

No. 2019-108

AN ACT

SB 314

Establishing the Pennsylvania Rural Health Redesign Center Authority and the Pennsylvania Rural Health Redesign Center Fund.

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The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

CHAPTER 1  
 PRELIMINARY PROVISIONS

Section 101. Short title.

This act shall be known and may be cited as the Pennsylvania Rural Health Redesign Center Authority Act.

Section 102. Purpose.

It is the purpose of this act to protect and promote access by the residents of this Commonwealth to high-quality health care in rural communities by encouraging innovation in health care delivery.

Section 103. Definitions.

The following words and phrases when used in this act shall have the meanings given to them in this section unless the context clearly indicates otherwise:

"Acute care hospital." A facility that provides inpatient and outpatient services, which may include an emergency department or intensive care unit.

"Authority." The Pennsylvania Rural Health Redesign Center Authority established in section 302.

"Board." The governing body of the authority.

"Conflict of interest." A situation in which a board member:

(1) Has an interest in one or more parties involved in an action under section 303.

(2) May gain access to competitively sensitive or strategically relevant information about a participating payer or participant rural hospital.

"Critical access hospital." As defined in section 1861(mm)(1) of the Social Security Act (49 Stat. 620, 42 U.S.C. § 1395x(mm)(1)).

"Department." The Department of Health of the Commonwealth.

"Eligible hospital services." All inpatient and hospital-based outpatient items and services. The term shall exclude all other items and services, including the following:

(1) Postacute care.

(2) Professional services.

(3) Durable medical equipment.

(4) Dental services.

(5) Noninpatient or non-hospital-based outpatient behavioral health services.

(6) Long-term care services, except for swing bed services for critical access hospitals.

"Fund." The Pennsylvania Rural Health Redesign Center Fund established in section 901.

"Global budget." The prospectively set annual budget that is the basis for payment for each participant rural hospital for eligible hospital services by participating payers.

"Global budget model." An innovative payment and service delivery model that is intended to reduce health care costs while maintaining access to care, improving the quality of care in rural counties and meeting the health needs of participant rural hospitals' local communities, and under which participating payers pay participant rural hospitals using a global budget methodology established by the authority.

"Government program." A health benefit plan offered or administered by or on behalf of the United States or the Commonwealth or an agency or instrumentality of either, including:

(1) The medical assistance program established under the act of June 13, 1967 (P.L.31, No.21), known as the Human Services Code.

(2) The children's health insurance program established under Article XXIII-A of the act of May 17, 1921 (P.L.682, No.284), known as The Insurance Company Law of 1921.

(3) A health benefit plan offered or administered by or on behalf of the Commonwealth or an agency or instrumentality of the Commonwealth.

(4) Health care benefits administered under 10 U.S.C. (relating to armed forces) or 38 U.S.C. (relating to veterans' benefits).

(5) The Medicare program established under Title XVIII of the Social Security Act (42 U.S.C. § 1395 et seq.).

"Insurer." A person, corporation or other entity licensed by the Commonwealth with authority to offer, issue or renew an insurance policy, subscriber contract or certificate providing health care coverage, including:

(1) An insurance company, association or exchange governed by The Insurance Company Law of 1921, including section 630 and Article XXIV of The Insurance Company Law of 1921.

(2) A hospital plan corporation as defined in 40 Pa.C.S. Ch. 61 (relating to hospital plan corporations).

(3) A professional health service corporation as defined in 40 Pa.C.S. Ch. 63 (relating to professional health services plan corporations).

(4) A health maintenance organization governed by the act of December 29, 1972 (P.L.1701, No.364), known as the Health Maintenance Organization Act.

"Medicaid managed care organization." An entity as defined in section 1903(m)(1)(A) of the Social Security Act (49 Stat. 620, 42 U.S.C. § 1396b(m)(1)(A)) that is a party to an agreement with the Department of Human Services, including a county Medicaid managed care organization and a permitted assignee of an agreement. The term does not include an assignor of an agreement.

"Participant rural hospital." A rural hospital that has been selected and signs an agreement to participate in the global budget model.

"Participating payer." A payer that operates in rural counties and, with respect to one or more specified products, programs or payment arrangements, signs an agreement with the authority to participate in the global budget model.

"Payer." An insurer, government program or Medicaid managed care organization that pays or administers payment for health care services under an insurance policy, subscriber contract, certificate, administrative services arrangement or other payment arrangement.

"Rural county." A county within this Commonwealth where the population density is less than 284 persons per square mile as defined by the Center for Rural Pennsylvania, established under section 301 of the act of June 30, 1987 (P.L.163, No.16), known as the Rural Pennsylvania Revitalization Act.

"Rural hospital." An acute care hospital or critical access hospital located in a rural county.

