

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 2422

SPONSOR: Senator Clary and others

SUBJECT: Rural Hospitals

DATE: March 22, 2000

REVISED: 03/28/00 _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Munroe</u>	<u>Wilson</u>	<u>HC</u>	<u>Fav/2 amendments</u>
2.	_____	_____	<u>FP</u>	<u>Withdrawn</u>
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

This bill implements the recommendations of the Rural Hospital Statutory Redefinition Advisory Group which was created by the 1998 Florida Legislature. The bill revises the definition of “rural hospital” in s. 395.602, F.S., by: eliminating references to the United States census; adding a criterion for a sub-county rural hospital service area based on ZIP codes that account for 75 percent of the hospital’s discharges for the most recent 5-year period; and adding a criterion for a hospital designated by the Department of Health as a critical access hospital. The bill revises the applicability of the disproportionate share program and financial assistance program for rural hospitals to permit certain rural hospitals that were funded prior to July 1, 1998, to continue to receive funding without having to seek additional appropriations.

This bill substantially amends sections 395.602 and 409.9116, Florida Statutes.

II. Present Situation:

Chapter 395, Florida Statutes, provides for the licensing and regulation of hospitals and ambulatory surgical centers. Part III of chapter 395, F.S., provides legislative intent and findings in support of rural hospitals. Section 395.602, F.S., defines a “rural hospital” to mean a licensed acute care hospital having 100 or fewer licensed beds and an emergency room, that is located in an area defined as rural by the United States Census, and which is: 1) the sole provider within a county with a population density of no greater than 100 persons per square mile; 2) an acute care hospital, in a county with a population density of no greater than 100 persons per square mile, which is at least 30 minutes of travel time, on normally traveled roads under normal traffic conditions, from any other acute care hospital within the same county; 3) a hospital supported by a tax district or subdistrict whose boundaries encompass a population of 100 persons or fewer per square mile; or 4) a hospital in a constitutional charter county with a population of over 1 million persons that has imposed a local option health service tax pursuant to law and in an area that was directly impacted by a catastrophic event on August 24, 1992, for which the Governor of Florida declared a state of emergency pursuant to ch. 125, F.S., and has 120 beds or less that serves an

agricultural community with an emergency room utilization of no less than 20,000 visits and a Medicaid in-patient utilization rate greater than 15 percent. The last criterion was added to s. 395.602, F.S., in 1999. Section 408.07, F.S., provides a similar statutory definition of “rural hospital,” except it does not include 3) and 4) above. The Department of Health has identified 28 hospitals as “rural hospitals.”

Facilities that maintain the statutory designation of “rural hospital” may receive additional benefits as a result of the designation which include: the receipt of additional funding through participation in the Medicaid disproportionate share program and a state-funded financial assistance program; the ability to apply for and receive additional grants to establish and participate in a certified rural health network; an exemption from certificate-of-need regulation of hospice and home health services provided by the statutory rural hospital; and participation in the Rural Hospital Capital Improvement Grant Program.

Section 381.0406, F.S., provides for the establishment of rural health networks to provide a continuum of care and to ensure the availability of certain core services for residents of rural areas such as disease prevention, health promotion, comprehensive primary care, emergency medical care, and acute inpatient care. “Rural health networks” or “networks” are defined to mean a nonprofit legal entity, consisting of rural and urban health care providers and others, that are organized to plan and deliver health care services on a cooperative basis in a rural area. Rural health networks may be developed and implemented in two phases. Section 408.043, F.S., authorizes certificate-of-need preferences for hospitals that are members of a certified rural health network, if need is shown and the proposed project strengthens health care services in rural areas through partnerships between rural health care providers, or increases access to inpatient health care services for Medicaid patients or other low-income persons who live in a rural area.

Under s. 395.6061, F.S., rural hospitals may qualify for funding under the Rural Hospital Capital Improvement Grant Program. Each rural hospital as defined in s. 395.602, F.S., must receive a minimum of \$100,000 annually, subject to legislative appropriation, upon application to the Department of Health, for projects to acquire, repair, improve or upgrade systems, facilities, or equipment. The department must establish, by rule, criteria relating to the level of uncompensated care rendered by the hospital, the participation in a rural health network, and the proposed use of the grant by the rural hospital to resolve a specific problem.

Section 409.9116, F. S., requires the Agency for Health Care Administration to administer a federally-matched disproportionate share program for statutory rural hospitals. The agency makes disproportionate share payments to statutory rural hospitals that qualify for such payments and financial assistance to statutory rural hospitals that do not qualify for disproportionate share payments. The payments are based on a formula that includes charity care, uncompensated care to medically indigent patients, and Medicaid inpatient days. Section (4) of ch. 98-214, Laws of Florida, revised s. 409.9116, F.S., relating to Medicaid rural hospital disproportionate share funding to provide that any rural hospital designated after July 1, 1998, may not receive disproportionate share or financial assistance payments unless each year additional appropriations are made to prevent any reduction in payments to existing rural hospitals or their successor-in-interest hospitals with respect to the level of funding that the existing rural hospitals currently receive from the disproportionate share program or the financial assistance program for rural hospitals. During fiscal year 1999-2000, \$4,249,926 in state general revenue and \$5,524,513 in

federal funds were appropriated for statutory rural hospitals under the disproportionate share program. These statutory rural hospitals also receive \$1,250,074 under the Rural Hospital Financial Assistance Program. The total Medicaid budget for the rural disproportionate share program in fiscal year 1999-2000 is \$11,024,513.

