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**BILL ANALYSIS**

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House Bill 5934 (as reported without amendment)  
Sponsor: Representative Edward Canfield, D.O.  
House Committee: Appropriations  
Senate Committee: Appropriations

**CONTENT**

The bill would amend the Social Welfare Act to require, beginning in fiscal year (FY) 2018-19, that not less than \$26.0 million of the General Fund/General Purpose (GF/GP) appropriation for the Department of Health and Human Services (DHHS) be used to support a rural hospital access pool to assist sole community hospitals, critical access hospitals, and rural hospitals provide services to low-income residents.

Payments from the rural hospital access pool would be split between two formulas. The first formula, for \$4.0 million of the appropriation, would put in statute a modified version of the rural hospital obstetrical stabilization fund (OB/GYN pool) payments appropriated through Section 1802, Article X, of Public Act 107 of 2017. The Federal government has issued new regulations on Medicaid hospital payments that are passed through Medicaid managed care organizations. These new regulations require greater use of claims information and limitations on pass-through payments to hospitals. Payments now must be directly tied to services and benefits provided to Medicaid enrollees or be designed to be provided through a value-based approach. Under these new regulations, the OB/GYN pool would no longer be eligible for Federal matching funds. The bill would divide the historical GF/GP funding level in this pool of \$4.0 million between sole community hospitals and rural hospitals that provided obstetrical care to Medicaid beneficiaries, based on the proportion of Medicaid deliveries performed during the second immediately preceding fiscal year.

The remaining \$22.0 million GF/GP, plus any associated Federal match, would be allocated to reimburse sole community hospitals, critical access hospitals, and rural hospitals for unreimbursed and incurred costs for services delivered to fee-for-service Medicaid beneficiaries, as reported in the second preceding fiscal year cost report. After these distributions were made, the remainder of the funds would have to be distributed based on each sole community hospital's, critical access hospital's, and rural hospital's proportion of Medicaid managed care outpatient payments, as reported in the second preceding fiscal year. The second formula would put in statute a modified version of the rural hospital fund (Rural/Sole pool) payments appropriated through Section 1866, Article X, of Public Act 107 of 2017.

The bill would limit each qualifying hospital's payment to not more than 10% of the total rural hospital access pool funding, and would require the DHHS to implement the rural hospital access pool payments in a manner that obtained the maximum amount of Federal matching funds.

The bill would define "critical access hospital" as a hospital designated and certified under 42 CFR 485.606. (Under that Federal regulation, at a minimum, a critical access hospital must have fewer than 25 inpatient beds, be located more than 35 miles from a hospital or another critical access hospital (or a 15-mile drive if only secondary roads are available), and be classified as a critical access hospital by the Centers for Medicare and Medicaid Services (CMS).)

The bill would define "rural hospital" as a hospital that has 50 or fewer staffed beds, and is located in a county with a population of 165,000 or less and in a city, village, or township with a population of 15,000 or less.

The bill would define "sole community hospital" as a hospital classified as a sole community hospital under 43 CFR 412.92. (Under that Federal regulation, to be classified as a sole community hospital by CMS, the hospital must be located a minimum of 35 miles or 45 minutes away from other like hospitals.)

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 appropriations, and a bill cannot require a future Legislature to spend. If the Legislature were to appropriate the funds necessary to implement the requirements of the bill, it would result in an increase in spending of \$10.0 million GF/GP over FY 2017-18 expenditures on rural hospital access pools. Below is a table comparing GF/GP appropriations for the rural hospital access pools proposed by the bill with current-year appropriations, the Executive Recommendation, the Senate-passed DHHS budget proposal, and the House-passed DHHS budget proposal.

	<b>FY 2017-18</b>	<b>Exec. Rec. FY 2018-19</b>	<b>Senate-Passed FY 2018-19</b>	<b>House-Passed FY 2018-19</b>	<b>HB 5934 Proposed</b>
OB/GYN Pool	\$4.0 million	\$11.0 million	\$7.0 million	\$12.0 million	\$4.0 million
Rural/Sole Pool	\$12.0 million	\$12.0 million	\$19.0 million	\$12.0 million	\$22.0 million
<b>Total GF/GP</b>	<b>\$16.0 million</b>	<b>\$23.0 million</b>	<b>\$26.0 million</b>	<b>\$24.0 million</b>	<b>\$26.0 million</b>

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