

SENATE BILL REPORT

SSB 5859

As Amended by House, March 7, 2014

Title: An act relating to providing enhanced payment to small rural hospitals that meet the criteria of a sole community hospital.

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).

Brief History:

Committee Activity: Ways & Means: 2/10/14, 2/11/14 [DPS].

Passed Senate: 2/17/14, 47-1.

Passed House: 3/07/14, 97-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5859 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Baumgartner, Vice Chair; Honeyford, Capital Budget Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Assistant Ranking Member on the Operating Budget; Bailey, Becker, Billig, Braun, Conway, Dammeier, Fraser, Frockt, Hasegawa, Hatfield, Hewitt, Kohl-Welles, Padden, Parlette, Rivers, Schoesler and Tom.

Staff: Michael Bezanson (786-7449)

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

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- 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.

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 of Substitute Bill: 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, and are owned and operated by the state or 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.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: None.

Effective Date: The bill takes effect on January 1, 2015.

Staff Summary of Public Testimony on Proposed Substitute as Heard in Committee:
PRO: The communities that we operate have high unemployment rates. Our hospitals rely heavily on government payers such as Medicaid and Medicare. We have very few private pay enrollees. Our hospitals struggle financially and struggle to keep access in the

community. Sole Community is a federal designation. There are 43 rural hospitals in this state and 39 of them are critical access. A few rural hospitals are not critical access and do not have the level of payment they receive. It is difficult to operate given our payer mix. Our community has limited primary care for Medicaid patients. As a result our hospital has to do a lot of primary care services that we are not equipped to do. We cannot recruit primary care. This bill helps two groups, the poor and elderly, and the over 1000 employees who are employed by the hospitals.

Persons Testifying: PRO: Tom Jensen, Dr. Steve Reznicek, Grays Harbor Community Hospital; Eric Lewis, Olympic Medical Center; Jennifer Burkhardt, Olympic Medical Center Labor and Employment Counsel.

House Amendment(s): Further restricts the payment increase by adding a new criterion. The hospital must also have a Level III adult trauma designation from the Department of Health.