"Rural hospital transformation plan." A description of the health care delivery system transformation that a participant rural hospital will undergo under the global budget model, as approved by the board and the Federal Government.

"Secretary." The Secretary of Health of the Commonwealth.

"Swing bed." A hospital bed that has been approved by the Medicare program established under Title XVIII of the Social Security Act to provide posthospital skilled nursing facility care when the rural hospital participates in the Medicare program.

CHAPTER 3  
PENNSYLVANIA RURAL HEALTH REDESIGN CENTER  
AUTHORITY

Section 301. Scope of chapter.

This chapter relates to the Pennsylvania Rural Health Redesign Center Authority.

Section 302. Pennsylvania Rural Health Redesign Center Authority.

(a) Establishment.—The Pennsylvania Rural Health Redesign Center Authority is established as a body corporate and politic constituting a public corporation and government instrumentality. The powers and duties of the authority shall be vested in and exercised by the board, which shall have the sole power to employ staff, including an executive director, legal counsel, consultants or any other staff deemed necessary by the board to effectuate the purposes of this act. Individuals employed by the board shall not be employees of the Commonwealth for any purpose, including for purposes of compensation, pension benefits or retirement.

(b) Composition.—The board shall consist of the following members:

(1) The secretary or a designee, who shall be an employee of the department designated in writing prior to service.

(2) The Secretary of Human Services or a designee, who shall be an employee of the Department of Human Services designated in writing prior to service.

(3) The Insurance Commissioner or a designee, who shall be an employee of the Insurance Department designated in writing prior to service.

(4) One member selected by each participating payer that is an insurer on behalf of the participating payer and the participating payer's parents, affiliates, subsidiaries, other associated entities and successors. The selection under this paragraph shall exclude any affiliated, subsidiary or otherwise associated Medicaid managed care organization.

(5) One member selected by each participating payer that is a Medicaid managed care organization.

(6) One member selected by the organization representing hospitals and health systems in this Commonwealth. This member shall be considered a participant rural hospital member on the board.

(7) Participant rural hospital members, the number of which shall not exceed the number of participating payer members. The participant rural hospital members shall represent the participant rural hospitals and shall be selected from different, geographically diverse participant rural hospitals and appointed as follows:

(i) The President pro tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives and the Minority Leader of the House of the Representatives shall each appoint one member.

(ii) The Governor shall appoint the remaining members.

(8) Two members appointed by the Governor who are nationally recognized experts in rural health care delivery or in developing and administering global budgets.

(c) Terms.—The terms of the members of the board shall be as follows:

(1) The terms of the members specified under subsection (b)(1), (2) and (3) shall be concurrent with their holding of public office.

(2) The board members specified in subsection (b)(4), (5), (6), (7) and (8) shall serve for a term of four years and shall not be eligible to serve more than two full consecutive four-year terms. If a member leaves the board prior to completing a four-year term due to change in professional status, including, but not limited to, retirement, changing jobs, failure to qualify or similar reasons, a new member shall be appointed or selected within 60 days of the seat becoming vacant.

(d) Quorum.—A majority of the members of the board shall constitute a quorum. Action may be taken by the board at a meeting upon a vote of a majority of its members present in person or through electronic means. If a tie vote occurs at any meeting, it shall be the duty of the chairperson to cast the deciding vote.

(e) Meetings.—The board shall meet at the call of the chairperson or as may be provided in the bylaws of the board. The board shall hold meetings at least quarterly, which shall be subject to the requirements of 65 Pa.C.S. Ch. 7 (relating to open meetings).

(f) Chairperson.—The Governor shall appoint a chairperson from among the board members.

(g) Formation.—The board shall be formed within 90 days of the effective date of this section.

(h) Conflict of interest.—Board members shall recuse themselves from discussions and actions where a conflict of interest may exist. Board members may not receive confidential information, data or material related to an entity where a conflict of interest may exist.

(i) Compensation and expenses.—Members of the board shall not receive a salary or per diem allowance for serving as members of the board but shall be reimbursed for actual and necessary expenses incurred in the performance of their duties. Reasonable expenses may include reimbursement of travel and living expenses while engaged in board business. The expenses shall be paid for by the fund.

### Section 303. Powers and duties.

(a) General rule.—The board shall exercise all powers necessary and appropriate to carry out its duties under this act, including the following:

(1) Adopt bylaws necessary to carry out the provisions of this act. The bylaws shall include a provision addressing conflicts of interest as well as a provision that restricts board discussions and decisions to the administration of the global budget model as provided under subsection (b).

(2) Make, execute and deliver contracts, grants and other instruments necessary or convenient to exercise the powers and duties of the board.

