

SESSION OF 2021

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2261**

As Recommended by House Committee on  
Health and Human Services

**Brief\***

HB 2261 would enact the Rural Emergency Hospital Act (Act) and create a category of licensure to enable certain Kansas hospitals to receive federal health care reimbursement as Rural Emergency Hospitals. The bill would require benefits coverage for services provided by Rural Emergency Hospitals if covered when performed by a general hospital or critical access hospital. The bill would define applicable terms, including "Rural Emergency Hospital" in the Act, and reference the definition in the Kansas Medical Facilities Survey and Construction Act.

The bill would also establish eligibility and application requirements for licensure as a Rural Emergency Hospital, and the bill would require the Secretary of Health and Environment (Secretary) to adopt rules and regulations establishing minimum standards for the establishment and operations of Rural Emergency Hospitals in accordance with the Act. Further, the bill would require the Secretary, in formulating rules and regulations under the Kansas Medical Facilities Survey and Construction Act, to give due consideration to the requirements for receipt of federal reimbursement for the particular type of medical care facility.

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

## ***Rural Emergency Hospital Act (Sections 1-8)***

### *Definitions (Sections 3 and Section 9 [Amending the Kansas Medical Facilities Survey and Construction Act])*

The bill would define multiple terms, including the following:

- “Rural Emergency Hospital” would mean an establishment that:
  - Meets the eligibility requirements described in Section 4;
  - Provides rural emergency hospital services;
  - Provides rural emergency hospital services in the facility 24 hours per day by maintaining an emergency medical department that is staffed 24 hours per day, 7 days per week, with a physician, nurse practitioner, clinical nurse specialist, or physician assistant;
  - Has a transfer agreement with a level I or level II trauma center; and
  - Meets such other requirements as the Kansas Department of Health and Environment (KDHE) finds necessary in the interest of the health and safety of individuals who are provided rural emergency hospital services and to implement state licensure that satisfies requirements for reimbursement by federal healthcare programs as a Rural Emergency Hospital.
- “Rural emergency services” would mean the following services, provided by a Rural Emergency Hospital, that do not require in excess of an annual per-patient average of 24 hours in such Rural Emergency Hospital:

- Emergency department services and observation care; and
- At the election of the Rural Emergency Hospital, for services provided on an outpatient basis, other medical and health services as specified in regulations adopted by the U.S. Secretary of Health and Human Services and authorized by KDHE.

*State Policy (Section 2)*

The bill would outline how the Kansas Legislature seeks to address the provision and regulation of a structured and integrated system of healthcare services. The bill would declare the State policy is to create a category of licensure to enable certain hospitals to receive federal health care reimbursement as Rural Emergency Hospitals, and the implementation of the Act facilitates such policy.

*Eligibility for Licensure (Section 4)*

The bill would provide that a facility would be eligible to apply for a rural emergency hospital license, if such facility, as of December 27, 2020, was a:

- Licensed critical access hospital;
- General hospital with not more than 50 licensed beds located in a county in a rural area as defined in Section 1886(d)(2)(D) of the federal Social Security Act; or
- General hospital with not more than 50 licensed beds that is deemed as being located in a rural area pursuant to Section 1886(d)(8)(E) of the Social Security Act.

The bill would require a facility applying for licensure as a Rural Emergency Hospital to include the following with the licensure application:

- An action plan for initiating rural emergency hospital services, including a detailed transition plan listing the specific services the facility will retain, modify, add, and discontinue;
- A description of services the facility intends to provide on an outpatient basis; and
- Such other information as required by rules and regulations adopted by KDHE.

The bill would outline additional prohibitions and requirements for rural emergency hospital licensure as follows:

- Inpatient beds would be prohibited, except a distinct unit that is part of the hospital and licensed as a skilled nursing facility could provide post-hospital extended care services;
- A Rural Emergency Hospital would be allowed to own and operate an entity that provides ambulance services; and
- A licensed general hospital or critical access hospital that applies for and receives licensure as a Rural Emergency Hospital and elects to operate as a Rural Emergency Hospital would retain its original license as a general hospital or critical access hospital. The original license would remain inactive while the rural emergency hospital license is in effect.

*Authority to Enter into Contracts for Federal Reimbursement  
(Section 5)*

The bill would authorize all Rural Emergency Hospitals, including city, county, hospital district, or other governmental or quasi-governmental hospitals to enter into any contracts required to be eligible for federal reimbursement as a Rural Emergency Hospital.

*Protections Provided (Section 6)*

In addition to the limited liability protections provided in KSA 65-4909 when acting in good faith and without malice, the bill would provide that entities engaging in activities and entering into contracts required to meet the requirements for licensure as a Rural Emergency Hospital, and officers, agents, representatives, employees and directors of such entities, would be considered to be acting pursuant to clearly expressed State policy as established in the Act under the supervision of the State. Such entities would not be subject to state or federal antitrust laws while acting in this manner.

*Rules and Regulations Authority (Section 7)*

The bill would require the Secretary to adopt rules and regulations establishing minimum standards for the establishment, operation, and licensure of Rural Emergency Hospitals in accordance with the Act.

