HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 429 Grant Program for Rural Hospitals
SPONSOR(S): Health Quality Subcommittee; Williamson and others
TIED BILLS: **IDEN./SIM. BILLS:** SB 510

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Health Quality Subcommittee	11 Y, 0 N, As CS	Siples	McElroy
2) Health Care Appropriations Subcommittee			
3) Health & Human Services Committee			

SUMMARY ANALYSIS

The Department of Health (DOH) administers the rural hospital capital improvement program that, subject to legislative appropriation, grants each eligible rural hospital a minimum of $100,000 annually, for projects to acquire, repair, improve, or upgrade systems, facilities, or equipment. The program has not been funded since 2008.

CS/HB 429 repeals the current program and establishes the Florida Rural Hospital Capital Improvement Competitive Grant Program. Subject to an annual appropriation, eligible rural hospitals may apply to DOH for grants of up to $750,000, to purchase medical equipment or for facility infrastructure improvements in the rural area serviced by the grantee.

Under the bill, DOH must establish, by rule, a grant application process and the evaluation criteria by which DOH will score and rank the applications. The criteria developed by DOH must include, at a minimum:

- The social and economic benefit to the surrounding community;
- The promotion of economic development in the surrounding community;
- The expansion of available services to the underserved populations in the community; and
- The availability of private or public matching funds or in-kind contributions for the requested grant funds.

DOH must submit an annual report to the Governor, President of the Senate, and the Speaker of the House of Representatives with information regarding the grants it awards.

The bill will have a significant, indeterminate negative fiscal impact on DOH and no fiscal impact on local governments.

The bill takes effect upon becoming law.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

Rural Hospital Capital Improvement Program

In 1999, the Legislature established the rural hospital capital improvement program that established a mechanism for a rural hospital to apply for a grant from the Department of Health (DOH).[1] Subject to legislative appropriation, each rural hospital must receive a minimum of $100,000 annually, upon application to DOH, for projects to acquire, repair, improve, or upgrade systems, facilities, or equipment.

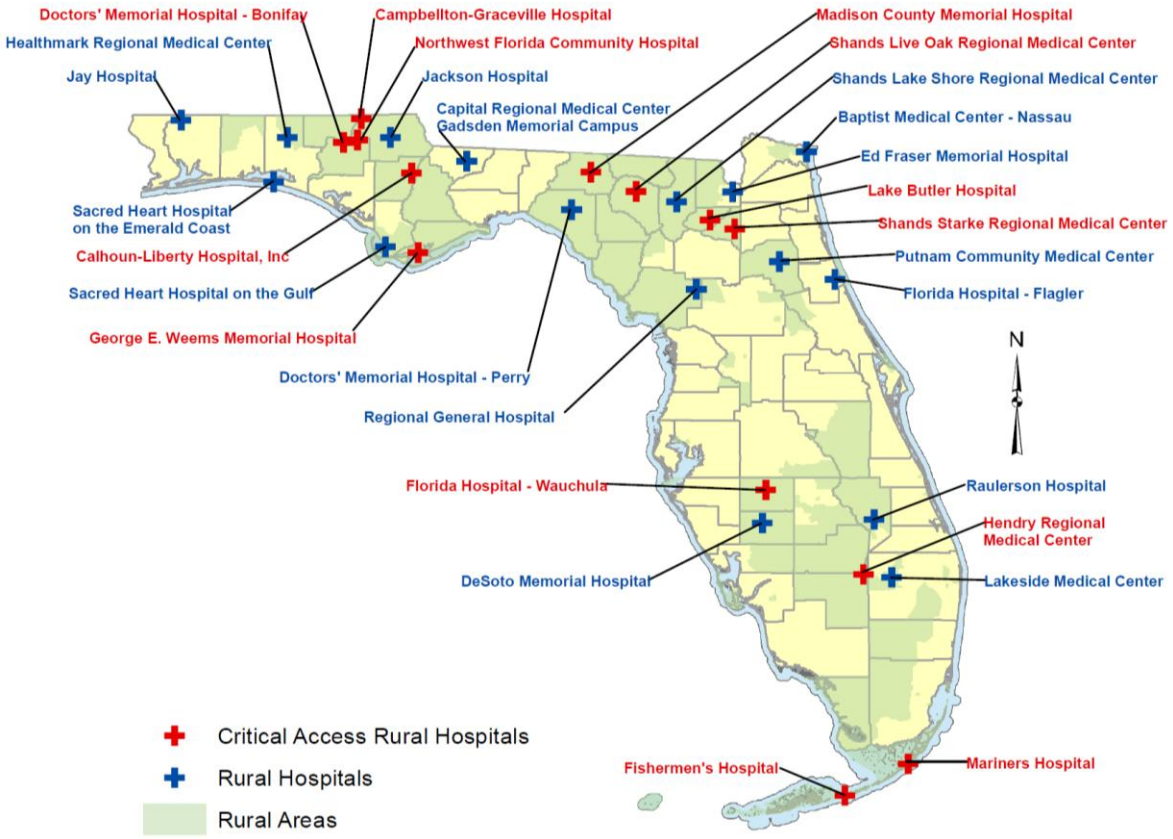
A rural hospital is a licensed acute care hospital having 100 or fewer beds and an emergency room, which is:[2]

