

2025 -- H 6095

LC002404

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2025

A N A C T

RELATING TO HEALTH AND SAFETY -- LICENSING OF HEALTHCARE FACILITIES

Introduced By: Representatives Bennett, Edwards, Hull, Chippendale, Corvese, Azzinaro, Diaz, Casimiro, Kazarian, and Fellela

Date Introduced: March 14, 2025

Referred To: House Finance

It is enacted by the General Assembly as follows:

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

3 **23-17-38.1. Hospitals — Licensing fee.**

4 ~~(a) There is imposed a hospital licensing fee for state fiscal year 2023 against each hospital~~  
5 ~~in the state. The hospital licensing fee is equal to five and forty two hundredths percent (5.42%) of~~  
6 ~~the net patient services revenue of every hospital for the hospital's first fiscal year ending on or~~  
7 ~~after January 1, 2021, except that the license fee for all hospitals located in Washington County,~~  
8 ~~Rhode Island shall be discounted by thirty seven percent (37%). The discount for Washington~~  
9 ~~County hospitals is subject to approval by the Secretary of the U.S. Department of Health and~~  
10 ~~Human Services of a state plan amendment submitted by the executive office of health and human~~  
11 ~~services for the purpose of pursuing a waiver of the uniformity requirement for the hospital license~~  
12 ~~fee. This licensing fee shall be administered and collected by the tax administrator, division of~~  
13 ~~taxation within the department of revenue, and all the administration, collection, and other~~  
14 ~~provisions of chapter 51 of title 44 shall apply. Every hospital shall pay the licensing fee to the tax~~  
15 ~~administrator on or before June 30, 2023, and payments shall be made by electronic transfer of~~  
16 ~~monies to the general treasurer and deposited to the general fund. Every hospital shall, on or before~~  
17 ~~May 25, 2023, make a return to the tax administrator containing the correct computation of net~~  
18 ~~patient services revenue for the hospital fiscal year ending September 30, 2021, and the licensing~~  
19 ~~fee due upon that amount. All returns shall be signed by the hospital's authorized representative,~~

1 ~~subject to the pains and penalties of perjury.~~

2 ~~(b)~~(a) There is ~~also~~ imposed a hospital licensing fee described in subsections (c) through  
3 (f) for state fiscal years 2024 and 2025 against net patient-services revenue of every non-  
4 government owned hospital as defined herein for the hospital's first fiscal year ending on or after  
5 January 1, 2022. The hospital licensing fee shall have three (3) tiers with differing fees based on  
6 inpatient and outpatient net patient-services revenue. The executive office of health and human  
7 services, in consultation with the tax administrator, shall identify the hospitals in each tier, subject  
8 to the definitions in this section, by July 15, 2023, and shall notify each hospital of its tier by August  
9 1, 2023.

10 (b) There is also imposed a hospital licensing fee described in subsections (c) through (f)  
11 of this section for state fiscal year 2026 against net patient-services revenue of every non-  
12 government owned hospital as defined herein for the hospital's first fiscal year ending on or after  
13 January 1, 2024. The hospital licensing fee shall have three (3) tiers with differing fees based on  
14 inpatient and outpatient net patient-services revenue. The executive office of health and human  
15 services, in consultation with the tax administrator, shall identify the hospitals in each tier, subject  
16 to the definitions in this section, by July 15, 2025, and shall notify each hospital of its assigned tier  
17 by August 1, 2025.

18 (c) Tier 1 is composed of hospitals that do not meet the description of either Tier 2 or Tier  
19 3.

20 (1) The inpatient hospital licensing fee for Tier 1 is equal to thirteen and twelve hundredths  
21 percent (13.12%) of the inpatient net patient-services revenue derived from inpatient net patient-  
22 services revenue of every Tier 1 hospital.

23 (2) The outpatient hospital licensing fee for Tier 1 is equal to thirteen and thirty hundredths  
24 percent (13.30%) of the net patient-services revenue derived from outpatient net patient-services  
25 revenue of every Tier 1 hospital.

26 (d) Tier 2 is composed of high Medicaid/uninsured cost hospitals and independent  
27 hospitals.

28 (1) The inpatient hospital licensing fee for Tier 2 is equal to two and sixty-three hundredths  
29 percent (2.63%) of the inpatient net patient-services revenue derived from inpatient net patient-  
30 services revenue of every Tier 2 hospital.

