

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: CS/SB 696

SPONSOR: Health, Aging, and Long-Term Care Committee and Senator Saunders

SUBJECT: Indigent Health Care

DATE: March 11, 2003

REVISED: \_\_\_\_\_

|    | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION       |
|----|---------|----------------|-----------|--------------|
| 1. | Munroe  | Wilson         | HC        | Favorable/CS |
| 2. |         |                | CP        |              |
| 3. |         |                | BI        |              |
| 4. |         |                | AHS       |              |
| 5. |         |                | AP        |              |
| 6. |         |                |           |              |

## I. Summary:

The bill increases counties' financial obligation for compensating hospital care of county residents who are indigents and who receive care at out-of-county hospitals. The maximum amount that a county is obligated to pay is increased from \$4 to \$6 per capita in the county's fiscal year. The bill requires certain counties to participate in supporting a regionalized system of trauma care which provides reimbursement to hospitals that are trauma centers for uninsured or underinsured inpatients with primary or secondary diagnoses of DRG 484-487. Payment levels may not exceed the statewide average cost per trauma patient in each level of an approved trauma center and initial payment rates, subject to annual updates by the Agency for Health Care Administration, are specified. Criteria are specified for designating a county as responsible for payment of uncompensated trauma care provided to indigent county residents. Criteria for verification of county residency at the time of hospitalization are also specified.

This bill amends section 154.306, Florida Statutes.

This bill creates section 154. 317, F.S.

## II. Present Situation:

### Florida Health Care Responsibility Act

Part IV, chapter 154, Florida Statutes, "the Florida Health Care Responsibility Act," is a source of funding for hospitals that provide a disproportionate share of uncompensated care for indigent persons. Under s. 154.306, F.S., the ultimate responsibility for payment for treatment of indigent patients at a participating hospital or regional referral hospital that is not located in the same county as the indigent patient resides is on the county in which the patient is a resident. Counties must reimburse participating hospitals or regional referral hospitals as provided for in the part,

and must provide or arrange for indigent eligibility determination procedures and resident certification determination procedures as provided for in rules developed to implement this part. A county's financial obligation for an indigent patient treated at an out-of-county hospital must not exceed 45 days per county fiscal year at a rate of payment equivalent to 100 percent of the per diem reimbursement rate currently in effect for the out-of-county hospital under the Medicaid program. However, a county may not be required to pay an aggregate total of more than \$4 per capita in the county's fiscal year. Counties are not required to pay for elective or nonemergency admissions at an out-of-county hospital. The Agency for Health Care Administration calculates and certifies to each county the maximum amount that the county may be required to pay by multiplying the most recent estimate of the county population by \$4 per capita.

The Agency for Health Care Administration must adopt rules and standards for determining who qualifies as an indigent patient under part IV, ch. 154, F.S., and procedures that provide criteria for certification of that patient's county of residence.<sup>1</sup> The agency makes a determination of which hospitals are eligible for reimbursement by a county. Hospitals are certified eligible if they have met their "charity care obligation." The obligation is met if the proportion of uncompensated charity care days in total acute care inpatient days was at least 2 percent.

### **Trauma Care**

Part II, chapter 395, F.S., regulates trauma centers in Florida and provides for the establishment of a state trauma system plan by the Department of Health.

Section 395.401, F.S., authorizes the Department of Health to recognize certain entities to operate as local or regional trauma agencies. The role of a trauma agency is to plan, implement, and evaluate an organized response, transportation, and in-hospital care system for individuals who have sustained traumatic injuries. This section provides definitions for terms used in chapter 395, part II, F.S., trauma center verification, and minimum requirements for a local or regional trauma agency plan. Trauma agency plans must be updated and submitted annually for approval by the department. There are currently four trauma agencies in the state, providing services to 14 counties.

There are three types of trauma centers in Florida. Level I trauma centers provide both trauma and pediatric trauma services. They also maintain research and education programs for the enhancement of trauma care. Level II trauma centers are not required to provide pediatric trauma care. The third type of trauma center in Florida is a pediatric trauma center, which provides pediatric trauma care. Pursuant to s. 395.4025, F.S., there are 20 state-approved trauma centers in Florida. Trauma centers treat individuals who have incurred a single or multisystem injury due to blunt or penetrating means or burns and who require immediate medical intervention or treatment.

The Department of Health is required, pursuant to part II, chapter 395, F.S., to establish a state trauma system plan. The plan divides the state into trauma regions, which serve as the basis for the development of department-approved local or regional trauma plans. The plan also outlines

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<sup>1</sup> See Chapter 59H-1, Florida Administrative Code.

procedures for establishing protocols for transporting victims to the appropriate trauma center. The plan is intended to help ensure that all Floridians have access to trauma care services.

