
Health Care Committee

HB 2669

Brief Description: Licensing specialty hospitals.

Sponsors: Representatives Cody, Green, Morrell, Clibborn, Campbell, Moeller, Priest and Lantz.

Brief Summary of Bill

- Establishes licensing requirements for specialty hospitals related to services for low income patients, emergency services, and financial disclosure.

Hearing Date: 1/24/06

Staff: Chris Blake (786-7392).

Background:

The federal Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) prohibited physicians from referring patients to certain specialty hospitals in which the physicians have ownership or investment interests. The MMA also prohibited these hospitals from billing Medicare or any other entity for services provided as a result of a prohibited referral. These prohibitions were effective from December 2003 until June 2005. This moratorium applied to new hospitals 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 (CMS), the General Accounting Office, and the Medicare Payment Advisory Commission (MedPAC) conducted studies of specialty hospitals to determine their impact on general hospitals and the Medicare program. MedPAC released its report to Congress in March 2005 and 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. CMS issued its report in May 2005 in which it decided to administratively continue the moratorium until February 15, 2006. During that time CMS has been reviewing its payment rates and procedures for approving hospitals to participate in Medicare.

In 2005, chapter 39 (SSB 5178), Laws of 2005 was enacted which prohibits the Department of Health from issuing a license from January 1, 2005 until July 1, 2006 to a specialty hospital in which a physician has an ownership or investment interest. Absent this moratorium, there are 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.

Summary of Bill:

"Specialty hospitals" are defined as 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.

To receive a license to operate as a hospital, a specialty hospital must be significantly engaged in providing inpatient care, comply with the general licensing standards for hospitals, and provide appropriate discharge planning. In addition, a specialty hospital must:

- provide at least the same percentage of services to Medicare and Medicaid patients as the general hospital with the lowest percentage of such services in the same health service area;
- provide at least the same percentage of charity care as the general hospital with the lowest percentage of charity care in the same health service area;
- require its physician owners to disclose their financial interest in the specialty hospital and provide a list of alternative hospitals to the patient prior to referring a patient to the specialty hospital;
- require its physician owners to notify patients if it does not have an intensive care unit and explain that if intensive care services are required they will be transferred to another hospital;
- require physicians with privileges at its facility to also maintain privileges at a general hospital in the same health service area and provide the same on-call services as other specialists in the health service area;
- provide continuous emergency services and participate in the regional trauma system; and
- establish procedures to stabilize and transfer patients with emergency needs that exceed its abilities and maintain a transfer agreement with a general hospital in the same health service area.

These requirements do not apply to specialty hospitals that provide only psychiatric, pediatric, long-term acute care, or rehabilitative services. Hospitals licensed prior to January 1, 2006 are exempt from these requirements.

Appropriation: None.

Fiscal Note: Requested on January 19, 2006.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.