

# FINAL BILL REPORT

## SSB 5859

---

---

C 57 L 14  
Synopsis as Enacted

**Brief Description:** Providing enhanced payment to small rural hospitals that meet the criteria of a sole community hospital.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Braun, Hatfield, Holmquist Newbry and Hargrove).

**Senate Committee on Ways & Means**  
**House Committee on Health Care & Wellness**  
**House Committee on Appropriations**

**Background:** Sole Community Hospital (SCH) is a federal hospital classification for hospitals that meet certain criteria based on location, size, or distance. To be designated as an SCH by the Centers for Medicare and Medicaid Services (CMS) the hospital must meet one of the following criteria:

1. The hospital is located at least 35 miles from other like hospitals;
2. The hospital is rural – located in a rural area, located between 25 and 35 miles from other like hospitals, and meets one of the following criteria:
  - a. no more than 25 percent of residents who become hospital inpatients or no more than 25 percent of the Medicare beneficiaries who become hospital inpatients in the hospital’s service area are admitted to other like hospitals located within a 35-mile radius of the hospital or, if larger, within its service area; or
  - b. the hospital has fewer than 50 beds and would meet the 25 percent criterion above if not for the fact that some beneficiaries or residents were forced to seek specialized care outside of the service area due to the unavailability of necessary specialty services at the hospital;
3. The hospital is rural and located between 15 and 25 miles from other like hospitals but because of local topography or periods of prolonged severe weather conditions, the other like hospitals are inaccessible for at least 30 days in each of two out of three years; or
4. The hospital is rural and because of distance, posted speed limits, and predictable weather conditions, the travel time between the hospital and the nearest like hospital is at least 45 minutes.

---

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

There are five hospitals in Washington that are designated sole community by CMS. These are Grays Harbor Community in Aberdeen, Olympia Medical Center in Port Angeles, Providence Centralia in Centralia, Samaritan in Moses Lake, and St. Joseph in Bellingham.

An SCH-designated hospital can receive increased payment rates based on certain specified criteria as described in federal law. Currently these five hospitals only receive enhanced payment rates for Medicare and do not receive enhanced rates for Medicaid payments. The state must request a Medicaid state plan amendment and have CMS approve this amendment for the increased rates to take effect.

The certified public expenditure hospital program is a payment methodology that applies to public hospitals, including government-owned and operated hospitals that are not designated as Critical Access or state psychiatric hospitals. This program allows public hospitals to certify their expenses as the state share in order to receive federal matching Medicaid funds.

**Summary:** Beginning January 1, 2015, SCHs that were designated sole community by CMS as of January 1, 2013, have fewer than 150 acute care licensed beds as of fiscal year 2011, have a Level III adult trauma service designation from the Department of Health as of January 1, 2014, and are owned and operated by the state or a political subdivision must have their Medicaid rates increased by 25 percent over the hospital's fee-for-service rates. The increased rates do not apply to inpatient rates for those SCHs that participate in the certified public expenditure hospital program.

**Votes on Final Passage:**

Senate	47	1	
House	97	0	(House amended)
Senate	46	3	(Senate concurred)

**Effective:** June 12, 2014