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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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SENATE BILL

No. 1237 Session of  
2018

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INTRODUCED BY BAKER, SCHWANK, GORDNER, MENSCH, ARGALL,  
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AUGUST 23, 2018

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REFERRED TO HEALTH AND HUMAN SERVICES, AUGUST 23, 2018

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AN ACT

1 Establishing the Pennsylvania Rural Health Redesign Center  
2 Authority and the Pennsylvania Rural Health Redesign Center  
3 Fund.

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7 The General Assembly of the Commonwealth of Pennsylvania  
8 hereby enacts as follows:

9 CHAPTER 1

10 PRELIMINARY PROVISIONS

11 Section 101. Short title.

12 This act shall be known and may be cited as the Pennsylvania  
13 Rural Health Redesign Center Authority Act.

14 Section 102. Purpose.

15 It is the purpose of this act to protect and promote access  
16 by the residents of this Commonwealth to high-quality health  
17 care in rural communities by encouraging innovation in health  
18 care delivery.

19 Section 103. Definitions.

20 The following words and phrases when used in this act shall  
21 have the meanings given to them in this section unless the  
22 context clearly indicates otherwise:

23 "Acute care hospital." A facility that provides inpatient  
24 and outpatient services, which may include an emergency  
25 department or intensive care unit.

26 "Authority." The Pennsylvania Rural Health Redesign Center  
27 Authority established in section 302.

28 "Board." The governing body of the authority.

29 "Conflict of interest." A situation in which a board member:

30 (1) has a financial interest in one or more parties

1 involved in an action under section 303; and

2 (2) may have access to competitively sensitive or  
3 strategically relevant information about a participating  
4 payer or participant rural hospital.

5 "Critical access hospital." As defined in section 1861(mm)  
6 (1) of the Social Security Act (49 Stat. 620, 42 U.S.C. §  
7 1395x(mm) (1)).

8 "Department." The Department of Health of the Commonwealth.

9 "Eligible hospital services." All inpatient and hospital-  
10 based outpatient items and services. The term shall exclude all  
11 other items and services, including the following:

12 (1) Postacute care.

13 (2) Professional services.

14 (3) Durable medical equipment.

15 (4) Dental services.

16 (5) Noninpatient or non-hospital-based outpatient  
17 behavioral health services.

18 (6) Long-term care services, except for swing bed  
19 services for critical access hospitals.

20 "Fund." The Pennsylvania Rural Health Redesign Center Fund  
21 established in section 901.

22 "Global budget." The prospectively set annual budget that is  
23 the basis for payment for each participant rural hospital for  
24 eligible hospital services by participating payers.

25 "Global budget model." An innovative payment and service  
26 delivery model that is intended to reduce health care costs  
27 while maintaining access to care, improving the quality of care  
28 in rural counties and meeting the health needs of participant  
29 rural hospitals' local communities, and under which  
30 participating payers pay participant rural hospitals using a

1 global budget methodology established by the authority.

2 "Government program." A health benefit plan offered or  
3 administered by or on behalf of the United States or the  
4 Commonwealth or an agency or instrumentality of either of them,  
5 including:

6 (1) The medical assistance program established under the  
7 act of June 13, 1967 (P.L.31, No.21), known as the Human  
8 Services Code.

9 (2) The children's health insurance program established  
10 under Article XXIII-A of the act of May 17, 1921 (P.L.682,  
11 No.284), known as The Insurance Company Law of 1921.

12 (3) A health benefit plan offered or administered by or  
13 on behalf of the Commonwealth or an agency or instrumentality  
14 of the Commonwealth.

15 (4) Health care benefits administered under 10 U.S.C.  
16 (relating to armed forces) or 38 U.S.C. (relating to  
17 veterans' benefits).

18 (5) The Medicare program established under Title XVIII  
19 of the Social Security Act (42 U.S.C. § 1395 et seq.).

