

ASSEMBLY BILL NO. 342—ASSEMBLYWOMEN LESLIE,
PIERCE AND BUCKLEY

MARCH 21, 2005

Referred to Committee on Health and Human Services

SUMMARY—Makes various changes concerning reporting of sentinel events by certain medical facilities, audits of hospitals and reporting of financial information by hospitals. (BDR 40-1163)

FISCAL NOTE: Effect on Local Government: May have Fiscal Impact.
Effect on the State: Yes.

~

EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to health care; making various changes concerning the analysis and reporting of trends regarding sentinel events reported by certain medical facilities; expanding the hospitals that the Director of the Department of Human Resources is required to audit to ensure compliance with various provisions to restrain the costs of health care; making various changes concerning the reporting of financial information by hospitals to the Department of Human Resources; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 **Section 1.** NRS 439.845 is hereby amended to read as follows:
2 439.845 1. The Health Division shall, to the extent ~~to~~ *that*
3 *money is available from any source, including, without limitation,*
4 legislative appropriation and ~~authorization,~~ *any gift, grant or*
5 *donation from a nonprofit organization,* contract with a quality
6 improvement organization, as defined in 42 C.F.R. § 400.200, to
7 analyze and report trends regarding sentinel events.
8 2. When the Health Division receives notice from a medical
9 facility that the medical facility has taken corrective action to



remedy the causes or contributing factors, or both, of a sentinel event, the Health Division shall:

- (a) Make a record of the information;
- (b) Ensure that the information is aggregated so as not to reveal the identity of a specific person ; ~~for medical facility;~~ and
- (c) Transmit the information to a quality improvement organization.

3. A quality improvement organization to whom information is transmitted pursuant to subsection 2 shall, at least quarterly, report its findings regarding the analysis of aggregated trends of sentinel events to the Repository for Health Care Quality Assurance. *The reports received by the Repository pursuant to this section are open to public inspection and must be available for examination at the office of the Department during regular business hours.*

Sec. 2. NRS 439B.440 is hereby amended to read as follows:

439B.440 1. The Director may by regulation require hospitals, other health facilities and providers of health services to submit such information as is reasonably necessary for the Director to carry out the provisions of this chapter.

2. Except as otherwise provided in subsection 3, the Director shall by regulation require an examination of a hospital by an independent auditor appointed by the Director to ensure compliance with this chapter. The audits must be scheduled on a regular basis but not more often than once each year. The hospital shall pay the costs of the audit. A hospital may contract with the auditor to conduct other work for the hospital in connection with the audit.

3. The Director shall not require an audit of a hospital which has less than ~~200~~ 100 beds or is subject to the provisions of chapter 450 of NRS. The Director shall by regulation require such a hospital to submit audits of the hospital on a regular basis but not more often than once each year.

4. If a hospital fails to comply with any regulation adopted pursuant to this section or the Director has reason to believe the hospital has violated any provision of this chapter, the Director may conduct an examination or contract for an independent examination of the hospital to determine whether it is in compliance with those provisions. The hospital which is the subject of such an examination is responsible for payment of the costs of the examination if the Director determines that the hospital did violate a provision of this chapter.

5. Any person who fails to submit information as required by any regulation adopted pursuant to this chapter to the Department or fails to submit to an audit or examination pursuant to this section is subject to an administrative fine of not more than \$1,000 per



1 violation per day until the required information is submitted or the
2 person submits to the audit or examination.

3 **Sec. 3.** NRS 449.490 is hereby amended to read as follows:

4 449.490 1. Every institution which is subject to the
5 provisions of NRS 449.450 to 449.530, inclusive, shall file with the
6 Department the following financial statements or reports in a form
7 and at intervals specified by the Director but at least annually:

8 (a) A balance sheet detailing the assets, liabilities and net worth
9 of the institution for its fiscal year; and

10 (b) A statement of income and expenses for the fiscal year.

11 ➤ Each such institution shall file with the Department a proposed
12 operating budget for the following fiscal year at least 30 days before
13 the start of that fiscal year.

14 2. *In addition to the statements and reports required to be*
15 *filed pursuant to subsection 1, each hospital in this State shall file*
16 *with the Department in a form and at intervals specified by the*
17 *Director but at least annually:*

18 (a) *A statement of the profits the hospital earns from services*
19 *provided in this State and the manner in which these profits are*
20 *distributed;*

21 (b) *A statement of the manner in which the hospital reinvests*
22 *money, including, without limitation, the manner in which a*
23 *hospital in a group of affiliated hospitals reinvests money;*

24 (c) *The hospital's plan for providing benefits to the community*
25 *in which it is located, including, without limitation, the aspects of*
26 *the plan that are specific to this State if the hospital is in a group*
27 *of affiliated hospitals that operates a hospital in another state; and*

28 (d) *Each time that the hospital adds a major service line, adds*
29 *a major facility to the existing facilities of the hospital or acquires*
30 *a major piece of equipment, an analysis of the addition or*
31 *acquisition that includes, without limitation, the relationship of*
32 *the addition or acquisition to the needs of the community which*
33 *will be affected by the addition or acquisition.*

34 3. *The Director shall:*

35 (a) *Adopt regulations to standardize the manner in which*
36 *information that is required to be filed pursuant to this section by*
37 *hospitals is reported to the Department, including, without*
38 *limitation, the manner in which the bad debt of, profitability and*
39 *losses of, allocation of profits to the home office of, and provision*
40 *of charity care by a hospital are reported; and*

41 (b) *At least once each year, examine the manner in which*
42 *hospitals are reporting information that is required to be filed*
43 *pursuant to this section to determine whether the regulations*
44 *adopted pursuant to this subsection should be modified to ensure*



that the information is being reported in a standard and consistent manner.

