Legislative Analysis

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TRANSFER OR DELICENSURE OF BEDS BY CERTAIN HEALTH FACILITIES

Senate Bill 183 (proposed substitute H-4)
Sponsor: Sen. Michael D. MacDonald
House Committee: Health Policy [Discharged]
Senate Committee: Health Policy and Human Services
Complete to 12-7-22

SUMMARY:

Senate Bill 183 would amend the Public Health Code to remove a limit on certain types of transfers between hospitals and freestanding surgical outpatient facilities. In addition, the bill would allow certain rural emergency hospitals to apply to temporarily delicense beds. The bill also would require notification to the Department of Health and Human Services (DHHS) if a hospital applied for designation as a rural emergency hospital and would eliminate a provision concerning the use of temporarily delicensed beds to comply with a bed reduction plan.

Hospitals and freestanding outpatient facilities

Under current law, a hospital does not have to obtain a certificate of need, but must provide certain information to LARA, before relocating beds from a hospital to a freestanding surgical outpatient facility under certain specific conditions. Additionally, such a hospital cannot transfer more than 35% of its licensed beds to another hospital or freestanding surgical outpatient facility more than one time under these provisions if the hospital (or another hospital under common control with the hospital) is located in a city with a population of 750,000 or more.[1]

The bill would remove the provision that now limits those transfers for a hospital located in a city of that size.

Rural emergency hospitals

In addition, the bill would require a hospital licensed under Article 17 (Facilities and Agencies) to notify DHHS if the owner, operator, or governing body of the hospital applies for designation as ***a rural emergency hospital***. The bill also would allow a rural emergency hospital licensed under Article 17 located in a nonurbanized area to apply to the Department of Licensing and Regulatory Affairs (LARA) to temporarily delicense 100% of its licensed beds for up to five years. (Delicensed beds are unavailable for patient use.)

Rural emergency hospital would mean a hospital designated by the federal Centers for Medicare and Medicaid Services (CMS) to offer ***rural emergency hospital services***.

Rural emergency hospital services would mean that term as defined under federal law (42 USC 1395x).[2]

[1] No Michigan city currently has a population of 750,000 or more. This provision once applied only to Detroit, which in the 2020 census had a population of 672,351.
[2] https://www.law.cornell.edu/uscode/text/42/1395x

Finally, the bill would remove a provision prohibiting a hospital that has beds subject to a hospital bed reduction plan or to a LARA action to enforce Article 17 from using beds temporarily delicensed to comply with the bed reduction plan.

MCL 333.20145 et seq.

FISCAL IMPACT:

Senate Bill 183 would have an indeterminate, though likely modest, fiscal impact on the Department of Licensing and Regulatory Affairs. The potential exists for LARA to experience decreased fee revenue under the bill. If rural emergency hospitals choose to delicense beds, they would no longer be liable for the $10 fee per bed that is assessed in addition to the $500 base fee for hospital licensure. LARA believes that a limited number of hospitals may delicense their beds and that it would be a fairly low number of beds delicensed at each facility (estimated at no more than 50 beds each). The department's current projected revenue decrease is $1,500 or less.

The bill would likely have no impact on the state Medicaid and Healthy Michigan Plan programs. Critical Access Hospitals and hospitals in eligible rural areas that transition to the Rural Emergency Hospital provider type would still provide emergency and outpatient services, and there would be no change in the Medicaid reimbursement rates for such services. Rural Emergency Hospitals would benefit from the 5% increase in federal Medicare reimbursement rates for emergency and outpatient services, as well as the monthly distribution from the Centers for Medicare and Medicaid Services.

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