20 "Insurer." A person, corporation or other entity licensed by  
21 the Commonwealth with authority to offer, issue or renew an  
22 insurance policy, subscriber contract or certificate providing  
23 health care coverage, including:

24 (1) An insurance company, association or exchange  
25 governed by The Insurance Company Law of 1921, including  
26 section 630 and Article XXIV of The Insurance Company Law of  
27 1921.

28 (2) A hospital plan corporation as defined in 40 Pa.C.S.  
29 Ch. 61 (relating to hospital plan corporations).

30 (3) A professional health service corporation as defined

1 in 40 Pa.C.S. Ch. 63 (relating to professional health  
2 services plan corporations).

3 (4) A health maintenance organization governed by the  
4 act of December 29, 1972 (P.L.1701, No.364), known as the  
5 Health Maintenance Organization Act.

6 "Medicaid managed care organization." An entity as defined  
7 in section 1903(m)(1)(A) of the Social Security Act (42 U.S.C. §  
8 1396b(m)(1)(A)) that is a party to an agreement with the  
9 Department of Human Services, including a county Medicaid  
10 managed care organization and a permitted assignee of an  
11 agreement. The term does not include an assignor of an  
12 agreement.

13 "Participant rural hospital." A rural hospital that has been  
14 selected and signs an agreement to participate in the global  
15 budget model.

16 "Participating payer." A payer that operates in rural  
17 counties and, with respect to one or more specified products,  
18 programs or payment arrangements, signs an agreement with the  
19 authority to participate in the global budget model.

20 "Payer." An insurer, government program or Medicaid managed  
21 care organization that pays or administers payment for health  
22 care services under an insurance policy, subscriber contract,  
23 certificate, administrative services arrangement or other  
24 payment arrangement.

25 "Rural county." A county within this Commonwealth where the  
26 population density is less than 284 persons per square mile as  
27 defined by the Center for Rural Pennsylvania, established in  
28 section 301 of the act of June 30, 1987 (P.L.163, No.16), known  
29 as the Rural Pennsylvania Revitalization Act.

30 "Rural hospital." An acute care hospital or critical access

1 hospital located in a rural county.

2 "Rural hospital transformation plan." A description of the  
3 health care delivery system transformation that a participant  
4 rural hospital will undergo under the global budget model.

5 "Secretary." The Secretary of Health of the Commonwealth.

6 "Swing bed." A hospital bed that has been approved by the  
7 Medicare program established under Title XVIII of the Social  
8 Security Act to provide posthospital skilled nursing facility  
9 care when the rural hospital participates in the Medicare  
10 program.

### 11 CHAPTER 3

#### 12 PENNSYLVANIA RURAL HEALTH REDESIGN CENTER AUTHORITY

13 Section 301. Scope of chapter.

14 This chapter relates to the Pennsylvania Rural Health  
15 Redesign Center Authority.

16 Section 302. Pennsylvania Rural Health Redesign Center  
17 Authority.

18 (a) Establishment.--The Pennsylvania Rural Health Redesign  
19 Center Authority is established as a body corporate and politic  
20 constituting a public corporation and government  
21 instrumentality. The powers and duties of the authority shall be  
22 vested in and exercised by the board, which shall have the sole  
23 power to employ staff, including an executive director, legal  
24 counsel, consultants or any other staff deemed necessary by the  
25 board to effectuate the purposes of this act. Individuals  
26 employed by the board shall not be employees of the Commonwealth  
27 for any purpose, including for purposes of compensation, pension  
28 benefits or retirement.

29 (b) Composition.--The board shall consist of the following  
30 members:

1           (1) The secretary or a designee, who shall be an  
2 employee of the department designated in writing prior to  
3 service.

4           (2) The Secretary of Human Services or a designee, who  
5 shall be an employee of the Department of Human Services  
6 designated in writing prior to service.

