

SENATE BILL REPORT

SHB 2450

As of February 22, 2016

Title: An act relating to allowing critical access hospitals participating in the Washington rural health access preservation pilot to resume critical access hospital payment and licensure.

Brief Description: Allowing critical access hospitals participating in the Washington rural health access preservation pilot to resume critical access hospital payment and licensure.

Sponsors: House Committee on Health Care & Wellness (originally sponsored by Representatives Tharinger, Short, Cody, Schmick, Jenkins and Blake).

Brief History: Passed House: 2/12/16, 96-0.

Committee Activity: Health Care: 2/22/16.

SENATE COMMITTEE ON HEALTH CARE

Staff: Mich'l Needham (786-7442)

Background: There are 39 hospitals in Washington that are certified as critical access hospitals. These are hospitals with 25 beds or less that are generally located in rural areas. They must deliver continuous emergency department services and they may not have an average length of stay of more than 96 hours per patient. The Critical Access Hospital Program allows hospitals under Washington's medical assistance programs to receive payment for hospital services based on allowable costs and to have more flexibility in staffing. Since 2005, there has been a moratorium on additional hospital participation in the Critical Access Hospital Program.

The state has undertaken an initiative known as "Healthier Washington." Among the projects is an effort to build new payment and delivery mechanisms for federally qualified health centers, rural health care clinics, and critical access hospitals. Critical access hospitals have been working with the Health Care Authority and the Department of Health to model and pilot a new payment and delivery system. The Department of Health and the Washington State Hospital Association have formed the Washington Rural Health Access Preservation project to examine different structures for payment and to explore options to create a new facility type that would allow rural critical access hospitals to scale their services to the needs and care patterns of the communities. The project is considering a pilot of 12 to 15 critical access hospitals to test the new type of facility. Pilot sites are being considered based upon remoteness of the location, size of the population center, and the hospital's fiscal

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performance. Hospitals interested in the pilot need some security that would allow them to return to their status as a critical access hospital if the pilot is unsuccessful.

Summary of Bill: A rural hospital that has been certified as a critical access hospital and relinquishes its status as a critical access hospital to participate in the Washington Rural Health Access Preservation (WRHAP) pilot may discontinue its participation in the pilot and resume its participation in Medicaid payment methodologies for critical access hospitals.

A rural hospital that fails to meet critical access hospital status as a result of participation in the WRHAP pilot may renew its hospital license and resume operations as a hospital with the same number of previously approved beds without having to meet certificate of need and construction review requirements. The exemption applies as long as the hospital was in compliance with licensing rules at the time it began participation in the WRHAP pilot and the condition of the hospital's physical plant and equipment is equal to or exceeds the level of compliance required when it began participation in the WRHAP pilot. If a formerly licensed hospital that participates in the WRHAP pilot is sold, purchased, or leased during the WRHAP pilot and the new owner or lessor applies to renew the hospital's license, the sale, purchase, or lease is subject to certificate of need requirements. The Department of Health may conduct an inspection to determine compliance with hospital licensing rules.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: I am here as a critical access hospital that is isolated in a rural area. The critical access status has helped the rural hospitals but not enough and we continue to face special challenges. We have been working with public payers and the Rural Health Access Preservation project to explore the opportunity to develop a new model for some struggling rural hospitals. The bill just provides a safety net if the pilot doesn't work to allow the hospitals to revert back to the previous license status. The HCA will explore the issue with the federal Centers for Medicare and Medicaid (CMS) and this bill is the first step in that process of developing a new payment model that we would hope to implement in 2017. If CMS doesn't agree with the proposal and the option to revert to the previous license status then the pilot project will likely not be initiated. In the late 1990s when the critical access hospital designation was created, we provided a safety net to allow hospitals to return to their original license and this bill just offers a parallel safety net option if the pilot does not succeed.

Persons Testifying: PRO: Mo Sheldon, CEO, Odessa Memorial Healthcare Center; Dennis Martin, Health Care Authority; Lisa Thatcher, Washington State Hospital Association.

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