

HOUSE BILL REPORT

SHB 1520

As Amended by the Senate

Title: An act relating to allowing alternative payment methodologies for critical access hospitals participating in the Washington rural health access preservation pilot.

Brief Description: Allowing alternative payment methodologies for critical access hospitals participating in the Washington rural health access preservation pilot.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Tharinger, Short, Cody, Schmick and Springer).

Brief History:

Committee Activity:

Health Care & Wellness: 2/7/17, 2/14/17 [DP];

Appropriations: 2/22/17, 2/23/17 [DPS].

Floor Activity:

Passed House: 3/3/17, 95-2.

Senate Amended.

Passed Senate: 4/11/17, 49-0.

Brief Summary of Substitute Bill

- Requires that medical assistance payments to critical access hospitals participating in the Washington Rural Health Access Preservation project be established at a level sufficient to sustain essential services to the community.

HOUSE COMMITTEE ON HEALTH CARE & WELLNESS

Majority Report: Do pass. Signed by 17 members: Representatives Cody, Chair; Macri, Vice Chair; Schmick, Ranking Minority Member; Graves, Assistant Ranking Minority Member; Caldier, Clibborn, DeBolt, Harris, Jinkins, MacEwen, Maycumber, Riccelli, Robinson, Rodne, Slatter, Stonier and Tharinger.

Staff: Chris Blake (786-7392).

HOUSE COMMITTEE ON APPROPRIATIONS

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.

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 32 members: Representatives Ormsby, Chair; Robinson, Vice Chair; Chandler, Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Stokesbary, Assistant Ranking Minority Member; Bergquist, Buys, Caldier, Cody, Condotta, Fitzgibbon, Haler, Hansen, Harris, Hudgins, Jinkins, Kagi, Lytton, Manweller, Nealey, Pettigrew, Pollet, Sawyer, Schmick, Senn, Springer, Sullivan, Taylor, Tharinger, Vick, Volz and Wilcox.

Staff: Catrina Lucero (786-7192).

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.

The Department of Health and the Health Care Authority, in collaboration with the Washington State Hospital Association, have formed the Washington Rural Health Access Preservation (WRHAP) project to examine different structures for payment and care delivery for critical access hospitals. The WRHAP project expects 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. An interim progress report on the WRHAP project is due to the Legislature by December 1, 2018.

Summary of Substitute Bill:

It is clarified that the cost-based method for reimbursing critical access hospitals under medical assistance programs does not apply to critical access hospitals participating in the Washington Rural Health Access Preservation (WRHAP) pilot.

Subject to appropriation, payments for services delivered by public health care service districts participating in the WRHAP pilot must be sufficient to sustain essential services to the community, including emergency and primary care services. The reimbursement methodology must adjust payment amounts based upon quality and value, rather than volume, and the Health Care Authority must encourage other health care payers to adopt the methodology.

The stated purpose of the WRHAP is to develop an alternative service and payment system to the critical access hospital structure and to sustain essential services in rural communities.

EFFECT OF SENATE AMENDMENT(S):

The Senate amendment requires funds appropriated for the Washington Rural Health Access Preservation pilot to be used to help participating hospitals in the transition to a new payment methodology. The appropriated funds do not extend beyond the three-year period of the

pilot. The bill is null and void if specific funding for it is not included in the operating budget.

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 (Health Care & Wellness):

(In support) The state wants hospitals to innovate and move from fee-for-service reimbursement to a value-based system. This bill provides assurance to hospitals that the funding in the Washington Rural Hospital Access Preservation (WRHAP) pilot projects will allow them to maintain the reimbursement rates that they had before. The 14 remote, low-volume critical access hospitals participating in the WRHAP program provide a full range of health care services from primary care to acute care, and sometimes long-term care. The operating margin for these hospitals in 2015 was negative 10 percent and financial problems at these hospitals jeopardize the hospitals as well as their communities. This bill allows for the Health Care Authority to reimburse the hospitals differently and allows them to sustain their services and provide support for a comprehensive population health management system.

Critical access hospital status has provided some financial stability, however, small remote hospitals still face challenges due to low volume, shifting from inpatient to outpatient services, and a lack of commercial payers. Hospitals cannot afford to not be critical access, but they also cannot provide all of the required services. It is hoped that the WRHAP project will provide flexible funding based on services that fit the community as well as predictable and stable funding.

(Opposed) None.

Staff Summary of Public Testimony (Appropriations):

(In support) The hospitals participating in this pilot project are the smallest and most remote, and financially vulnerable. They are often the only health care provider for their community. In some areas, if the hospitals were to close, communities would lose access to essential services. This pilot project will make crucial investments in activities like care coordination and behavioral health integration. Under the current system, hospitals are penalized for improvements in primary care that decrease the utilization of emergency departments because such decreases lead to a loss of revenue. The pilot project will help to remedy this and provide a path forward for very small, rural, and essential hospitals.

(Opposed) None.

Persons Testifying (Health Care & Wellness): Representative Tharinger, prime sponsor; Jacqueline True, Department of Health; and Brenda Parnell and Mathew Hanson, Garfield County Health District.

Persons Testifying (Appropriations): Jacqueline Barton True and Len McComb, Washington State Hospital Association.

Persons Signed In To Testify But Not Testifying (Health Care & Wellness): None.

Persons Signed In To Testify But Not Testifying (Appropriations): None.