

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.)

Date: November 25, 1997 Revised: _____

Subject: Rural Hospitals

	<u>Analyst</u>	<u>Staff Director</u>	<u>Reference</u>	<u>Action</u>
1.	Munroe	Wilson	HC	Favorable
2.	_____	_____	WM	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

Senate Bill 170 modifies the statutory definition of the term "rural hospital." The bill requires 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". The Agency for Health Care Administration must submit its findings and recommendations to the Governor, the Speaker of the House of Representatives, and the President of the Senate no later than December 31, 1999.

This bill substantially amends sections 395.602 and 408.07, Florida Statutes. This bill creates a section which has not been designated as a section within the 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 provides legislative intent and findings in support of the efforts of rural hospitals. Section 395.602, F.S., defines a "rural hospital" to mean a licensed acute care hospital having 85 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; or 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; or 3) a hospital supported by a tax district or subdistrict whose boundaries encompass a population of 100 persons or less per square mile. Section 408.07, F.S., provides an identical statutory definition of "rural hospital."

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; the ability to apply for and receive additional grants to establish and participate in a certified rural health network; an exemption from hospital budget review; and an exemption from certificate-of-need regulation of hospice and home health services provided by the statutory rural hospital.

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. Under Phase I, interested entities may apply for network planning and development grants from the Department of Health, so that they may organize networks, incorporate network boards, and develop provider agreements. Under phase II, rural health networks that meet specified criteria and that become certified may be eligible to receive grant funds that may be used to help defray the costs of network infrastructure development, patient care, and network administration. 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.

Pursuant to s. 20.42, F.S., the Health Care Board is established under the Agency for Health Care Administration and is delegated the responsibility for hospital budget review, nursing home financial analysis, and special studies. Section 408.072, F. S., provides requirements for hospital budget review and requires a hospital to submit a budget letter at least 90 days before the start of its next fiscal year that acknowledges its permissive maximum allowable rate of increase (MARI) in gross and net revenues per adjusted admission. The section requires any hospital whose budget exceeds its MARI in its next fiscal year to receive approval from the Health Care Board to implement that budget. The Health Care Board is required to subject a hospital that requests to exceed its MARI to a detailed budget review. Section 408.072, F.S., exempts any rural hospital as defined in s. 408.07, F.S., from filing a budget and from the budget review and approval for exceeding its MARI. However, the rural hospital must submit to the Health Care Board its audited actual experience.

Prior to the enactment of chapter 93-214, Laws of Florida, section 408.036 (3) (h), F.S., exempted from certificate-of-need regulation both hospice and home health services provided by a rural hospital, as defined in s. 395.605, F.S., or swing beds in such a rural hospital if the number did not exceed one-half of its licensed bed capacity. Chapter 93-214, L.O.F., repealed certificate-of-need regulation of Medicare-certified home health agencies effective July 1, 1995. Section 143, chapter 95-418, L.O.F., extended from July 1, 1995 to July 1, 1997, the prospective repeal of

certificate-of-need regulation of Medicare-certified home health agencies enacted in ch. 93-214, L.O. F. Chapter 97-270, L.O.F., saved certificate-of-need regulation of Medicare-certified home health agencies from the repeal that was to take effect on July 1, 1997, and provided for future certificate-of-need regulation of such home health agencies. Chapter 97-270, L.O.F., also redesignated s. 408.036 (3)(h), F.S., as s. 408.036(3)(d), F.S., however the reference to home health services was inadvertently left out of the provision exempting rural hospitals from certificate-of-need review when such hospitals decide to offer home health services.

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. During the fiscal year 1997-1998, \$3,720,185 in state general revenue and \$6,825,135 in federal funds are appropriated for statutory rural hospitals under the disproportionate share program.

In order to continue to qualify for the statutory designation of "rural hospital" and to continue to receive the benefits from the designation, the hospitals must be in a county, tax district, or subdistrict where the population density meets the statutory limit of no greater than 100 persons per square mile in that county, tax district, or subdistrict. Officials at the Agency for Health Care Administration have indicated that population densities of the most recently completed United States census in 1990 have been used in granting the statutory designation "rural hospital. Since the 1990 U. S. census, estimates of county population density for counties with designated rural hospitals have increased to a figure that may be close to or exceed the statutory limit of 100 persons per square mile for that county, tax district, or subdistrict. The table below lists estimates of population density for counties in Florida where a statutory rural hospital is located. The 1990 figures are based on the most recently completed United States census and the 1997 figures are based on July, 1997 population data from the Executive Office of the Governor.

County	Population per square mile based on 1990 U. S. census	Population per square mile based on July 1997 pop. data from Exec. Office of the Governor Survey
Baker	31.6	36.25
Bradford	76.84	85.86
Calhoun	19.39	22.25
Desoto	37.52	44.06
Flagler	58.45	86.12
Franklin	16.45	19.43
Gadsden	79.35	90.03
Gulf	20.58	26.41
Hamilton	21.14	27.51
Hardee	30.61	35.31
Hendry	22.16	26.68
Holmes	32.33	35.80
Jackson	43.92	52.34
Lake	159.44	198.90
Levy	23.57	28.71
Madison	23.34	26.66
Monroe	75.56	82.01
Nassau	68	81.13
Palm Beach	433.28	507.47
Santa Rosa	79.70	100.99
Suwanee	38.81	46.79
Taylor	16.17	17.89
Union	41.67	54.26
Walton	26.04	33.37
Washington	28.68	34.02

Source: State Center for Health Statistics, Division of Health Policy and Cost Control, Agency for Health Care Administration

III. Effect of Proposed Changes:

The bill modifies the definition of the term “rural hospital” to require population densities used in the definition of that term to be based upon the most recently completed United States census. The bill requires 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 “rural hospital” as defined in s. 395.602 and 408.07, F.S. In its analysis of the definition, the Agency for Health Care Administration may consider economic and demographic factors, federal rules and regulations, health planning principles, and the potential impact of alternative definitions on the communities that contain rural hospitals as currently defined. The Agency for Health Care Administration must submit its findings and recommendations to the Governor, the Speaker of the House of Representatives, and the President of the Senate no later than December 31, 1999.

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 Section 24(a) of Article 1 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, Section 19(f) of the Florida Constitution.

V. Economic Impact and Fiscal Note:**A. Tax/Fee Issues:**

None.

B. Private Sector Impact:

The bill’s revision of the definition of the term “rural hospital” will allow entities that obtain benefits from being designated as a statutory rural hospital, to continue to do so, based on population densities from the most recently completed United States census rather than any other more recent estimate or update of population density.

C. Government Sector Impact:

The Agency for Health Care Administration and the Department of Health will incur costs to complete the bill's required study of the adequacy of the statutory definition of "rural hospital" as defined in ss. 395.602 and 408.07, F.S.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