4. The Director shall require the certification of specified financial reports by an independent certified public accountant and may require attestations from responsible officers of the institution that the reports are, to the best of their knowledge and belief, accurate and complete.

~~(3-)~~ 5. The Director shall require the filing of all reports by specified dates, and may adopt regulations which assess penalties for failure to file as required, but he shall not require the submission of a final annual report sooner than 6 months after the close of the fiscal year, and may grant extensions to institutions which can show that the required information is not available on the required reporting date.

~~(4-)~~ 6. All reports, except privileged medical information, filed under any provisions of NRS 449.450 to 449.530, inclusive, are open to public inspection and must be available for examination at the office of the Department during regular business hours.

Sec. 4. NRS 449.500 is hereby amended to read as follows:

449.500 1. The Director shall engage in or carry out analyses and studies relating to the cost of health care in Nevada and other states, the financial status of any institution subject to the provisions of NRS 449.450 to 449.530, inclusive, and any other appropriate related matters, and he may publish and disseminate any information relating to the financial aspects of health care as he deems desirable in the public interest and in accordance with the provisions of NRS 449.450 to 449.530, inclusive. He shall further require the filing of information concerning the total financial needs of each institution and the resources available or expected to become available to meet such needs, including , but not limited to , the effect of proposals made by comprehensive areawide and state health planning agencies. The information must be divided into at least the following components of an institution's expenses:

~~(1-)~~ (a) Operating expenses related to patient care.

~~(2-)~~ (b) Expenses incurred for rendering services to patients for whom payment is not made in full , including, but not limited to, the separate expenses for contractual allowances imposed by federal or state law, charity care and uncollectible accounts.

~~(3-)~~ (c) All incurred interest charges on indebtedness for both capital and operating needs.

~~(4-)~~ (d) Costs of education, both primary and continuing.

~~(5-)~~ (e) Expenses for research related to patient care.

~~(6-)~~ (f) Depreciation expenses of both property and equipment.

~~(7-)~~ (g) Amortization of incurred capital and operating related indebtedness.



~~(8-)~~ (h) Requirements for capital expenditures for replacement, modernization, renovation and expansion of services and facilities.

~~(9-)~~ (i) Requirements for necessary working capital, including , but not limited to , operating cash, patients' accounts receivable and inventories.

~~(10-)~~ (j) Federal, state and local taxes not ordinarily considered operating expenses where applicable.

~~(11-)~~ (k) Operating surpluses necessary for a fair return to their owners equal to returns on investments in industries of comparable risk, or for the purpose of assuring continuity of operation and prudent management.

2. The Director shall ensure that the information that is required to be filed pursuant to this section is filed with the Department in a manner that enables the Director twice each year to review and disseminate information concerning changes in hospital costs.

Sec. 5. NRS 449.520 is hereby amended to read as follows:

449.520 **1.** On or before October 1 of each year, the Director shall prepare and transmit to the Governor and the Interim Finance Committee a report of the Department's operations and activities for the preceding fiscal year. This report must include copies of all summaries, compilations and supplementary reports required by NRS 449.450 to 449.530, inclusive, together with such facts, suggestions and policy recommendations as the Director deems necessary.

2. On or before July 1 of each even-numbered year, the Director shall prepare and transmit to the Legislative Committee on Health Care a report concerning financial information reported by hospitals in this State which includes, without limitation:

(a) An analysis of the profitability of hospitals in this State;

(b) A summary of the results of each audit of a hospital in this State that the Department required or performed during the previous biennium;

(c) The results of the examination performed by the Director pursuant to paragraph (b) of subsection 3 of NRS 449.490, and any changes made to the regulations as a result of the examination;

(d) An analysis of the effect of the accounting practices used by hospitals in this State on the profitability of the hospitals;

(e) A summary of the manner in which a hospital in a group of affiliated hospitals is allocating its profits, its expenses and its capital expenditures among the other hospitals in the group of affiliated hospitals;



- 1 (f) A summary of the information filed with the Department
- 2 pursuant to paragraph (d) of subsection 2 of NRS 449.490; and
- 3 (g) Information concerning the manner in which the
- 4 Department is ensuring that the public is able to access the reports
- 5 that are open to public inspection pursuant to subsection 6 of NRS
- 6 449.490, including, without limitation, making the reports
- 7 available on an Internet website.



