

House Study Bill 268 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON HEALTH
AND HUMAN SERVICES BILL BY
CHAIRPERSON NORDMAN)

A BILL FOR

1 An Act relating to specialty hospital designations for certain
2 nonprofit organizations.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

unofficial

1 Section 1. Section 135B.1, Code 2025, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 7. "*Specialty hospital*" means a hospital
4 described by all of the following:

5 a. The hospital is owned and operated by a nonprofit
6 organization.

7 b. The hospital only serves individuals thirty years of age
8 and younger.

9 c. More than sixty percent of the individuals served by the
10 hospital receive medical assistance under chapter 249A.

11 d. The hospital specializes in pediatric rehabilitation and
12 treating children with a behavioral health condition or complex
13 medical needs.

14 e. The hospital has no more than one hundred inpatient beds.

15 f. The hospital provides outpatient services.

16 g. The hospital was a licensed nursing facility under section
17 135C.1, prior to July 1, 2025.

18 Sec. 2. NEW SECTION. **135B.40 Specialty hospitals.**

19 1. A specialty hospital shall establish formal criteria based
20 on objective medical standards for patient admission, discharge,
21 and continuation of care.

22 2. The department shall adopt rules pursuant to chapter
23 17A relating to the application of criteria established under
24 subsection 1 when reviewing patient discharges from a specialty
25 hospital.

26 3. The department of health and human services shall provide
27 notice to a specialty hospital of a significant change in federal
28 Medicaid reimbursement to hospitals which would negatively impact
29 the specialty hospital. To the extent permitted by law,
30 the department of health and human services shall collaborate
31 with the specialty hospital to mitigate the negative effects
32 of a significant change in federal Medicaid reimbursement to
33 hospitals.

34 Sec. 3. DEPARTMENT OF INSPECTIONS, APPEALS, AND LICENSING —
35 DEPARTMENT OF HEALTH AND HUMAN SERVICES — SPECIALTY HOSPITALS.

1 1. For purposes of this section, "licensed entity" means an
2 entity granted a provisional general hospital license with a
3 specialty hospital designation under subsection 2, paragraph "a".

4 2. On or before July 1, 2025, the department of inspections,
5 appeals, and licensing shall, to the extent not prohibited by
6 federal law, do all of the following:

7 a. Grant a provisional general hospital license with a
8 specialty hospital designation to an entity that meets the
9 definition of a specialty hospital under section 135B.1. A
10 provisional license granted under this paragraph shall enable
11 the licensed entity to participate in hospital-based enhanced
12 reimbursement.

13 b. Approve a licensed entity to obtain accreditation from
14 an accrediting organization approved by the federal centers for
15 Medicare and Medicaid services.

16 3. On or before July 1, 2025, the department of health
17 and human services shall set reimbursement rates for inpatient
18 care provided by a licensed entity. Reimbursement rates under
19 this paragraph shall be equal to the licensed entity's average
20 allowable per diem costs, and adjusted for inflation.

21 4. On or before July 1, 2025, the department of health and
22 human services and the department of inspections, appeals, and
23 licensing shall, to the extent not prohibited by federal law, do
24 the following:

25 a. Grant waivers for facility requirements under each
26 department's rulemaking authority to the extent necessary to
27 allow a licensed entity to operate as a specialty hospital. A
28 waiver granted under this paragraph shall be valid for no more
29 than twenty-four consecutive months from the date of enactment of
30 this Act, or until the licensed entity complies with all facility
31 requirements, whichever is earlier.

32 b. Collaborate with each other and a licensed entity to
33 obtain necessary federal waivers and approval to allow the
34 licensed entity to operate as a specialty hospital as defined
35 under 42 C.F.R. §411.351.

1 c. Exempt a licensed entity from being required to provide
2 emergency services, other than emergency services the licensed
3 entity provided prior to July 1, 2025.

4 d. Exempt a licensed entity from being required to maintain,
5 or have available, laboratory and pathology services and
6 facilities, other than laboratory and pathology services and
7 facilities the licensed entity maintained prior to July 1, 2025.

8 e. Exempt a licensed entity from construction standards
9 applicable only to hospitals and off-site premises, other than
10 the construction standards applicable only to hospitals and
11 off-site premises standards that the licensed entity complied
12 with prior to July 1, 2025. The exemption under this paragraph
13 shall include exemption from the standards set forth in the
14 guidelines for design and construction of hospitals as published
15 by the facility guidelines institute.

16 5. On or before July 1, 2025, the department of health
17 and human services, the department of inspections, appeals, and
18 licensing, and the state health facilities council established in
19 section 10A.712 shall, to the extent not prohibited by federal
20 law, do all of the following:

21 a. Waive any requirement necessary to allow a licensed entity
22 to redesignate nursing facility beds as specialty hospital beds.

23 b. Waive any requirement necessary to allow a licensed entity
24 to expand up to one hundred specialty hospital beds.

25 6. The department of inspections, appeals, and licensing, and
26 the department of health and human services, shall adopt rules
27 pursuant to chapter 17A as necessary to implement this section.

28 **EXPLANATION**

29 The inclusion of this explanation does not constitute agreement with
30 the explanation's substance by the members of the general assembly.

31 This bill relates to specialty hospital designations for
32 certain nonprofit organizations.

33 The bill defines "specialty hospital" as a hospital that
34 is owned and operated by a nonprofit organization; only serves
35 individuals 30 years of age and younger; has more than 60 percent

1 of patients receiving medical assistance under Code chapter 249A
2 (medical assistance); specializes in pediatric rehabilitation and
3 treating children with a behavioral health condition or complex
4 medical needs; has no more than 100 inpatient beds; provides
5 outpatient services; and was a licensed nursing facility prior to
6 July 1, 2025.

7 The bill requires a specialty hospital to establish formal
8 criteria based on objective medical standards for patient
9 admission, discharge, and continuation of care. The department
10 of inspections, appeals, and licensing (DIAL) must adopt rules
11 relating to the application of criteria when reviewing patient
12 discharges from a specialty hospital.

13 The bill requires the department of health and human services
14 (HHS) to provide notice to a specialty hospital of a significant
15 change in federal Medicaid reimbursement to hospitals which would
16 negatively impact the specialty hospital. The bill requires HHS,
17 to the extent permitted by law, to collaborate with specialty
18 hospitals to mitigate the negative effects of a significant
19 change in federal Medicaid reimbursement to hospitals.

20 The bill requires HHS to set reimbursement rates for inpatient
21 care provided by a specialty hospital at a rate equal to the
22 specialty hospital's average allowable per diem costs as adjusted
23 for inflation.

24 The bill requires DIAL, HHS, and the state health facilities
25 council, to the extent not prohibited by federal law, to waive
26 certain regulatory requirements, exempt a specialty hospital
27 from certain regulatory requirements, and support a specialty
28 hospital in obtaining a waiver from or achieving compliance with
29 certain federal regulatory requirements as necessary to allow the
30 specialty hospital to operate. The bill directs DIAL and HHS to
31 adopt rules to implement such waivers and exemptions, or permit
32 such assistance.