

# HOUSE BILL REPORT

## 2SHB 3016

---

---

**As Passed House:**  
February 11, 2000

**Title:** An act relating to providing state medical assistance reimbursements for small rural hospitals that meet the criteria of a critical access hospital.

**Brief Description:** Creating a reimbursement system for the state's medical assistance programs in rural hospitals.

**Sponsors:** By House Committee on Appropriations (originally sponsored by Representatives Parlette and Cody).

**Brief History:**

**Committee Activity:**

Health Care: 2/3/00, 2/4/00 [DPS];

Appropriations: 2/7/00, 2/8/00 [DP2S(w/o sub HC)].

**Floor Activity:**

Passed House: 2/11/00, 96-0.

**Brief Summary of Second Substitute Bill**

- The Department of Social and Health Services will develop an enhanced cost-based reimbursement system to reimburse small, rural hospitals for care provided to department clients.

---

### HOUSE COMMITTEE ON HEALTH CARE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Cody, Democratic Co-Chair; Parlette, Republican Co-Chair; Pflug, Republican Vice Chair; Schual-Berke, Democratic Vice Chair; Alexander; Campbell; Conway; Edmonds; Edwards; Mulliken; Pennington and Ruderman.

**Staff:** David Knutson (786-7146).

---

## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Health Care. Signed by 32 members: Representatives Huff, Republican Co-Chair; H. Sommers, Democratic Co-Chair; Barlean, Republican Vice Chair; Doumit, Democratic Vice Chair; D. Schmidt, Republican Vice Chair; Alexander; Benson; Boldt; Clements; Cody; Crouse; Gombosky; Grant; Kagi; Keiser; Kenney; Kessler; Lambert; Linville; Lisk; Mastin; McIntire; McMorris; Mulliken; Parlette; Regala; Rockefeller; Ruderman; Sullivan; Sump; Tokuda and Wensman.

**Staff:** Amy Hanson (786-7118).

### **Background:**

The federal Health Care Financing Administration allows small rural hospitals, which meet eligibility criteria, to be reimbursed on a cost-based system for Medicare services. This provides qualifying hospitals with a higher reimbursement rate than they would normally receive. State medical assistance programs do not currently provide small rural hospitals with the same type of cost-based reimbursement for medical services.

---

### **Summary of Bill:**

The Department of Social and Health Services will reimburse small, rural hospitals on a cost-based reimbursement basis if they meet specific eligibility criteria. Medicaid, the limited casualty program, and the medical care services program are included in the cost-based reimbursement system.

---

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Second Substitute Bill:** Ninety days after adjournment of session in which bill is passed; however, the bill is null and void unless funded in the budget.

**Testimony For:** (Health Care) Small rural hospitals need additional reimbursement for clients of the Department of Social and Health Services. This new reimbursement system is based on a federal system used to compensate small rural hospitals who care for Medicare clients.

(Appropriations) It is a tough fiscal time for rural hospitals. The federal Balanced Budget Act of 1997 reduced reimbursements to hospitals in Washington State by almost \$700 million. The Balanced Budget Act did, however, create the Critical Access Hospital program, which reimburses hospitals based on cost, provided they meet certain eligibility criteria. This bill creates a state program of reimbursement. Fifteen hospitals will qualify. This was a top priority at the 1999 Rural Health Summit held this past fall in Yakima.

**Testimony Against:** (Health Care) None.

(Appropriations) None.

**Testified:** (Health Care) (In support) Andy Davidson and Brenda Suiter, Washington State Hospital Association.

(Support concept-not in Governor's budget) Ron Weaver, Department of Health.

(Appropriations) Andy Davidson, Washington State Hospital Association.