

SENATE BILL REPORT

ESHB 1547

As of March 13, 2017

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

Committee Activity: Health Care: 3/13/17.

Brief Summary of 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.

SENATE COMMITTEE ON HEALTH CARE

Staff: Evan Klein (786-7483)

Background: 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

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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 Bill: The suspension of certificate of need requirements is reinstated from the effective date of the bill through June 30th, 2019, for acute care and psychiatric hospitals that are increasing the number of beds for psychiatric care, including involuntary treatment 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 their intent to increase the number of psychiatric beds or to construct a new psychiatric hospital. The Department must provide the hospital with a notice of exemption within 30 days. The project must begin within two years of receiving the notice of exemption. The 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.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: Part of the long-term plan for the state is to provide more psychiatric beds in hospitals, but also to serve more people in their communities. This bill will allow more community hospitals to provide treatment to patients in their local community. The Washington State Hospital Association supports this bill. The policy of exemption psychiatric beds from Certificate of Need works in the state. There is data supporting the need for additional treatment beds. This bill also incentives different types of hospital beds, by allowing beds in acute care settings and in free-standing psychiatric facilities. Signature Healthcare services could be part of the solution to the state's psychiatric need. The hope would be that the state would allow organizations that are not

currently operating in Washington State to build new facilities in the state, under this Certificate of Need exemption.

Persons Testifying: PRO: Representative Joe Schmick, Prime Sponsor; Chelene Whiteaker, Washington State Hospital Association; Luke Esser, Signature Healthcare Services.

Persons Signed In To Testify But Not Testifying: No one.