7           (3) The Insurance Commissioner or a designee, who shall  
8 be an employee of the Insurance Department designated in  
9 writing prior to service.

10          (4) One member selected collectively by each  
11 participating payer that is an insurer, together with its  
12 parents, affiliates, subsidiaries, other associated entities  
13 and the successors of any of them, but excluding any  
14 affiliated, subsidiary or otherwise associated Medicaid  
15 managed care organizations.

16          (5) One member selected by each participating payer that  
17 is a Medicaid managed care organization.

18          (6) One member selected by the organization representing  
19 hospitals and health systems in this Commonwealth. This  
20 member shall be considered a participant rural hospital  
21 member on the board.

22          (7) Participant rural hospital members, the number of  
23 which shall not exceed the number of participating payer  
24 members. The participant rural hospital members shall  
25 represent the participant rural hospitals and shall be  
26 selected from different participant rural hospitals, and  
27 appointed as follows:

28               (i) The President pro tempore of the Senate, the  
29               Minority Leader of the Senate, the Speaker of the House  
30               of Representatives and the Minority Leader of the House

1 of the Representatives shall each appoint one member.

2 (ii) The Governor shall appoint the remaining  
3 members.

4 (8) Two members who are nationally recognized experts in  
5 developing and administering global budgets who shall be  
6 appointed by the Governor.

7 (c) Terms.--The terms of the members of the board shall be  
8 as follows:

9 (1) The terms of the members specified under subsection  
10 (b) (1), (2) and (3) shall be concurrent with their holding of  
11 public office.

12 (2) The board members specified in subsection (b) (4),  
13 (5), (6), (7) and (8) shall serve for a term of four years  
14 and shall not be eligible to serve more than two full  
15 consecutive four-year terms. If a member leaves the board  
16 prior to completing a four-year term due to change in  
17 professional status, including, but not limited to,  
18 retirement, changing jobs or similar reasons, a new member  
19 shall be appointed or selected within 60 days of the seat  
20 becoming vacant.

21 (d) Quorum.--A majority of the appointed members of the  
22 board shall constitute a quorum. Action may be taken by the  
23 board at a meeting upon a vote of a quorum of its members  
24 present in person or through electronic means. If a tie vote  
25 occurs at any meeting, it shall be the duty of the chairperson  
26 of the board to cast the deciding vote.

27 (e) Meetings.--The board shall meet at the call of the  
28 chairperson or as may be provided in the bylaws of the board.  
29 The board shall hold meetings at least quarterly, which shall be  
30 subject to the requirements of 65 Pa.C.S. Ch. 7 (relating to

1 open meetings).

2 (f) Chairperson.--The Governor shall appoint a chairperson  
3 from among the board members.

4 (g) Formation.--The board shall be formed within 90 days of  
5 the effective date of this section.

6 (h) Conflict of interest.--Board members shall recuse  
7 themselves from discussions and actions where a conflict of  
8 interest may occur. Board members may not receive confidential  
9 information, data or material related to an entity where a  
10 conflict of interest may occur.

11 Section 303. Powers and duties.

12 (a) General rule.--The board shall exercise all powers  
13 necessary and appropriate to carry out its duties, including the  
14 following:

15 (1) Adopt bylaws necessary to carry out the provisions  
16 of this act. The bylaws must include a provision addressing  
17 conflict of interest as well as a provision that restricts  
18 board discussions and decisions to the administration of the  
19 global budget model as provided under subsection (b).

20 (2) Make, execute and deliver contracts, grants and  
21 other instruments necessary or convenient to exercise the  
22 powers and duties of the board.

23 (3) Apply for, solicit, receive, establish priorities  
24 for, allocate, disburse, contract or grant for, administer  
25 and expend money in the fund and other money made available  
26 to the authority from any other source consistent with the  
27 purpose of this act. The authority shall be exempt from the  
28 provisions of 62 Pa.C.S. Pts. I (relating to Commonwealth  
29 Procurement Code) and II (relating to general procurement  
30 provisions).

