2026 Regular Session

HOUSE BILL NO. 1185

BY REPRESENTATIVE MILLER

MEDICAID: Provides for other rural hospital reimbursement payments and directed payments

AN ACT

To enact Part V-B of Subchapter B of Chapter 5-D of Title 40, to be comprised of R.S. 40:1190.1 through 1190.5, relative to payment methodologies for hospitals; to provide for legislative findings; to provide for definitions; to provide for reimbursements and directed payments for other rural hospitals; to provide for the promulgation of rules; to provide for duties of the Louisiana Department of Health; to provide for applicability; to provide for an effective date; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. Part V-B of Subchapter B of Chapter 5-D of Title 40, to be comprised of R.S. 40:1190.1 through 1190.5, is hereby enacted to read as follows:

PART V-B. PRESERVATION ACT FOR OTHER RURAL HOSPITALS

§1190.1. Short title

This Part may be cited as the "Preservation Act For Other Rural Hospitals".

§1190.2. Legislative findings; purpose

The legislature finds that:

(1) Small rural hospitals provide most of the healthcare services required by a substantial number of low-income rural residents living in the state and therefore constitute an invaluable part of the healthcare delivery system of the state.

(2) Residents living in rural areas of the state, which consist of sixty-four percent of the state's parishes, are in poorer health than residents living in the urban areas of the state and lack adequate public transportation.

(3) Other small rural hospitals are in poor financial condition as a result of payment reductions in the Medicare and Medicaid programs and as a result of the advent and penetration of managed care in the state.

(4) Other rural hospitals have a difficult time attracting physicians to practice in their service areas, thereby resulting in a continued shortage of primary health care in the state's rural areas.

(5) Reductions in the Medicare and Medicaid programs, changes in healthcare reimbursement methodologies, and the spread of managed care could cause the closure of many of the state's other rural hospitals, thereby jeopardizing the very existence of a vital link in the healthcare delivery systems for residents residing in rural areas of the state.

(6) Other rural hospitals often constitute the largest single employer of residents in areas served by them and thus constitute a vital component of many rural parish economies.

(7) The enactment of the Rural Hospital Preservation Act has preserved Louisiana's rural hospitals, a key component of the state's healthcare safety net which is essential to ensuring access to healthcare for Louisiana's rural residents, and other rural hospitals require the same efforts to survive.

(8) The Preservation Act for Other Rural Hospitals requires the Louisiana Department of Health to maximize Medicaid reimbursement to other rural hospitals comparable to rural hospitals.

(9) Congress has established a federal cap on each state's allotment of Medicaid disproportionate share reimbursement and Louisiana's disproportionate share expenditures has reached the federal cap.

(10) It is in the state's interest to reduce unreimbursed costs at other rural hospitals by increasing Medicaid reimbursement for inpatient and outpatient services

at other rural hospitals, including costs associated with services provided at rural health clinics that are licensed as part of other rural hospitals.

(11) Increasing inpatient and outpatient reimbursement under Medicaid at other rural hospitals will increase the disproportionate share hospital funding available to the state for non-rural, hospital-related disproportionate share hospital payments, thereby permitting the state to meet additional hospital-related uncompensated care needs.

§1190.3. Definitions

As used in this Part, the following terms have the meaning ascribed in this Section unless the context clearly indicates otherwise:

(1) "Department" means the Louisiana Department of Health or its successor in the role of designated state agency under Title XIX of the Social Security Act or any successor Act including but not limited to block grants or other funding for medical care of the poor.

(2) "Emergency medical condition" means acute symptoms of sufficient severity such that the absence of immediate medical attention could reasonably be expected to result in any one or more of the following:

(a) Placing the health of the individual in serious jeopardy, including the health of the unborn child in the case of a pregnant woman.

(b) Serious impairment to any bodily function.

(c) Serious dysfunction of any bodily part.

(3) "Health care provider" means a person, corporation, facility, or institution licensed by the state to provide health care or professional services as a physician, nurse, or allied health professional.

