

# Legislative Analysis

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## RURAL HOSPITAL ACCESS PAYMENTS

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<http://www.house.mi.gov/hfa>

**House Bill 5934 as introduced**  
**Sponsor: Rep. Edward J. Canfield, D.O.**  
**Committee: Appropriations**  
**Complete to 5-8-18**

Analysis available at  
<http://www.legislature.mi.gov>

### SUMMARY:

Beginning in FY 2018-19, House Bill 5934 would amend the Social Welfare Act to allocate not less than \$26.0 million of the general fund/general purpose (GF/GP) appropriation for the Department of Health and Human Services (DHHS) for a rural hospital access pool to assist sole community hospitals, critical access hospitals, and other rural hospitals with providing services to low-income residents.

The rural hospital access pool would consist of two payment formulas. First, \$4.0 million GF/GP would be allocated to rural hospitals that provide obstetrical care to Medicaid beneficiaries. The \$4.0 million would be allocated proportionally based on the number of Medicaid deliveries performed during the second preceding fiscal year.

Second, the remaining \$22.0 million GF/GP would be allocated to rural hospitals for unreimbursed and incurred costs for services provided to Medicaid fee-for-service beneficiaries, as reported in the second preceding fiscal year cost report. If after that allocation, there is a remaining balance, then it would be distributed based on the proportion of Medicaid managed care outpatient payments during the second preceding fiscal year.

Under the bill, no single hospital could receive more than 10% of the total rural hospital access pool.

DHHS would have to implement these rural hospital access payments in a manner that ensures the state obtains the maximum amount of federal Medicaid matching funds.

Sole community hospitals are defined under federal rule 42 CFR 412.92 generally as a hospital located at least 35 miles or 45 minutes from other like hospitals and that are classified as such by the federal Centers for Medicare & Medicaid Services (CMS).

Critical access hospitals are defined under 42 CFR 485.606 generally as a hospital with no more than 25 inpatient beds and located at least a 35-mile drive, or a 15-mile drive using secondary roads, away from another hospital or critical access hospital and that are classified as such by CMS.

In addition to the two federally designated rural hospital definitions, House Bill 5934 would also define rural hospitals as a hospital with 50 or fewer beds and located in a county

with a population less than 165,000 and within a city, village, or township with a population less than 15,000.

The bill would take effect 90 days after enactment.

Proposed MCL 400.110a

**FISCAL IMPACT:**

The bill would have an indeterminate fiscal impact on the state because the allocation would be subject to future appropriation.

The current fiscal year appropriation for DHHS includes \$16.0 million GF/GP for the rural hospital access pool. The FY 2018-19 Executive Recommendation, House Passed, and Senate Passed DHHS budget proposals increase the state GF/GP for the rural access pool by \$7.0 million, \$8.0 million, and \$10.0 million, respectively.

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