SENATE BILL REPORT

SSB 6076

AS PASSED SENATE, FEBRUARY 13, 1992

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

SPONSORS: Senate Committee on Health & Long-Term Care (originally sponsored by Senators West, M. Kreidler, Amondson and Barr; by request of Department of Health)

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: That Substitute Senate Bill No. 6076 be substituted therefor, and the substitute bill do pass.
Signed by Senators West, Chairman; L. Smith, Vice Chairman; Amondson, and M. Kreidler.

Staff: Scott Plack (786-7409)

Hearing Dates: January 28, 1992; January 30, 1992

BACKGROUND:

In 1989 the Legislature created the rural health care facility licensure law. A major objective of the law was to provide a less stringent licensing option for rural hospitals who desired to restructure and provide more limited acute and emergency medical care. In some cases the restructuring is seen as essential to preserve health care services in the rural community and to avoid total closure of the rural hospital.

The law also allows for cooperative arrangements among rural health providers which is seen as essential to assure the preservation of a rural health care delivery system. Concerns have been raised that cooperative service delivery arrangements may be viewed as anti-competitive behavior. State oversight of these arrangements may be a solution to this concern.

Since 1989 the federal government has enacted a program to provide financial support to essential access community hospitals and rural primary care hospitals by offering higher levels of Medicare reimbursement. This was done to encourage regionalization of rural health care delivery through a system of major regional hospitals and smaller satellite facilities. The satellite facilities include rural hospitals that have been "downsized." Rural hospitals can reduce the level of acute and emergency care to become a rural primary care hospital and be eligible to receive more enhanced reimbursement. Rural health care facilities are believed to already be eligible for designation as a rural primary care hospital. Rural hospitals and rural health care facilities

must request participation in the program from an appropriate state agency that has authority to prepare a state plan to establish regional rural health networks. The Legislature granted this authority to the Department of Health in 1990.

These state and federal activities have made rural health facility licenses more appealing to rural communities, but some are concerned that they may find rural health care facility licensure too restrictive and want to later reconvert their facilities back to a hospital. In addition, rural communities that reduce the number of beds in their rural hospitals may desire to restore beds if restructuring is not working. Such action would currently require applying for a new certificate of need review, a process which is costly and time consuming. It may also require meeting new hospital construction requirements for plant and equipment which also could be very costly.

SUMMARY:

The certificate of need law is amended to allow a rural health care facility to reapply for hospital licensure without undergoing certificate of need review if done so within three years after the effective date of the rural health care facility license. A rural hospital that reduces the number of beds to become a rural primary care hospital may restore those beds without certificate of need review if done no later than three years after the reduction of beds occurred. In addition, compliance with new construction requirements is waived if the rural health care facility or rural hospital was deemed in compliance with hospital rules concerning equipment and plant at the time it converted from a rural hospital or reduced the number of licensed beds.

Other provisions of certificate of need still apply with regard to establishing tertiary services; sale, lease or construction of new hospital beds or conversion of acute beds to nursing home beds in excess of a six month period.

The Department of Health (DOH) may monitor cooperative arrangements among rural health care providers as part of its responsibilities to prepare a state rural regional health network plan. DOH may also provide consultative advice to rural health care facilities about construction projects.

Appropriation: none

Revenue: none

Fiscal Note: requested

TESTIMONY FOR:

The proposed changes will allow rural health care facilities and rural primary care hospitals to take advantage of federal funding support.

TESTIMONY AGAINST: None

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