The federal government has also developed a program to provide federal funding to assist critical access hospitals, which are rural, public or not-for-profit, limited service licensed hospitals, not located in a metropolitan statistical area. The purpose of the federal critical access hospital program is to ensure the availability of primary care services, emergency services and limited acute inpatient services in rural areas where it is no longer feasible to maintain a full service hospital. Florida has begun preliminary planning for implementation of this program. The Office of Rural Health in the Department of Health has the primary responsibility for this program.

Chapter 98-21, Laws of Florida, modified the statutory definition of the term "rural hospital" in s. 395.602, F.S., to require population densities used in the definition of that term to be based upon the most recently completed United States census. The law also required a study to be performed by the Agency for Health Care Administration, in consultation with the Department of Health and representatives of the hospital industry, regarding the adequacy of the statutory definition of the term "rural hospital" as defined in ss. 395.602 and 408.07, F.S. The Agency for Health Care Administration was required to submit its findings and recommendations to the Governor and the Legislature no later than December 31, 1999.

The Rural Hospital Statutory Redefinition Advisory Group held five meetings during 1999 and four forums to gain public input from around the state. The advisory group reviewed economic and demographic factors relating to rural hospitals, including the economic impact of the federal Balanced Budget Act of 1997. The advisory group reviewed federal rules and regulations, and health planning principles. The advisory group identified three approaches to explore alternative statutory definitions of rural hospital: 1) modifying the current statutory definition of rural hospital and maintaining counties as the geographic element of the definition; 2) changing the statutory definition of rural hospital to a sub-county geographic unit based on ZIP codes or United States census tracts; or 3) changing the statutory definition of rural hospital based on criteria developed for the critical access hospital system. The advisory group's report recommended: the elimination of references to the United States census in Florida's statutory definition of rural hospital; and the addition of criteria which include a sub-county statutory definition of rural hospital based on ZIP code service areas and a statutory definition of rural hospital based on designation by the Department of Health as a critical access hospital.

III. Effect of Proposed Changes:

The bill modifies the definition of "rural hospital" in s. 395.602, F.S., to reflect the recommendations of the Rural Hospital Statutory Redefinition Advisory Group by: eliminating references to the designation of counties as rural by the United States census; adding a criterion for a sub-county rural hospital service area based on ZIP codes, for which the term "service area" is defined to mean 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; adding a criterion for a hospital designated by the Department of Health as a

critical access hospital; and eliminating references to the United States census in the statutory definition of “rural hospital.”

Subsection (7) of s. 409.9116, F.S., relating to Medicaid rural hospital disproportionate share funding, is amended to revise the applicability of the disproportionate share program and financial assistance program for rural hospitals to provide that any hospital, or its successor-in-interest hospital, which received funds under s. 409.9116, F.S., before July 1, 1998, and which qualifies as a statutory rural hospital under s. 395.602 (2)(e), F.S., must be included in the rural hospital disproportionate share program and financial assistance programs and is not required to seek additional appropriations under subsection (7) of s. 409.9116, F.S. This ensures that any rural hospitals that were receiving funds prior to July 1, 1998, will continue to receive funds under the revised definition without having to seek additional appropriations as if they were new additions to the list of statutory rural hospitals.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

The provisions of this bill have no impact on municipalities and the counties under the requirements of Article VII, Section 18 of the Florida Constitution.

B. Public Records/Open Meetings Issues:

The provisions of this bill have no impact on public records or open meetings issues under the requirements of Article I, Subsections 24(a) and (b) of the Florida Constitution.

C. Trust Funds Restrictions:

The provisions of this bill have no impact on the trust fund restrictions under the requirements of Article III, Subsection 19(f) of the Florida Constitution.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Any rural hospital which would no longer qualify as a statutory rural hospital due to changes in demographic factors may requalify for designation as a “statutory rural hospital” under the revised definition in the bill. Funding from the rural hospital disproportionate share program and the rural hospital financial assistance program will continue to be available to these hospitals.

C. Government Sector Impact:

The Agency for Health Care Administration may incur minimal costs to implement the provisions of the bill relating to the statutory designation of a rural hospital.

VI. Technical Deficiencies:

On page 2, lines 17-18, the bill strikes requirements which are still relevant and consistent with the definitions of “rural hospital” found in existing subparagraphs 1., 2., 3., and 4., of subsection (2), paragraph (e) of s. 395.602, F.S. Population densities used in these subparagraphs must be based upon the most recently completed United States census.

VII. Related Issues:

None.

VIII. Amendments:

#1 by Health, Aging and Long-Term Care:

Reinserts current law which provides that population densities used in paragraph (e) of s. 395.602, F.S., relating to a definition for “rural hospital,” must be based upon the most recently completed United States census.

#2 by Health, Aging and Long-Term Care:

Revises the definition of “rural hospital” in s. 408.07, F.S., to conform with criteria added to the definition of “rural hospital” under s. 395.602, F.S., by: eliminating a requirement that a rural hospital be located in an area defined as rural by the United States census; adding a criterion for a sub-county rural hospital service area based on ZIP codes that account for 75 percent of the hospital’s discharges for the most recent 5-year period; and adding a criterion for a hospital designated by the Department of Health as a critical access hospital.