

Chapter HRSC 3

RATE SETTING

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HRSC 3.01 Schedule for annual rate requests. (1) **ANNUAL DATE.** Each hospital may submit one rate request annually. The rate request may be submitted up to 90 days before a date specified by the commission or at any time during the 12 months following that date. In addition to the annual rate request authorized under this section, any hospital may submit an emergency rate request as provided in s. 54.17 (1m), Stats. Rate review commences on the date the hospital notifies the commission it is requesting a rate increase. If the commission schedules its own review of the hospital's rates, rate review commences on the date scheduled.

(2) **FACTORS USED TO SET DATES.** The commission shall establish the annual date for submitting requests by each hospital based on the hospital's fiscal year and gross annual patient revenue and on prudent allocation of the commission's resources. The commission shall establish its schedule of dates by order and shall provide this schedule to the public on request.

Note: Section 54.07 (1), Stats., requires the commission to establish a schedule of dates when each hospital may submit its annual rate request. That statute also allows any hospital to submit an annual rate request after the scheduled date or up to 90 days before the scheduled date. If a hospital fails to request a rate change by its scheduled date, s. 54.07 (1), Stats., allows the commission to conduct a review on its own initiative.

Statutory law instructs the commission to keep the date it schedules for each hospital within 31 days of that hospital's fiscal year. This instruction will be the primary criterion the commission uses when it creates this schedule. Since the fiscal years of most hospitals cluster around June 30, September 30 and December 31, the commission will also need to develop the schedule in a way that spreads out its workload for more efficient operation. The commission will attempt to achieve this goal by segregating hospitals into groups according to gross annual patient revenue and uniformly spacing hospitals from each group throughout the scheduling period.

(3) **HOSPITALS SUBJECT TO REGULATION.** The commission shall, by order, list the hospitals subject to regulation under chs. HRSC 1 to 4 and shall provide this list to the public on request.

History: Cr. Register, December, 1984, No. 348, eff. 2-1-85.

HRSC 3.013 Notice of a rate request. (1) **FORMAT OF NOTICE.** (a) Each notice a hospital is required to publish under s. 54.07 (2), Stats., shall include the following form, with all necessary information inserted:

NOTICE OF HOSPITAL RATE REQUEST

On (date) the (name and address of hospital) has submitted to the Wisconsin Hospital Rate-Setting Commission a request to modify the rates it charges for patient care.

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The (name of hospital) estimates that these rate changes will increase its annual revenue by (specify dollar amount) over its previous fiscal year's budgeted annual revenue, a (specify percentage) annual increase, and has requested that this rate request take effect on (date).

Any person who wishes to present testimony before the Commission, appear at formal or informal hearings or otherwise support or oppose the hospital's rate request must first become an interested party to this review by notifying the Commission in writing no later than 30 days after the date this notice is published. A letter to the Commission at the following address indicating your interest in this rate request and your intent to become a party to the rate review is sufficient. Write to:

(insert address of commission)

(b) 1. The notice required under par. (a) shall include the rate change, if any, the hospital is requesting for each of 25 charge elements the commission specifies by inserting the following addition at the end of the notice's first paragraph:

"The following are 25 examples of rate changes being requested:
 Service or charge Existing rate Requested rate"

(Specify each of the 25 charge elements for which a rate change is requested)

2. The 25 charge elements required under subd. 1 are those charge elements of the hospital that generate the greatest revenue per year. The commission may modify this list of 25 charge elements by order.

(c) Hospitals shall publish notices under this subsection in one or more newspapers likely to give notice to the hospital's patients and payers, such as a newspaper with a major concentration of circulation in the area surrounding the hospital. Each hospital shall also submit a copy of each notice it published to the commission and an affidavit of publication. If a hospital publishes a notice in more than one newspaper, the last date of publication commences the 30-day period in which persons may become parties to the rate review. If a hospital fails to publish this notice the commission is not required to continue reviewing the rate request.

Note: Section 54.07 (2), Stats., requires each hospital that submits its annual rate request to publish a notice within 10 days after the submission. The notice must inform the public of the review, summarize the rate sought and state the process by which interested persons may become parties to the review.

(2) SPECIAL NOTICE TO INTERESTED PERSONS. Any person who wishes to receive a notice of pending rate requests for any particular hospital may submit a letter to the commission indicating the name of each hospital in which the person is interested. If any person requests notice of pending rate requests for more than one hospital the commission may require payment of a reasonable fee to defray the cost of delivery. The commission shall mail or deliver a notice that, to the extent practicable, is substantially similar to the notice required under sub. (1) to each interested person within 10 days after any of the following occurs:

(a) The hospital in which the person has expressed an interest submits a rate request.

(b) The hospital in which the person has expressed an interest requests the commission to issue an emergency order under sub. (3).

donations to a hospital on which the hospital imposes its own restrictions or assignments.