(4) "Other rural hospital" means a hospital licensed by the department which has no more than sixty hospital beds, excluding distinct part psychiatric unit beds, distinct part rehabilitation unit beds, and nursery bassinets, as of October 1, 2024, and meets all of the following criteria:

(a) Is not located within one of Louisiana's metropolitan statistical areas (MSA) as delineated in Office of Management and Budget Bulletin No. 23-01.

(b) Has an operational emergency room.

(c) Is located in a municipality with a population of less than twenty-three thousand as measured by the latest federal decennial census.

(d) Is not a rural hospital as defined in R.S. 40:1189.3, a long-term care hospital, a rehabilitation hospital, or a free-standing psychiatric hospital.

(5) "Prospective rate approximating cost" means the median cost of an other rural hospital providing inpatient acute or inpatient psychiatric services plus ten percent, which cost has been inflated by the Medicare market basket inflation factor to the midpoint of the state's fiscal year in which services may be furnished. The median cost and rates shall be re-based by the department at least every other year using the most current other rural hospital cost reports on file with the department.

(6) "Reasonable cost" means the cost of hospital outpatient services, including without limitation provider-based rural health clinics, utilizing Medicare cost reimbursement principles applicable to the respective other rural hospital, including hospital-based rural health clinics licensed at hospital departments. In the event a more limited definition of reasonable cost is required to obtain federal approval for the related state plan amendment for those other rural hospitals that are reimbursed under Medicare's Prospective Payment System, hereinafter referred to in this Part as "PPS", the department shall utilize the most liberal definition of "reasonable cost" for such rural PPS hospitals that is acceptable to the United States Department of Health and Human Services, Centers for Medicare and Medicaid Services, hereinafter referred to in this Part as "CMS".

(7) "Rural hospital" means a hospital defined in R.S. 40:1189.3.

(8) "State plan for medical assistance" means the plan promulgated by the department in accordance with its role as designated state agency under Title XIX of the Social Security Act, or its successor plan, including but not limited to any plan

adopted pursuant to any federal law creating block grants or other funding for medical care of the poor.

§1190.4. Medical assistance programs; other rural hospital reimbursement

A. The department shall adopt rules and regulations in accordance with the Administrative Procedure Act that provide the following:

(1) Allow an other rural hospital to certify as a contributing public agency, public funds as representing expenditures eligible for federal financial participation in the Medicaid program to the extent authorized by federal law. The expenditure of such funds shall be in accordance with rules promulgated by the department.

(2)(a) Maximize funding for services rendered by other rural hospitals to the extent allowed by federal law, comparable to funding for services rendered by rural hospitals, and in amounts that may be appropriated by the legislature relative to the use of Medicaid reimbursement. To the extent that intergovernmental transfers and the certification of eligible expenditures are available for recognition of state match for such Medicaid reimbursement, the department shall maximize the use of such amounts for the benefit of other rural hospitals to increase access to health care for Medicaid and LaCHIP beneficiaries as well as indigent individuals.

(b) Notwithstanding any provision of law to the contrary, by September 1, 2026, the department shall file a state plan amendment with CMS amending the Medicaid state plan provisions governing Medicaid hospital reimbursement to provide that an other rural hospital, as defined in R.S. 40:1190.3, shall be reimbursed at a rate, comparable to rural hospitals, which equals or approximates one hundred ten percent, or, if a reduction is required by CMS, the maximum amount acceptable to CMS, but in no event less than one hundred percent of the appropriate reasonable cost of providing hospital inpatient and outpatient services, including but not limited to services provided in rural health clinics licensed as part of an other rural hospital. The new payment methodology for other rural hospitals shall utilize prospective rates approximating costs at the time of service for inpatient acute and psychiatric services. To ensure that outpatient services at other rural hospitals are reimbursed

in the aggregate at one hundred ten percent of the reasonable costs or such lesser amounts as approved by CMS, but in no event less than one hundred percent of their reasonable costs, the department shall pay an interim rate for cost-based outpatient services at one hundred ten percent of reasonable cost during the year and for fee-based services paid on a claim-by-claim basis, and the department shall make quarterly estimates of a supplemental payment required to bring the hospital's reimbursement for such services up to one hundred percent of reasonable costs and immediately remit such payments to the hospital and at final settlement pay such amounts as necessary to ensure that all outpatient services in the aggregate, cost based and fee schedule, are paid at one hundred ten percent of reasonable costs.

