STORAGE NAME: h3231a.hcr
DATE: March 4, 1998

HOUSE OF REPRESENTATIVES
COMMITTEE ON
HEALTH CARE STANDARDS AND REGULATORY REFORM
BILL RESEARCH & ECONOMIC IMPACT STATEMENT

BILL #: HB 3231

RELATING TO: Rural Hospitals

SPONSOR(S): Representative Burroughs

COMPANION BILL(S): SB 170(i)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

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I. SUMMARY:

HB 3231 modifies the statutory definition of the term “rural hospital” by changing the language to 85 or fewer licensed beds, as opposed to “85 licensed beds or less”. It also changes the phrase “less per square mile” to fewer per square mile.

Additionally, the bill stipulates that population density must be based on the latest United States census.

The Agency for Health Care Administration (agency), in consultation with the Department of Health (department) and representatives of the hospital industry, is directed to conduct a study analyzing the definition of the term “rural hospital” and to report 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.

There is no fiscal impact on state and local government, or the private sector.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

Chapter 395, F.S., provides for the licensing and regulation of hospitals and ambulatory surgical centers. Part III of chapter 395, F.S., 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 non-profit 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 (L.O.F.), 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.

B. EFFECT OF PROPOSED CHANGES:

The bill modifies the definition of the term “rural hospital” to require population densities used in the definition of the term to be based upon the most recently completed United States census, which will enable current statutory rural hospitals to retain their status.

It allows for a maximum of 85 or fewer licensed beds in rural hospitals by statutory definition in a tax district or sub-district whose boundaries encompass a population of 100 persons or fewer per square mile.

The bill mandates that an evaluation be made of the definition of “rural hospitals” by the Agency for Health Care Administration in consultation with the Department of Health and

representatives of the hospital industry. The evaluation is to be submitted before December 31, 1999 to the Governor, the Speaker of the House of Representatives, and the President of the Senate.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

No.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

Not Applicable.

(2) what is the cost of such responsibility at the new level/agency?

Not Applicable.

(3) how is the new agency accountable to the people governed?

Not Applicable.

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

Not Applicable.

b. Does the bill require or authorize an increase in any fees?

Not Applicable.

c. Does the bill reduce total taxes, both rates and revenues?

Not Applicable.

d. Does the bill reduce total fees, both rates and revenues?

Not Applicable.

e. Does the bill authorize any fee or tax increase by any local government?

Not Applicable.

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

Not Applicable.

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

Not Applicable.

4. Individual Freedom:

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

Not Applicable.

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

Not Applicable.

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

Not Applicable.

(2) Who makes the decisions?

Not Applicable.

(3) Are private alternatives permitted?

Not Applicable.

(4) Are families required to participate in a program?

Not Applicable.

(5) Are families penalized for not participating in a program?

Not Applicable.

b. Does the bill directly affect the legal rights and obligations between family members?

Not Applicable.

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

Not Applicable.

(2) service providers?

Not Applicable.

(3) government employees/agencies?

Not Applicable.

D. STATUTE(S) AFFECTED:

ss. 395.602 and 408.07, F.S.

E. SECTION-BY-SECTION RESEARCH:

Section 1. Amends s. 395.602(2) (e), F.S., to provide definitions . Requires that population densities used in this paragraph must be based upon the most recently completed United States census.

Section 2. Amends s. 408.07(47), F.S., to provide definitions. Requires that population densities used in this paragraph must be based upon the most recently completed United States census.

Section 3. Requires an evaluation of present definitions coordinated by the Agency for Health Care Administration and in cooperation with the Department of Health and representatives of the hospital industry before the end of calendar year 1999.

Section 4. Provides that the act shall take effect upon becoming a law.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

None.

3. Effects on Competition, Private Enterprise and Employment Markets:

None.

D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

COMMITTEE ON HEALTH CARE STANDARDS AND REGULATORY REFORM:

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