### **Diagnosis-Related Groups (DRGs)**

Diagnosis-related groups are used as part of the prospective payment system for medical services under the federal Medicare program. Each discharge is classified under one of over 500 diagnosis-related groups (DRGs) that group clinically-similar patients requiring similar amounts of hospital resources. Diagnosis-related groups 484-487 concern significant trauma and are:

- 484 24 surg craniotomy for multiple significant trauma
- 485 24 surg limb reattachment, hip and femur proc for multiple significant trauma
- 486 24 surg other o.r. procedures for multiple significant trauma
- 487 24 med other multiple significant trauma

### **III. Effect of Proposed Changes:**

**Section 1.** Amends s. 154.306, F.S., to increase the current statutory annual cap of \$4 per capita to \$6 per capita which is used to establish a county's maximum financial obligation for hospital care that is provided at out-of-county hospitals to a county's indigent residents.

**Section 2.** Creates s. 154.317, F.S., to require counties to participate in supporting a regionalized system of trauma care which provides reimbursement to hospitals that are approved trauma centers. The financial responsibility must be limited to uninsured or underinsured inpatients with primary or secondary diagnoses of DRG 484-487. The term, "underinsured" means insurance coverage for a person who is an inpatient, which insurance is inadequate to cover the cost of that patient's care. Payment levels may not exceed the statewide average cost per trauma patient in each level of an approved trauma center. Initial payment rates, subject to annual updates by the Agency for Health Care Administration, are: for Level I, \$14,000 per trauma patient; for Level II, \$9,000 per trauma patient; for Pediatric, \$6,000 per trauma patient.

Counties must be designated responsible for payment if: (1) the county of residence has unspent funds under the Florida Health Care Responsibility Act at the end of the fiscal year in which the hospitalization occurred; and the responsible county is not currently contributing to the financial support of a regional trauma system through direct funding of trauma care, tax district support for hospitals in the county designated as trauma centers, or under the terms of an intergovernmental agreement with other counties in the trauma region or a written agreement with the nearest trauma center. The responsible county is exempt based on the following criteria: the county population in the most recent United States census totals fewer than 30,000 residents and the proportion of county residents with incomes below the poverty level exceeds 20 percent; or the property tax rate, including special districts and municipal service taxes, of the county equals or exceeds 10 mils.

Verification of residence in a county at the time of hospitalization may be done by: current active driver license; mortgage, lease, or rental receipt or letter from a landlord; water, electric, or other public utility bill in the name of the patient or a family member at a residential address within the county; a state, county, or federal document mailed to the patient at a residential address within

the county; vehicle registration in the name of the patient or a family member at a residential address within the county; voter registration; or proof of children enrolled in public schools within the county.

**Section 3.** Provides an effective date of July 1, 2003.

#### **IV. Constitutional Issues:**

##### **A. Municipality/County Mandates Restrictions:**

To the extent the bill increases the financial obligation that counties have for compensating hospital care of county indigent residents provided at out-of-county hospitals and requires each county to participate in supporting a regionalized system of trauma care which provides reimbursement to hospitals that are approved trauma centers for uninsured or underinsured inpatients with primary or secondary diagnoses of DRG 484-487, the bill could constitute a mandate as defined in Article VII, Section 18(a) of the Florida Constitution for which no funding source is provided to such political subdivisions.

No county or municipality shall be bound by any general law requiring such county or municipality to spend funds or to take an action requiring the expenditure of funds unless the Legislature has determined that such law fulfills an important state interest and unless: funds have been appropriated that have been estimated at the time of enactment to be sufficient to fund such expenditure; the Legislature authorizes or has authorized a county or municipality to enact a funding source not available for such county or municipality on February 1, 1989 ...and the law requiring such expenditure is approved by two-thirds of the membership of each house of the Legislature...

For purposes of legislative application of Article VII, Section 18 of the Florida Constitution, the term “insignificant” has been defined, as a matter of legislative policy, as an amount not greater than the average statewide population for the applicable fiscal year times ten cents. Based on the 2000 census, a bill that would have a statewide fiscal impact on counties and municipalities in aggregate of or in excess of \$1,598,238 would be characterized as a mandate.

##### **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 Art. I, s. 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:**

Qualifying hospitals could receive increased reimbursement for care of out-of-county indigent patients. Trauma centers could receive increased reimbursement for care of uninsured or underinsured patients.

**C. Government Sector Impact:**

Counties will incur a 50 percent increase in the financial obligation for funding indigent health care under the Florida Health Care Responsibility Act. Counties that are not currently participating in funding trauma center care or that are not otherwise exempt will incur costs. The Agency for Health Care Administration reports that the actual amount cannot be determined because the fiscal impact will be determined primarily by population growth.

The Agency for Health Care Administration may incur costs to revise its administrative rules to implement the bill and such costs should be minimal.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.