

FINAL BILL REPORT

SSB 5227

PARTIAL VETO

C 332 L 97

Synopsis as Enacted

Brief Description: Regulating the sales of nonprofit hospitals.

Sponsors: Senate Committee on Health & Long-Term Care (originally sponsored by Senators Deccio, Franklin, Patterson, Prentice, Benton, Wojahn and Long).

Senate Committee on Health & Long-Term Care

Senate Committee on Ways & Means

House Committee on Health Care

House Committee on Appropriations

Background: Nonprofit organizations, including hospitals, are created under laws that require them to serve charitable or other public purposes. In return, federal and state laws accord them certain financial advantages such as tax exemption. On a national level, however, nonprofit hospitals are increasingly being acquired by for-profit corporations. When this occurs, there is a public interest in insuring that the acquiring corporation will continue to provide the community served by the hospital with quality, affordable health care and that the proceeds from the transaction will be used for charitable purposes. There is concern that should such acquisitions occur in Washington, our laws are insufficient to ensure that these public interests will be served.

Public hospital districts were created in 1945 as junior taxing districts, to put hospitals in areas where private development did not appear viable. These districts are administered by elected boards of commissioners. Presently, although they are named hospital districts, many provide health services in addition to hospital care; a few have no hospitals at all. Concerns have also been expressed about the acquisition of public district hospitals by for-profit corporations.

Summary: Except for a nonprofit corporation or government entity, a person may not acquire a hospital owned by another nonprofit corporation without the approval of the Department of Health.

A process is provided whereby the department is to review and rule upon an application for a nonprofit hospital acquisition. The department is to charge an application fee to cover the costs of implementing the bill. The review process must include public notice, the opportunity to submit written comments, and a public hearing in the county where the hospital being acquired is located. The department may also subpoena information and witnesses, require sworn statements, and take depositions. A completed application must be ruled upon within 120 days of its receipt. For good cause, this deadline may be extended for up to 30 days.

As part of the review process, the Attorney General is to provide the department with a written opinion as to whether or not the proposed acquisition meets the requirements of the act.

The department may only approve an acquisition if it determines that appropriate steps have been taken to safeguard charitable assets and to ensure that any proceeds of the transaction are used for appropriate charitable health and health care purposes. Criteria are enumerated for making this determination.

The department may only approve an acquisition if it also determines that the acquisition will not detrimentally affect the continued existence of accessible, affordable health care that is responsive to the needs of the community where the hospital being acquired is located. Criteria are enumerated for making this determination.

The Secretary of State may not accept any documents in connection with an acquisition until the acquisition is approved by the department. The Attorney General may seek an injunction to prevent any unapproved acquisition.

All parties to the acquisition are required to periodically report to the Department of Health regarding compliance with commitments made in the acquisition process. If, after a hearing, the department determines that the acquiring party is not fulfilling its commitment, it may revoke or suspend the license of that party, or refer the matter to the Attorney General for appropriate action.

The acquisition of the property of a public hospital district may only be authorized by the district's commissioners after consideration of certain enumerated criteria. Prior to this approval, the Department of Health is to provide an opinion regarding the merits of the acquisition. The district's authority to enter into joint agreements is expanded. Public hospital districts are renamed public health care service districts.

Votes on Final Passage:

Senate	49	0
House	82	16 (House amended)
Senate	49	0 (Senate concurred)

Effective: July 27, 1997

Partial Veto Summary: The emergency clause and immediate effective date were vetoed.