

# HOUSE BILL REPORT

## SSB 5178

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

**Title:** An act relating to licensing specialty hospitals.

**Brief Description:** Issuing a moratorium on licensing specialty hospitals.

**Sponsors:** Senate Committee on Health & Long-Term Care (originally sponsored by Senators Kastama, Keiser, Benson and Brandland).

**Brief History:**

**Committee Activity:**

Health Care: 3/24/05, 3/29/05 [DP].

**Brief Summary of Substitute Bill**

- Prohibits the Department of Health from granting licenses to specialty hospitals where a physician has an ownership or investment interest until July 1, 2006.

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### HOUSE COMMITTEE ON HEALTH CARE

**Majority Report:** Do pass. Signed by 13 members: Representatives Cody, Chair; Campbell, Vice Chair; Morrell, Vice Chair; Bailey, Ranking Minority Member; Curtis, Assistant Ranking Minority Member; Alexander, Appleton, Clibborn, Green, Hinkle, Lantz, Moeller and Schual-Berke.

**Staff:** Chris Blake (786-7392).

**Background:**

The federal Medicare Modernization Act of 2003 prohibits a physician from referring a patient to certain specialty hospitals in which the physician has an ownership or investment interest, and prohibits the hospitals from billing Medicare or any other entity for services provided as a result of a prohibited referral. Effective December 2003 through June 2005, this moratorium applies to new hospitals that are primarily or exclusively engaged in the care and treatment of patients with cardiac or orthopedic conditions and patients receiving surgical procedures.

During the moratorium, the Federal Centers for Medicare and Medicaid Services, the General Accounting Office, and the Medicare Payment Advisory Commission (MedPAC) are conducting studies of specialty hospitals to determine their impact on general hospitals and the Medicare program. MedPAC released its report to Congress in March 2005. The report made

several recommendations that would require Congress to take legislative action. Among these, the report recommended that Congress extend the moratorium on specialty hospitals through January 2007.

There are currently no restrictions specific to specialty hospitals under state law, although the establishment and operation of such a hospital is subject to the same Department of Health licensing requirements and regulatory oversight as hospitals in general.

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**Summary of Bill:**

From January 1, 2005 until July 1, 2006, the Department of Health may not grant a license to any specialty hospital in which a physician, or his or her immediate family member, has an ownership or investment interest.

Specialty hospitals are defined to include any hospital that is primarily or exclusively engaged in the care and treatment of: (1) patients with a cardiac condition; (2) patients with an orthopedic condition; (3) patients receiving a surgical procedure; and (4) and other specialized category of services that the Secretary of Health and Human Services designates as a specialty hospital.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** This bill will give the Legislature time to review forthcoming federal reports while the federal moratorium on specialty hospitals is in place.

**Testimony Against:** None.

**Persons Testifying:** Lisa Thatcher, Washington State Hospital Association.

**Persons Signed In To Testify But Not Testifying:** None.