1           (4) Apply for, accept and administer grants and loans to  
2 carry out the purposes of the authority.

3           (5) Accept money from both public and private sources,  
4 consistent with Federal and State law.

5           (6) Take, hold, administer, assign, lend, encumber,  
6 mortgage, invest or otherwise dispose of, at public or  
7 private sale, on behalf of the authority and for any of the  
8 authority's purposes, real property, personal property and  
9 money or any interest therein, including any mortgage or loan  
10 interest owned by the authority or under its control or in  
11 its possession and the income therefrom either absolutely or  
12 in trust. The following apply:

13           (i) The board may acquire property or money for such  
14 purpose by purchase or lease and by the acceptance of  
15 gifts, grants, bequests, devises or loans, but no  
16 obligation of the authority shall be a debt of the  
17 Commonwealth, and the authority shall have no power to  
18 pledge the credit or taxing power of the Commonwealth nor  
19 to make its debts payable out of any money except those  
20 of the corporation.

21           (ii) All accrued and future earnings from money  
22 invested by the board and such other accrued and future  
23 nonappropriated funds, including, but not limited to,  
24 those funds obtained from the Federal Government and  
25 contributions, shall be available to the authority and  
26 shall be deposited in the State Treasury and may be  
27 utilized at the discretion of the board for carrying out  
28 any of the corporate purposes of the authority. Any  
29 placement of the funds by the State Treasurer in  
30 depositories or investments shall be consistent with

1 guidelines approved by the board. For the purpose of  
2 administration, the authority shall be subject to  
3 sections 610, 613 and 614 of act of April 9, 1929  
4 (P.L.177, No.175), known as The Administrative Code of  
5 1929.

6 (7) Seek waivers from State agency requirements as  
7 necessary to carry out the purposes of this act.

8 (8) Coordinate with the appropriate State agency to seek  
9 waivers from Federal requirements as necessary to carry out  
10 the purposes of this act.

11 (9) Establish advisory groups with a diverse membership  
12 representing interested and affected groups and individuals  
13 as the board finds necessary to carry out the purposes of  
14 this act.

15 (10) Collaborate with all applicable State agencies for  
16 purposes of implementing this act.

17 (11) Perform all other activities necessary to further  
18 the purposes of this act.

19 (b) Global budget model.--The board is responsible for  
20 administering the global budget model and shall:

21 (1) Evaluate and select rural hospitals for  
22 participation in the global budget model as a participant  
23 rural health hospital on the basis of diversity, vision and  
24 commitment to health care delivery transformation.

25 (2) Provide technical assistance, training and education  
26 to rural hospitals and participant rural hospitals.

27 (3) Collect and maintain data from rural hospitals and  
28 participant rural hospitals, participating payers and others  
29 as necessary to carry out the responsibilities of this act.

30 (4) Perform data analysis and quality assurance.

1           (5) Calculate, approve and administer global budgets.  
2           The global budget may include payments for eligible hospital  
3           services provided under a participant rural hospital's  
4           employee health plan.

5           (6) Consistent with Federal and State law, review and  
6           approve rural hospital transformation plans, advise and  
7           approve changes to operational and payment mechanisms and  
8           approve exceptions to agreed-upon payment rules through an  
9           approved procedure set forth in the board's bylaws.

10          (7) Review and approve any participant rural hospital  
11          investments outside the global budget.

12          (8) Assist rural hospitals and participant rural  
13          hospitals in working with community-based organizations to  
14          determine the targeted population health improvement goals.

15          (9) Evaluate the progress of the implementation of each  
16          participant rural hospital's global budget toward population  
17          health improvement goals and the cost of achieving health  
18          care goals.

19          (10) Monitor global budgets and quality metrics for  
20          participant rural hospitals.

21          (11) Provide an annual assessment of each participant  
22          rural hospital's compliance with its rural hospital  
23          transformation plan and global budget targets.