(c) On an expedited basis, the department shall take all steps necessary and available to obtain CMS approval for the state plan amendment and shall, immediately upon notification of such approval, promulgate an emergency rule to implement the state plan amendment.

(d) Once the outpatient cost-based reimbursement payment methodology is implemented, the department shall set and monitor interim payment rates to minimize the amount of annual cost settlements.

(e) For cost reporting periods ending after July 1, 2026, the department shall pay, at least comparable to such payment to rural hospitals, seventy-five percent of interim other rural hospital outpatient cost report settlement amounts due and one hundred percent of final other rural hospital outpatient cost report settlement amounts due within fourteen days of receipt by the department of such reports from the Medicaid audit contractor.

(f) The new payment methodology for other rural hospitals shall be effective for services provided on or after July 1, 2026, or as soon thereafter as may be permitted by federal law.

(3)(a) Effective for services provided on or after July 1, 2026, or as soon thereafter as may be permitted by federal law, the department shall develop and implement, by emergency rule, a payment methodology comparable to the payment

methodology for rural hospitals, including but not limited to directed payments, which optimizes Medicaid inpatient and outpatient payments to other rural hospitals. Payments shall be developed utilizing available Medicare upper payment limits, average commercial rates, or other standard for inpatient and outpatient services in accordance with state and federal law. Calculated payments shall be distributed to qualifying other rural hospitals no less than quarterly, or as authorized by federal law.

(b) After federal funds are optimized, the remaining appropriated funds for other rural hospitals may be utilized to develop a state-only funded program to provide direct funds to qualifying other rural hospitals to support access to services that would not be available otherwise. In the event the amount appropriated for such state-only funded program is insufficient in any state fiscal year to meet the total payments required by all other rural hospitals to recover payment reductions, the payments to qualifying other rural hospitals pursuant to this state-only funded program may be reduced proportionately.

(c) The department shall review Medicaid and uninsured cost information, payment information, patient charges, and hospital financial statements to the extent required by state or federal law to determine the optimal combination of payments.

(d) Other rural hospitals that do not provide the minimum set of documentation required in Subparagraph (3)(c) of this Paragraph to determine the optimal combination of payments shall not be eligible for additional payments.

(e) The department is hereby authorized to publish and promulgate rules in accordance with the Administrative Procedure Act to implement the provisions of this Paragraph.

B. The rules promulgated pursuant to Subsection A of this Section shall be promulgated no later than one hundred twenty days after August 15, 2026. No later than one hundred twenty days after August 15, 2026, the department shall also submit to the secretary of the United States Department of Health and Human Services those amendments to the state plan for medical assistance necessary to

conform the state plan for medical assistance with the provisions of Subsection A of this Section.

§1190.5. Separate funding

Notwithstanding any provision of law to the contrary, annual funding for other rural hospitals shall be subject to a separate annual appropriation by the legislature and shall not be funded from any current or future reimbursement pool, program, or other funding for other rural hospitals.

Section 2. This Act applies to Other Rural Hospitals as defined in state plan amendment TN 24-0022, which became effective September 17, 2024. With respect to reconciliation of managed care of state directed payments made to these hospitals under the preprint approved by CMS on November 7, 2024, applicable to state fiscal year July 1, 2024 through June 30, 2025, the department shall ensure that these hospitals realize the net economic benefit they would have received had state plan amendment TN 24-0022 been effective July 1, 2024.

Section 3. The Louisiana Law Institute is hereby authorized and directed to re-designate Part Vof Subchapter B of Chapter 5-D of Title 40 comprised of R.S. 40:1189.1 through 1189.7 as Part V-A of Subchapter B of Chapter 5-D of Title 40.

