

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025**

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SENATE BILL 177

Short Title: Add Psychiatric Hospitals to Medicaid HASP. (Public)

Sponsors: Senators Hise, Burgin, and Sawrey (Primary Sponsors).

Referred to: Rules and Operations of the Senate

February 27, 2025

1 A BILL TO BE ENTITLED
2 AN ACT TO INCLUDE FREESTANDING PSYCHIATRIC HOSPITALS AS HOSPITALS
3 THAT ARE ELIGIBLE TO RECEIVE PAYMENTS UNDER THE MEDICAID
4 HEALTHCARE ACCESS AND STABILIZATION PROGRAM AND TO PROVIDE
5 FUNDING FOR THOSE PAYMENTS THROUGH INCREASED HOSPITAL
6 ASSESSMENTS.

7 The General Assembly of North Carolina enacts:

8 **SECTION 1.(a)** G.S. 108A-148.1(a) reads as rewritten:

9 "(a) The healthcare access and stabilization program is a directed payment program that
10 provides acute care hospitals with increased reimbursements funded through hospital
11 assessments in accordance with this section. Upon the approval of CMS, the healthcare access
12 and stabilization program directed payment program shall additionally provide qualifying
13 freestanding psychiatric hospitals with increased reimbursements funded through hospital
14 assessments. A qualifying freestanding psychiatric hospital is a freestanding psychiatric hospital
15 as defined in G.S. 108A-145.3 that is Medicare-certified and submits Hospital Cost Report
16 Information System cost report data to CMS."

17 **SECTION 1.(b)** The Department of Health and Human Services shall submit a 42
18 C.F.R. § 438.6(c) preprint requesting approval to include freestanding psychiatric hospitals in
19 the healthcare access and stabilization program (HASP) authorized under G.S. 108A-148.1, as
20 amended by subsection (a) of this section.

21 **SECTION 1.(c)** This section is effective when it becomes law.

22 **SECTION 2.(a)** G.S. 108A-145.3 reads as rewritten:

23 **"§ 108A-145.3. Definitions.**

24 The following definitions apply in this Article:

25 ...

26 (6c) Freestanding psychiatric hospital. – A hospital facility that is (i) licensed
27 under Article 2 of Chapter 122C of the General Statutes, (ii) primarily engaged
28 in providing to inpatients, by or under the supervision of a physician,
29 psychiatric services for the diagnosis and treatment of individuals with mental
30 illnesses, and (iii) not State-owned and State-operated.

31 (6d) HASP directed payments. – Payments made by the Department to prepaid
32 health plans to be used for (i) increased reimbursements to hospitals under the
33 HASP program and (ii) the costs to prepaid health plans from the gross
34 premiums tax under G.S. 105-228.5 and the insurance regulatory charge under
35 G.S. 58-6-25 associated with those hospital reimbursements.



~~(6d)~~(6e) Healthcare access and stabilization program (HASP). – The directed payment program providing increased reimbursements to acute care hospitals and freestanding psychiatric hospitals as approved by CMS and authorized by G.S. 108A-148.1.

...."

SECTION 2.(b) G.S. 108A-146.1 reads as rewritten:

"§ 108A-146.1. Public hospital modernized assessment.

(a) The public hospital modernized assessment imposed under this Part shall apply to all public acute care hospitals.

(b) The public hospital modernized assessment shall be assessed as a percentage of each public acute care hospital's hospital costs. The assessment percentage shall be calculated quarterly by the Department of Health and Human Services in accordance with this Part. The percentage for each quarter shall equal the aggregate acute care hospital modernized assessment collection amount under G.S. 108A-146.5 multiplied by the public hospital historical assessment share and divided by the total hospital costs for all public acute care hospitals holding a license on the first day of the assessment quarter."

SECTION 2.(c) G.S. 108A-146.3 reads as rewritten:

"§ 108A-146.3. Private hospital modernized assessment.

(a) The private hospital modernized assessment imposed under this Part shall apply to all private acute care hospitals.

(b) The private hospital modernized assessment shall be assessed as a percentage of each private acute care hospital's hospital costs. The assessment percentage shall be calculated quarterly by the Department of Health and Human Services in accordance with this Part. The percentage for each quarter shall equal the aggregate acute care hospital modernized assessment collection amount under G.S. 108A-146.5 multiplied by the private hospital historical assessment share and divided by the total hospital costs for all private acute care hospitals holding a license on the first day of the assessment quarter."

SECTION 2.(d) Part 2 of Article 7B of Chapter 108A of the General Statutes is amended by adding a new section to read:

"§ 108A-146.4. Freestanding psychiatric hospital modernized assessment.

(a) The freestanding psychiatric hospital modernized assessment imposed under this Part shall apply to all freestanding psychiatric hospitals.

