# SENATE BILL REPORT
# SB 6354

As Passed Senate, February 19, 2020

**Title**: An act relating to providing enhanced payment to low volume, small rural hospitals.

**Brief Description**: Providing enhanced payment to low volume, small rural hospitals.

**Sponsors**: Senators King, Cleveland, Keiser and Honeyford.

**Brief History:**
**Committee Activity**: Health & Long Term Care: 1/29/20, 2/05/20 [DP-WM].
Ways & Means: 2/10/20, 2/11/20 [DP, w/oRec].
**Floor Activity:**
Passed Senate: 2/19/20, 48-0.

**Brief Summary of Bill**

- Increases Medicaid payments for low volume, rural hospitals to 150 percent of the hospital's fee-for-service rates.

## SENATE COMMITTEE ON HEALTH & LONG TERM CARE

**Majority Report**: Do pass and be referred to Committee on Ways & Means.
Signed by Senators Cleveland, Chair; O'Ban, Ranking Member; Becker, Dhingra, Frockt, Keiser, Muzzall, Rivers and Van De Wege.

**Staff**: LeighBeth Merrick (786-7445)

## SENATE COMMITTEE ON WAYS & MEANS

**Majority Report**: Do pass.
Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Mullet, Capital Budget Cabinet; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Becker, Billig, Carlyle, Conway, Darneille, Dhingra, Hunt, Keiser, Liias, Muzzall, Pedersen, Rivers, Schoesler, Van De Wege, Wagoner, Warnick and Wilson, L..

**Minority Report**: That it be referred without recommendation.

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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.*

Signed by Senator Hasegawa.

**Staff**: Sandy Stith (786-7710)

**Background**: Rural hospitals report unique operating challenges due to their remote locations and the large percentage of their revenue derived from publicly funded health care programs, including Medicaid and Medicare. Eligible rural hospitals may be certified by the Centers for Medicare and Medicaid Services as critical access hospitals. To be eligible for critical access hospital status, a rural hospital must have 25 beds or less, offer 24/7 emergency department services, and have an average length of stay of 96 hours or less per patient. In Washington, there are 39 critical access hospitals. These hospitals are often operated by public hospital districts. In addition to emergency and acute care, they provide a range of health care services such as primary care, long-term care, and physical and occupational therapy. These hospitals receive Medicare and Medicaid payments based on allowable costs, whereas non-designated critical access hospitals are paid based on a set fee per diagnosis or procedure.

In 2014, The Department of Health and the Washington State Hospital Association created the Washington Rural Health Access Preservation (WRHAP) pilot to reform payment and service delivery for Washington's rural hospitals. Currently, there are 13 hospitals participating in the WRHAP pilot working to implement or expand care coordination and behavioral health services for Medicaid clients.

**Summary of Bill**: Beginning July 1, 2020, Medicaid payments, regardless of the beneficiary's managed care enrollment status, must be increased to 150 percent of the hospital's fee-for-service rates, when services are provided by a hospital that:

- has less than 70 available acute care beds as reported in the hospital's 2018 department of health year-end report;
- is not currently designated as a critical access hospital, and does not meet current federal eligibility requirements for designation as a critical access hospital; and
- has combined Medicare and Medicaid inpatient days greater than 80 percent, as reported in the hospital's 2018 cost report.

**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 (Health & Long Term Care)**: PRO: Rural hospitals have a number of operating challenges. This would apply to four rural hospitals and is a reasonable request. We would recommend amending the threshold to combined Medicare and Medicaid inpatient days greater than 85 percent so it only includes Toppenish.

**Persons Testifying (Health & Long Term Care)**: PRO: Senator Curtis King, Prime Sponsor; Eric Jensen, Astria Toppenish Hospital; Roman Daniels-Brown, Astria Health.

**Persons Signed In To Testify But Not Testifying (Health & Long Term Care)**: No one.

**Staff Summary of Public Testimony (Ways & Means)**: PRO: The majority of our clients are Yakima Valley farm workers and members of the Yakima Nation. Toppenish is not a critical access hospital (CAH). Because Toppenish is not a CAH, it is not reimbursed at cost for its Medicaid and Medicare clients who make up 87 percent of its patients. Other similar hospitals have between 27 and 37 percent Medicaid and Medicare. This bill would help level the playing field for non-critical access hospitals with a high volume of Medicaid and Medicare. A similar version of this bill was heard and passed out of Ways & Means last year. Not meeting our costs makes it difficult to recruit and retain staff. If Toppenish closes, clients would go to Sunnyside, which is a CAH, so costs would increase anyway because Sunnyside is paid at cost.

**Persons Testifying (Ways & Means)**: PRO: Roman Daniels-Brown, Astria Health Toppenish; Eric Jensen, Astria Toppenish Hospital.

**Persons Signed In To Testify But Not Testifying (Ways & Means)**: No one.