

SESSION OF 2020

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2522**

As Amended by House Committee on  
Appropriations

**Brief\***

HB 2522 would establish the Rural Hospital Innovation Grant Program (Program) and the Rural Hospital Innovation Grant Fund (Fund). The bill would also appropriate \$10.0 million from the State General Fund (SGF) to the Fund on July 1, 2020.

***Definitions***

The bill would define the following terms:

- “Eligible county” would mean a county in Kansas other than Douglas, Johnson, Sedgwick, Shawnee, or Wyandotte county;
- “Hospital” would mean the same as defined in KSA 65-425, in the Kansas Medical Facilities Survey and Construction Act; and
- “Transitional assistance” would mean any assistance related to changing a hospital’s current healthcare delivery model to a model more appropriate for the community the hospital serves, including, but not limited to:
  - Conducting a market study of healthcare services needed and provided in the community;

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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>

- Acquiring and implementing new technological tools and infrastructure, including, but not limited to, telemedicine delivery methods; and
- Acquiring the services of appropriate personnel, including, but not limited to, additional medical residents or individuals trained to be needed healthcare professionals.

***Rural Hospital Innovation Grant Program***

The bill would establish the Program, which would be administered by the Secretary of Health and Environment (Secretary), for the purpose of strengthening and improving the healthcare system and increasing access to healthcare services in eligible counties, helping communities in those counties achieve and maintain optimal health by providing transitional assistance to hospitals. The Secretary could award a Rural Hospital Innovation Grant (grant) to a county that applies in accordance with the provisions of the bill.

The board of county commissioners of an eligible county, or the board's designee, could apply to the Secretary for a grant in the form and manner determined by the Secretary. The bill would require the application to include:

- A description of the hospital for which the money would be expended, including the name and location of the hospital;
- The amount of money requested;
- A description of the needs of the hospital, the type of transitional assistance the grant would fund, and how the grant would support the hospital in meeting its needs; and

- Any other information the Secretary deems necessary.

The bill would require that, before grant moneys are awarded, the Secretary would enter into a written agreement with the county, requiring the county to:

- Expend the grant moneys to provide transitional assistance to a hospital, as approved by the Secretary;
- Report to the Secretary within one year after the grant moneys are awarded, detailing the effect of the grant on the health and other outcomes in the county and affected community;
- Repay all awarded grant moneys to the Secretary if the county fails to satisfy any term or condition of the grant agreement; and
- Any other terms and conditions the Secretary deems necessary.

The bill would allow any eligible county to enter into memorandums of understanding and other necessary agreements with private stakeholders and other eligible counties.

### ***Private Stakeholders***

The bill would allow the Secretary to award a grant only if the state moneys to be awarded in the grant have been matched by private stakeholders, including hospital foundations or other organizations, on a basis of \$2 of private stakeholder moneys for every \$1 of state moneys.

Under the bill, the Secretary could receive moneys by bequest, donation, or gift to fulfill the public-private match of moneys required by the bill. Any received moneys would be

remitted to the State Treasurer and deposited in the State Treasury to the credit of the Fund.

The bill would allow a private stakeholder to certify to the Secretary that an amount of money is dedicated to the Program, but allow the certified dedicated moneys to remain with the private stakeholder until the grant is awarded. The bill would require the Secretary to count such moneys to fulfill the public-private match required by the bill.

In addition, the bill would allow a private stakeholder to specify a certain county to receive a grant using the private stakeholder's moneys. If the Secretary does not award a grant to the specified county in the same fiscal year as the request, the bill would require the Secretary to return the amount of contributed moneys to the private stakeholder and the certification would lapse.

#### ***Rural Hospital Innovation Grant Fund; Appropriation***

The bill would establish the Fund, which would be administered by the Secretary. The bill would require moneys credited to the Fund to be used only for purposes related to the Program and all expenditures from the Fund would be made in accordance with appropriation acts upon warrants of the Director of Accounts and Reports pursuant to vouchers approved by the Secretary, or the Secretary's designee.

The bill would require the Director of Accounts and Reports to transfer \$10.0 million from the SGF to the Fund on July 1, 2020.

#### ***Rules and Regulations***

The Secretary would be required to adopt rules and regulations as necessary to implement the Program.

### ***Reporting Requirements***

The bill would require, on or before October 1 of each year, a county to prepare and submit a report to the Secretary on each grant awarded, describing the amount and purposes of any grant moneys, the fulfillment of the term and condition of the grant agreement, and the transitional assistance upon which the moneys have been spent.

The bill would also require, on or before February 1 of each year, the Secretary to compile the information received and submit a report to the Governor and Legislature, including the received information and a description of and reasoning for any grant applications that were denied.

### ***Sunset***

The Program would sunset July 1, 2024, at which time:

- All moneys in the Fund would be transferred to the SGF;
- All liabilities of the Fund would be transferred to and imposed on the SGF; and
- The Fund would be abolished.

### ***Background***

The bill was introduced by the House Committee on Appropriations at the request of Representative Waymaster.

In the House Committee hearing, representatives of the Kansas Association of Counties, Kansas Hospital Association, and League of Kansas Municipalities provided proponent testimony, stating the Program has the potential to help improve and sustain health care services in rural communities, allow hospitals to adjust to community changes, and better meet the needs of their specific community.

No opponent or neutral testimony was provided.

The House Committee on Appropriations amended the bill on March 12, 2020, to state that any money certified by KDHE as stakeholder match shall remain with private stakeholders until the time a grant is awarded, allow a private stakeholder who contributes money to specify a county to receive a grant using the contributed money, and to authorize eligible counties to enter into memorandums of understanding with private stakeholders and other eligible counties prior to applying for a grant.

According to the fiscal note prepared by the Division of the Budget on the bill as introduced, a maximum of \$30.0 million would be available for the Program, including \$10.0 million transferred from the SGF and \$20.0 million from private stakeholder funds raised through the state match requirement. The Kansas Department of Health and Environment estimates \$100,000 in yearly costs, including funding for a program manager position and other operating expenditures. Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2021 Governor's Budget Report*.