(b) The freestanding psychiatric hospital modernized assessment shall be assessed as a percentage of each freestanding psychiatric hospital's hospital costs. The assessment percentage shall be calculated quarterly by the Department of Health and Human Services in accordance with this Part. The percentage for each quarter shall equal the modernized freestanding psychiatric hospital HASP component under G.S. 108A-146.10A divided by the total hospital costs for all freestanding psychiatric hospitals holding a license on the first day of the assessment quarter."

SECTION 2.(e) G.S. 108A-146.5 reads as rewritten:

"§ 108A-146.5. Aggregate acute care hospital modernized assessment collection amount.

(a) The aggregate modernized assessment collection amount is an amount of money that is calculated by subtracting the modernized intergovernmental transfer adjustment component under G.S. 108A-146.13 from the total modernized nonfederal receipts under subsection (b) of this section and then adding the positive or negative amount of the modernized IGT actual receipts adjustment component under G.S. 108A-146.14.

(b) The total modernized nonfederal receipts is the sum of all of the following:

- (1) One-fourth of the State's annual Medicaid payment.
- (2) The managed care component under G.S. 108A-146.7.
- (3) The fee-for-service component under G.S. 108A-146.9.

- (3a) The modernized acute care hospital HASP component under G.S. 108A-146.10.
- (3b) The modernized freestanding psychiatric hospital HASP component under G.S. 108A-146.10A.
- (4) The GME component under G.S. 108A-146.11.
- (5) Beginning April 1, 2022, and ending March 31, 2027, the postpartum coverage component under G.S. 108A-146.12.
- (6) Beginning April 1, 2024, the home and community-based services component under G.S. 108A-146.12A.

(c) The aggregate acute care hospital modernized assessment collection amount is an amount of money equal to the aggregate modernized assessment collection amount under subsection (a) of this section minus the modernized freestanding psychiatric hospital HASP component under G.S. 108A-146.10A."

SECTION 2.(f) G.S. 108A-146.10 reads as rewritten:

"§ 108A-146.10. Modernized acute care hospital HASP component.

The modernized acute care hospital HASP component is an amount of money that is calculated each quarter by multiplying the aggregate amount of HASP directed payments due to PHPs in the current quarter for ~~hospital~~-reimbursements to acute care hospitals that are not attributable to newly eligible individuals by the nonfederal share for not newly eligible individuals."

SECTION 2.(g) Part 2 of Article 7B of Chapter 108A of the General Statutes is amended by adding a new section to read:

"§ 108A-146.10A. Modernized freestanding psychiatric hospital HASP component.

The modernized freestanding psychiatric hospital HASP component is an amount of money that is calculated each quarter by multiplying the aggregate amount of HASP directed payments due to PHPs in the current quarter for reimbursements to freestanding psychiatric hospitals that are not attributable to newly eligible individuals by the nonfederal share for not newly eligible individuals."

SECTION 2.(h) G.S. 108A-146.13 reads as rewritten:

"§ 108A-146.13. Modernized presumptive IGT adjustment component.

...

(c) The modernized presumptive IGT adjustment component is an amount of money equal to the sum of all of the following subcomponents:

- (1) The public hospital IGT subcomponent is the total of the following amounts:
- Sixteen and forty-three hundredths percent (16.43%) of the amount of money that is equal to the total modernized nonfederal receipts under G.S. 108A-146.5(b) for the current quarter minus the modernized acute care hospital HASP component under G.S. 108A-146.10 for the current quarter and minus the modernized freestanding psychiatric hospital HASP component under G.S. 108A-146.10A for the current quarter.
 - Sixty percent (60%) of the nonfederal share for not newly eligible individuals of the aggregate amount of HASP directed payments due to PHPs in the current quarter for reimbursements to public acute care hospitals and that are not attributable to newly eligible individuals.
- (2) The UNC Health Care System IGT subcomponent is the total of the following amounts:
- Four and sixty-two hundredths percent (4.62%) of the ~~difference of amount of money that is equal to~~ the total modernized nonfederal receipts under G.S. 108A-146.5(b) for the current quarter minus the modernized acute care hospital HASP component under

G.S. 108A-146.10 for the current quarter and minus the modernized freestanding psychiatric hospital HASP component under G.S. 108A-146.10A for the current quarter.

b. The nonfederal share for not newly eligible individuals of the aggregate amount of HASP directed payments due to PHPs in the current quarter for reimbursements to UNC Health Care System hospitals that are not attributable to newly eligible individuals.

