



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration  
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**Memorandum**

**To:** The Honorable Marvin L. Abney  
Chairman, House Finance Committee

The Honorable Daniel DaPonte  
Chairman, Senate Finance Committee

**From:** Thomas A. Mullaney *Thomas A. Mullaney*  
Executive Director/State Budget Officer

**Date:** February 14, 2017

**Subject:** Amendment Article 14 - Relating to Licensing of Hospital Facilities

The Governor requests that Article 14 - Relating to Licensing of Hospital Facilities be amended to correct an error in the dates used to calculate the license fee, as contained in the original version of this article submitted on January 19, 2017.

All changes to the original article are highlighted in grey in the attached document.

If you have any questions regarding this amendment, please feel free to call me (222-6300).

Attachment

cc: Sharon Reynolds Ferland, House Fiscal Advisor  
Stephen Whitney, Senate Fiscal Advisor  
Michael DiBiase, Director of Administration  
Jonathan Womer, Director, Office of Management and Budget  
John Raymond, Supervising Budget Analyst  
Gregory Stack, Supervising Budget Analyst

1 **ARTICLE 14**

2 **RELATING TO LICENSING OF HOSPITAL FACILITIES**

3 SECTION 1. Section 23-17-38.1 of the General Laws in Chapter 23-17 entitled "Licensing of  
4 Health-Care Facilities" is hereby amended to read as follows:

5 ~~**23-17-38.1. Hospitals – Licensing fee.** – (a) There is also imposed a hospital licensing fee at the  
6 rate of five and eight hundred sixty two thousandths percent (5.862%) upon the net patient services revenue  
7 of every hospital for the hospital's first fiscal year ending on or after January 1, 2014, except that the license  
8 fee for all hospitals located in Washington County, Rhode Island shall be discounted by thirty seven percent  
9 (37%). The discount for Washington County hospitals is subject to approval by the Secretary of the US  
10 Department of Health and Human Services of a state plan amendment submitted by the executive office of  
11 health and human services for the purpose of pursuing a waiver of the uniformity requirement for the  
12 hospital license fee. This licensing fee shall be administered and collected by the tax administrator, division  
13 of taxation within the department of revenue, and all the administration, collection and other provisions of  
14 chapter 51 of title 44 shall apply. Every hospital shall pay the licensing fee to the tax administrator on or  
15 before July 11, 2016 and payments shall be made by electronic transfer of monies to the general treasurer  
16 and deposited to the general fund. Every hospital shall, on or before June 13, 2016, make a return to the tax  
17 administrator containing the correct computation of net patient services revenue for the hospital fiscal year  
18 ending September 30, 2014, and the licensing fee due upon that amount. All returns shall be signed by the  
19 hospital's authorized representative, subject to the pains and penalties of perjury.~~

20 (b)(a) There is also imposed a hospital licensing fee at the rate of five and six hundred fifty-two  
21 thousandths percent (5.652%) upon the net patient-services revenue of every hospital for the hospital's first  
22 fiscal year ending on or after January 1, 2015, except that the license fee for all hospitals located in  
23 Washington County, Rhode Island shall be discounted by thirty-seven percent (37%). The discount for  
24 Washington County hospitals is subject to approval by the Secretary of the U.S. Department of Health and  
25 Human Services of a state plan amendment submitted by the executive office of health and human services  
26 for the purpose of pursuing a waiver of the uniformity requirement for the hospital license fee. This

1 licensing fee shall be administered and collected by the tax administrator, division of taxation within the  
2 department of revenue, and all the administration, collection and other provisions of chapter 51 of title 44  
3 shall apply. Every hospital shall pay the licensing fee to the tax administrator on or before July 10, 2017,  
4 and payments shall be made by electronic transfer of monies to the general treasurer and deposited to the  
5 general fund. Every hospital shall, on or before June 14, 2017, make a return to the tax administrator  
6 containing the correct computation of net patient-services revenue for the hospital fiscal year ending  
7 September 30, 2015 and the licensing fee due upon that amount. All returns shall be signed by the hospital's  
8 authorized representative, subject to the pains and penalties of perjury.

