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Proposed Committee Substitute by the Committee on Appropriations (Appropriations Subcommittee on Health and Human Services)

A bill to be entitled

An act relating to hospital licensure; amending s. 395.003, F.S.; deleting an obsolete provision; providing applicability; requiring certain hospitals licensed after a specified date to submit a notice to the Agency for Health Care Administration which contains specified information before filing for approval of plans and specifications to establish a new general hospital; prohibiting the agency from licensing a new general hospital unless certain criteria are met; requiring certain hospitals to participate in the Medicaid program and the Medicare program and to provide a certain amount of charity care; defining the terms "charity care" and "district"; providing a separate calculation of required charity care for such hospitals located in a medically underserved area; authorizing such hospitals to provide a certain donation to the agency's Grants and Donations Trust Fund in lieu of providing the required charity care; requiring such hospitals to annually report compliance to the agency; requiring the agency to impose a specified administrative fine for noncompliance; requiring the agency to adopt rules; repealing s. 395.6025, F.S., relating to rural hospital replacement facilities; amending s. 408.032, F.S.; revising the definition of the term "health care facility" to eliminate a reference to long-term care



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hospitals; deleting the definition of the term "longterm care hospital"; amending s. 408.034; authoring the agency to issue a license to a general hospital that has not been issued a certificate of need under certain circumstances; amending s. 408.035, F.S.; deleting provisions related to the agency's consideration and review of certificates of need for general hospitals; amending s. 408.036, F.S.; providing an exception for the construction or establishment of a general hospital and the conversion to a general hospital from certificate of need review requirements; amending ss. 408.037 and 408.039, F.S.; deleting provisions relating to certificate of need applications for general hospitals; amending s. 408.040, F.S.; requiring the agency to assess a specified administrative fine against the holder of a certificate of need or the holder of an exemption which fails to comply with specified conditions; requiring a general hospital that was issued a certificate of need with certain conditions to continue to meet those conditions to maintain licensure; amending s. 408.043, F.S.; deleting provisions relating to certificates of need for osteopathic acute care hospitals; prohibiting the agency from initiating a review cycle or from accepting letters of intent or applications for the issuance of certificate of need for the new construction or the establishment of a freestanding hospital; requiring the agency to issue such a



certificate of need to certain applicants, regardless of litigation status; providing applicability; providing effective dates.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Present subsections (8), (9), and (10) of section 395.003, Florida Statutes, are redesignated as subsections (9), (10), and (11), respectively, paragraph (c) of subsection (1) and present subsections (9) and (10) of that section are amended, and a new subsection (8) is added to that section, to read:

395.003 Licensure; denial, suspension, and revocation.—
(1)

- (c) Until July 1, 2006, additional emergency departments located off the premises of licensed hospitals may not be authorized by the agency.
- (8) Applicable only to a general hospital that is, or will be, newly licensed on or after July 1, 2019; that does not hold a certificate of need issued by the agency; and that is not replacing a currently operating general hospital located within 1 mile of the newly licensed hospital:
- (a) When proposing a new general hospital project subject to this subsection and before filing for approval of plans and specifications under s. 395.0163, each prospective applicant for licensure must submit a notice to the agency of its intent to establish a newly licensed hospital which includes the location for the proposed hospital, the number and types of beds to be licensed, and the services that the hospital will offer.



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- (b) Other than a long-term care hospital, the agency may not license a new general hospital subject to this subsection unless:
- 1. The hospital has at least 100 beds and has intensive care, progressive care, and medical-surgical beds. This requirement does not apply if the hospital is a rural hospital, as defined in s. 395.602, or is located in a medically underserved area; and
- 2. The hospital has an onsite emergency department that will operate 24 hours per day, 7 days per week.
- (c) Each such hospital must participate in the state Medicaid program and the Medicare program.
- (d) Except as provided in paragraph (e), each such hospital must provide charity care in an amount equal to or greater than the district average for hospitals in the applicable district. The agency shall adopt by rule a method for calculating the district average for charity care for each district. For purposes of this subsection, the term "charity care" has the same meaning as in s. 409.911(1) and the term "district" has the same meaning as in s. 408.032.
- (e) If such a hospital is located in a medically underserved area, the amount of charity care required to be provided by the hospital under paragraph (d) is equivalent in percentage to the medically underserved area's Index of Medical Underservice score as calculated by the federal Health Resources and Services Administration within the Department of Health and Human Services.
- (f) In lieu of providing charity care under paragraph (d) or paragraph (e), each such hospital may donate an amount



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determined by the agency to be functionally equivalent to the amounts required under those paragraphs to the agency's Grants and Donations Trust Fund.