(3) The East Carolina University IGT subcomponent is the total of the following amounts:

a. One and four hundredths percent (1.04%) of the ~~difference of amount of money that is equal to the total modernized nonfederal receipts under G.S. 108A-146.5(b) for the current quarter minus the modernized acute care hospital HASP component under G.S. 108A-146.10 for the current quarter and minus the modernized freestanding psychiatric hospital HASP component under G.S. 108A-146.10A for the current quarter.~~

b. The nonfederal share for not newly eligible individuals of the aggregate amount of HASP directed payments due to PHPs in the current quarter for reimbursements to the primary affiliated teaching hospital for the East Carolina University Brody School of Medicine that are not attributable to newly eligible individuals."

SECTION 3.(a) G.S. 108A-147.1 reads as rewritten:

"§ 108A-147.1. Public hospital health advancement assessment.

(a) The public hospital health advancement assessment imposed under this Part shall apply to all public acute care hospitals.

(b) The public hospital health advancement assessment shall be assessed as a percentage of each public acute care hospital's hospital costs. The assessment percentage shall be calculated quarterly by the Department in accordance with this Part. The percentage for each quarter shall equal the aggregate acute care hospital health advancement assessment collection amount calculated under G.S. 108A-147.3 multiplied by the public hospital historical assessment share and divided by the total hospital costs for all public acute care hospitals holding a license on the first day of the assessment quarter."

SECTION 3.(b) G.S. 108A-147.2 reads as rewritten:

"§ 108A-147.2. Private hospital health advancement assessment.

(a) The private hospital health advancement assessment imposed under this Part shall apply to all private acute care hospitals.

(b) The private hospital health advancement assessment shall be assessed as a percentage of each private acute care hospital's hospital costs. The assessment percentage shall be calculated quarterly by the Department in accordance with this Part. The percentage for each quarter shall equal the aggregate acute care hospital health advancement assessment collection amount calculated under G.S. 108A-147.3 multiplied by the private hospital historical assessment share and divided by the total hospital costs for all private acute care hospitals holding a license on the first day of the assessment quarter."

SECTION 3.(c) Part 3 of Article 7B of Chapter 108A of the General Statutes is amended by adding a new section to read:

"§ 108A-147.2A. Freestanding psychiatric hospital health advancement assessment.

(a) The freestanding psychiatric hospital health advancement assessment imposed under this Part shall apply to all freestanding psychiatric hospitals.

(b) The freestanding psychiatric hospital health advancement assessment shall be assessed as a percentage of each freestanding psychiatric hospital's hospital costs. The assessment percentage shall be calculated quarterly by the Department in accordance with this Part. The

percentage for each quarter shall equal the health advancement freestanding psychiatric hospital HASP component calculated under G.S. 108A-147.6A divided by the total hospital costs for all freestanding psychiatric hospitals holding a license on the first day of the assessment quarter."

SECTION 3.(d) G.S. 108A-147.3 reads as rewritten:

"§ 108A-147.3. Aggregate acute care hospital health advancement assessment collection amount.

(a) The aggregate health advancement assessment collection amount is an amount of money that is calculated quarterly by adjusting the total nonfederal receipts for health advancement calculated under subsection (b) of this section by (i) subtracting the health advancement presumptive IGT adjustment component calculated under G.S. 108A-147.9, (ii) adding the positive or negative health advancement IGT actual receipts adjustment component calculated under G.S. 108A-147.10, and (iii) subtracting the positive or negative IGT share of the reconciliation adjustment component calculated under G.S. 108A-147.11(b).

(b) The total nonfederal receipts for health advancement is an amount of money that is calculated quarterly by adding all of the following:

(1) The presumptive service cost component calculated under G.S. 108A-147.5.

(2) The ~~HASP~~ health advancement acute care hospital HASP component calculated under G.S. 108A-147.6.

(2a) The health advancement freestanding psychiatric hospital HASP component calculated under G.S. 108A-147.6A.

(3) The administration component calculated under G.S. 108A-147.7.

(4) The State retention component under G.S. 108A-147.9.

(5) The positive or negative health advancement reconciliation adjustment component calculated under G.S. 108A-147.11(a).

(c) The aggregate acute care hospital health advancement assessment collection amount is an amount of money equal to the aggregate health advancement assessment collection amount under subsection (a) of this section minus the health advancement freestanding psychiatric hospital HASP component under G.S. 108A-147.6A."

SECTION 3.(e) G.S. 108A-147.5 reads as rewritten:

"§ 108A-147.5. Presumptive service cost component.

(a) For every State fiscal quarter prior to the fiscal quarter in which G.S. 108A-54.3A(24) becomes effective, the presumptive service cost component is zero.

(b) For the State fiscal quarter in which G.S. 108A-54.3A(24) becomes effective, the presumptive service cost component is the product of forty-eight million seven hundred fifty thousand dollars (\$48,750,000) multiplied by the number of months in that State fiscal quarter in which G.S. 108A-54.3A(24) is effective during any part of the month.