- The sole provider in a county with a population density or no greater than 100 persons per square mile;
- In a county with a population density no greater than 100 persons per square mile, and at least 30 minutes travel time, from any other acute care hospital in the same county;
- Supported by a tax district or sub-district whose boundaries encompass a population no greater than 100 persons per square mile;
- Classified by the Centers for Medicare and Medicaid Services (CMS) as a sole community hospital;[3]
- A hospital with a service area that has a population no greater than 100 persons per square
- mile; or
- A critical access hospital.[4]

There are currently 29 rural hospitals located throughout the state as indicated in this map:[5]

[1] Chapter 1999-209, Laws of Fla., codified at s. 395.6061, F.S.
[2] Section 395.602(2)(e), F.S.
[3] A "sole community hospital" is defined by 42 C.F.R. s. 412.92, as a hospital located more than 35 miles from other like hospitals, or it is located in a rural area and meets one of the following conditions:
- The hospital is located between 25 and 35 miles from other like hospitals and meets one of the following criteria:
  - No more than 25 percent of residents who become hospital inpatients or no more than 25 percent of the Medicare beneficiaries who become hospital inpatients in the hospital's service area are admitted to other like hospitals located within a 35-mile radius of the hospital, or, if larger, within its service area;
  - The hospital has fewer than 50 beds and the intermediary certifies that the hospital would have met the criteria in listed above were it not for the fact that some beneficiaries or residents were forced to seek care outside the service area due to the unavailability of necessary specialty services at the community hospital; or
  - Because of local topography or periods of prolonged severe weather conditions, the other like hospitals are inaccessible for at least 30 days in each 2 out of 3 years;
- The hospital is located between 15 and 25 miles from other like hospitals but because of local topography or periods of prolonged severe weather conditions, the other like hospitals are inaccessible for at least 30 days in each 2 out of 3 years; or
- Because of distance, posted speed limits, and predictable weather conditions, the travel time between the hospital and the nearest like hospital is at least 45 minutes.

[4] A critical access hospital must have 25 or fewer acute care inpatient beds, be located more than 35 miles from another hospital, and have an average length of stay of 96 hours or less per patient for acute care. *See* s.408.07, F.S., and Department of Health and Human Services, Center for Medicare & Medicaid Services, *Critical Access Hospital*, (Nov. 2016), *available at* https://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/downloads/CritAccessHospfctsht.pdf (last visited March 19, 2017).
[5] Florida Rural Health Association, "Map of Florida's Rural Hospitals and Rural Areas," *available at* https://static1.squarespace.com/static/50e4cd1ee4b0d83d923056bc/t/5339bc36e4b0a038333df2b6/1396292662053/FL+State+Map+v4+Rural.pdf (last visited March 19, 2017). *See also* DOH, "Florida Rural Hospital Directory 1-30-17," *available at* http://www.floridahealth.gov/programs-and-services/community-health/rural-health/ (last visited March 19, 2017).



