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BILL ANALYSIS

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Senate Bill 701 (as introduced 2-1-24)
Sponsor: Senator Sam Singh
Committee: Appropriations (discharged)

Date Completed: 9-18-24

CONTENT

The bill would amend the Social Welfare Act to remove the definition of "critical access hospital" and would modify the definition of "rural hospital" as it pertains to the distribution of funds to a rural hospital access pool.

Under current law, a "critical access hospital" means a hospital designated and certified as such under 42 CFR 485.606. (Under that Federal regulation, at a minimum, a critical access hospital must have fewer than 25 inpatient beds, be located more than 35 miles from a hospital or another critical access hospital (or a 15-mile drive if only secondary roads are available), and designation as a critical access hospital by the Centers for Medicare and Medicaid Services.) The bill would remove this definition and related references.

The definition of a "rural hospital" includes facilities located in counties with populations of 165,000 or less, and in cities, villages, or townships with populations under 15,000 based on the 2010 census. The bill raises the county population limit to 195,000 using the 2020 census, while keeping the city, village, and township population cap unchanged. No county currently eligible under the 165,000-person threshold would lose eligibility. However, three additional counties—Livingston, Muskegon, and Saginaw—would qualify as having rural hospitals. See [Table 1](#) for population details.

Table 1

Counties with 2010 Population Greater than 165,000 but Less Than 195,000 2020 Population		
Counties	2010 Population	2020 Population
Saginaw County	200,169	193,866
Livingston County	180,967	193,866
Muskegon County	172,188	175,824

The bill would make 71 locations in the three additional counties qualify as sites for a "rural hospital" (see [Table 2](#) for details). Also, the City of Owosso in Shiawassee County, an already eligible county, would qualify under the proposed definition. However, two locations in currently eligible counties would lose eligibility: Traverse City in Grand Traverse County and DeWitt Charter Township in Clinton County. Population changes are detailed in [Table 3](#).

Table 2

List of Locations Eligible for Rural Hospital Definition under Senate Bill 701			
Ineligible under Current Law, Eligible under Proposed Bill			
City, Village, Township	County	2010 Population	2020 Population
City of Owosso	Shiawassee County	15,194	14,714
Oceola Township	Livingston County	11,936	14,623
Tyrone Township	Livingston County	10,020	11,986
Marion Township	Livingston County	9,996	11,245
City of Howell	Livingston County	9,489	10,068
Handy Township	Livingston County	8,006	8,602
Howell Township	Livingston County	6,702	7,893
Putnam Township	Livingston County	8,248	7,890
City of Brighton	Livingston County	7,444	7,446
Deerfield Township	Livingston County	4,170	4,166
Iosco Township	Livingston County	3,801	3,870
Conway Township	Livingston County	3,546	3,608
Unadilla Township	Livingston County	3,366	3,333
Cohoctah Township	Livingston County	3,317	3,246
Village of Fowlerville	Livingston County	2,886	2,951
Village of Pinckney	Livingston County	2,427	2,415
Fruitport Charter Township	Muskegon County	13,598	14,575
Egelston Township	Muskegon County	9,909	11,128
Village of Muskegon Heights	Muskegon County	10,856	9,917
Dalton Township	Muskegon County	9,300	9,427
Laketon Township	Muskegon County	7,563	7,626
Fruitland Township	Muskegon County	5,543	5,793
City of Roosevelt Park	Muskegon County	3,831	4,172
City of North Muskegon	Muskegon County	3,786	4,093
Cedar Creek Township	Muskegon County	3,186	3,192
Ravenna Township	Muskegon County	2,905	2,962
City of Whitehall	Muskegon County	2,706	2,909
Casnovia Township	Muskegon County	2,805	2,793
Holton Township	Muskegon County	2,515	2,586
Sullivan Township	Muskegon County	2,441	2,541
City of Montague	Muskegon County	2,361	2,417
Blue Lake Township	Muskegon County	2,399	2,416
Whitehall Township	Muskegon County	1,739	1,768
Moorland Township	Muskegon County	1,575	1,627
Montague Township	Muskegon County	1,600	1,555
White River Township	Muskegon County	1,335	1,383
Village of Lakewood Club	Muskegon County	1,291	1,340

