

SENATE BILL REPORT

SB 6278

As Reported By Senate Committee On:
Health & Long-Term Care, January 30, 2006

Title: An act relating to licensing specialty hospitals.

Brief Description: Licensing specialty hospitals.

Sponsors: Senators Deccio and Keiser.

Brief History:

Committee Activity: Health & Long-Term Care: 1/19/06, 1/30/06 [DPS].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: That Substitute Senate Bill No. 6278 be substituted therefor, and the substitute bill do pass.

Signed by Senators Keiser, Chair; Thibaudeau, Vice Chair; Deccio, Ranking Minority Member; Benson, Brandland, Franklin, Kastama, Kline, Parlette and Poulsen.

Staff: Edith Rice (786-7444)

Background: The federal Medicare Modernization Act of 2003 (MMA) 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 prohibition applies to hospitals that are primarily or exclusively engaged in the care and treatment of patients with cardiac or orthopedic conditions and patients receiving surgical procedures. This moratorium has now expired. However, the Centers for Medicare and Medicaid Services (CMS) have extended it administratively to further study related issues. Further congressional action is pending.

Although specializing in specific types of treatment can improve the quality of care to patients, specialty hospitals have been a concern for several reasons, including: (1) potential financial conflict of interest for physicians who stand to gain from referrals to specialty hospitals in which they hold an interest; (2) "skimming" of more profitable cases; and (3) financial impact on community hospitals which provide emergency care and treat underinsured or uninsured patients.

Until last year there were no state restrictions to specialty hospitals. However, the Department of Health regulates the establishment, operation, and licensing of hospitals generally. Substitute Senate Bill 5178 barred (for the period from January 1, 2005, until July 1, 2006) the Department of Health from granting a license to any specialty hospital in which a physician 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) other specialized category of services that the Secretary of Health and Human Services designates as a specialty hospital.

Summary of Substitute Bill: The Legislature establishes specific requirements in order for specialty hospitals to be licensed. These requirements include compliance with minimum participation rates for providing services to medicare and medicaid beneficiaries as well as a percentage of charity care provided by a general hospital in the same health service area. Specialty hospitals must also provide emergency services twenty-four hours per day, seven days a week. Physician owners are required to disclose their financial interests to patients and to maintain privileges at a general hospital. These requirements do not pertain to specialty hospitals which provide psychiatric, pediatric, long-term acute care, cancer or rehabilitative services, or hospitals licensed before January 1, 2006.

Substitute Bill Compared to Original Bill: The requirement that a specialty hospital be part of the state's trauma system is removed.

A hospital providing only cancer care or services is not considered a specialty hospital and the licensing requirements in this bill do not apply.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For: Community hospitals are harmed financially by specialty hospitals because specialty hospitals can take patients who are healthier. Community hospitals serve as a safety net for those with less income or no insurance. This bill will level the playing field between general hospitals and specialty hospitals.

Testimony Against: Specialty hospitals are still required to make it through the certificate of need process. This bill's intent is to ban specialty hospitals.

Who Testified: PRO: Senator Alex Deccio, prime sponsor; Robb Menaul, Lisa Thatcher, Washington State Hospital Association.

CON: Carl Nelson, Washington State Medical Association.