(c) For the first State fiscal quarter after the State fiscal quarter in which G.S. 108A-54.3A(24) becomes effective, the presumptive service cost component is one hundred forty-six million two hundred fifty thousand dollars (\$146,250,000).

(d) For the second State fiscal quarter after the State fiscal quarter in which G.S. 108A-54.3A(24) becomes effective, and for each State fiscal quarter thereafter, the presumptive service cost component is an amount of money that is the greatest of the following:

(1) The prior quarter's presumptive service cost component amount.

(2) The prior quarter's presumptive service cost component amount increased by a percentage that is the sum of each monthly percentage change in the Consumer Price Index: Medical Care for the most recent three months available on the first day of the current quarter.

(3) The prior quarter's presumptive service cost component amount increased by the percentage change in the weighted average of the base capitation rates for standard benefit plans for all rating groups associated with newly eligible individuals compared to the prior quarter. The weight for each rating group

- 1 shall be calculated using member months documented in the Medicaid
2 managed care capitation rate certification for standard benefit plans.
- 3 (4) The prior quarter's presumptive service cost component amount increased by
4 the percentage change in the weighted average of the base capitation rates for
5 BH IDD tailored plans for all rating groups associated with newly eligible
6 individuals compared to the prior quarter. The weight for each rating group
7 shall be calculated using member months documented in the Medicaid
8 managed care capitation rate certification for BH IDD tailored plans.
- 9 (5) The amount produced from multiplying 1.15 by the highest amount produced
10 when calculating, for each quarter that is at least two and not more than five
11 quarters prior to the current quarter, the actual nonfederal expenditures for the
12 applicable quarter minus the ~~HASP~~health advancement acute care hospital
13 HASP component calculated under G.S. 108A-147.6 for the applicable
14 quarter and minus the health advancement freestanding psychiatric hospital
15 HASP component calculated under G.S. 108A-147.6A for the applicable
16 quarter."

17 **SECTION 3.(f)** G.S. 108A-147.6 reads as rewritten:

18 **"§ 108A-147.6. ~~HASP~~health-Health advancement acute care hospital HASP component.**

19 The ~~HASP~~health advancement acute care hospital HASP component is an amount of money
20 that is calculated by multiplying the aggregate amount of HASP directed payments due to PHPs
21 in the current quarter for ~~hospital~~reimbursements to acute care hospitals attributable to newly
22 eligible individuals by the nonfederal share for newly eligible individuals."

23 **SECTION 3.(g)** Part 3 of Article 7B of Chapter 108A of the General Statutes is
24 amended by adding a new section to read:

25 **"§ 108A-147.6A. Health advancement freestanding psychiatric hospital HASP component.**

26 The health advancement freestanding psychiatric hospital HASP component is an amount of
27 money that is calculated by multiplying the aggregate amount of HASP directed payments due
28 to PHPs in the current quarter for reimbursements to freestanding psychiatric hospitals
29 attributable to newly eligible individuals by the nonfederal share for newly eligible individuals."

30 **SECTION 3.(h)** G.S. 108A-147.11 reads as rewritten:

31 **"§ 108A-147.11. Health advancement reconciliation adjustment component.**

32 (a) The health advancement reconciliation adjustment component is a positive or
33 negative dollar amount equal to the actual nonfederal expenditures for the quarter that is two
34 quarters prior to the current quarter minus the sum of the following specified amounts:

- 35 (1) The presumptive service cost component calculated under G.S. 108A-147.5
36 for the quarter that is two quarters prior to the current quarter.
- 37 (2) The positive or negative gross premiums tax offset amount calculated under
38 G.S. 108A-147.12(b).
- 39 (3) The ~~HASP~~health advancement acute care hospital HASP component
40 calculated under G.S. 108A-147.6 for the quarter that is two quarters prior to
41 the current quarter.
- 42 (4) The health advancement freestanding psychiatric hospital HASP component
43 calculated under G.S. 108A-147.6A for the quarter that is two quarters prior
44 to the current quarter.

45 (b) The IGT share of the reconciliation adjustment component is a positive or negative
46 dollar amount that is calculated by multiplying the health advancement reconciliation adjustment
47 component calculated under subsection (a) of this section by the share of public hospital costs
48 calculated under subsection (c) of this section.

49 (c) The share of public hospital costs is calculated by adding total hospital costs for the
50 UNC Health Care System, total hospital costs for the primary affiliated teaching hospital for the
51 East Carolina University Brody School of Medicine, and sixty percent (60%) of the total hospital

1 costs for all public acute care hospitals and dividing that sum by the total hospital costs for all
2 acute care hospitals except for critical access hospitals."

3 **SECTION 4.** Except as otherwise provided, this act is effective on the first day of
4 the next assessment quarter after the date this act becomes law and applies to assessments
5 imposed on or after that date.