



## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. HOUSE PRINCIPLES ANALYSIS:

Limited government – The bill directs the Office of Rural Health within the Department of Health to coordinate rural health service delivery among existing and developing rural health care service providers. The bill directs the Office of Rural Health within the Department of Health to make recommendations to the Governor, the Senate President and the Speaker of the House to make recommendations regarding the status and evolvement of rural health delivery systems and facilities.

#### B. EFFECT OF PROPOSED CHANGES:

House Bill 1575 reorganizes the Department of Health Office of Rural Health, rural health networks, and creates an advisory council to assist networks to develop administrative and clinical plans to coordinate health delivery services. Networks would be required to be actively involved with service providers in rural areas and develop model quality improvement plans, including distance learning, and use of telemedicine. Rural primary care hospitals would be authorized to provide inpatient care for a longer period of time from seventy-two hours to ninety-six hours. The bill allows rural primary care hospitals to increase bed capacity by redefining rural primary care hospitals as having a minimum of six beds, rather than a maximum of six beds.

The bill revises the language governing hospital regulation to more accurately reflect categories of hospitals and align the statutory definitions with Medicare and Medicaid regulations. Medicaid swing-bed reimbursement will be treated the same for rural primary care hospitals as for rural hospitals. Rural hospitals will be able to receive a grant of \$200,000 annually for facility improvement, rather than the current \$100,000 grant. Additional funds could be provided on the basis of hospitals providing evidence of financial stability and sustainability of proposed projects.

Physicians who provide services in rural areas would receive a 10 percent bonus in Medicaid reimbursement.

#### Background

Chapter 381, F.S., authorizes the Department of Health (department) to establish the Office of Rural Health (office) and create rural health networks to help alleviate problems with the availability of health care services in rural areas.

Section 395.602, F.S. defines rural hospitals and includes an obsolete definition based on prior federal regulations for rural primary care hospitals that authorize such facilities to have a maximum of six licensed acute care inpatient beds, to provide twenty-four hour emergency care and temporary inpatient care for up to seventy-two hours. The existing statutory section authorizes the agency to adopt rules to license a facility as a rural primary care hospital or emergency care hospital and rules to specify requirements for making 24-hour emergency care available in the event a licensed hospital has discontinued inpatient care.

Section 395.6061, F.S., establishes a capital improvement grant program for rural hospitals and requires that a grant application include a rural health network plan and the hospital's financial status. Current law provides for a minimum \$100,000 annual grant to each rural hospital that applies to the department.

C. SECTION DIRECTORY:

Section 1. Amends s. 381.0405, F.S., relating to the Office of Rural Health within the Department of Health, and creates new subsections (7), relating to the advisory council and (8), relating to the reporting requirements of the Office of Rural Health; renumbers subsequent subsection.

Section 2. Amends s. 381.0406, F.S.; relating to rural health networks.

Section 3. Amends s. 395.602(2), F.S.; relating to rural hospital definitions.

Section 4. Amends s. 395.603(1), F.S.; relating to general hospital bed deactivation.

Section 5. Amends s. 395.604, F.S.; relating to rural primary care hospitals; creates new subsections (3) through (8), relating to rural primary care hospital bed reimbursement, primary care services and licensure.

Section 6. Amends s. 395.6061, F.S.; relating to rural hospital capital improvement.

Section 7. Amends s. 409.908(12), F.S.; relating to Medicaid provider reimbursement.

Section 8. Amends s. 408.07(43), F.S.; relating to rural hospital definitions.

Section 9. Amends s. 409.9116(6), F.S.; relating to rural hospital disproportionate share/financial assistance program.

Section 10. Amends s. 1009.65(b) (2), F.S.; relating to medical education reimbursement and loan repayment program.

Section 11. Creates an unnumbered section of statute relating the Office of Program Policy Analysis and Government Accountability (OPPAGA); providing for report to be submitted to the Legislature.

Section 12. Repeals s. 395.605, F.S.

Section 13. Provides a \$440,000 appropriation in nonrecurring general revenue from the General Revenue fund to the OPPAGA for the 2007-2008 fiscal year to implement section 11 of this act.

Section 14. Provides a \$4,638,709 appropriation in nonrecurring general revenue from the General Revenue fund and \$5,067,392 in recurring revenue from the Medical Care Trust Fund to the Agency for Health Care Administration for the 2007-2008 fiscal year to implement the 10 percent Medicaid fee schedule bonus payment to physicians providing health care services in rural areas.

