

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2326 - SB 2646

February 25, 2018

SUMMARY OF BILL: Enacts the *Tennessee Rural Hospital Transformation Act of 2018* (the Act). Requires the Department of Economic and Community Development (ECD) to establish and manage a rural hospital transformation program (Program), defined as a grant program administered by ECD to support rural hospitals in assessing viability and identifying new delivery models, strategic partnerships, and operational changes that enable the continuation of needed healthcare services in rural communities. Requires the ECD to identify contractors, which are to provide consultations to target hospitals for the creation of transformation plans.

Defines “target hospital” as a rural hospital deemed eligible by the state for the Program and defines “transformation plan” as a strategic plan developed by contractors in close collaboration with target hospitals and community stakeholders to provide recommendations and actionable steps for preserving healthcare services in the target hospital community.

Authorizes target hospitals to submit applications to the ECD for review and approval to receive a consultation. Transformation plans shall be developed through collaboration between the contractor, target hospital, target hospital community stakeholders, and other appropriate stakeholders. Finalized transformational plans shall include a timeline for implementation and must be submitted to ECD. Requires ECD to monitor the progress of target hospitals.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$305,000/FY18-19
\$297,800/FY19-20
\$157,800/FY20-21 and Subsequent Years**

Other Fiscal Impact - Due to multiple unknown factors, any additional impact concerning transformation funding, if any, which may be provided by state or local government, cannot be determined with reasonable certainty but is reasonably estimated to exceed \$1,000,000.

Assumptions:

- Based on information provided by the ECD, the Department will require one additional program director position to carry out the responsibilities provided in this legislation.
- A recurring increase in expenditures of \$97,801 (salary \$72,684 + benefits \$14,407 + FICA \$5,560 + travel \$5,000 + supplies \$150), and a one-time increase in expenditures of \$7,200 (equipment \$1,600 + training \$5,000 + computer-related costs \$600).
- Subdivision (c)(2) of Section 1 of this legislation required ECD to identify contractors to provide consultations to target hospitals for the creation of transformation plans.
- Based on information from the Tennessee Hospital Association, there are 66 acute-care, rural hospitals in Tennessee.
- ECD estimates that 20 of the 66 hospitals will receive a consultation with a contractor from EDC in order to develop a transformation plan.
- An effective date of July 1, 2018.
- It is estimated that 10 consultations will take place in FY18-19 and 10 consultations will take place in FY19-20.
- In addition to the initial estimated number of 20 consultations, it is estimated that there will be 3 additional consultations performed per year in FY20-21 and subsequent years.
- Based on information provided by the ECD, it will cost approximately \$20,000 per consultation.
- A total increase in state expenditures in FY18-19 of \$305,001 [(\$97,801 + \$7,200) + (10 consultations x \$20,000)].
- An increase in state expenditures in FY19-20 of \$297,801 [\$97,801 + (10 consultations x \$20,000)].
- A recurring increase in state expenditures in FY20-21 and subsequent years of \$157,801 [\$97,801 + (3 consultations x \$20,000)].
- Subsection (c)(2) of the legislation establishes that ECD must identify contractors to provide consultation to target hospitals for the creation of transformation plans, which shall include both recommendations for utilizing both transformation funding to offset transition costs and funding remaining transition costs with hospital or community resources.
- The legislation does not define “transformation funding,” nor does it specifically identify the source of any transformation funding, whether from state or local government for the creation of transformation plans.
- Due to multiple unknown factors, including, if there will be any additional funding provided by state or local government, or what potential amount of funds that may be provided by state or local government, any additional impact upon state or local government cannot be estimated with any reasonable certainty. Should transformation funding be provided by state or local resources, it is reasonably estimated to exceed \$1,000,000.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Handwritten signature of Krista M. Lee in blue ink.

Krista M. Lee, Executive Director

/jdb