31 (2) The outpatient hospital licensing fee for Tier 2 is equal to two and sixty-six hundredths  
32 percent (2.66%) of the outpatient net patient-services revenue derived from outpatient net patient-  
33 services revenue of every Tier 2 hospital.

34 (e) Tier 3 is composed of hospitals that are Medicare-designated low-volume hospitals and

1 rehabilitative hospitals.

2 (1) The inpatient hospital licensing fee for Tier 3 is equal to one and thirty-one hundredths  
3 percent (1.31%) of the inpatient net patient-services revenue derived from inpatient net patient-  
4 services revenue of every Tier 3 hospital.

5 (2) The outpatient hospital licensing fee for Tier 3 is equal to one and thirty-three  
6 hundredths percent (1.33%) of the outpatient net patient-services revenue derived from outpatient  
7 net patient-services revenue of every Tier 3 hospital.

8 (f) There is also imposed a hospital licensing fee for state fiscal year 2024 against state-  
9 government owned and operated hospitals in the state as defined herein. The hospital licensing fee  
10 is equal to five and twenty-five hundredths percent (5.25%) of the net patient-services revenue of  
11 every hospital for the hospital's first fiscal year ending on or after January 1, 2022. There is also  
12 imposed a hospital licensing fee for state fiscal year 2025 against state-government owned and  
13 operated hospitals in the state as defined herein equal to five and twenty-five hundredths percent  
14 (5.25%) of the net patient-services revenue of every hospital for the hospital's first fiscal year  
15 ending on or after January 1, 2023.

16 (g) The hospital licensing fee described in subsections (b) through (f) is subject to U.S.  
17 Department of Health and Human Services approval of a request to waive the requirement that  
18 healthcare-related taxes be imposed uniformly as contained in 42 C.F.R. § 433.68(d).

19 (h) This hospital licensing fee shall be administered and collected by the tax administrator,  
20 division of taxation within the department of revenue, and all the administration, collection, and  
21 other provisions of chapter 51 of title 44 shall apply. Every hospital shall pay the licensing fee to  
22 the tax administrator before June 30 of each fiscal year, and payments shall be made by electronic  
23 transfer of monies to the tax administrator and deposited to the general fund. Every hospital shall,  
24 on or before August 1, ~~2023~~ 2025, make a return to the tax administrator containing the correct  
25 computation of inpatient and outpatient net patient-services revenue for the hospital fiscal year  
26 ending in ~~2022~~ 2024, and the licensing fee due upon that amount. All returns shall be signed by the  
27 hospital's authorized representative, subject to the pains and penalties of perjury.

28 (i) Any funds collected pursuant to this provision in excess of ninety million dollars  
29 (\$90,000,000) shall be used to increase Medicaid reimbursement for hospitals under managed care  
30 and fee-for-service for all of the following subject to approval by the federal Centers for Medicare  
31 and Medicaid Services:

32 (1) Fee-for-service upper payment limit payments for inpatient hospital services and  
33 outpatient hospital services as authorized in § 40-8.3-10;

34 (2) Disproportionate share hospital payments for hospitals that are eligible to participate

1 [and receive payments in the disproportionate share hospital program as authorized in § 40-8.3-3;](#)

2 [\(3\) Medicaid rate increases for inpatient hospital services and outpatient hospital services](#)  
3 [as directed in § 40-8-13.4; and](#)

4 [\(4\) State directed managed care payments as authorized by § 42-12.4-10.](#)

5 ~~(i)~~(i) For purposes of this section the following words and phrases have the following  
6 meanings:

7 (1) “Gross patient-services revenue” means the gross revenue related to patient care  
8 services.

9 (2) “High Medicaid/uninsured cost hospital” means a hospital for which the hospital’s total  
10 uncompensated care, as calculated pursuant to § 40-8.3-2(4), divided by the hospital’s total net  
11 patient-services revenues, is equal to six percent (6.0%) or greater.