Section 15. Provides \$3 million in recurring general revenue from the General Revenue Fund to the Department of Health for the 2007-2008 fiscal year to implement rural health network infrastructure development.

Section 16. Provides \$7.5 million in nonrecurring revenue from the General Revenue Fund to the Department of Health for the 2007-2008 fiscal year to implement the rural hospital capital improvement grant program.

Section 17. Provides \$196,818 in recurring revenue from the General Revenue fund and \$17,556 in nonrecurring revenue from the General Revenue Fund to the Department of Health, and three full-time equivalent positions and related salary rate of \$121,619.

Section 18. Provides an effective date of July 1, 2007.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

### A. FISCAL IMPACT ON STATE GOVERNMENT:

#### 1. Revenues:

	<u>FY 2007-08</u>	<u>FY 2008-09</u>
<b>Agency for Health Care Administration</b>		
Recurring:		
Title XIX Medicaid Match	\$5,043,227	\$7,050,435
Federal Refugee Assistance	\$40,570	\$56,717
<b>Total</b>	<b>\$5,083,797</b>	<b>\$7,107,152</b>

#### 2. Expenditures:

	<u>FY 2007-08</u>	<u>FY 2008-09</u>
<b>Agency for Health Care Administration</b>		
Recurring:		
Payment of 10% Medicaid bonus	\$8,706,101	\$12,171,136
<b>Total</b>	<b>\$8,706,101</b>	<b>\$12,171,136<sup>1</sup></b>
<i>Funding:</i>		
General Revenue Fund (41.61%)	\$3,622,304	\$5,063,984
Medical Care Trust Fund (57.93%)	\$5,043,227	\$7,050,435
Refugee Assistance Trust Fund (.47%)	\$40,570	\$56,717

#### **Department of Health**

Recurring		
To implement rural health network	\$3,000,000	\$3,000,000
Salary and Expenses (3 FTE)	\$196,818	\$196,818
Nonrecurring		
To implement rural hospital capital improvement grant program	\$7,500,000	\$0
Expenses	\$17,556	\$0
<b>Total</b>	<b>\$10,714,374</b>	<b>\$3,196,818</b>

#### **The Office of Program Policy Analysis and Government Accountability**

Nonrecurring General Revenue:		
Rural Hospital Facility Utilization Study	\$440,000	\$0
<b>Total</b>	<b>\$440,000</b>	<b>\$0</b>

<sup>1</sup> This figure is annualized, and includes a 5% rate increase for growth.

## **GRAND TOTAL**

Recurring	\$11,902,919	\$15,367,954
Nonrecurring	\$7,957,556	\$0
	<b><u>\$19,860,475</u></b>	<b><u>\$15,367,954</u></b>

### B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

#### 1. Revenues:

None.

#### 2. Expenditures:

None.

### C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Under HB 1575, rural hospitals will be able to receive a grant of \$200,000 annually for facility improvement, rather than the current \$100,000 grant.

### D. FISCAL COMMENTS:

AHCA notes that the \$8,706,101 appropriated in HB 1575 for the purpose of payment of a 10% bonus over the Medicaid physician fee schedule excludes the Refugee Assistance Trust Fund as a funding source for this eligibility group. Accordingly, the bill's specified funding source amounts have been adjusted in this analysis to include the appropriate funding percent from the Refugee Assistance Trust Fund.

Additionally, the Department of Health reports that "[t]he General Counsel's Office expects increased litigation as a result of the changes in the rural health network statute that add Level I and II performance standards and the addition of infrastructure development grant funding." To handle this anticipated increased legal workload, the department recommends authorizing a .5 FTE senior attorney position and a .5 FTE staff assistant position. According to the analysis provided by the department, authorization of these positions would require \$75,458 in recurring revenue and \$8,959 in nonrecurring revenue.

## **III. COMMENTS**

### A. CONSTITUTIONAL ISSUES:

#### 1. Applicability of Municipality/County Mandates Provision:

This bill does not require counties or municipalities to spend funds or take action requiring the expenditure of funds. This bill does not reduce the percentage of a state tax shared with counties or municipalities. This bill does not reduce the authority that municipalities have to raise revenues.

#### 2. Other:

None.

### B. RULE-MAKING AUTHORITY:

### C. DRAFTING ISSUES OR OTHER COMMENTS:

D. STATEMENT OF THE SPONSOR

No statement provided.

**IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES**