the  
5 violation is corrected within the time specified in the  
6 citation.

7

## EXPLANATION

8 This bill makes changes in the hospitals and health care  
9 facilities chapters of the Code.

10 Sections 1 and 2 of the bill revise the licensing and  
11 inspection fees for hospitals. The initial licensing fee for  
12 hospitals is revised to \$50 for all hospitals in place of the  
13 current fees, based on the number of beds in the hospital,  
14 ranging from \$15 to \$50. Additionally, the annual renewal  
15 licensing fee is increased from \$10 to \$50. The bill also  
16 establishes a new inspection fee for all hospitals not  
17 accredited by the Joint Commission on Accreditation of Health  
18 Care Organizations (JCAHO) or the American Osteopathic  
19 Association (AOA). The fee is \$700 for the fiscal year  
20 beginning July 1, 1997, and is to be adjusted based upon the  
21 actual state cost of inspections performed in the previous  
22 fiscal year. The adjusted fee must be approved by the  
23 hospital licensing board and notice must be provided to all  
24 hospitals by October 1 of each state fiscal year.

25 Section 3 of the bill revises the maximum penalty for a  
26 Class II violation, which is one which has a direct or  
27 immediate relationship to the health, safety, or security of  
28 residents of a health care facility but which presents no  
29 imminent danger or substantial probability of death or  
30 physical harm to them. The maximum penalty is increased from  
31 \$500 to \$2,000.

32

33

34

35

Blodgett, Chair  
Dix  
Jochum

HSB 199

WAYS AND MEANS

Succeeded By

SE (HF) 214

SENATE/HOUSE FILE  
BY (PROPOSED DEPARTMENT OF  
INSPECTIONS AND APPEALS BILL)

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

A BILL FOR

1 An Act relating to hospitals and health care facilities,  
2 including licensing and license fees, inspections and  
3 inspection fees and fines.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24

1 Section 1. Section 135B.4, Code 1997, is amended by  
2 striking the section and inserting in lieu thereof the  
3 following:

4 135B.4 LICENSES -- APPLICATION, FEES, ISSUANCE, AND  
5 RENEWAL.

6 1. Licenses shall be obtained from the department.  
7 Applications shall be upon forms and shall contain information  
8 as the department may require, which may include affirmative  
9 evidence of ability to comply with standards and rules  
10 prescribed under this chapter. Each application for license  
11 shall be accompanied by the license fee, which shall be  
12 deposited in the general fund.

13 2. Each hospital shall pay an initial license fee of fifty  
14 dollars.

15 3. Licenses shall be renewed annually. The annual license  
16 renewal fee is fifty dollars for each hospital.

17 4. Licenses shall be general, specific, or restricted in  
18 form. Each license shall be issued only for the premises and  
19 persons or governmental units approved by the department and  
20 is not transferable or assignable except with the written  
21 approval of the department. Licenses shall be posted in a  
22 conspicuous place on the licensed premises as prescribed by  
23 rule of the department.

24 Sec. 2. Section 135B.5, Code 1997, is amended by striking  
25 the section and inserting in lieu thereof the following:

26 135B.5 INSPECTION FEES.

27 1. In addition to the license fee prescribed pursuant to  
28 section 135B.4, each hospital not accredited by the joint  
29 commission on the accreditation of health care organizations  
30 or the American osteopathic association shall pay an  
31 inspection fee for each licensing inspection, not including  
32 follow up visits and complaint investigations, conducted for  
33 the hospital during a license period.

34 2. a. For the fiscal year July 1, 1997, through June 30,  
35 1998, the inspection fee for each nonaccredited hospital

1 inspected during a license period is seven hundred dollars.

2 b. For the fiscal year July 1, 1998, through June 30,  
3 1999, and each fiscal year thereafter, the inspection fee  
4 shall be adjusted annually to reflect the actual state costs  
5 for all inspections conducted the previous fiscal year divided  
6 by the number of inspections conducted. The department shall  
7 receive approval from the hospital licensing board of the  
8 adjusted fee prior to notifying each nonaccredited hospital.  
9 Each nonaccredited hospital shall be notified of the adjusted  
10 inspection fee annually by October 1.

11 3. The hospital receiving the inspection shall remit the  
12 inspection fee to the department within ten days following  
13 receipt of the inspection report.

14 4. The inspection fees collected shall be deposited in the  
15 general fund of the state.

16 Sec. 3. Section 135C.36, subsection 2, Code 1997, is  
17 amended to read as follows:

18 2. A Class II violation is one which has a direct or  
19 immediate relationship to the health, safety or security of  
20 residents of a health care facility, but which presents no  
21 imminent danger nor substantial probability of death or  
22 physical harm to them. A physical condition or one or more  
23 practices within a facility, including either physical abuse  
24 of any resident or failure to treat any resident with  
25 consideration, respect and full recognition of the resident's  
26 dignity and individuality, in violation of a specific rule  
27 adopted by the department, may constitute a Class II  
28 violation. A violation of section 135C.14, subsection 8, or  
29 section 135C.31 and rules adopted under those sections shall  
30 be at least a Class II violation and may be a Class I  
31 violation. A Class II violation shall be corrected within a  
32 stated period of time determined by the department and  
33 specified in the citation issued under section 135C.40. The  
34 stated period of time specified in the citation may  
35 subsequently be modified by the department for good cause

1 shown. A licensee is subject to a penalty of not less than one  
2 hundred nor more than five-hundred two thousand dollars for  
3 each Class II violation for which the licensee's facility is  
4 cited, however the director may waive the penalty if the  
5 violation is corrected within the time specified in the  
6 citation.

