

**The Florida Senate**  
**PROFESSIONAL STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT**

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

Prepared By: Health Regulation Committee

BILL: CS/SB 760

INTRODUCER: Health Regulation Committee and Senator Atwater

SUBJECT: Hospitals

DATE: April 20, 2007

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

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Bedford	Wilson	HR	Fav/CS
2.			HA	
3.			RC	
4.				
5.				
6.				

**I. Summary:**

The bill revises the definition of the types of specialty hospitals that may not be licensed or relicensed by the Agency for Health Care Administration (AHCA or agency). Instead of defining these prohibited specialty hospitals by enumerating specific diagnosis-related groups (DRGs), the bill defines them by major diagnostic categories (a higher level of classification than DRGs) or by the principal diagnosis or reason for admission. The bill creates an exemption from this prohibition for any hospital classified as an exempt cancer center hospital pursuant to 42 C.F.R. s. 412.23(f) as of December 31, 2005.

The bill changes the terms cardiology and interventional cardiology services to cardiovascular services throughout s. 408.0361, F.S., which relates to licensure of hospital cardiology services and burn units. The grandfathered licensure status of certain hospitals with adult interventional cardiology services or burn units is changed from a period specified in rule to until July 1, 2008.

The bill deletes the inclusion in rules of a standard data set consisting of data elements reported to the AHCA in accordance with s. 408.061, F.S. It also requires Level I and Level II hospitals to participate in clinical outcome-reporting systems operated by the American College of Cardiology and the Society for Thoracic Surgeons.

This bill amends ss. 395.003 and 408.0361, F.S.

## II. Present Situation:

### Specialty Hospital Licensure

Part I of ch. 395, F.S., requires hospitals, ambulatory surgical centers, and mobile surgical facilities to be licensed by the AHCA. This part authorizes the AHCA to license specialty hospitals, which are hospitals that meet all the requirements to be licensed as a general hospital, but which: restrict their medical services to a defined age or gender groups (for example, children's hospitals); restrict their services to specific categories of medical or psychiatric illnesses or disorders (for example, psychiatric hospitals); or provide intensive residential treatment programs for children or adolescents with psychiatric disorders. However, s. 395.003(9), F.S., prohibits the licensure or relicensure of certain types of specialty hospitals.

A hospital may not be licensed or relicensed if the diagnosis-related groups for 65 percent or more of the discharges from the hospital in the most recent year are for diagnosis, care, and treatment of patients who have:

- Cardiac-related diseases and disorders classified as specified diagnosis-related groups;
- Orthopedic-related diseases and disorders classified as specified diagnosis-related groups;
- Cancer-related diseases and disorders classified as specified diagnosis-related groups; or
- Any combination of the above discharges.

A diagnosis-related group is a system used to classify hospital cases into one of approximately 500 groups, also referred to as DRGs, expected to have similar hospital resource use. The system was developed for Medicare as part of its prospective payment system. The DRGs are assigned by a "grouper" program based on the diagnoses, procedures, age, sex, and the presence of complications or comorbidities. The DRGs have been used since 1983 to determine how much Medicare pays the hospital, since patients within each category are similar clinically and are expected to use the same level of hospital resources. The DRGs may be further grouped into Major Diagnostic Categories (MDCs).<sup>1</sup> In 2006, the Centers for Medicare and Medicaid Services substantially changed inpatient hospital reimbursement for Medicare, including substantial changes in the numbering of the DRGs and an increase in the overall number of DRGs. As a result, some of the DRGs specified in s. 395.003(9), F.S., no longer apply and new DRGs have been added that should apply.

### Certificate-of-Need (CON) Review

The CON program is a regulatory review process administered by the AHCA, which requires specified health care providers to obtain prior authorization before offering certain new or expanded services or making major capital expenditures. A "Certificate of Need" is defined as "... a written statement issued by the agency evidencing community need for a new, converted, expanded, or otherwise significantly modified health care facility, health service, or hospice."<sup>2</sup>

<sup>1</sup> [http://en.wikipedia.org/wiki/Diagnosis-related\\_group](http://en.wikipedia.org/wiki/Diagnosis-related_group) (last visited April 17, 2007)

<sup>2</sup> See s. 408.032(3), F.S.