12 (3) “Hospital” means the actual facilities and buildings in existence in Rhode Island,  
13 licensed pursuant to § 23-17-1 et seq. on June 30, 2010, and thereafter any premises included on  
14 that license, regardless of changes in licensure status pursuant to chapter 17.14 of this title (hospital  
15 conversions) and § 23-17-6(b) (change in effective control), that provides short-term acute inpatient  
16 and/or outpatient care to persons who require definitive diagnosis and treatment for injury, illness,  
17 disabilities, or pregnancy. Notwithstanding the preceding language, the negotiated Medicaid  
18 managed care payment rates for a court-approved purchaser that acquires a hospital through  
19 receivership, special mastership, or other similar state insolvency proceedings (which court-  
20 approved purchaser is issued a hospital license after January 1, 2013) shall be based upon the newly  
21 negotiated rates between the court-approved purchaser and the health plan, and such rates shall be  
22 effective as of the date that the court-approved purchaser and the health plan execute the initial  
23 agreement containing the newly negotiated rate. The rate-setting methodology for inpatient hospital  
24 payments and outpatient hospital payments set forth in §§ 40-8-13.4(b) and 40-8-13.4(b)(2),  
25 respectively, shall thereafter apply to negotiated increases for each annual twelve-month (12)  
26 period as of July 1 following the completion of the first full year of the court-approved purchaser’s  
27 initial Medicaid managed care contract.

28 (4) “Independent hospitals” means a hospital not part of a multi-hospital system.

29 (5) “Inpatient net patient-services revenue” means the charges related to inpatient care  
30 services less (i) Charges attributable to charity care; (ii) Bad debt expenses; and (iii) Contractual  
31 allowances.

32 (6) “Medicare-designated low-volume hospital” means a hospital that qualifies under 42  
33 C.F.R. 412.101(b)(2) for additional Medicare payments to qualifying hospitals for the higher  
34 incremental costs associated with a low volume of discharges.

1 (7) "Net patient-services revenue" means the charges related to patient care services less  
2 (i) Charges attributable to charity care; (ii) Bad debt expenses; and (iii) Contractual allowances.

3 (8) "Non-government owned hospitals" means a hospital not owned and operated by the  
4 state of Rhode Island.

5 (9) "Outpatient net patient-services revenue" means the charges related to outpatient care  
6 services less (i) Charges attributable to charity care; (ii) Bad debt expenses; and (iii) Contractual  
7 allowances.

8 (10) "Rehabilitative hospital" means Rehabilitation Hospital Center licensed by the Rhode  
9 Island department of health.

10 (11) "State-government owned and operated hospitals" means a hospital facility licensed  
11 by the Rhode Island department of health, owned and operated by the state of Rhode Island.

12 ~~(j)~~(k) The tax administrator in consultation with the executive office of health and human  
13 services shall make and promulgate any rules, regulations, and procedures not inconsistent with  
14 state law and fiscal procedures that he or she deems necessary for the proper administration of this  
15 section and to carry out the provisions, policy, and purposes of this section.

16 ~~(l)~~(l) The licensing fee imposed by subsection (a) shall apply to hospitals as defined herein  
17 that are duly licensed on July 1, 2022, and shall be in addition to the inspection fee imposed by §  
18 23-17-38 and to any licensing fees previously imposed in accordance with this section.

19 ~~(m)~~(m) The licensing fees imposed by subsections (b) through (f) shall apply to hospitals as  
20 defined herein that are duly licensed on July 1, ~~2023~~ 2024, and shall be in addition to the inspection  
21 fee imposed by § 23-17-38 and to any licensing fees previously imposed in accordance with this  
22 section.

23 SECTION 2. Chapter 42-12.4 of the General Laws entitled "The Rhode Island Medicaid  
24 Reform Act of 2008" is hereby amended by adding thereto the following section:

25 **42-12.4-10. Hospital state directed managed care payments.**

26 The executive office of health and human services is hereby authorized and directed to  
27 maintain and enforce the practice, in effect since July 1, 2023, of amending its regulations for  
28 reimbursement to Medicaid Managed Care Organizations (MMCO) and directing MMCOs to make  
29 quarterly state-directed payments each year to hospitals for inpatient and outpatient services. Such  
30 payments shall be made in accordance with the payment methodology contained in the approved  
31 CMS preprint for hospital state-directed payments.

32 SECTION 3. This act shall take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF  
A N A C T  
RELATING TO HEALTH AND SAFETY -- LICENSING OF HEALTHCARE FACILITIES

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1           This act would impose a hospital licensing fee for state fiscal year 2026 against net patient-  
2 services revenue of every non-government owned hospital for the hospital's first fiscal year ending  
3 on or after January 1, 2024. The hospital licensing fee would have three (3) tiers with differing fees  
4 based on inpatient and outpatient net patient-services revenue. The executive office of health and  
5 human services, in consultation with the tax administrator, would identify the hospitals in each tier,  
6 by July 15, 2025, and would notify each hospital of its assigned tier by August 1, 2025.

7           This act would take effect upon passage.

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