(c) In lieu of creating a separate 3-year capital expenditure plan for submission under s. 54.09 (1) (i) 1, Stats., any hospital may submit to the commission a copy of its most recent proposed 5-year capital budget report required under s. 150.81, Stats.

Note: The capital expenditure review program of DHSS (formerly, the certificate of need program) requires that hospitals annually submit a 5-year proposed capital budget report. The commission will accept this report as sufficient to meet one of the conditions necessary for approval of prospective accumulations that finance future capital projects.

(8) **ENERGY COSTS.** The commission may determine any portion of a hospital's energy costs to be unnecessary if the commission required, in a previous rate-setting order, that the hospital be audited by an independent energy auditor but the hospital failed to comply with this requirement.

(9) **RELATED CHARITABLE ORGANIZATIONS.** (a) The commission may impute to a hospital the assets and liabilities of a foundation or other charitable organization that is related to the hospital under:

1. The criteria specified in s. HRSC 2.17 (17) (a) 1.
2. The criteria specified in s. HRSC 2.17 (17) (a) 2.
3. The criteria specified both in s. HRSC 2.17 (17) (a) 5 and in either s. HRSC 2.17 (17) (a) 3 or 4.

(b) Under this subsection the commission may apply the income from unrestricted donations to offset interest expenses, as provided in s. 54.09 (2), Stats., or to offset the cost of capital purchases proposed during the budget year under review. The commission may not apply the corpus of an unrestricted donation to offset interest expenses or the cost of proposed capital purchases and may only use donor-restricted gifts for the purposes specified by the donor. If a hospital has signed over to a foundation any donations that were not donor-restricted the commission may, regardless of whether the hospital is related to the foundation, also apply the income the hospital would reasonably have been capable of earning from those funds to offset interest expenses or the cost of capital purchases proposed for the budget year under review.

(10) **CONDITIONS IMPOSED.** In its rate review deliberations the commission may, by order, apply any conditions consistent with chs. HRSC 1 to 4 that were imposed by the Wisconsin hospital rate review program as part of a hospital's rate and that remain in effect on or after February 1, 1985, and may establish additional conditions pursuant to s. 54.17 (4) (f), Stats.

(11) **EMPLOYEE COMPENSATION.** When the commission calculates a hospital's operating expenses it shall examine increased payroll costs of non-supervisory employees, including increases due to collective bargaining, increases that correct for past lags in compensation or increases that correct for past discrimination, even when the resultant costs exceed levels the commission would otherwise apply.

History: Cr. Register, December, 1984, No. 348, eff. 2-1-85.

HRSC 3.02 Rates. (1) **TOTAL BUDGET.** The commission shall establish a total budget for each hospital. The total budget shall consist of the gross

patient revenue and net patient revenue the hospital may generate during the budget year under review.

(2) **RATES FOR CERTAIN CHARGE ELEMENTS.** (a) The commission shall list 100 charge elements whose rates must be submitted by each hospital for its approval. After the commission sets a hospital's total budget under sub. (1), the hospital shall submit to the commission its proposed rate for each of these charge elements.

(b) A hospital that does not bill its payers for a charge element listed by the commission under par. (a) is not required to create a rate for that charge element and submit the rate to the commission for approval. If a hospital charges a rate for a charge element that is reasonably similar but not identical to a charge element listed by the commission, the hospital shall submit the information required for that charge element under par. (a) to the commission but shall note the difference between its charge element and the listed charge element.

(c) If the commission finds that the hospital's rates proposed in par. (a) will generate annual patient revenue that does not exceed the amount authorized under sub. (1) it shall approve these rates.

(3) **RATE OVERCHARGES.** No hospital may charge rates for the charge elements specified in sub. (2) that exceed the rates the commission approved for those charge elements. Any hospital may adjust its rates for these charge elements if it notifies the commission prior to implementing the rate change. The commission may disallow a rate change that it finds will generate annual patient revenue exceeding the amount authorized under sub. (1).

History: Cr. Register, December, 1984, No. 348, eff. 2-1-85.

HRSC 3.025 Approval of rate increases for exempt hospitals. (1) **CRITERIA FOR EXEMPTION.** Any hospital that meets all of the following criteria is eligible for exemption under s. 54.21 (2), Stats:

(a) The hospital's gross annual patient revenue for the fiscal year preceding the budget year under review is within 3% of its budgeted gross annual revenue for that year.

(b) The commission determines that the gross annual revenue established for the budget year under review exceeds the amount budgeted for the fiscal year preceding the budget year under review by a rate that is within the limits specified in s. 54.21 (2) (a), Stats.

(c) The hospital meets the criteria specified in s. 54.21 (2) (b), Stats.

(2) **APPROVED BUDGETED REVENUE IN ACCOUNTS RECEIVABLE.** The commission shall set a reasonable level of budgeted revenue in accounts receivable for use in determining if a hospital is eligible for approval of its rate request under s. 54.21 (2) (b) 1, Stats., using the method specified in s. HRSC 3.017 (2).