(3) Apply for, solicit, receive, establish priorities for, allocate, disburse, contract or grant for, administer and expend money in the fund and other money made available to the authority from any other source consistent with the purposes of this act. The authority shall be exempt from the provisions of 62 Pa.C.S. Pts. I (relating to Commonwealth Procurement Code) and II (relating to general procurement provisions).

(4) Apply for, accept and administer grants and loans to carry out the purposes of the authority.

(5) Accept money from both public and private sources, consistent with Federal and State law.

(6) Take, hold, administer, assign, lend, encumber, mortgage, invest or otherwise dispose of, at public or private sale, on behalf of the authority and for any of the authority's purposes, real property, personal property and money or any interest therein, including any mortgage or loan interest owned by the authority or under its control or in its possession and the income therefrom either absolutely or in trust. The following apply:

(i) The board may acquire property or money for this purpose by purchase or lease and by the acceptance of gifts, grants, bequests, devises or loans, but no obligation of the authority shall be a debt of the Commonwealth, and the authority shall have no power to pledge the credit or taxing power of the Commonwealth nor to make its debts payable out of any money except those of the corporation. This subparagraph is not intended to mean that the board may acquire rural hospitals or participant rural hospitals.

(ii) All accrued and future earnings from money invested by the board and other accrued and future nonappropriated funds, including, but not limited to, funds obtained from the Federal Government and contributions, shall be available to the authority and shall be deposited in the State Treasury and may be utilized at the discretion of the board for carrying out any of the corporate purposes of the authority. Any placement of the funds by the State Treasurer in depositories or investments shall be consistent with guidelines approved by the board. For the purpose of administration, the authority shall be subject to sections 610, 613 and 614 of act of April 9, 1929 (P.L.177, No.175), known as The Administrative Code of 1929.

(7) Seek waivers from State agency requirements as necessary to carry out the purposes of this act.

(8) Coordinate with the appropriate State agency to seek waivers from Federal requirements as necessary to carry out the purposes of this act.

(9) Establish advisory groups with a diverse membership representing interested and affected groups and individuals as the board finds necessary to carry out the purposes of this act.

(10) Collaborate with all applicable State agencies for purposes of implementing this act.

(11) Perform all other activities necessary to further the purposes of this act.

(b) Global budget model.—The board is responsible for administering the global budget model and shall:

(1) Evaluate and select rural hospitals for participation in the global budget model as a participant rural health hospital on the basis of diversity, vision and commitment to health care delivery transformation.

(2) Provide technical assistance, training and education to rural hospitals and participant rural hospitals.

(3) Collect and maintain data from rural hospitals and participant rural hospitals, participating payers and others as necessary to carry out the responsibilities of this act.

(4) Perform data analysis and quality assurance.

(5) Calculate, approve and administer global budgets. The global budgets may include payments for eligible hospital services provided under a participant rural hospital's employee health plan.

(6) Consistent with Federal and State law, review and approve rural hospital transformation plans, advise and approve changes to operational and payment mechanisms and approve exceptions to agreed-upon payment rules through an approved procedure provided in the board's bylaws.

(7) Assist rural hospitals and participant rural hospitals in working with community-based organizations to determine the targeted population health improvement goals.

(8) Evaluate the progress of the implementation of each participant rural hospital's global budget toward population health improvement goals and the cost of achieving health care goals.

(9) Monitor global budgets and quality metrics for participant rural hospitals.

(10) Provide an annual assessment of each participant rural hospital's compliance with its rural hospital transformation plan and global budget targets.

(11) Require a participant rural hospital to submit a corrective action plan for failure to submit a rural hospital transformation plan, comply with its rural hospital transformation plan or meet its global budget targets.

(12) Terminate a participant rural hospital from the global budget model in accordance with the participant rural hospital's participation agreement.

(13) Contract with an independent evaluation group to provide the board and executive director with an evaluation of the global budget model's progress in the areas of population health, quality of care and cost targets.

(14) Review and update the definition of "eligible hospital services" by transmitting a notice to the Legislative Reference Bureau for publication in the Pennsylvania Bulletin, subject to obtaining all necessary Federal approvals. The board shall use data collected under paragraph (3) in its review.

(c) Audit.—

(1) The accounts and books of the authority shall be examined and audited annually by an independent certified public accounting firm. The audit shall be public information.

(2) The authority shall, by December 31 of each year, file a copy of the audit of the preceding Commonwealth fiscal year required under paragraph (1) with the Secretary of the Senate and the Chief Clerk of the House of Representatives and provide a copy to the department.

(d) Reports.—The authority shall:

(1) Electronically submit an annual report on the performance and compliance of each participant rural hospital to the department and to other appropriate parties, including associations, foundations, academic institutions and community-based organizations, as determined by the board.