- (g) Each such hospital shall annually report to the agency its compliance with paragraphs (c)-(f). Failure to report compliance constitutes noncompliance. The agency shall assess an administrative fine on a hospital that fails to comply with this subsection in the amount of 1 percent of its net revenue for each 0.5 percent of the required amount of charity care not provided pursuant to paragraph (d) or paragraph (e) or the required amount as determined by the agency pursuant to paragraph (f).
- (h) The agency shall adopt rules to implement this subsection.
- (10) (9) A hospital licensed as of June 1, 2004, is shall be exempt from subsection (9) (8) as long as the hospital maintains the same ownership, facility street address, and range of services that were in existence on June 1, 2004. Any transfer of beds, or other agreements that result in the establishment of a hospital or hospital services within the intent of this section, shall be subject to subsection (9) $\frac{(8)}{(8)}$. Unless the hospital is otherwise exempt under subsection (9) $\frac{(8)}{}$, the agency shall deny or revoke the license of a hospital that violates any of the criteria set forth in that subsection.
- (11) (10) The agency may adopt rules implementing the licensure requirements set forth in subsection (9) (8). Within 14 days after rendering its decision on a license application or revocation, the agency shall publish its proposed decision in the Florida Administrative Register. Within 21 days after



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publication of the agency's decision, any authorized person may file a request for an administrative hearing. In administrative proceedings challenging the approval, denial, or revocation of a license pursuant to subsection (9) $\frac{(8)}{(8)}$, the hearing must be based on the facts and law existing at the time of the agency's proposed agency action. Existing hospitals may initiate or intervene in an administrative hearing to approve, deny, or revoke licensure under subsection (9) (8) based upon a showing that an established program will be substantially affected by the issuance or renewal of a license to a hospital within the same district or service area.

Section 2. Section 395.6025, Florida Statutes, is repealed. Section 3. Subsections (8) and (13) of section 408.032, Florida Statutes, are amended to read:

408.032 Definitions relating to Health Facility and Services Development Act.—As used in ss. 408.031-408.045, the term:

- (8) "Health care facility" means a hospital, long-term care hospital, skilled nursing facility, hospice, or intermediate care facility for the developmentally disabled. A facility relying solely on spiritual means through prayer for healing is not included as a health care facility.
- (13) "Long-term care hospital" means a hospital licensed under chapter 395 which meets the requirements of 42 C.F.R. s. 412.23(e) and seeks exclusion from the acute care Medicare prospective payment system for inpatient hospital services.

Section 4. Subsection (2) of section 408.034, Florida Statutes, is amended to read:

408.034 Duties and responsibilities of agency; rules.-



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(2) In the exercise of its authority to issue licenses to health care facilities and health service providers, as provided under chapters 393 and 395 and parts II, IV, and VIII of chapter 400, the agency may not issue a license to any health care facility or health service provider that fails to receive a certificate of need or an exemption for the licensed facility or service, except that the agency may issue a license to a general hospital that has not been issued a certificate of need if that hospital meets the criteria established in s. 395.003(8).

Section 5. Section 408.035, Florida Statutes, is amended to read:

408.035 Review criteria.-

(1) The agency shall determine the reviewability of applications and shall review applications for certificate-ofneed determinations for health care facilities and health services in context with the following criteria, except for general hospitals as defined in s. 395.002:

- (1) (a) The need for the health care facilities and health services being proposed.
- (2) (b) The availability, quality of care, accessibility, and extent of utilization of existing health care facilities and health services in the service district of the applicant.
- (3) (c) The ability of the applicant to provide quality of care and the applicant's record of providing quality of care.
- (4) (d) The availability of resources, including health personnel, management personnel, and funds for capital and operating expenditures, for project accomplishment and operation.
 - (5) (e) The extent to which the proposed services will



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enhance access to health care for residents of the service district.