Section 4. This Act shall become effective upon signature by the governor or, if not signed by the governor, upon expiration of the time for bills to become law without signature by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If vetoed by the governor and subsequently approved by the legislature, this Act shall become effective on the day following such approval.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 1185 Original 2026 Regular Session Miller

Abstract: Provides for other rural hospital reimbursement payments and directed payments.

Proposed law enacts the "Preservation Act For Other Rural Hospitals".

Proposed law defines "other rural hospitals" as a hospital licensed by the La. Dept. of Health (LDH) which has no more than 60 hospital beds, excluding distinct part psychiatric beds, distinct part rehabilitation unit beds, and nursery bassinets as of October 1, 2024. The definition also requires "other rural hospitals" to meet all of the following criteria:

(1) Is not located within one of La.'s metropolitan statistical areas.

(2) Has an operational emergency room.

(3) Is located in a municipality with a population of less than 23,000 as measured by the latest federal decennial census.

(4) Is not a rural hospital as defined in statute, a long-term care hospital, a rehabilitation hospital, or a free-standing psychiatric hospital.

Proposed law allows other rural hospitals to certify as a public agency representing expenditures eligible for federal financial participation in the Medicaid program to the extent authorized by federal law.

Proposed law directs LDH to maximize funding for services rendered by other rural hospitals (as allowed by federal law) in amounts that may be appropriated by the legislature relative to the use of Medicaid reimbursement. Directs LDH to maximize the use of intergovernmental transfers (IGT) and certification of eligible expenditures that are available for state match for Medicaid reimbursement in order to increase access to health care for Medicaid and LaCHIP beneficiaries.

Proposed law directs LDH to file a state plan amendment with CMS amending the Medicaid state plan provisions governing Medicaid hospital reimbursement. The plan shall reimburse other rural hospitals at a rate comparable to a rural hospital, equal or approximate to 110%. If a reduction is required by CMS, LDH may reduce reimbursement to no less than 100% of the appropriate reasonable costs of providing hospital inpatient and outpatient services. Requires the new payment methodology to utilize prospective rates approximating costs at the time of service of inpatient acute and psychiatric services.

Proposed law requires LDH to pay an interim rate for cost-based outpatient services at 110% of reasonable cost during the year. Requires fee-based services to be paid on a claim-by-claim basis and requires LDH to make quarterly estimates of supplemental payments required to bring the other rural hospitals' reimbursement to 100% of reasonable costs. Requires final settlement to the other rural hospitals to ensure that all outpatient services in the aggregate are paid at 110% of reasonable costs.

Proposed law requires that for cost reporting periods ending after July 1, 2026, LDH shall pay 75% of interim other rural hospital outpatient cost report settlement amounts due and 100% of final other rural hospital outpatient cost report settlement amounts due within 14 days of receipt by LDH of such reports from the Medicaid audit contractor.

Proposed law provides for a new payment methodology for other rural hospitals to be effective on or after July 1, 2026, or as soon as permitted by federal law. Directs LDH to promulgate rules to implement the reimbursement structure. Requires the rules to be promulgated no later than 120 days after August 15, 2026. Further requires LDH to promulgate emergency rules upon CMS approval of the state plan amendment.

Proposed law requires that after federal funds are optimized, LDH may develop a state-only funded program to provide direct funds to qualifying other rural hospitals to support access to services that would otherwise not be available.

Proposed law requires annual funding for other rural hospitals to a separate annual appropriation by the legislature. Other rural hospitals shall not be funded by current or future reimbursement pool, program, or other funding for other rural hospitals.

Proposed law requires LDH to review Medicaid and uninsured cost information, payment information, patient charges, and hospital financial statements to the extent required by state or federal law to determine the optimal combination of payments. Other rural hospitals that do not provide the minimum set of documentation to LDH to determine optimal combination of payments shall not be eligible for additional payments.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Adds R.S. 40:1190.1 through 1190.5)