9 (b) There is also imposed a hospital licensing fee at the rate of five and six hundred fifty-two  
10 thousandths percent (5.652%) upon the net patient-services revenue of every hospital for the hospital's first  
11 fiscal year ending on or after January 1, 2016<sup>5</sup>, except that the license fee for all hospitals located in  
12 Washington County, Rhode Island shall be discounted by thirty-seven percent (37%). The discount for  
13 Washington County hospitals is subject to approval by the Secretary of the U.S. Department of Health and  
14 Human Services of a state plan amendment submitted by the executive office of health and human services  
15 for the purpose of pursuing a waiver of the uniformity requirement for the hospital license fee. This  
16 licensing fee shall be administered and collected by the tax administrator, division of taxation within the  
17 department of revenue, and all the administration, collection and other provisions of chapter 51 of title 44  
18 shall apply. Every hospital shall pay the licensing fee to the tax administrator on or before July 10<sup>9</sup>, 2018,  
19 and payments shall be made by electronic transfer of monies to the general treasurer and deposited to the  
20 general fund. Every hospital shall, on or before June 14<sup>11</sup>, 2018, make a return to the tax administrator  
21 containing the correct computation of net patient-services revenue for the hospital fiscal year ending  
22 September 30, 2016<sup>5</sup> and the licensing fee due upon that amount. All returns shall be signed by the  
23 hospital's authorized representative, subject to the pains and penalties of perjury.

24 (c) For purposes of this section the following words and phrases have the following meanings:

25 (1) "Hospital" means the actual facilities and buildings in existence in Rhode Island, licensed  
26 pursuant to § 23-17-1 et seq. on June 30, 2010, and thereafter any premises included on that license,

1 regardless of changes in licensure status pursuant to chapter 17.14 of title 23 (hospital conversions) and  
2 §23-17-6(b) (change in effective control), that provides short-term acute inpatient and/or outpatient care to  
3 persons who require definitive diagnosis and treatment for injury, illness, disabilities, or pregnancy.  
4 Notwithstanding the preceding language, the negotiated Medicaid managed care payment rates for a court-  
5 approved purchaser that acquires a hospital through receivership, special mastership or other similar state  
6 insolvency proceedings (which court-approved purchaser is issued a hospital license after January 1, 2013)  
7 shall be based upon the newly negotiated rates between the court-approved purchaser and the health plan,  
8 and such rates shall be effective as of the date that the court-approved purchaser and the health plan execute  
9 the initial agreement containing the newly negotiated rate. The rate-setting methodology for inpatient  
10 hospital payments and outpatient hospital payments set for the §§ 40-8-13.4(b)(1)(B)(iii) and 40-8-  
11 13.4(b)(2), respectively, shall thereafter apply to negotiated increases for each annual twelve-month (12)  
12 period as of July 1 following the completion of the first full year of the court-approved purchaser's initial  
13 Medicaid managed care contract.

14 (2) "Gross patient services revenue" means the gross revenue related to patient care services.

15 (3) "Net patient services revenue" means the charges related to patient care services less (i) charges  
16 attributable to charity care; (ii) bad debt expenses; and (iii) contractual allowances.

17 (d) The tax administrator shall make and promulgate any rules, regulations, and procedures not  
18 inconsistent with state law and fiscal procedures that he or she deems necessary for the proper  
19 administration of this section and to carry out the provisions, policy, and purposes of this section.

20 (e) The licensing fee imposed by this section shall apply to hospitals as defined herein that are duly  
21 licensed on July 1, ~~2016~~ 2017, and shall be in addition to the inspection fee imposed by § 23-17-38 and to  
22 any licensing fees previously imposed in accordance with § 23-17-38.1.

23 SECTION 2. This article shall take effect as of July 1, 2017.