
Health Care & Wellness Committee

HB 1946

Brief Description: Concerning Washington wellness trust obligations for hospitals.

Sponsors: Representatives Jinkins, Robinson, Riccelli, Moeller and Cody.

Brief Summary of Bill

- Requires hospitals to pay an assessment based on a percentage of their revenue less any charity care and community benefits that they provide.
- Establishes the Washington Wellness Trust Account to collect hospital assessments and distribute the funds for public health and behavioral health purposes to the Department of Health, local health jurisdictions, and certain counties.

Hearing Date: 2/11/15

Staff: Chris Blake (786-7392).

Background:

Charity Care and Community Benefits.

All hospitals in Washington must develop and maintain charity care policies. The Department of Health (Department) has established standards requiring that individuals at or below 100 percent of the federal poverty guidelines qualify for sponsorship of the full amount of their hospital charges. Those between 101 and 200 percent of the federal poverty guidelines are eligible for discounts from charges according to a sliding fee schedule. Hospitals must report their charity care policies and the amount of charity care provided by the hospital to the Department.

Among the requirements for obtaining nonprofit status, a hospital must provide the Washington State Department of Revenue with documentation from the federal Internal Revenue Service that the hospital is exempt from federal income taxes. Federal law requires that hospitals claiming nonprofit status must provide community benefits. The community benefit standard does not quantify a specific level of benefit that a hospital must provide, but requires that nonprofit hospitals demonstrate they are providing sufficient benefits to the community. There are several

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types of community benefits that hospitals may report to satisfy this requirement, including financial assistance in the form of free or discounted health services, other than bad debt; health professions education; community health improvement services; and research.

Public Health Responsibilities.

Public health services in Washington are provided by the Department and the 35 local health jurisdictions. The activities of these agencies are generally divided into five categories, including preventing and responding to communicable disease; protecting people from environmental health threats; assessing health status; promoting health and preventing chronic disease; and accessing health services.

Local Chemical Dependency or Mental Health Sales Tax.

Counties are authorized to impose a sales and use tax of 0.1 percent of the selling price of an item or the value of the item that is used. Funds may only be used to provide for the operation or delivery of chemical dependency or mental health treatment programs and services. Funding may also be used for the operation or delivery of therapeutic drug court programs and services. Twenty-two counties and the city of Tacoma have adopted the tax which raised approximately \$98 million in fiscal year 2014.

Summary of Bill:

Hospitals are required to pay an annual Washington Wellness Trust obligation (obligation) to the Department of Health (Department). The obligation is determined by the Department by calculating 6 percent of the hospital's annual reported revenue and subtracting any reported charity care and community benefits for that year. The Department is responsible for establishing collection and appeals procedures related to the obligation.

The Department must convene a work group to clarify the definition of "community benefits" as related to the calculation of the obligation. Members of the work group include representatives of local health jurisdictions, regional support networks, hospitals, community health clinics, community mental health centers, health care consumers, and substance use disorder treatment programs.

The Washington Wellness Trust Account (Account) is established as an appropriated account. Funds paid by hospitals to meet their obligations must be deposited into the Account. The funds in the Account are to be distributed to the Department, local health jurisdictions, and counties that have adopted the local chemical dependency or mental health sales tax. Beginning in 2017, the distribution is to be made each January in the following proportions:

- The Department receives 10 percent of the funds for the purpose of activities that support the functions of local health jurisdictions.
- Local health jurisdictions receive 50 percent of the funds divided according to each local health jurisdiction's respective share of the population. Funds must be used to address population health activities.
- Counties that have adopted the local chemical dependency or mental health sales tax receive 40 percent of the funds divided according to each county's respective share of the population of all counties that have adopted the sales tax. Funds must be used for the same purposes as the local chemical dependency or mental health sales tax.

Legislative findings are made regarding the value of charity care provided by hospitals, reductions in charity care since the implementation of the federal Affordable Care Act, the effects of social determinants of health of health status, Washington's ranking for funding of and access to mental health services, and the desire to have hospitals partner with communities to improve health.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

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