Table 2

List of Locations Eligible for Rural Hospital Definition under Senate Bill 701			
Ineligible under Current Law, Eligible under Proposed Bill			
City, Village, Township	County	2010 Population	2020 Population
Village of Ravenna	Muskegon County	1,219	1,308
Village of Fruitport	Muskegon County	1,093	1,103
Thomas Township	Saginaw County	11,985	11,931
Tittabawassee Township	Saginaw County	9,726	10,606
Bridgeport Charter Township	Saginaw County	10,514	10,104
Buena Vista Charter Township	Saginaw County	8,676	7,664
Birch Run Township	Saginaw County	6,033	5,888
Carrollton Township	Saginaw County	6,103	5,750
City of Frankenmuth	Saginaw County	4,944	4,987
Kochville Township	Saginaw County	5,078	4,911
Chesaning Township	Saginaw County	4,659	4,748
Taymouth Township	Saginaw County	4,520	4,065
Richland Township	Saginaw County	4,144	3,955
St. Charles Township	Saginaw County	3,330	3,183
Maple Grove Township	Saginaw County	2,668	2,676
Village of Chesaning	Saginaw County	2,394	2,430
Swan Creek Township	Saginaw County	2,456	2,416
Brady Township	Saginaw County	2,218	2,142
Albee Township	Saginaw County	2,160	2,046
Fremont Township	Saginaw County	2,096	1,998
Village of St. Charles	Saginaw County	2,054	1,992
Spaulding Township	Saginaw County	2,153	1,975
Frankenmuth Township	Saginaw County	1,959	1,895
Blumfield Township	Saginaw County	1,960	1,874
Brant Township	Saginaw County	2,012	1,842
James Township	Saginaw County	2,023	1,792
Jonesfield Township	Saginaw County	1,667	1,618
City of Zilwaukee	Saginaw County	1,658	1,534
Village of Birch Run	Saginaw County	1,555	1,525
Chapin Township	Saginaw County	1,060	928
Lakefield Township	Saginaw County	1,029	894
Marion Township	Saginaw County	923	759
Village of Merrill	Saginaw County	778	663
Village of Oakley	Saginaw County	290	299
Zilwaukee Township	Saginaw County	67	62

Table 3

List of Locations Ineligible for Rural Hospital Definition under Senate Bill 701			
Eligible under Current Law, Ineligible under Proposed Bill			
City, Village, Township	County	2010 Population	2020 Population
DeWitt Charter Township	Clinton County	14,321	15,073
City of Traverse City	Grand Traverse County	14,482	15,341

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FISCAL IMPACT

There bill would have no direct fiscal impact on State government and no fiscal impact on local units of government. Current law sets a floor of \$26.0 million General Fund/General Purpose (GF/GP) appropriations for the rural hospital access pool. Of this, \$8.0 million is allocated to sole community hospitals and rural hospitals providing obstetrical care to Medicaid beneficiaries, with the remainder distributed to reimburse unreimbursed Medicaid costs for sole community, critical access, and rural hospitals. Any remaining funds are allocated based on Medicaid managed care outpatient payments. The bill would direct \$8.4 million to sole community hospitals and rural hospitals providing obstetrical care to Medicaid beneficiaries.

The total authority for expenditures is provided in the annual appropriations acts, so even with recognition of the \$26.0 million requirement in current law and the proposed increase of obstetric allocation from \$8.0 million to \$8.4 million, any fiscal impact on State government would require an appropriation. While the bill itself would not create a fiscal change, removing critical access hospitals from the distribution formula could increase allocations to sole community and rural hospitals. Fiscal impacts would depend on future appropriations. Table 4 provides a historical overview of General Fund appropriations for the rural obstetrical and access pools.

Table 4

Fiscal Year (FY) 2017-18 through FY 2024-25 Rural Hospital Access Pool Appropriations		
Fiscal Year	Rural Hospital Obstetrical GF/GP Appropriations	Rural Pool GF/GP Appropriations
2017-18	\$3,978,300	\$12,000,000
2018-19	7,978,300	18,000,000
2019-20	7,995,200	13,904,800
2020-21	7,995,200	13,904,800
2021-22	7,995,200	13,904,800
2022-23	7,995,200	13,904,800
2023-24	7,995,200	15,204,800
2024-25*	8,470,200	15,204,800

*Included in Public Act 121 of 2024 (Initial appropriations)

Fiscal Analyst: John P. Maxwell

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.