

**SENATE APPROPRIATIONS COMMITTEE  
FISCAL NOTE**

**BILL NO.** Senate Bill 1237

**PRINTER NO.** 2040

**AMOUNT**

No Fiscal Impact

**FUND**

General Fund

**DATE INTRODUCED**

August 23, 2018

**PRIME SPONSOR**

Senator Baker

**DESCRIPTION AND PURPOSE OF BILL**

Senate Bill 1237 enacts the Rural Health Redesign Center Authority Act (the act) which establishes the Rural Health Redesign Center Authority (the authority) and the Rural Health Redesign Center Fund (the fund). The purpose of the act is to protect and promote access by residents of rural counties to high-quality health care and to encourage innovation in health care delivery.

Senate Bill 1237 includes definitions of a number of critical terms including:

- "Department" shall mean the Department of Health;
- "Global budget" means the prospectively set annual budget that is the basis for payment for each participating rural hospital;
- "Global budget model" is a payment and service delivery model under which participating payers pay participant rural hospitals using a global budget methodology;
- "Participating payer" shall mean a payer that operates in rural counties and signs an agreement with the authority to participate in the global budget model;
- "Payer" shall mean an insurer, government program or Medicaid managed care organization that pays or administers payment for health care services under certain specified arrangements; and
- "Rural county" is defined to mean a county where population density is less than 284 persons per square mile as defined by the Center for Rural Pennsylvania.

The bill establishes the authority as a public corporation and government instrumentality. The powers and duties of the authority shall be vested in and exercised by a board.

The board shall consist of the following:

- The Secretary of the department or a designee;
- The Secretary of Human Services or a designee;
- The Insurance Commissioner or a designee;
- One member selected by each participating payer that is an insurer;

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- One member selected by each participating payer that is a Medicaid managed care organization;
- One member selected by the organization representing hospitals and health systems. This member shall be considered a participant rural hospital member;
- Participant rural hospital members, the number of which shall not exceed the number of participating payer members. These members shall be selected from different participant rural hospitals and shall be appointed as follows:
  - One each appointed by the President Pro Tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House and the Minority leader of the House; and
  - The Governor shall appoint the remaining members.
- Two members who are nationally recognized experts in rural health delivery or in developing and administering global budgets who shall be appointed by the Governor.

The board shall:

- Adopt bylaws (which must specifically include conflict of interest provisions);
- Make, execute and deliver necessary contracts;
- Apply for, expend and otherwise deal with money in the fund or other money available to the authority;
- Apply for, accept and administer grants and loans;
- Take, hold, administer, lend, encumber, dispose of property or money of the authority (although the authority shall have no power to pledge the credit or taxing power of the Commonwealth);
- Seek waivers from and coordinate with state agencies;
- Establish advisory groups; and
- Perform all other activities necessary to further the purposes of the act.

The board is responsible for the administration of the global budget model and shall:

- Evaluate and select rural hospitals for participation in the model;
- Provide technical assistance, training and education to participant rural hospitals;
- Collect and maintain data;
- Perform data analysis and quality assurance;
- Calculate and approve global budgets;
- Review rural hospital transformation plans consistent with federal law;
- Review and approve participant rural hospital investments outside of the global budget;
- Assist hospitals to determine targeted population health improvement goals;
- Evaluate the progress of each participant rural hospital;
- Monitor global budgets and quality metrics;
- Provide annual assessments of each participant rural hospital's compliance with its transformation plan and global budget target;

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- Require the submission of appropriate corrective action plans from participant rural hospitals;
- Terminate a participant rural hospital from the global budget model in accordance with the participant rural hospital's participation agreement;
- Contract with an independent evaluation group to evaluate the global budget model's progress in population growth, quality of care and cost targets; and
- Review and evaluate eligible hospital services.

The accounts of the authority shall be audited annually by an independent certified public accounting firm.

The authority shall submit annual reports on the performance and compliance of each participant rural hospital to the department and other appropriate parties as determined by the board. The authority shall also submit annual reports to the Governor and the General Assembly on the activities of the authority for the year.

A payer may submit a letter of interest to the authority to participate in the global budget model. As a condition of participation, the participant payer must sign an agreement with the authority. A participant payer may terminate its participation in accordance with the terms of the agreement.

A rural hospital may submit a letter of interest to the authority to participate in the global budget model. As a condition of participation, the participant rural hospital shall:

- Submit an initial transformation plan;
- Sign an agreement with the authority; and
- Submit annual updates to its transformation plan.

The authority may collect and analyze data to carry out the authority's responsibilities under the act. Such information shall only be used for administering the global budget model. The authority must obtain written approval before using the data for any other purpose. Data may not be retained for longer than 7 years.

The fund is established as a separate fund in the State Treasury. The fund shall be administered by the authority. Money deposited in the fund shall be held for the purposes of the authority and shall not be considered a part of the General Fund.

This act shall take effect in 180 days.

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### **FISCAL IMPACT:**

Senate Bill 1237 will have no fiscal impact to the Commonwealth. Assuming that existing State Treasury staff establish the Pennsylvania Rural Health Redesign Center Fund, any costs related to fulfilling those duties would be capable of being accommodated within the agency's current workload and budget.

In addition, any costs while engaged in board business and any costs determined by the authority to effectuate the purpose of this act, which includes staffing related costs, shall be paid out the fund. It is estimated that the authority would spend \$2.2 million annually to administer the global budget model. This estimate is based upon the Commonwealth's Independent Fiscal Office with an executive director, deputy director, 6 analysts, an office manager, operating costs and contracts for actuarial analysis.