- (6) (f) The immediate and long-term financial feasibility of the proposal.
- $(7)\frac{(g)}{(g)}$ The extent to which the proposal will foster competition that promotes quality and cost-effectiveness.
- (8) (h) The costs and methods of the proposed construction, including the costs and methods of energy provision and the availability of alternative, less costly, or more effective methods of construction.
- (9) (i) The applicant's past and proposed provision of health care services to Medicaid patients and the medically indigent.
- (10) (j) The applicant's designation as a Gold Seal Program nursing facility pursuant to s. 400.235, when the applicant is requesting additional nursing home beds at that facility.
- (2) For a general hospital, the agency shall consider only the criteria specified in paragraph (1)(a), paragraph (1)(b), except for quality of care in paragraph (1) (b), and paragraphs (1) (e), (g), and (i).

Section 6. Paragraphs (b) and (c) of subsection (1) of section 408.036, Florida Statutes, are amended to read:

408.036 Projects subject to review; exemptions.-

(1) APPLICABILITY.—Unless exempt under subsection (3), all health-care-related projects, as described in paragraphs (a)-(f), are subject to review and must file an application for a certificate of need with the agency. The agency is exclusively responsible for determining whether a health-care-related project is subject to review under ss. 408.031-408.045.



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- (b) The new construction or establishment of additional health care facilities, except for the construction of or establishment of a general hospital or including a replacement health care facility when the proposed project site is not located on the same site as or within 1 mile of the existing health care facility, if the number of beds in each licensed bed category will not increase.
- (c) The conversion from one type of health care facility to another, including the conversion from a general hospital, a specialty hospital, or a long-term care hospital, except that a conversion to a general hospital is not subject to review if, once converted, the hospital meets the licensure criteria in s. 395.003(8).

Section 7. Section 408.037, Florida Statutes, is amended to read:

408.037 Application content.

- (1) Except as provided in subsection (2) for a general hospital, An application for a certificate of need must contain:
- (a) A detailed description of the proposed project and statement of its purpose and need in relation to the district health plan.
- (b) A statement of the financial resources needed by and available to the applicant to accomplish the proposed project. This statement must include:
- 1. A complete listing of all capital projects, including new health facility development projects and health facility acquisitions applied for, pending, approved, or underway in any state at the time of application, regardless of whether or not that state has a certificate-of-need program or a capital



expenditure review program pursuant to s. 1122 of the Social Security Act. The agency may, by rule, require less-detailed information from major health care providers. This listing must include the applicant's actual or proposed financial commitment to those projects and an assessment of their impact on the applicant's ability to provide the proposed project.

- 2. A detailed listing of the needed capital expenditures, including sources of funds.
- 3. A detailed financial projection, including a statement of the projected revenue and expenses for the first 2 years of operation after completion of the proposed project. This statement must include a detailed evaluation of the impact of the proposed project on the cost of other services provided by the applicant.
- (c) An audited financial statement of the applicant or the applicant's parent corporation if audited financial statements of the applicant do not exist. In an application submitted by an existing health care facility, health maintenance organization, or hospice, financial condition documentation must include, but need not be limited to, a balance sheet and a profit-and-loss statement of the 2 previous fiscal years' operation.
- (2) An application for a certificate of need for a general hospital must contain a detailed description of the proposed general hospital project and a statement of its purpose and the needs it will meet. The proposed project's location, as well as its primary and secondary service areas, must be identified by zip code. Primary service area is defined as the zip codes from which the applicant projects that it will draw 75 percent of its discharges. Secondary service area is defined as the zip codes



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from which the applicant projects that it will draw its remaining discharges. If, subsequent to issuance of a final order approving the certificate of need, the proposed location of the general hospital changes or the primary service area materially changes, the agency shall revoke the certificate of need. However, if the agency determines that such changes are deemed to enhance access to hospital services in the service district, the agency may permit such changes to occur. A party participating in the administrative hearing regarding the issuance of the certificate of need for a general hospital has standing to participate in any subsequent proceeding regarding the revocation of the certificate of need for a hospital for which the location has changed or for which the primary service area has materially changed. In addition, the application for the certificate of need for a general hospital must include a statement of intent that, if approved by final order of the agency, the applicant shall within 120 days after issuance of the final order or, if there is an appeal of the final order, within 120 days after the issuance of the court's mandate on appeal, furnish satisfactory proof of the applicant's financial ability to operate. The agency shall establish documentation requirements, to be completed by each applicant, which show anticipated provider revenues and expenditures, the basis for financing the anticipated cash-flow requirements of the provider, and an applicant's access to contingency financing. A party participating in the administrative hearing regarding the issuance of the certificate of need for a general hospital may provide written comments concerning the adequacy of the financial information provided, but such party does not have



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standing to participate in an administrative proceeding regarding proof of the applicant's financial ability to operate. The agency may require a licensee to provide proof of financial ability to operate at any time if there is evidence of financial instability, including, but not limited to, unpaid expenses necessary for the basic operations of the provider.

(2) The applicant must certify that it will license and operate the health care facility. For an existing health care facility, the applicant must be the licenseholder of the facility.

Section 8. Paragraphs (c) and (d) of subsection (3), paragraphs (b) and (c) of subsection (5), and paragraph (d) of subsection (6) of section 408.039, Florida Statutes, are amended to read:

408.039 Review process.—The review process for certificates of need shall be as follows:

- (3) APPLICATION PROCESSING.-
- (c) Except for competing applicants, in order to be eligible to challenge the agency decision on a general hospital application under review pursuant to paragraph (5)(c), existing hospitals must submit a detailed written statement of opposition to the agency and to the applicant. The detailed written statement must be received by the agency and the applicant within 21 days after the general hospital application is deemed complete and made available to the public.
- (d) In those cases where a written statement of opposition has been timely filed regarding a certificate of need application for a general hospital, the applicant for the general hospital may submit a written response to the agency.



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Such response must be received by the agency within the written statement due date.

- (5) ADMINISTRATIVE HEARINGS.—
- (b) Hearings shall be held in Tallahassee unless the administrative law judge determines that changing the location will facilitate the proceedings. The agency shall assign proceedings requiring hearings to the Division of Administrative Hearings of the Department of Management Services within 10 days after the time has expired for requesting a hearing. Except upon unanimous consent of the parties or upon the granting by the administrative law judge of a motion of continuance, hearings shall commence within 60 days after the administrative law judge has been assigned. For an application for a general hospital, administrative hearings shall commence within 6 months after the administrative law judge has been assigned, and a continuance may not be granted absent a finding of extraordinary circumstances by the administrative law judge. All parties, except the agency, shall bear their own expense of preparing a transcript. In any application for a certificate of need which is referred to the Division of Administrative Hearings for hearing, the administrative law judge shall complete and submit to the parties a recommended order as provided in ss. 120.569 and 120.57. The recommended order shall be issued within 30 days after the receipt of the proposed recommended orders or the deadline for submission of such proposed recommended orders, whichever is earlier. The division shall adopt procedures for administrative hearings which shall maximize the use of stipulated facts and shall provide for the admission of prepared testimony.



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- (c) In administrative proceedings challenging the issuance or denial of a certificate of need, only applicants considered by the agency in the same batching cycle are entitled to a comparative hearing on their applications. Existing health care facilities may initiate or intervene in an administrative hearing upon a showing that an established program will be substantially affected by the issuance of any certificate of need, whether reviewed under s. 408.036(1) or (2), to a competing proposed facility or program within the same district. With respect to an application for a general hospital, competing applicants and only those existing hospitals that submitted a detailed written statement of opposition to an application as provided in this paragraph may initiate or intervene in an administrative hearing. Such challenges to a general hospital application shall be limited in scope to the issues raised in the detailed written statement of opposition that was provided to the agency. The administrative law judge may, upon a motion showing good cause, expand the scope of the issues to be heard at the hearing. Such motion shall include substantial and detailed facts and reasons for failure to include such issues in the original written statement of opposition.
 - (6) JUDICIAL REVIEW.-
- (d) The party appealing a final order that grants a general hospital certificate of need shall pay the appellee's attorney's fees and costs, in an amount up to \$1 million, from the beginning of the original administrative action if the appealing party loses the appeal, subject to the following limitations and requirements:
 - 1. The party appealing a final order must post a bond in



the amount of \$1 million in order to maintain the appeal.

2. Except as provided under s. 120.595(5), in no event shall the agency be held liable for any other party's attorney's fees or costs.