7

EXPLANATION

8 This bill makes changes in the hospitals and health care  
9 facilities chapters of the Code.

10 Sections 1 and 2 of the bill revise the licensing and  
11 inspection fees for hospitals. The initial licensing fee for  
12 hospitals is revised to \$50 for all hospitals in place of the  
13 current fees, based on the number of beds in the hospital,  
14 ranging from \$15 to \$50. Additionally, the annual renewal  
15 licensing fee is increased from \$10 to \$50. The bill also  
16 establishes a new inspection fee for all hospitals not  
17 accredited by the Joint Commission on Accreditation of Health  
18 Care Organizations (JCAHO) or the American Osteopathic  
19 Association (AOA). The fee is \$700 for the fiscal year  
20 beginning July 1, 1997, and is to be adjusted based upon the  
21 actual state cost of inspections performed in the previous  
22 fiscal year. The adjusted fee must be approved by the  
23 hospital licensing board and notice must be provided to all  
24 hospitals by October 1 of each state fiscal year.

25 Section 3 of the bill revises the maximum penalty for a  
26 Class II violation, which is one which has a direct or  
27 immediate relationship to the health, safety, or security of  
28 residents of a health care facility but which presents no  
29 imminent danger or substantial probability of death or  
30 physical harm to them. The maximum penalty is increased from  
31 \$500 to \$2,000.

32

33

34

35



TERRY E. BRANSTAD, GOVERNOR

DEPARTMENT OF INSPECTIONS AND APPEALS

KIM D. SCHMETT, DIRECTOR

JOHN T. SCHAFFNER, DEPUTY DIRECTOR

January 28, 1997

TO: Members of the General Assembly

FR: Kim D. Schmett *LOS*

The Department of Inspections and Appeals is proposing legislation related to functions performed by the Health Facilities Division. Following is additional information related to each section of the proposed bill:

**SECTIONS 1 and 2**

Revises the license fee structure for hospitals under Iowa Code Chapter 135B. The purpose of the legislation is to cover the state costs of licensing and inspections. Currently the state pays 15% and the federal government covers 85% of the inspection costs. The state pays 100% of the licensing costs. The department receives a General Fund appropriation with the licensing fees being deposited in the General Fund.

Hospitals have been paying the same license renewal fee (\$10) since the inception of the state law in 1947. The license renewal fee is being increased to \$50 for each hospital. Under the current license fee, revenue to the General Fund based on 124 hospitals is \$1,240. The revised fee would result in revenue of \$6,200, an **increase to the General Fund of \$4,960.**

In addition, the legislation proposes to charge an inspection fee to those hospitals not accredited by the Joint Commission on the Accreditation of Health Care Organizations (JCAHO) or the American Osteopathic Association (AOA). The fee would be \$700 for Fiscal Year 1998 and would be adjusted annually based on actual state costs from the previous fiscal year. Currently the department receives no fee for inspections. Accredited hospitals pay the accrediting organization an inspection fee for each service they provide. The average cost for accreditation is \$22,000. The base fee for accreditation is \$7,185, with the highest being approximately \$70,000. The cost for non-accredited hospital inspections is \$4,700. Of the \$4,700, \$700 is state cost. Under Medicare, 15% or 12 hospitals of the non-accredited hospitals are inspected annually. At \$700 per hospital, **new revenue to the General Fund would be \$8,400.**

The Hospital Licensing Board, which is responsible for consulting with and advising the department in matters of policy affecting administration of Chapter 135B, recommends this proposed legislation. The Board is made up of five hospital administrators, two of which are administrators of non-accredited hospitals.

**SECTION 3**

Revises the fine range for Class II violations under Iowa Code Section 135C.36. The fine range for Class II is currently \$100 to \$500. The proposed legislation would change the range to \$100 to \$2,000.

Every violation by a health care facility of any provision of Iowa Code Chapter 135C or rules adopted pursuant to it are classified in one of three levels. A **Class I** violation is one which presents an imminent danger or a substantial probability of resultant death or physical harm to the residents of the facility. The fine range for Class I is \$2,000 to \$10,000. A **Class II** violation is one which has a direct or immediate relationship to the health, safety or security of residents of a health care facility, but which presents no imminent danger nor substantial probability of death or physical harm to them. The fine range for Class II is \$100 to \$500. A **Class III** violation is any violation which is not classified in the department's rules nor classifiable under a Class I or Class II violation. A Class III violation does not have a financial penalty attached.

This proposed legislation will close the gap between Class II violations and Class II violations. Based on Fiscal Year 1996 fining and citation statistics, the fiscal impact to the General Fund would be approximately an additional \$84,000 for Fiscal year 1998.

If you have any questions concerning this proposal, please contact Beverly Zylstra, Legislative Liaison, at (515)281-6442.