

# SENATE BILL REPORT

## SHB 1520

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As Reported by Senate Committee On:  
Health Care, March 23, 2017

**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:** Passed House: 3/03/17, 95-2.

**Committee Activity:** Health Care: 3/20/17, 3/23/17 [DP-WM].

### Brief Summary of 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.

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### SENATE COMMITTEE ON HEALTH CARE

**Majority Report:** Do pass and be referred to Committee on Ways & Means.

Signed by Senators Rivers, Chair; Becker, Vice Chair; Cleveland, Ranking Minority Member; Kuderer, Assistant Ranking Minority Member; Bailey, Conway, Fain, Keiser, Miloscia, Mullet, O'Ban and Walsh.

**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

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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 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 WRHAP pilot. 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.

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.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

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

**Staff Summary of Public Testimony:** PRO: This provides a focus on rural health to help our critical access hospitals innovate, provide better outcomes, and move away from fee for service payments. The new payment method should be a better match for the services communities need. The rural critical access hospitals are the foundation for services in our rural areas. Fourteen hospitals are participating in the Washington Rural Health Access Preservation project and we've been meeting for 18 months to explore options to support critical access hospitals. In some areas they are the only access for miles, like the 800 square miles covered by Garfield County. These hospitals have an average margin of negative 10 percent and they are interested in exploring innovative alternatives to a cost-based payment that helps them continue offering critical services to their communities. Morton General Hospital covers 700 square miles and has one of the oldest populations in the state. The nearest emergency room is over an hour away, in good weather. The critical access status has provided some stability but there is a lack of commercial payers and we have a negative margin, but we want to continue to offer the clinic and emergency services. The pilot could help us stabilize and have more flexibility.

**Persons Testifying:** PRO: Representative Steve Tharinger, Prime Sponsor; Jacqueline Barton True, Washington State Hospital Association; Leianne Everett, CEO, Morton General Hospital.

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