

To: House Health and Human Services Committee
From: Wendi Stark, Research Associate
Date: March 16, 2021
RE: HB 2174 Proponent Testimony

Madam Chair and members of the committee, the League of Kansas Municipalities appreciates the opportunity to offer testimony in support of House Bill 2174.

This legislation was a casualty of the truncated calendar last year. This bill establishes the rural hospital innovation grant program and grant fund, funded by a \$10,000,000 transfer from the state general fund. The grant program runs for four years. Every \$2.00 of private stakeholder funding is matched by \$1.00 of state moneys. Private stakeholders donating to the grant fund may specify a recipient county (but not a particular hospital). Eligible counties apply to the secretary of health and environment for grants. The aim is to increase access to rural healthcare services in eligible counties, and to enable rural hospitals to better serve their communities' needs.

What affects rural hospitals affects our cities. The availability of adequate healthcare for those who reside and work in the cities in the rural areas of our state is vital. Where accessibility to healthcare is lacking, people are less likely to seek homes and employment. Not every hospital needs to be a full-service hospital - the delivery of medicine has changed across the United States. The Kansas Hospital Association reports that 47% of rural hospitals nationally are operating at a financial loss and 75 Kansas rural hospitals are in danger of closing. Many rural hospitals need to change the way they operate to meet the needs of their communities and make their business model more sustainable. The arrangements provided for in HB 2174 will help rural hospitals adjust to a model better suited to serve their communities and to do so cost effectively.

When a local hospital closes, it causes a ripple effect on the city's economy. In most cases, hospital staff will leave the community, immediately impacting the tax base and putting the survival of other businesses in the city at risk. Additionally, the closure of a hospital makes it more difficult to attract new business to the community.

Many independent hospitals originally were owned by the city, and cities continue to contribute financially to sustain their community's hospital. For example, Fredonia Regional Hospital, Herington Municipal Hospital, Sedan City Hospital, and the South-Central Regional Center owned by Arkansas City are a few examples of city-owned hospitals. We would welcome an assurance that cities in eligible counties where municipal hospitals are located could apply direct to the secretary with a grant application. To this end, we attach suggested language for amendments to the bill.

We encourage the committee to consider amending the language for cities, and to recommend HB 2174 for favorable passage.

HOUSE BILL NO. 2174

Relating to rural hospitals; providing grant assistance by establishing the rural hospital innovation grant program and rural hospital innovation grant fund



City supported/owned hospitals

On behalf of those of our member cities in eligible counties that support or own hospitals, the League of Kansas Municipalities suggest that the language in the following sections of HB 2174 be amended as shown in bold and italics. The purpose is to give hospitals supported by or owned by cities a path to the grant program which runs through the city governing body rather the county commission.

(b) (1) There is established the rural hospital innovation grant program to be administered by the secretary of health and environment. The program, and any grant awarded thereunder, shall be for the purpose of strengthening and improving the healthcare system and increasing access to healthcare services in eligible counties to help communities in such counties achieve and maintain optimal health by providing transitional assistance to hospitals in such counties. The secretary may award a rural hospital innovation grant to a county, ***or to a city in an eligible county***, that applies in accordance with this section.

(2) The secretary of health and environment may award a grant under this section only if the amount of state moneys to be awarded in the grant has been matched by private stakeholders, including hospital foundations or other organizations contributing to the secretary for the program, on a basis of \$2 of private stakeholder moneys for every \$1 of state moneys. The secretary of health and environment may receive moneys by bequest, donation or gift to fulfill the public-private match of moneys required under this paragraph. Any such moneys received shall be remitted to the state treasurer in accordance with K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the rural hospital innovation grant fund. A private stakeholder may certify to the secretary of health and environment that an amount of money is dedicated to the rural hospital innovation grant program. Such certified dedicated moneys shall remain with the private stakeholder until such time as the grant is awarded, and the secretary shall count such certified dedicated moneys to fulfill the public-private match required under this paragraph.

(3) A private stakeholder who has contributed moneys or certified dedicated moneys to the secretary of health and environment may specify a county to receive a grant using such private stakeholder's moneys ***or may specify a city in an eligible county***. If

the secretary does not award a grant to the specified county, **or to the specified city**, in the same fiscal year as such request, the secretary shall return the amount of contributed moneys to the private stakeholder and any such certification shall lapse.

(4) Prior to applying for a rural hospital innovation grant, any eligible county **or any eligible city**, may enter into memorandums of understanding and other necessary agreements with private stakeholders and other eligible counties.

(5) The board of county commissioners of an eligible county, or the board's designee, may apply to the secretary for a rural hospital innovation grant in the form and manner prescribed by the secretary of health and environment. **The governing body of a city in an eligible county, or the governing body's designee, may apply to the secretary for a rural hospital innovation grant in the form and manner prescribed by the secretary of health and environment.**

Such application shall include:

(A) A description of the hospital for which the grant moneys will be expended, including the name and location of the hospital;

(B) a statement of the amount of grant moneys requested;

(C) a description of the needs of the hospital, the transitional assistance for which the grant moneys will be expended and how such transitional assistance will meet the stated needs; and

(D) any other information that the secretary deems necessary to administer this section.

(6) Prior to awarding any grant moneys to an eligible county **or to an eligible city** under this section, the secretary shall enter into a written agreement with the county **or with the city**, requiring that the county **or the city, as appropriate**:

(A) Expend any such grant moneys to provide transitional assistance to a hospital in the eligible county, as approved by the secretary;

(B) not later than one year after any such grant moneys are awarded, report to the secretary detailing the effect that such grant is having on health and other outcomes in the eligible county **or city** and the affected community;

(C) repay all awarded grant moneys to the secretary if the county **or the city** fails to satisfy any material term or condition of the grant agreement; and

(D) any other terms and conditions that the secretary deems necessary to administer this section.

(c) (1) There is established in the state treasury the rural hospital innovation grant fund to be administered by the secretary of health and environment. All moneys credited to the fund shall be used only for purposes related to the rural hospital innovation grant program. All expenditures from the fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the secretary of health and environment or the secretary's designee.

(2) On July 1, 2021, the director of accounts and reports shall transfer \$10,000,000 from the state general fund to the rural hospital innovation grant fund.

(d) The secretary of health and environment shall adopt rules and regulations as necessary to implement and administer this section.

(e) (1) On or before October 1 of each year, for each rural hospital innovation grant awarded under this section, the county *or the eligible city* shall prepare and submit to the secretary of health and environment a report describing: The amount and stated purposes of any awarded grant moneys; the fulfillment of the terms and conditions of the grant agreement; and the transitional assistance upon which the moneys have been spent