

HOUSE BILL REPORT

SHB 2420

*As Passed House
February 15, 1992*

Title: An act relating to rural health care facilities.

Brief Description: Modifying rural health facility certificate of need provisions.

Sponsor(s): By House Committee on Health Care (originally sponsored by Representatives Moyer, Braddock, Sprenkle, Day, Prentice, Casada, Rayburn, Bowman, Orr and Rasmussen; by request of Department of Health).

Brief History:

Reported by House Committee on:
Health Care, February 5, 1992, DPS;
Passed House, February 15, 1992, 94-0.

**HOUSE COMMITTEE ON
HEALTH CARE**

Majority Report: *The substitute bill be substituted therefor and the substitute bill do pass.* Signed by 11 members: Representatives Braddock, Chair; Day, Vice Chair; Moyer, Ranking Minority Member; Casada, Assistant Ranking Minority Member; Cantwell; Edmondson; Franklin; Morris; Paris; Prentice; and Sprenkle.

Staff: John Welsh (786-7133).

Background: Financially vulnerable hospitals are struggling to maintain needed services for the communities they serve. Some rural hospitals wish to explore a restructuring option as a "rural health facilities" under state and federal law for serving rural populations. There are financial incentives to do so through higher reimbursement from the federal Medicare program, as well as economies achievable through less strict licensure standards.

However, if the restructuring proves unfeasible, the hospital would be required to obtain a certificate of need in order to revert to its former status as a hospital, as well as be licensed as a hospital. The state certificate of need law is administered by the Department of Health and is intended to contain health care costs by avoiding the duplication of services provided by hospitals. Applicants

must obtain a certificate of need from the department to justify the need for additional hospital services.

A hospital or nursing home that wishes to make a change in bed capacity that increases the total number of licensed beds, or redistributes beds among acute care, nursing care, and boarding home care if the bed redistribution is to be effective for a period of six months, is a reviewable activity under the certificate of need law. However, there is no such requirement for a rural health facility. Additionally, the provision of new tertiary health services by a hospital or nursing home is reviewable, but there is no such requirement for a rural health facility.

There is no express authority for the department to monitor rural health access plans to assure compliance, nor to render consultative advice to facilities in contemplation of additional construction.

Summary of Bill: Under certain conditions, a rural hospital is exempt from review under the certificate of need law if, within three years of obtaining a license as a rural health facility, it reverts to its former status as a licensed hospital. These conditions provide that it has been in continuous operation as a rural health facility that has not been previously purchased or leased; there is no increase or redistribution in the number of beds it had as a licensed hospital; that it remains in compliance with the hospital licensing rules and that the condition of the physical plant and equipment is equal to or exceeds the level of compliance that existed at the time of restructuring.

A change in bed capacity or a redistribution of beds, or the provision of new tertiary services, by a rural health facility is reviewable under the certificate of need law.

The department is authorized to monitor rural health care plans and designated facilities to assure compliance with the plan. Facilities participating in the state and federal rural access program may consult with the department for advice when contemplating new construction.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: The bill is needed to provide a further incentive for hospitals wishing to restructure as rural health facilities to serve rural populations of the state. To date, none have. The bill removes the impediment of a certificate of need review if the hospital chooses to revert

to its former status if restructuring does not prove feasible. A hospital then would not be punished for attempting to take advantage of the state and federal rural access program. Additionally, a rural health facility is subject to the same provisions regarding the addition of beds and tertiary care as hospitals and nursing homes. This provides some equitable treatment for the purposes of the law.

Testimony Against: None.

Witnesses: Verne Gibbs, Department of Health (pro); and Greg Vigdor, Washington State Hospital Association.