Currently, chapter 408, part I, F.S., specifies those health providers and services subject to CON review and includes hospitals, long term care facilities, hospices, intermediate care facilities for the developmentally disabled,<sup>3</sup> inpatient diagnostic, curative, or comprehensive medical rehabilitative services<sup>4</sup> and tertiary health services, which due to its high level of intensity, complexity, specialized or limited applicability, and cost, should be limited to, and concentrated in, a limited number of hospitals to ensure the quality, availability, and cost effectiveness of such service. Examples of such services include, but are not limited to, pediatric cardiac catheterization, pediatric open-heart surgery, organ transplantation, and comprehensive rehabilitation.<sup>5</sup>

In 2004, the Legislature amended s. 408.036(3), F.S., to provide for an exemption from CON review for hospitals providing diagnostic cardiac catheterization services without an approved adult open-heart surgery program. Section 408.036(3)(o), F.S., establishes criteria with which a hospital must comply in order to be granted and keep an exemption.

In 2004, the Legislature also amended s. 408.0361, F.S., to require the agency to adopt administrative rules for the licensure of adult inpatient diagnostic cardiac catheterization programs and adult interventional cardiology services and burn units, in Florida hospitals. This licensure would revise the regulation of these services to create licensure of services rather than a service that is authorized through an exemption from CON review.

With regard to diagnostic cardiac catheterization services, rules must ensure that such programs comply with the guidelines of the American College of Cardiology and the American Heart Association Guidelines for Cardiac Catheterization and Cardiac Catheterization Laboratories. With regard to providers of adult interventional cardiology services<sup>6</sup> agency staff was to develop rules governing providers of adult interventional cardiology services or operators of a burn unit that establish standards governing the provision of such services. The rules must consider, at minimum, staffing, equipment, physical plant, operating protocols, Medicaid services, and services to charity care patients, accreditation, licensure period and fees, and enforcement of minimum standards.

Existing providers and any provider with a notice of intent to grant a certificate of need or agency final order granting a certificate of need for adult interventional services or burn units were to be “grandfathered in” and receive a license for their programs effective July 1, 2004. The grandfathered licensure period was established for at least 3 years or a period specified in rule, whichever was longer, and subject to licensure standards applicable to existing programs for every subsequent licensure period.

### III. Effect of Proposed Changes:

**Section 1.** Revises the definition of the types of specialty hospitals that may not be licensed or relicensed. Instead of listing specific DRGs for cardiac-related or orthopedic-related diseases and disorders in subsection (9) of s. 395.003, F.S., the bill uses the broader term major diagnostic

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<sup>3</sup> See s. 408.032(8), F.S.

<sup>4</sup> See s. 408.032(9), F.S.

<sup>5</sup> See s. 408.032(17), F.S.

<sup>6</sup> See s. 408.0361, F.S., see also Senate Bill 182, 2004 Legislative Session.

category under which the applicable DRGs are grouped. The bill does not list a major diagnostic category for cancer-related diseases but rather classifies these diseases as discharges in which the principal diagnosis is neoplasm or carcinoma or is for an admission for radiotherapy or antineoplastic chemotherapy or immunotherapy. Because of the breadth of the definition for cancer related diseases, the bill creates an exemption for any hospital classified as an exempt cancer center hospital pursuant to 42 C.F.R. s. 412.23(f) as of December 31, 2005.

**Section 2.** Changes the terms cardiology and interventional cardiology services to cardiovascular services throughout s. 408.0361, F.S. It also changes interventional cardiology programs to adult cardiovascular services. The term “adult cardiovascular services” is a more general term that can appropriately include surgical services, as in Level II adult cardiovascular services.

The grandfathered licensure status of certain hospitals with adult interventional cardiology services or burn units is changed from at least 3 years, a period specified in rule to at least 3 years, or until July 1, 2008, whichever is longer.

The bill deletes the inclusion in rules of a standard data set consisting of data elements reported to the agency in accordance with s. 408.061, F.S., which requires hospitals to report certain information related to each patient discharge. It also requires Level I and Level II hospital adult cardiovascular services programs to participate in clinical outcome-reporting systems operated by the American College of Cardiology and the Society for Thoracic Surgeons.

**Section 3.** Provides an effective date of July 1, 2007.

#### **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, Section 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:**

Hospitals that wish to be licensed to provide adult cardiovascular services will be required to participate in outcome measurement systems operated by the American College of Cardiology and the Society for Thoracic Surgeons.

**C. Government Sector Impact:**

None.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

## **VIII. Summary of Amendments:**

None.

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This Senate Professional Staff Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

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