Section 9. Subsection (1) of section 408.040, Florida Statutes, is amended, to read:

408.040 Conditions and monitoring.-

- (1) (a) The agency may issue a certificate of need, or an exemption, predicated upon statements of intent expressed by an applicant in the application for a certificate of need or an exemption. Any conditions imposed on a certificate of need or an exemption based on such statements of intent shall be stated on the face of the certificate of need or in the exemption approval.
- (b) The agency may consider, in addition to the other criteria specified in s. 408.035, a statement of intent by the applicant that a specified percentage of the annual patient days at the facility will be utilized by patients eligible for care under Title XIX of the Social Security Act. Any certificate of need issued to a nursing home in reliance upon an applicant's statements that a specified percentage of annual patient days will be utilized by residents eligible for care under Title XIX of the Social Security Act must include a statement that such certification is a condition of issuance of the certificate of need. The certificate-of-need program shall notify the Medicaid program office and the Department of Elderly Affairs when it imposes conditions as authorized in this paragraph in an area in which a community diversion pilot project is implemented. Effective July 1, 2012, the agency may not impose sanctions



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related to patient day utilization by patients eligible for care under Title XIX of the Social Security Act for nursing homes.

- (c) A certificateholder or an exemption holder may apply to the agency for a modification of conditions imposed under paragraph (a) or paragraph (b). If the holder of a certificate of need or an exemption demonstrates good cause why the certificate or exemption should be modified, the agency shall reissue the certificate of need or exemption with such modifications as may be appropriate. The agency shall by rule define the factors constituting good cause for modification.
- (d) If the holder of a certificate of need or the holder of an exemption fails to comply with a condition that is unrelated to the provision of charity care or the provision of care under the Florida Medicaid program upon which the issuance of the certificate or exemption was predicated, the agency may assess an administrative fine against the certificateholder or exemption holder in an amount not to exceed \$1,000 per failure per day. If the holder of a certificate of need or the holder of an exemption fails to comply with a condition related to the provision of charity care or the provision of care under the Florida Medicaid program upon which the issuance of the certificate or exemption was predicated, the agency must assess an administrative fine against the certificateholder or exemption holder in the amount of \$2,500 per day for each instance of noncompliance. Failure to annually report compliance with any condition upon which the issuance of the certificate or exemption was predicated constitutes noncompliance. In assessing the penalty, the agency shall take into account as mitigation the degree of noncompliance. Proceeds of such penalties shall be



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deposited in the Public Medical Assistance Trust Fund.

(e) A general hospital that was issued a certificate of need with conditions imposed as described in paragraph (a) or paragraph (b), relating to the provision of charity care or the provision of care under the Florida Medicaid program, must continue to meet those conditions to maintain licensure regardless of the status of that hospital's certificate of need unless such conditions are modified by the agency pursuant to paragraph (c).

Section 10. Subsection (1) of section 408.043, Florida Statutes, is amended to read:

408.043 Special provisions.-

(1) OSTEOPATHIC ACUTE CARE HOSPITALS. When an application is made for a certificate of need to construct or to expand an osteopathic acute care hospital, the need for such hospital shall be determined on the basis of the need for and availability of osteopathic services and osteopathic acute care hospitals in the district. When a prior certificate of need to establish an osteopathic acute care hospital has been issued in a district, and the facility is no longer used for that purpose, the agency may continue to count such facility and beds as an existing osteopathic facility in any subsequent application for construction of an osteopathic acute care hospital.

Section 11. Effective upon this act becoming a law:

(1) The Agency for Health Care Administration may not initiate a review cycle or accept letters of intent or applications for the issuance of a certificate of need for the new construction or establishment of a freestanding general hospital.



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- (2) The agency shall issue a certificate of need to any pending applicant for a certificate of need for the new construction of or establishment of a freestanding general hospital:
- (a) With intensive care, progressive care, and medicalsurgical beds;
- (b) With an onsite emergency department that will be operational 24 hours per day, 7 days per week; and
- (c) Whose application for a certificate of need has been approved by the agency, regardless of the litigation status of the application.
- (3) For an applicant seeking a certificate of need for the new construction or establishment of a freestanding general hospital that does not meet the criteria in subsection (2), including an applicant whose application is pending approval or denial by the agency and an applicant whose application was initially denied by the agency but such denial is under appeal, ss. 395.6025, 408.032, 408.034, 408.035, 408.036, 408.037, 408.039, and 408.043, Florida Statutes (2018), and any rules adopted thereunder remain in effect until such time as the agency has either issued the applicant a certificate of need, the agency has denied the application and all appeals of the denial have been exhausted, or the application has been withdrawn.

Section 12. Except as otherwise expressly provided in this act and except for this section, which shall take effect upon this act becoming a law, this act shall take effect July 1, 2019.