

FINAL BILL REPORT

SB 5398

C 102 L 07
Synopsis as Enacted

Brief Description: Licensing specialty hospitals.

Sponsors: Senators Marr, Brandland and Keiser.

Senate Committee on Health & Long-Term Care
House Committee on Health Care & Wellness

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 applied to hospitals that were 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 2005, there were no state restrictions for specialty hospitals. The Department of Health regulates the establishment, operation, and licensing of hospitals generally. Substitute Senate Bill 5178 was enacted in 2005 and barred the Department of Health (for the period from January 1, 2005, until July 1, 2006) 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: Specialty hospital is defined as a subclass of hospital that is primarily or exclusively engaged in the care and treatment of patients with cardiac or orthopedic conditions, patients receiving surgical procedures or any other specialized category of service that the Secretary of Health and Human Services designates as a specialty hospital.

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 24 hours per day, seven days a week. Provisions must be made to accommodate patients needing emergency services not available at the specialty hospital and include maintenance of a transfer agreement with a general hospital. Physician owners are required to disclose their financial interests in the specialty hospital to patients and provide a list of alternative hospitals. The specialty hospital is required to accept transfer of patients requiring the category of care they provide, from general hospitals.

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, 2007.

Votes on Final Passage:

Senate	42	2
House	66	31

Effective: July 22, 2007