

# HOUSE BILL REPORT

## HB 1162

---

---

### As Amended by the Senate

**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:** Providing medical assistance reimbursements for small, rural hospitals.

By Representatives McMorris, Cody, Alexander, Schual-Berke, Mastin, Cox, Mulliken, Sump, G. Chandler, Lisk, B. Chandler, Hatfield, Schoesler, Grant, Armstrong, Kessler, Doumit, DeBolt, Delvin, Dickerson, Kenney, Bush, Conway, Edmonds, Pflug and Haigh.

### Brief History:

#### Committee Activity:

Health Care: 2/2/01, 2/6/01 [DP];  
Appropriations: 3/1/01, 3/8/01 [DP].

#### Floor Activity:

Passed House: 3/12/01, 98-0.  
Senate Amended.  
Passed Senate: 4/10/01, 48-0.

### Brief Summary of Bill

- Enhanced reimbursement rates will be provided to rural hospitals that qualify as a Medicare Critical Access Hospital.

---

### HOUSE COMMITTEE ON HEALTH CARE

**Majority Report:** Do pass. Signed by 12 members: Representatives Campbell, Republican Co-Chair; Cody, Democratic Co-Chair; Schual-Berke, Democratic Vice Chair; Skinner, Republican Vice Chair; Alexander, Conway, Darneille, Edwards, Marine, McMorris, Pennington and Ruderman.

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

---

### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass. Signed by 32 members: Representatives Sehlin, Republican Co-Chair; H. Sommers, Democratic Co-Chair; Barlean, Republican Vice Chair; Doumit, Democratic Vice Chair; Lisk, Republican Vice Chair; Alexander, Benson, Boldt, Buck, Clements, Cody, Cox, Dunshee, Fromhold, Gombosky, Grant, Kagi, Keiser, Kenney, Kessler, Lambert, Linville, Mastin, McIntire, Mulliken, Pearson, Pflug, Ruderman, D. Schmidt, Schual-Berke, Talcott and Tokuda.

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

**Background:**

The Federal Balanced Budget Act of 1997 established the Critical Access Hospital Program. The program provides enhanced reimbursement through the Medicare program for small rural hospitals that meet federal eligibility criteria. Eight rural hospitals are currently certified as Critical Access Hospitals and receive enhanced funding through the federal program. These same rural hospitals also provide large amounts of service and care for Medical Assistance recipients. There is currently no mechanism to provide small rural hospitals with enhanced reimbursement for services to medicaid recipients.

**Summary:**

A Critical Access Hospital Program for medical assistance clients is established. The Department of Social and Health Services will provide enhanced reimbursement rates for qualifying rural hospitals based on allowable costs incurred during the year.

**EFFECT OF SENATE AMENDMENT(S):**

The Senate amendment limits the medical assistance programs covered by the program to programs receiving federal matching funds.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** (Health Care) Small rural hospitals are struggling financially. This program will help them stay in business and continue to serve their local communities.

**Testimony For:** (Appropriations) This bill mirrors a federal program that provides Medicare cost-based reimbursement. Many rural hospitals are operating on thin margins and are seeing an increase in the number of Medicare and Medicaid patients. Eighteen states have already implemented this program including Oregon and Idaho. Cost-based reimbursement will help small, rural hospitals that are struggling to continue to provide

needed services. For many rural communities, hospitals are an important rural economic development tool. This is an important bill for hospitals that are financially vulnerable.

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

**Testimony Against:** (Appropriations) None.

**Testified:** (Health Care) Lisa Thatcher, Washington State Hospital Association; and Tom Martin, Lincoln Hospital.

**Testified:** (Appropriations) Representative McMorris, prime sponsor; Mike Wiltermood, Coulee Community Hospital; and Brenda Suiter, Washington State Hospital Association and Association of Washington Public Hospital Districts.