An applicant for the rural hospital capital improvement grant program must provide DOH with the following:

- A statement of the problem the rural hospital proposes to solve with the grant funds;
- The strategy proposed to resolve the problem;
- The organizational structure, financial system, and facilities that are essential to the proposed solution;
- The projected longevity of the proposed solution after the grant funds are expended;
- Evidence of participation in the rural health network;[6]
- Evidence that the rural hospital has difficulty obtaining funding or that funds available for the proposed solution are inadequate;
- Evidence that the grant funds will assist in maintaining or returning the hospital to an economically stable condition or will involve innovative alternatives for discontinued services;
- Evidence of a satisfactory record-keeping system to account for grant fund expenditures within the rural county; and
- A rural health network plan that includes a description of how the plan was developed, the goals of the plan, the links with existing health care providers under the plan, indicators quantifying

[6] Section 381.0406, F.S., defines a "rural health network" as a nonprofit legal entity, consisting of rural and urban health care providers and others, that is organized to plan and deliver health care services on a cooperative basis in a rural area, except for some secondary and tertiary care services.

the hospital's financial well-being, measurable outcome targets, and the current physical and operational condition of the hospital.[7]

DOH must consider any information submitted in an application in determining eligibility for and the amount of the grant. None of the individual items in the application, by itself, may be used to deny grant eligibility.

DOH is required to adopt rules for annually distributing any remaining funds after eligible applicants have been awarded grants.[8] The remaining funds must be used for the support and assistance of rural hospitals and the criteria must consider the level of uncompensated care rendered by a hospital, the participation in the rural health network, and the proposed use of the grant to resolve a specific problem.[9]

Between 1999 and 2008, DOH awarded $34.45 million in grants under the program.[10] The program has not been funded since 2008.

Effect of Proposed Changes

The bill repeals the current rural hospital capital improvement grant program and replaces it with the Florida Rural Hospital Capital Improvement Competitive Grant Program. Subject to an annual appropriation, eligible rural hospitals may apply for grants of up to $750,000. Grant funds may only be used to purchase medical equipment or for facility infrastructure improvements in the rural area served by the grantee. To be eligible for a grant award, a rural hospital must demonstrate that:

- Grant funds are necessary to maintain or improve the quality of its health care services;
- There is a return on investment to the taxpayers of this state; and
- A satisfactory recordkeeping system will be in place to account for the expenditures of grant funds within the rural county.

Under the bill, DOH must establish, by rule, a grant application process, and the evaluation criteria by which DOH will score and rank the applications. The grant criteria must include, at a minimum:

- The social and economic benefit to the surrounding community;
- The promotion of economic development in the surrounding community;
- The expansion of available services to the underserved populations in the community; and
- The availability of private or public matching funds or in-kind contributions for the requested grant funds.

DOH must submit an annual report to the Governor, President of the Senate, and the Speaker of the House of Representatives that includes for each grantee:

- The amount awarded;
- A brief description detailing what the funds will be used for;
- The anticipated outcomes to be achieved; and
- The return on investment to the taxpayers of this state.

The bill does not appropriate funds for the program.

The bill takes effect upon becoming law.

[7] Section 395.6061(1) F.S.
[8] DOH repealed rules related to the grant application process on December 29, 2016, because the grant program had not been funded by the Legislature for several years and the rule was deemed no longer necessary. *See* r. 64I-3.001, F.A.C.
[9] Section 395.6061(3), F.S.
[10] DOH, *2017 Agency Legislative Bill Analysis: House Bill 429*, (Feb. 16, 2017), on file with the Health Quality Subcommittee.

B. SECTION DIRECTORY:

Section 1: Amends s. 395.6061, F.S.; relating to rural hospital capital improvement.
Section 2: Provides an effective date of upon becoming law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   None.

2. Expenditures:

   If the program is funded, DOH will incur an indeterminate negative fiscal impact associated with its administration. DOH indicates that it would need four FTEs to administer the program if it is funded to its greatest potential of approximately $21.75 million.[11]

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   None.

2. Expenditures:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Rural hospitals that lack sufficient funding to be eligible to receive a grant of up to $750,000 for improvements it needs to its medical equipment or the facility infrastructure.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

   Not applicable. The bill does not appear to appear to affect local or municipal governments.

2. Other:

   None.

B. RULE-MAKING AUTHORITY:

The rule-making authority for DOH created by the bill is sufficient to implement the bill.

[11] *Id*. In its analysis, DOH determined the total amount of the program would be $21 million if each of 28 rural hospitals received the maximum grant amount of $750,000. However, according to DOH's website, there are a total of 29 rural hospitals, so the total amount if each hospital received the maximum grant amount would be $21.75 million.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On March 22, 2017, the Health Quality Subcommittee adopted an amendment that added criteria for the DOH rules on grant eligibility. It required grant applicants to have a record-keeping system to track grant fund expenditures, removed preferences for certain applicants, and specified the minimum criteria DOH must use to score and rank grant applications.

The bill was reported favorably as a committee substitute. The analysis is drafted to the committee substitute.