

# HOUSE BILL REPORT

## ESHB 1547

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### As Amended by the Senate

**Title:** An act relating to exempting certain hospitals from certificate of need requirements for the addition of psychiatric beds until June 2019.

**Brief Description:** Exempting certain hospitals from certificate of need requirements for the addition of psychiatric beds until June 2019.

**Sponsors:** House Committee on Health Care & Wellness (originally sponsored by Representatives Schmick and Cody).

#### **Brief History:**

##### **Committee Activity:**

Health Care & Wellness: 1/31/17, 2/17/17 [DPS].

##### **Floor Activity:**

Passed House: 2/27/17, 97-0.

Senate Amended.

Passed Senate: 4/11/17, 29-20.

#### **Brief Summary of Engrossed Substitute Bill**

- Suspends certificate of need requirements through June 30, 2019, for hospitals and establishments that add new psychiatric beds and entities that construct psychiatric hospitals of no more than 16 beds.

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### HOUSE COMMITTEE ON HEALTH CARE & WELLNESS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 17 members: Representatives Cody, Chair; Macri, Vice Chair; Schmick, Ranking Minority Member; Graves, Assistant Ranking Minority Member; Caldier, Clibborn, DeBolt, Harris, Jinkins, MacEwen, Maycumber, Riccelli, Robinson, Rodne, Slatter, Stonier and Tharinger.

**Staff:** Chris Blake (786-7392).

#### **Background:**

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*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.*

The certificate of need process evaluates proposals by certain health care providers to expand health care activities and reviews the potential impact of the expansion on a community's need for the service. A certificate of need from the Department of Health (Department) is required prior to the construction, renovation, or sale of a health care facility; changes in bed capacity; an increase in the number of dialysis stations at a kidney disease treatment center; or the addition of specialized health services. Under the program, the Department reviews the project under specific criteria related to community need, quality of services, financial feasibility, and the impact on health care costs in the community. A facility or service that is subject to the certificate of need program must be approved prior to beginning operations.

For fiscal year 2015, certificate of need requirements were suspended for hospitals that changed the use of licensed beds to increase the number of beds used to provide psychiatric services. In the 2015-17 biennial capital budget, \$32 million was appropriated to the Department of Commerce to support grants to hospitals to add new psychiatric beds to their facilities. The certificate of need requirements were suspended in fiscal years 2016 and 2017 for hospitals adding beds through the grant program.

### **Summary of Engrossed Substitute Bill:**

The suspension of certificate of need requirements is reinstated through June 30, 2019 for acute care hospitals and psychiatric hospitals that increase the number of beds for psychiatric services. For acute care hospitals, the exemption applies to new psychiatric beds. For psychiatric hospitals, the exemption covers the addition of up to 30 new psychiatric beds if: (1) the last two years of cost report data show that its payer mix was at least 50 percent Medicare and Medicaid payments and; (2) the psychiatric hospital commits to maintaining a payer mix of at least 50 percent Medicare and Medicaid payments for at least five years after the beds are made available.

Until June 30, 2019, an entity that seeks to construct, develop, or establish a psychiatric hospital is exempt from certificate of need requirements if it will have no more than 16 beds and will dedicate a portion of beds to treating adults on 90- or 180-day involuntary commitment orders. The psychiatric hospital may also treat adults on a 72-hour detention or 14-day involuntary commitment order.

Acute care hospitals and psychiatric hospitals receiving an exemption from certificate of need requirements must notify the Department of Health (Department) of their intent to increase the number of psychiatric beds or to construct a new psychiatric hospital. The Department must provide the acute care hospital or psychiatric hospital with a notice of exemption within 30 days. An acute care hospital or psychiatric hospital must begin the project within two years of receiving the notice of exemption. The acute care hospital or psychiatric hospital must seek a certificate of need or reduce its licensed capacity if psychiatric beds that have been granted an exemption are changed to a different use. An entity that constructs a psychiatric hospital must receive a certificate of need if it exceeds 16 beds.

### **EFFECT OF SENATE AMENDMENT(S):**

The Senate amendment removes the 16-bed limit on the certificate of need exemption for entities seeking to construct, develop, or establish new psychiatric hospitals. The new psychiatric hospital must dedicate at least one-third of its beds to providing treatment to patients on a 90- or 180-day involuntary commitment order.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Staff Summary of Public Testimony:**

(In support) This bill will suspend the certificate of need and allow a hospital to evaluate after two years if the addition of these beds is working. These beds are needed, and this is a reasonable request under the circumstances. Hospitals should be allowed to add psychiatric beds without going through the certificate of need process. This bill dovetails with House Bill 1546. The state has previously reduced certificate of need restrictions, and the policy worked to add at least 60 new beds.

While hospitals have been adding psychiatric beds, there is still a shortage of these beds for persons in mental health crisis. The high number of single-bed certifications shows that there is still a shortage of beds for persons who have been involuntarily detained, but does not address shortages for those seeking voluntary treatment.

There needs to be an amendment to notify the hospital of the exemption. There should be a clarifying amendment to show that this is a means of increasing capacity for mental health treatment in local communities. Companies not currently operating facilities in the state should also be allowed to be a part of this exemption.

(Opposed) None.

**Persons Testifying:** Representative Schmick, prime sponsor; Chelene Whiteaker, Washington State Hospital Association; Seth Dawson, National Alliance on Mental Illness; Drew Bouton, Department of Health; and Luke Esser, Signature Healthcare Services.

**Persons Signed In To Testify But Not Testifying:** None.