

**STORAGE NAME:** h2319.hcs

**DATE:** April 6, 2000

**HOUSE OF REPRESENTATIVES  
COMMITTEE ON  
HEALTH CARE SERVICES  
ANALYSIS**

**BILL #:** HB 2319 (PCB HCS 00-08)

**RELATING TO:** Rural Hospitals

**SPONSOR(S):** Committee on Health Care Services, Rep. Peaden

**TIED BILL(S):**

**ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:**

(1) HEALTH CARE SERVICES YEAS 17 NAYS 0

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**I. SUMMARY:**

HB 2319 relates to rural hospitals. The bill reflects the recommendations from a two-year Rural Hospital Statutory Redefinition Advisory Group. The bill amends the definition of "rural hospital" in s. 395.602, F.S., as follows:

- Eliminates reference to the designation of counties as rural by the U.S. Census.
- Adds criteria that will allow a sub-county statutory definition of rural hospital based on ZIP Code service areas.
- Adds criteria that will allow a statutory definition of rural hospital based on a designation of Critical Access Hospital by the Department of Health in accordance with federal regulations and state requirements.

In addition, the bill ensures that all hospitals that meet the definition of rural hospital are eligible for enhanced Medicaid reimbursement.

The bill incorporates these same revisions into the existing definition of "rural hospital" as it appears in s. 408.07(42), F.S.

The bill's effective date is July 1, 2000.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- |                                   |                              |                             |   |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u>         | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u>             | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u>      | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u>      | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Since the mid-1980s, the Legislature has taken several steps to ensure the survival of rural hospitals. These steps have included both direct funding initiatives and substantive law changes designed to enhance rural hospital operating capability. Through Medicaid, rural hospitals qualify for rural hospital disproportionate share funding or Rural Financial Assistance Program funding (s. 409.9116, F.S.). Rural hospitals are also exempt from county-specific reimbursement targets and rate ceilings relating to inpatient hospital services covered under Medicaid.

Rural hospitals are also eligible for exemptions from certain requirements in the Agency for Health Care Administration's Certificate of Need program. Rural hospitals are exempt from competitive CON reviews for the conversion of acute care beds to skilled nursing beds, as well as for the establishment of home health services and, in the case of not-for-profit hospitals, hospice services.

Rural hospitals qualify for Rural Hospital Flexibility and Rural Hospital Capital Improvement (the latter created via ch. 99-209, L.O.F.) funding from the Department of Health. These funds are specifically designed to bolster the financial status of rural hospitals. As part of the Rural Hospital Program, rural hospitals can seek a designation as a critical access hospital, a concept advanced by the federal Health Care Financing Administration, which limits the number of beds, duration of stay, and prescribes emergency room capacity.

There are 28 hospitals in the state that meet the definition of rural hospital. One of the challenges these hospitals face is that changing demographics over time have impacted individual hospital's ability to continue to meet the definition in a given county due to county population density or proximity to an urban county.

To address this concern, the 1998 Legislature created a Rural Hospital Statutory Redefinition Advisory Group to study the then present definition of "rural hospital," and to make recommendations regarding possible revisions to the definition. The advisory group held five publicly noticed meetings during 1999, and hosted four public forums around the state. The group reviewed economic and demographic factors which impact rural hospitals, and the impact of federal rules, regulations, and recent funding impacts, and health planning principles. The group explored three different alternatives in completing its assigned tasks: modifying the current definition of rural hospital and maintaining counties

as the geographic element of the definition; changing the definition of rural hospital to a sub-county geographic unit based on ZIP codes or U.S. census tracts; and changing the statutory definition of rural hospital based on criteria developed for the critical access hospital system. The advisory group included in its report an indication of the impact of each of these options on hospitals and communities.

The December 1999 report from the advisory group made the following specific recommendations:

- Eliminate references to the U.S. Census in Florida's statutory definition of rural hospital;
- Add criteria that will allow a sub-county statutory definition of rural hospital based on ZIP Code service areas; and
- Add criteria that will allow a statutory definition of rural hospital based on designation by the Department of Health as a critical access hospital.

While the report as printed recommended these changes to the existing definition of "rural hospital" as it appears in s. 395.602(2)(e), F.S., the advisory groups' stated intent was that comparable changes also be incorporated into the definition of "rural hospital" as it appears in s. 408.07(42), F.S.

**C. EFFECT OF PROPOSED CHANGES:**

HB 2319 reflects the recommendations from a 2-year Rural Hospital Statutory Redefinition Advisory Group. See the SECTION-BY-SECTION ANALYSIS which follows for additional details.

**D. SECTION-BY-SECTION ANALYSIS:**

**Section 1.** Amends s. 395.602(2)(e), F.S., relating to the definition of "rural hospital" to:

- Eliminate reference to the designation of counties as rural by the U.S. Census;
- Add criteria that will allow a sub-county statutory definition of rural hospital based on ZIP Code service areas, such that "service area" means the fewest number of ZIP codes that account for 75 percent of the hospital's discharges for the most recent 5-year period, based on information available from the hospital inpatient discharge database in the State Center for Health Statistics at the Agency for Health Care Administration; and
- Add criteria that will allow a statutory definition of rural hospital based on a designation of Critical Access Hospital by the Department of Health in accordance with federal regulations and state requirements.

**Section 2.** Amends s. 408.07(42), F.S., which defines "rural hospital," to incorporate the same revisions as specified in section 1.

**Section 3.** Amends s. 409.9116(7), F.S., relating to the applicability of the disproportionate share program and financial assistance program for rural hospitals, to add that a hospital, or its successor-in-interest hospital, which received funds pursuant to this section before July 1, 1998, and which qualifies under s. 395.602(2)(e), F.S., shall be included in the programs under this section and is not required to seek additional appropriations under this subsection.

**Section 4.** Provides for a July 1, 2000, effective date.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

N/A

2. Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

N/A

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

N/A

D. FISCAL COMMENTS:

Any rural hospital that has lost its capability to qualify as a rural hospital due to county population changes over the past several years could regain its rural hospital designation under this bill. In addition, those rural hospitals in counties with growing populations will have some assurance of retaining their status as rural hospitals.

Limited funded programs, such as rural hospital disproportionate share and rural hospital financial assistance, will have to spread funds to more facilities, thus reducing funds to some rural hospitals.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take action requiring the expenditure of funds.

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**B. REDUCTION OF REVENUE RAISING AUTHORITY:**

The bill does not reduce the authority that counties or municipalities have to raise revenues in the aggregate.

**C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:**

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

**V. COMMENTS:**

**A. CONSTITUTIONAL ISSUES:**

N/A

**B. RULE-MAKING AUTHORITY:**

N/A

**C. OTHER COMMENTS:**

Readers interested in additional information regarding this bill and this subject matter should see: "Florida's Rural Hospital Redefinition Report," December 1999, available from the Agency for Health Care Administration.

**VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:**

When heard by the Committee on Health Care Services on March 30, 2000, the bill was amended to more specifically refer to the Critical Access Hospital designation, and to amend the definition of "rural hospital" in s. 408.07(42), F.S., in the same manner as that term is amended in s. 395.602(2)(e), F.S.

**VII. SIGNATURES:**

**COMMITTEE ON HEALTH CARE SERVICES:**

Prepared by:

Staff Director:

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Phil E. Williams

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