(2) Electronically submit an annual report to the Governor, the President pro tempore of the Senate and the Speaker of the House of Representatives for distribution to the Health and Human Services Committee of the Senate and the Health Committee of the House of Representatives on the activities of the authority for the year.

(3) Comply with applicable Federal reporting requirements.

(e) Publication.—The authority shall annually transmit a financial statement and the authority's audit as a notice to the Legislative Reference Bureau for publication in the Pennsylvania Bulletin.

## CHAPTER 5 PARTICIPATION IN GLOBAL BUDGET MODEL

Section 501. Roles of participating payers.

(a) Letter of interest.—A payer may submit a letter of interest to the authority to participate in the global budget model.

(b) Agreement to participate.—As a condition of participation, a participating payer shall sign an agreement with the authority. The agreement shall detail the terms and conditions of participation in the global budget model.

(c) Termination.—A participating payer may terminate its participation with a participant rural hospital according to the terms and conditions of the agreement under subsection (b).

Section 502. Roles of participant rural hospitals.

(a) Letter of interest.—A rural hospital may submit a letter of interest to the authority to participate in the global budget model.

(b) Condition of participation.—As a condition of participation, the following shall occur:

(1) A rural hospital shall submit an initial rural hospital transformation plan in the manner and form prescribed by the authority for review and approval.

(2) A participant rural hospital shall sign an agreement with the authority. The agreement shall detail the terms and conditions of participation in the global budget model.

(3) A participant rural hospital shall submit annual updates to its rural hospital transformation plan in the manner and form prescribed by the authority for review and approval.

## CHAPTER 7 DATA COLLECTION AND CONFIDENTIALITY PROVISIONS

Section 701. Data collection and retention.

(a) Authority.—The authority may collect and analyze data from participating payers, rural hospitals, participant rural hospitals and the



Department of Human Services necessary to carry out the authority's responsibilities under this act. Data collected by the authority shall only be used for administering the global budget model. The authority shall obtain the written approval of a participating payer, rural hospital, participant rural hospital or the Department of Human Services before the authority can use the entity's data for any other purpose. The authority shall retain the data for no more than seven years.

(b) Participant rural hospital.—A participant rural hospital may authorize its insurer or administrator to provide data to the authority regarding payments for eligible hospital services provided under the hospital's employee health plan.

(c) Release of data.—Unless specifically provided for in this act, the authority may not release and no data source, person, member of the public or other user of any data of the authority may gain access to:

(1) Raw data which could reasonably be expected to reveal the identity of an individual patient.

(2) Raw data disclosing discounts or allowances between participating payers and participant rural hospitals which is prejudicial to an individual participating payer or participant rural hospital.

(3) Data which the Department of Human Services provides to the authority, unless the Secretary of Human Services or the designee of the Secretary of Human Services specifically authorizes the release or access.

(4) Any data where a conflict of interest occurs.

Section 702. Confidentiality of data, contracts and agreements.

(a) Right-to-Know Law inapplicable.—Any contract or agreement between participating payers and participant rural hospitals or any data, including patient data, provided by a participating payer, a participant rural hospital, including a participant rural hospital's insurer or administrator, a rural hospital or the Department of Human Services to the authority and maintained by the authority for the purposes of carrying out the requirements of this act shall be confidential and shall not be subject to the act of February 14, 2008 (P.L.6, No.3), known as the Right-to-Know Law, or discoverable or admissible as evidence in any civil, criminal or administrative action or proceeding.

(b) Authority access to data.—Nothing in this section shall prohibit the authority from accessing the data to carry out its responsibilities in accordance with law.

(c) Release of data.—Data provided to the Centers for Medicare and Medicaid Services, or any other entity, by the authority shall be provided consistent with applicable laws and regulations, including the Health Insurance Portability and Accountability Act of 1996 (Public Law 104-191, 110 Stat. 1936), the Health Information Technology for Economic and Clinical Health Act (Public Law 111-5, 123 Stat. 226-279 and 467-496) and implementing regulations, to the extent allowed by law and written agreements between the authority and each participating payer and participant rural hospital.

CHAPTER 9  
PENNSYLVANIA RURAL HEALTH REDESIGN CENTER FUND

Section 901. Establishment of fund.

The Pennsylvania Rural Health Redesign Center Fund is established as a separate fund in the State Treasury.

Section 902. Money in fund.

All money deposited into the fund shall be held for the purposes of the authority and may not be considered a part of the General Fund but shall be used only to effectuate the purposes of this act as determined by the authority. All interest earned from the investment or deposit of money accumulated in the fund shall be deposited in the fund for the same use. Any money returned to the authority by any party shall be deposited into the fund.

CHAPTER 21  
MISCELLANEOUS PROVISIONS

Section 2101. Effective date.

This act shall take effect in 180 days.

APPROVED—The 27th day of November, A.D. 2019

TOM WOLF