

# HOUSE BILL REPORT

## E2SHB 1330

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**As Passed House:**

March 9, 1995

**Title:** An act relating to health facilities and services.

**Brief Description:** Modifying health facility and services provisions.

**Sponsors:** By House Committee on Appropriations (originally sponsored by Representatives Dyer, Dellwo and Backlund; by request of Department of Health).

**Brief History:**

**Committee Activity:**

Health Care: 2/2/95, 2/7/95, 2/23/95 [DPS];

Appropriations: 3/2/95, 3/4/95 [DP2S(w/o sub HC)].

**Floor Activity:**

Passed House: 3/9/95, 96-0.

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### HOUSE COMMITTEE ON HEALTH CARE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Dyer, Chairman; Backlund, Vice Chairman; Hymes, Vice Chairman; Dellwo, Ranking Minority Member; Campbell; Casada; Crouse; Morris; Sherstad and Skinner.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Cody, Assistant Ranking Minority Member; Conway and Kessler.

**Staff:** John Welsh (786-7133).

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Health Care. Signed by 29 members: Representatives Silver, Chairman; Clements, Vice Chairman; Huff, Vice Chairman; Pelesky, Vice Chairman; Sommers, Ranking Minority Member; Valle, Assistant Ranking Minority Member; Beeksma; Brumsickle; Carlson; Chappell; Cooke; Crouse; G. Fisher; Foreman; Grant; Hargrove; Hickel; Jacobsen; Lambert; Lisk; McMorris; Poulsen; Reams; Rust; Sehlin; Sheahan; Talcott; Thibaudeau and Wolfe.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Dellwo.

**Staff:** Jim Lux (786-7152).

**Background:** The Certificate of Need program is a cost containment program in the Department of Health. Its aim is to ensure the construction and development of only those new health care facilities and services that promote access to high quality, needed care at a reasonable cost.

Currently, a certificate of need is required prior to the commencing of construction or operating of the following health facilities or services:

- \* Construction or development of new hospitals, nursing homes, home health and hospice agencies, kidney dialysis centers and ambulatory surgical centers;
- \* Sale, purchase or lease of a hospital;
- \* Increase in the number of licensed beds at a hospital or nursing home;
- \* Increase in the number of kidney dialysis kidney stations;
- \* Capital expenditure exceeding \$1.2 million at a nursing home; and
- \* New tertiary health services, such as open heart surgery, burn units, and organ transplant programs. Tertiary health services are those services for which successful outcomes relate to the volume of services provided.

The department believes that changes occurring in the health care environment justify a phase-out of the Certificate of Need law.

Ambulatory surgical centers are not regulated by law, although the Department of Health certifies them for the purposes of reimbursement under the federal Medicare program. Surgery is also performed in hospitals, which are licensed facilities, but an estimated 60 percent of all surgeries will be performed on an out-patient basis by 1996.

Ambulatory surgical centers are distinct facilities operating exclusively for the purpose of performing outpatient surgical procedures. Most are physician-owned and operated within the physician's office practice.

**Summary of Bill:** Effective July 1, 1996, Certificates of Need for the construction or development of new hospitals and ambulatory surgical facilities, as well as the sale, purchase or lease of existing hospitals or an increase in the number of hospital beds, will no longer be required.

In addition, an exception from the requirement of a Certificate of Need for the operation of a home health agency is made for the smaller of two public hospital districts in the same county, in counties of under a population of 20,000.

A study by the Department of Health, in cooperation with the House Health Care Committee, must evaluate the state's future role in identifying and evaluating community needs and capacity for health facilities and services, and report its recommendations to the legislature by December 1, 1995.

Housekeeping and technical changes are made to the Certificate of Need chapter, including:

A Certificate of Need is still required for the construction or development of a nursing home; but no longer required for an expenditure exceeding \$1.2 million to merely prepare a Certificate of Need application.

The requirement of a Certificate of Need for new tertiary health services is clarified to include even those provided on an intermittent basis.

Amendments to applications for a Certificate of Need may be made if the additional capital costs do not exceed 12 percent of the initial application. Otherwise, a new Certificate of Need is required.

The Department of Health establishes licensure standards for construction, maintenance, and operation of ambulatory surgical centers (ASCs). ASCs include any free-standing distinct entity operating primarily to perform outpatient procedures. Hospitals, physician, osteopathic physicians, dental or podiatry offices are excluded from these license requirements unless practitioners from outside are allowed to use the facility.

License renewal is set at two years. The department inspects the center at least once during that period. Compliance surveys conducted by approved accrediting or certifying bodies can be used in lieu of department conducted surveys in certain instances.

Hospital construction of medical gas piping systems is required to meet National Fire Protection Act standards. Medical gas piping systems are placed in the state plumbing code and will meet state plumbing standards.

**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on March 6, 1995.

**Effective Date of Bill:** Sections 1 through 6 and 8 of the bill take effect July 1, 1996; the remainder of the bill takes effect ninety days after adjournment of session in which bill is passed.

**Testimony For:** (Health Care) Increased competition and current developments in the provision of managed care options in the health marketplace have displaced the need for the Certificate of Need program to contain costs. Hospitals and ambulatory surgical facilities engage in active competition for patients and services, and access to these services need no longer be planned by a state regulatory process.

(Appropriations) Active competition in an unregulated environment will contain costs and Certificate of Need Review will not be necessary.

**Testimony Against:** (Health Care) Unregulated competition for some specialized health services would destroy them and consequently affect access to these services by the public. This is especially true for tertiary services such as kidney dialysis stations where successful outcomes relate to a need for a higher volume of services.

(Appropriations) An exemption from the Certificate of Need review will result in decreased access in rural areas. Competition for patients and services will focus on the closest and easiest to serve. Cost will increase if larger entities compete to provide more hospice or home health services by including overhead costs in the rates.

**Testified:** (Health Care) Dr. Peter McGough and Cliff Webster, Washington State Medical Association (pro); , Shane Spray, Skagit Valley Medical Center (pro); Shawn Koos, Wenatchee Valley Clinic (pro); Dave Broderick, Washington State Hospital Association (con); Jerry Reilly, Washington Health Care Association (con); Karen Tynes, Washington Association of Homes for the Aging (con); Bernice Hartzell, Home Care Association of Washington (con); Jim Grant, Washington State Hospice Organization (con); Christopher Blagg, Northwest Kidney Center (con); Jan Sigman, Department of Health (pro); and Linda Williams, Freestanding Ambulatory Surgery Centers of Washington State (pro).

(Appropriations) Cliff Webster, Washington State Medical Association (pro); Maria Guardipee and Kathy Stout, Department of Health (pro); Patty Hayes, Freestanding Ambulatory Surgery Centers (pro); Gail McGaffic, Home Care Association of Washington (con); Patty Mulhern, Visiting Nurse Services of the Northwest (con); and Dee Thorpe, Harbors Home Health (con).