

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

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

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Prepared By: The Professional Staff of the Committee on Appropriations

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BILL: CS/SB 510

INTRODUCER: Health Policy Committee and Senator Gainer and others

SUBJECT: Grant Program for Rural Hospitals

DATE: April 28, 2017

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

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Rossitto-Van Winkle	Stovall	HP	<b>Fav/CS</b>
2.	Loe	Williams	AHS	<b>Recommend: Favorable</b>
3.	Loe	Hansen	AP	<b>Pre-meeting</b>

**Please see Section IX. for Additional Information:**

COMMITTEE SUBSTITUTE - Substantial Changes

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**I. Summary:**

CS/SB 510 establishes the Florida Rural Hospital Capital Improvement Competitive Grant Program to award funds of up to \$750,000, subject to an appropriation, to eligible rural hospitals through a competitive grant application process. The competitive grant program replaces the Rural Hospital Capital Improvement Grant Program that has not received an appropriation since Fiscal Year 2008-2009.

The competitive grant program will be administered by the Department of Health (DOH). The funds may only be used for the purchase of hospital and medical equipment or infrastructure improvements. To be eligible for grant funds a rural hospital must demonstrate that:

- Grant funds are necessary to maintain or improve the quality of its health care services;
- Grant funds will result in a return on investment to the taxpayers of this state; and
- A satisfactory record-keeping system exists for grant expenditures.

The bill requires DOH to develop criteria for scoring and ranking grant applicants, including:

- The social and economic benefit to the surrounding community;
- The promotion of economic development in the surrounding community;
- The expansion of available services to the underserved populations in the community; and
- The availability of private or public matching funds, or in-kind contributions, for the requested grant funds.

The DOH is required to submit an annual report to the Governor and the Legislature pertaining to grants awarded under the program.

The bill has an indeterminate fiscal impact and is subject to an appropriation. SB 2500, the Senate General Appropriations Act for Fiscal Year 2017-2018, includes an appropriation to implement the competitive grant program established by the bill.

The bill takes effect upon becoming a law.

## II. Present Situation:

In 1999, the Legislature enacted s. 395.6061, F.S., to establish a rural hospital capital improvement grant program, in furtherance of its finding that rural hospitals were the nucleus or “backbone” of rural health care systems.<sup>1</sup> The program is a mechanism for rural hospitals to apply for grant funds from the DOH if funds are appropriated for this purpose. Upon application to the DOH, each rural hospital must receive a minimum of \$100,000 annually, if funds are available, for projects to acquire, repair, improve, or upgrade systems, facilities, or equipment.

Section 395.602, F.S., defines a “rural hospital” as a licensed, acute care hospital having 100 or fewer licensed beds, and an emergency room, which is:

- The sole provider in a county with a population density no greater than 100 persons per square mile;
- In a county with a population density no greater than 100 persons per square mile, and at least 30 minutes travel time from another acute care hospital in the same county;
- Supported by a tax district or sub-district whose boundaries encompass a population no greater than 100 persons per square mile;
- Classified by the Centers for Medicare and Medicaid Services (CMS) as a sole community hospital;<sup>2</sup>
- A hospital with a service area<sup>3</sup> that has a population no greater than 100 persons per square mile; or

<sup>1</sup> See s. 395.602(1), F.S.

<sup>2</sup> A *sole community hospital* is defined by 42 C.F.R. s. 412.92, as a hospital located more than 35 miles from other like hospitals, or it is located in a rural area (as defined in § 412.64) and meets one of the following conditions:

(1) The hospital is located between 25 and 35 miles from other like hospitals and meets one of the following criteria:

- No more than 25 percent of residents who become hospital inpatients or no more than 25 percent of the Medicare beneficiaries who become hospital inpatients in the hospital's service area are admitted to other like hospitals located within a 35-mile radius of the hospital, or, if larger, within its service area;
- The hospital has fewer than 50 beds and the intermediary certifies that the hospital would have met the criteria in paragraph (a)(1)(i) of this section were it not for the fact that some beneficiaries or residents were forced to seek care outside the service area due to the unavailability of necessary specialty services at the community hospital; or
- Because of local topography or periods of prolonged severe weather conditions, the other like hospitals are inaccessible for at least 30 days in each 2 out of 3 years.

(2) The hospital is located between 15 and 25 miles from other like hospitals but because of local topography or periods of prolonged severe weather conditions, the other like hospitals are inaccessible for at least 30 days in each 2 out of 3 years.

(3) Because of distance, posted speed limits, and predictable weather conditions, the travel time between the hospital and the nearest like hospital is at least 45 minutes.

<sup>3</sup> *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 Florida Center for Health Information and Transparency at the Agency for Health Care Administration. See s. 408.07 (43)(d), F.S.

- A critical access hospital.<sup>4</sup>

As of January 30, 2017, Florida has 28 rural hospitals.<sup>5</sup>

The rural hospital grant program application must include the following:

- A description of the problem to be solved with the grant funds;
- The strategy proposed to resolve the problem;
- The organizational structure, financial system, and facilities that are essential to the proposed solution;
- The projected longevity of the proposed solution after the grant funds are expended;
- Evidence of participation in a rural health network;<sup>6</sup>
- Evidence that the rural hospital has difficulty in obtaining funding or that funds available for the proposed solution are inadequate;
- Evidence that the grant funds will assist in maintaining or returning the hospital to an economically stable condition or will involve innovative alternatives for discontinued services;
- Evidence of a satisfactory record-keeping system to account for grant fund expenditures within the rural county; and
- A rural health network plan that includes a description of how the plan was developed, the goals of the plan, the links with existing health care providers under the plan, indicators quantifying the hospital's financial well-being, measurable outcome targets, and the current physical and operational condition of the hospital.

