

# HOUSE BILL REPORT

## SB 5673

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**As Reported by House Committee On:**  
Health Care & Wellness

**Title:** An act relating to requiring certificates of need for certain hospitals.

**Brief Description:** Concerning certificates of need.

**Sponsors:** Senators Pridemore, Zarelli, Keiser, Murray, Rockefeller, Hobbs, Regala and Shin.

**Brief History:**

**Committee Activity:**

Health Care & Wellness: 3/12/09, 3/20/09 [DP].

**Brief Summary of Bill**

- Requires Health Maintenance Organizations to obtain a certificate of need prior to the construction, development, establishment, sale, purchase, or lease of a hospital.

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### HOUSE COMMITTEE ON HEALTH CARE & WELLNESS

**Majority Report:** Do pass. Signed by 9 members: Representatives Cody, Chair; Ericksen, Ranking Minority Member; Bailey, Clibborn, Green, Herrera, Hinkle, Moeller and Morrell.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Driscoll, Vice Chair; Campbell, Kelley and Pedersen.

**Staff:** Jim Morishima (786-7191)

**Background:**

Generally, a certificate of need is required before:

- a health care facility may be constructed, renovated, or sold;
- the bed capacity at certain health care facilities is increased;
- the number of dialysis stations at a kidney disease center is increased; or
- the addition of specialized health services.

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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.*

When determining whether to issue a certificate of need, the Department of Health (DOH) must generally consider:

- the population's need for the service;
- the availability of less costly or more effective methods of providing the service;
- the financial feasibility and probable impact of the proposal on the cost of health care in the community;
- the need and availability of services and facilities for physicians and patients in the community;
- the efficiency and appropriateness of the use of existing similar services and facilities; and
- improvements in the financing and delivery of health services that contain costs and promote quality assurance.

The certificate of need process is, however, different for a Health Maintenance Organization (HMO). An HMO is subject, under certain circumstances, to the certificate of need process for "tertiary health services," which are specialized services that meet the complicated medical needs of people and require sufficient patient volume to optimize provider effectiveness, quality of service, and improved outcomes of care. When evaluating a certificate of need from an HMO, the DOH is not required to utilize the criteria it uses to evaluate other types of applications for certificates of need. Instead, the DOH must grant a certificate of need for an HMO if:

- approval of the application is necessary to meet the needs of existing and future members of the HMO; and
- the HMO is unable to provide, through services or facilities that can reasonably be expected to be available, its health services in a reasonable and cost-effective manner that is consistent with the basic method of operation of the organization and that makes such services available on a long-term basis through physicians and other health professionals associated with the HMO.

Currently, the DOH only subjects the HMOs to the certificate of need process for tertiary health services. An HMO that constructs, develops, establishes, sells, purchases, or leases a hospital is not subject to the certificate of need process.

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**Summary of Bill:**

An HMO that constructs, develops, establishes, sells, purchases, or leases a hospital is subject to the certificate of need process.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) This bill levels the playing field. A certificate of need is currently required for for-profit hospitals. An HMO is currently exempt from this requirement and no one can explain why. This bill would require everyone to obtain a certificate of need prior to constructing a hospital.

(Opposed) This is a bill looking for a mission. This bill was designed to deal with a situation in southwest Washington involving a Portland health provider that is not even an HMO. There is therefore no rationale for this bill. This bill would subject domestic HMOs to the certificate of need process.

**Persons Testifying:** (In support) Senator Pridemore, prime sponsor; and David Michener, Southwest Washington Medical Center.

(Opposed) Joe King, Group Health Cooperative.

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