

# HOUSE BILL REPORT

## HB 1205

---

---

**As Reported By House Committee On:**  
Health Care

**Title:** An act relating to physician referral.

**Brief Description:** Modifying physician self-referral provisions.

**Sponsors:** Representative Dyer; by request of Department of Social and Health Services.

**Brief History:**

**Committee Activity:**

Health Care: 2/2/95, 2/10/95 [DPS].

---

### HOUSE COMMITTEE ON HEALTH CARE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Dyer, Chairman; Backlund, Vice Chairman; Hymes, Vice Chairman; Dellwo, Ranking Minority Member; Cody, Assistant Ranking Minority Member; Campbell; Casada; Conway; Crouse; Kessler; Morris; Sherstad and Skinner.

**Staff:** Bill Hagens (786-7131).

**Background:** Since 1979, laws governing medical assistance [Chapter 74.09 RCW] have made it illegal to receive any remuneration, such as kickbacks, bribes, or rebate, in return for referring an individual to a person or organization for services, purchasing, leasing, etc., when payment is made for medical assistance [Medicaid] benefits. Violation of this provision is a class C felony - up to five years in prison and a \$25,000 fine. As a condition of the 1993 federal Medicaid amendments, which take effect this year, states were specifically required to address prohibition from certain physician referrals for certain services.

**Summary of Substitute Bill:** Effective 90 days after the regular session of the Legislature, it shall be illegal, for physicians to self-refer any medical assistance client eligible for the following health services to a facility in which the physician or an immediate family member has a financial relationship: clinical laboratory services; physical therapy services; occupational therapy services; radiology or other diagnostic services; durable medical equipment; parenteral and enteral nutrients equipment and

supplies; prosthetics, orthotics, and prosthetic devices; home health services; outpatient prescription drugs; and inpatient and outpatient hospital services.

Federal law [42 U.S.C. 1395nn] exempts a number of services from this proscription, e.g.:

Permitting self-referral for physician services provided personally by the physician or another physician in the same group practice, including managed care arrangements;

Permitting self-referral for in-office ancillary services furnished by, or personally supervised by, the referring physician or another physician in the group;

Permitting rural physicians with financial interest in the facilities/services to refer Medicaid clients to the facilities; and

Permitting, under certain circumstances, self-referral for designated services to hospitals in which the referring physician has an ownership interest.

**Substitute Bill Compared to Original Bill:** The substitute bill clarifies that physician referral prohibitions do not effect staff model health maintenance organizations. The substitute bill also makes several technical changes.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** The bill is needed to meet federal Medicaid requirements.

**Testimony Against:** None

**Testified:** Jane Beyer, Department of Social & Health Services, Medical Assistance (pro); and Ken Bertrand, Group Health (pro on substitute).