Under s. 395.6061, F.S., any rural hospital that completes an application to DOH that contains the above criteria shall receive a minimum of \$100,000. The DOH must consider any information submitted in a grant application to determine eligibility and the amount of the award. None of the individual items in the application by itself may be used to deny grant eligibility.

In administering this grant program, the DOH is required to establish, by rule, criteria for awarding grants for any remaining funds available after each eligible applicant is awarded a minimum of \$100,000. The additional awards must be used exclusively for the support and assistance of rural hospitals. Criteria shall include:

- The level of uncompensated care rendered by the hospital;
- Participation in a rural health network; and
- The proposed use of the grant by the rural hospital to resolve a specific problem.

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<sup>4</sup> A *Critical Access Hospital* is a small rural hospital of 25 beds or less that is reimbursed for 101 percent of the cost of providing services to Medicare patients as a means to stabilize and improve access to hospital care in rural areas. A critical access hospital must provide emergency, outpatient, and limited inpatient services 24 hours a day, and must meet other requirements to support the services provided. The Centers for Medicare and Medicaid Services designates which hospitals are critical access hospitals. See s. 408.07(15), F.S. and Agency for Health Care Administration, *Special Designations*, available at: <http://www.floridahealthfinder.gov/about-ahca/facility-locator-glossary.aspx#topic9> (last viewed Feb. 15, 2017).

<sup>5</sup> Florida Department of Health, Programs and Services, Rural Health, *Florida Rural Hospital Directory*, available at: <http://www.floridahealth.gov/programs-and-services/community-health/rural-health/index.html>, (last viewed Feb. 15, 2017).

<sup>6</sup> A *rural health network* is a non-profit legal entity, consisting of rural and urban health care providers, organized to plan and deliver health care services on a competitive basis in a rural area. See s. 381.0406, F.S.

The Rural Hospital Capital Improvement Fund last received an appropriation of \$3 million in nonrecurring funds from the Administrative Trust Fund in the Fiscal Year 2008-2009 General Appropriations Act. The DOH currently has no staff dedicated to this program.<sup>7</sup>

### III. Effect of Proposed Changes:

The bill amends s. 395.6061, F.S., declaring that rural hospitals have a limited ability to increase operating revenues, or access other sources of public or private funding, that are needed to replace or maintain high-cost medical equipment, or improve infrastructure. This inability to access alternative funding sources places rural patients' access to quality health care at risk.

The bill requires the DOH to establish and administer the Florida Rural Hospital Capital Improvement Competitive Grant Program and repeals the Rural Hospital Capital Improvement Grant Program. Eligible rural hospitals may apply for grants up to \$750,000, subject to legislative appropriation. In order to be eligible for a grant, a rural hospital must demonstrate that:

- Grant funds are necessary to maintain or improve the quality of its health care services;
- There is a return on investment to the taxpayers of this state; and
- A satisfactory record-keeping system exists for grant expenditures.

The DOH is required to establish, by rule, a competitive grant application process and determine criteria to score and rank applications. The criteria must include, at a minimum:

- The social and economic benefit to the surrounding community;
- The promotion of economic development in the surrounding community;
- The expansion of available services to the underserved populations in the community; and
- The availability of private or public matching funds, or in-kind contributions, for the requested grant funds.

Grant funds are restricted to equipment purchases or facility infrastructure improvements in the rural hospital's service area.

The DOH must provide an annual report to the Governor, the President of the Senate, and the Speaker of the House of Representatives, which includes the list of grantees and, for each grantee, includes:

- The amount awarded;
- A brief description detailing what the funds will be used for;
- The anticipated outcomes to be achieved; and
- The return on investment to the taxpayers of this state

The bill takes effect upon becoming a law.

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<sup>7</sup> Email from Paul Runk, Legislative Planning Director, Florida Department of Health (Feb. 14, 2017) (on file with the Senate Committee on Health Policy).

**IV. Constitutional Issues:**

## A. Municipality/County Mandates Restrictions:

None.

## B. Public Records/Open Meetings Issues:

None.

## C. Trust Funds Restrictions:

None.

**V. Fiscal Impact Statement:**

## A. Tax/Fee Issues:

None.

## B. Private Sector Impact:

Contingent upon an appropriation, there are currently 28 rural hospitals that could participate in the competitive grant program established by the bill. A rural hospital could receive a grant award up to \$750,000.

## C. Government Sector Impact:

The bill has an indeterminate fiscal impact and is subject to an appropriation. SB 2500, the Senate General Appropriations Act for Fiscal Year 2017-2018, includes an appropriation to implement the competitive grant program established by the bill. The DOH would incur costs for additional workload to implement and administer the program; however, due to the grant program being subject to an appropriation, it is unknown at this time whether the additional workload could be absorbed within existing resources.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

The bill does not specify a due date for submitting the annual report.

**VIII. Statutes Affected:**

This bill substantially amends section 395.6061 of the Florida Statutes.

**IX. Additional Information:**

- A. **Committee Substitute – Statement of Substantial Changes:**  
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

**CS by Health Policy on February 21, 2017:**

The CS adds the requirement for the applicant to demonstrate that a record-keeping system exists for grant expenditures in order to be eligible to compete for a grant award. The CS also removes preferences for grant award decision making, and specifies minimum criteria the DOH is to use in scoring and ranking applicants.

- B. **Amendments:**

None.