24          (12) Require a participant rural hospital to submit a  
25          corrective action plan for failure to submit a rural hospital  
26          transformation plan, comply with its rural hospital  
27          transformation plan or meet its global budget targets.

28          (13) Terminate a participant rural hospital from the  
29          global budget model in accordance with the participant rural  
30          hospital's participation agreement.

1           (14) Contract with an independent evaluation group to  
2 provide the board and executive director with an evaluation  
3 of the global budget model's progress in the areas of  
4 population health, quality of care and cost targets.

5           (15) Review and update the definition of "eligible  
6 hospital services" by publishing a notice in the Pennsylvania  
7 Bulletin, subject to obtaining all necessary Federal  
8 approvals. The board shall use data collected under paragraph  
9 (3) in its review.

10       (c) Audit.--

11           (1) The accounts and books of the authority shall be  
12 examined and audited annually by an independent certified  
13 public accounting firm. The audit shall be public  
14 information.

15           (2) The authority shall, by December 31 of each year,  
16 file a copy of the audit of the preceding Commonwealth fiscal  
17 year required under paragraph (1) with the Secretary of the  
18 Senate and the Chief Clerk of the House of Representatives  
19 and provide a copy to the department.

20       (d) Reports.--The authority shall:

21           (1) Submit an annual report on the performance and  
22 compliance of each participant rural hospital to the  
23 department and to other appropriate parties, including  
24 associations, foundations, academic institutions and  
25 community-based organizations, as determined by the board.

26           (2) Submit an annual report to the Governor, the  
27 President pro tempore of the Senate and the Speaker of the  
28 House of Representatives for distribution to the Health and  
29 Human Services Committee of the Senate and the Health  
30 Committee of the House of Representatives on the activities

1 of the authority for the year.

2 (3) Comply with applicable Federal reporting  
3 requirements.

4 (e) Compensation and expenses.--The members of the board  
5 shall not receive a salary or per diem allowance for serving as  
6 members of the board but shall be reimbursed for actual and  
7 necessary expenses incurred in the performance of their duties.  
8 Reasonable expenses may include reimbursement of travel and  
9 living expenses while engaged in board business. The expenses  
10 shall be paid for by the fund.

11 (f) Publication.--The authority shall annually submit a  
12 financial statement to the Legislative Reference Bureau for  
13 publication in the Pennsylvania Bulletin.

#### 14 CHAPTER 5

#### 15 PARTICIPATION IN GLOBAL BUDGET MODEL

16 Section 501. Roles of participating payers.

17 (a) Letter of interest.--A payer may submit a letter of  
18 interest to the authority to participate in the global budget  
19 model.

20 (b) Agreement to participate.--As a condition of  
21 participation, a participating payer shall sign an agreement  
22 with the authority. The agreement must detail the terms and  
23 conditions of participation in the global budget model.

24 (c) Termination.--A participating payer may terminate its  
25 participation with a participant rural hospital according to the  
26 terms and conditions of the agreement under subsection (b).

27 Section 502. Roles of participant rural hospitals.

28 (a) Letter of interest.--A rural hospital may submit a  
29 letter of interest to the authority to participate in the global  
30 budget model.

1 (b) Condition of participation.--As a condition of  
2 participation, the following shall occur:

3 (1) A rural hospital shall submit an initial rural  
4 hospital transformation plan in the manner and form  
5 prescribed by the authority for review and approval.

6 (2) A participant rural hospital shall sign an agreement  
7 with the authority. The agreement must detail the terms and  
8 conditions of participation in the global budget model.

9 (3) A participant rural hospital shall submit annual  
10 updates to its rural hospital transformation plan in the  
11 manner and form prescribed by the authority for review and  
12 approval.