*Required Service Coverage (Section 8)*

The bill would require benefits for services performed by a Rural Emergency Hospital to be covered if such services would be covered under the following policies, contracts, or coverage, if performed by a general hospital or critical access hospital:

- Each individual and group policy of accident and sickness insurance;
- Each contract issued by a health maintenance organization;
- Each managed care contract for the Kansas Medical Assistance Program authorized by KSA 39-709;
- The Children's Health Insurance Program authorized under KSA 38-2001; and
- Any coverage maintained by an entity authorized under KSA 40-2222 (those entities providing coverage in Kansas for medical, surgical, chiropractic, physical therapy, speech pathology, audiology, professional mental health, dental, hospital, or optometric expenses, whether such coverage is by direct payment, reimbursement, or otherwise, that are presumed to be subject to the jurisdiction of the Commissioner of Insurance, unless the entities fall under the listed exemptions) or by a municipal group-funded pool authorized under KSA 12-2618.

***Kansas Medical Facilities Survey and Construction Act  
(Sections 9 and 10)***

The bill would define "Rural Emergency Hospital" in Section 9 by referencing the definition in Section 2 of the bill.

***Rules and Regulations (Section 10)***

The bill would amend the Kansas Medical Facilities Survey and Construction Act by adding that, in formulating rules and regulations with respect to different types of medical care facilities to be licensed under such act, KDHE would be required to give due consideration to the

requirements for the receipt of medical reimbursement for the type of medical facility. The bill would also provide that a Rural Emergency Hospital would be deemed to satisfy the rules and regulations requirements for a hospital consisting of more than one establishment if such Rural Emergency Hospital meets its licensing requirements established by the licensing agency.

### **Background**

The House Committee on Health and Human Services introduced the bill at the request of the Kansas Hospital Association (KHA).

[*Note:* A companion bill, SB 175, has been introduced in the Senate.]

### ***House Committee on Health and Human Services***

In the House Committee hearing on the bill, **proponent** testimony was provided by a representative of KHA and representatives of Decatur Health and Lindsborg Community Hospital.

The KHA representatives stated the Rural Emergency Hospital model would allow Kansas hospitals the option to take advantage of action taken in December 2020 at the federal level, which was similar to an alternative rural health model that KHA has been working on since 2012. The KHA representatives noted Kansas needs to update its licensure categories to include the new facility type to allow critical access hospitals and prospective payment system hospitals the option to convert to the new model if it best fits the hospitals' needs. The KHA representatives stated the Rural Emergency Hospital model would help rural hospitals focus their efforts on the primary care needs of the community, chronic disease management, and emergency services most needed but would allow the flexibility to add other services as

determined by the facility and the community the hospital serves. The KHA representatives stated, while still being finalized, the Medicare payment methodology for Rural Emergency Hospitals looks to help stabilize the financial situation of rural communities.

The Decatur Health representative stated the Rural Emergency Hospital model would make 24 hours per day, 7 days per week emergency care available while maintaining health services that focus on keeping people healthy and reduce the need for inpatient acute care. The Lindsborg Community Hospital representative stated the Rural Emergency Hospital model would assist hospitals that cannot financially sustain acute inpatient beds by allowing the hospitals to sustain and maintain the needs of the population in rural communities.

Written-only **proponent** testimony was provided by U.S. Senator Jerry Moran and representatives of the Kansas Association of Counties, Kansas Association of Osteopathic Medicine, Kansas Bankers Association, Kansas Farm Bureau, Kansas Medical Society, League of Kansas Municipalities, and United Methodist Health Ministry Fund.

No other testimony was provided.

### **Fiscal Information**

According to the fiscal note prepared by the Division of the Budget, KDHE estimates passage of the bill would require additional expenditures of \$183,680 from the State General Fund and 2.00 FTE positions in FY 2022. The amount includes \$129,000 for salary and wages (\$64,500 for each position); \$40,600 for two vehicles; \$10,000 for travel; \$2,520 for computers and data; and \$1,560 for communications. One position would be needed to develop state licensure regulations and collaborate with the federal Centers for Medicare and Medicaid Services. The other position would conduct the initial licensure surveys of Rural Emergency

Hospitals. This would require travel to facilities; conducting observations, interviews and record reviews; writing reports; and following up with facilities found not in compliance. KDHE indicates it is possible a portion of the expenditures could be paid with federal funds, but the amount or percentage is currently unknown. Additionally, no estimate is available at this time for revenues, as licensure fees have not been determined.

The Kansas Association of Counties and the League of Kansas Municipalities note allowing certain hospitals to receive federal reimbursement as Rural Emergency Hospitals could result in improvements to rural healthcare that would benefit cities and counties. However, the fiscal effect on local governments is unknown.

Any fiscal effect associated with the bill is not reflected in *The FY 2022 Governor's Budget Report*.

Health; hospitals and health-related facilities; rural emergency hospitals; Rural Emergency Hospital Act; rules and regulations; licensure; Kansas Medical Facilities Survey and Construction Act