## 13 CHAPTER 7

### 14 DATA COLLECTION AND CONFIDENTIALITY PROVISIONS

#### 15 Section 701. Data collection and retention.

16 (a) Authority.--The authority may collect and analyze data  
17 from participating payers, rural hospitals, participant rural  
18 hospitals and the Department of Human Services necessary to  
19 carry out the authority's responsibilities under this act,  
20 including the data needed to develop global budgets, create  
21 rural hospital transformation plans and submit reports regarding  
22 monitoring and oversight of the global budget model. Data  
23 collected by the authority shall only be used for administering  
24 the global budget model. The authority must obtain the written  
25 approval of a participating payer, rural hospital, participant  
26 rural hospital or the Department of Human Services before the  
27 authority can use the entity's data for any other purpose. The  
28 authority shall retain the data for no more than seven years.

29 (b) Participant rural hospital.--A participant rural  
30 hospital may authorize its insurer or administrator to provide

1 data to the authority regarding payments for eligible hospital  
2 services provided under the hospital's employee health plan.

3 (c) Release of data.--Unless specifically provided for in  
4 this act, the authority may not release and no data source,  
5 person, member of the public or other user of any data of the  
6 authority may gain access to:

7 (1) Raw data which could reasonably be expected to  
8 reveal the identity of an individual patient.

9 (2) Raw data disclosing discounts or allowances between  
10 participating payers and participant rural hospitals which is  
11 prejudicial to an individual participating payer or  
12 participant rural hospital.

13 (3) Data which the Department of Human Services provides  
14 to the authority, unless the Secretary of Human Services or  
15 the designee of the Secretary of Human Services specifically  
16 authorizes the release or access.

17 (4) Any data where a conflict of interest occurs.

18 Section 702. Confidentiality of data, contracts and agreements.

19 (a) Right-to-Know Law inapplicable.--Any contract or  
20 agreement between participating payers and participant rural  
21 hospitals or any data provided by a participating payer, a  
22 participant rural hospital, including a participant rural  
23 hospital's insurer or administrator, a rural hospital or the  
24 Department of Human Services to the authority and maintained by  
25 the authority for the purposes of carrying out the requirements  
26 of this act shall be confidential and shall not be subject to  
27 the act of February 14, 2008 (P.L.6, No.3), known as the Right-  
28 to-Know Law, or discoverable or admissible as evidence in any  
29 civil, criminal or administrative action or proceeding.

30 (b) Authority access to data.--Nothing in this section shall

1 prohibit the authority from accessing the data to carry out its  
2 responsibilities in accordance with law.

3 (c) Release of data.--Data provided to the Centers for  
4 Medicare and Medicaid Services, or any other entity, by the  
5 authority shall be provided consistent with applicable laws and  
6 regulations, including the Health Insurance Portability and  
7 Accountability Act of 1996 (Public Law 104-191, 110 Stat. 1936),  
8 the Health Information Technology for Economic and Clinical  
9 Health Act (Public Law 111-5, 123 Stat. 226-279 and 467-496) and  
10 implementing regulations, to the extent allowed by law and  
11 written agreements between the authority and each participating  
12 payer and participant rural hospital.

#### 13 CHAPTER 9

##### 14 PENNSYLVANIA RURAL HEALTH REDESIGN CENTER FUND

15 Section 901. Establishment of fund.

16 The Pennsylvania Rural Health Redesign Center Fund is  
17 established as a separate fund in the State Treasury. The fund  
18 shall be administered by the authority.

19 Section 902. Money in fund.

20 All money deposited into the fund shall be held for the  
21 purposes of the authority and may not be considered a part of  
22 the General Fund but shall be used only to effectuate the  
23 purposes of this act as determined by the authority. All  
24 interest earned from the investment or deposit of money  
25 accumulated in the fund shall be deposited in the fund for the  
26 same use.

#### 27 CHAPTER 21

##### 28 MISCELLANEOUS PROVISIONS

29 Section 2101. Effective date.

30 This act shall take effect in 180 days.