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**SUBSTITUTE SENATE BILL 5236**

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**State of Washington**

**67th Legislature**

**2021 Regular Session**

**By** Senate Behavioral Health Subcommittee to Health & Long Term Care (originally sponsored by Senators Warnick, Dhingra, Nguyen, and Wagoner)

READ FIRST TIME 02/08/21.

1 AN ACT Relating to extending the exemption from certificate of  
2 need requirements for the expansion of psychiatric bed capacity; and  
3 amending RCW 70.38.111 and 70.38.260.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 70.38.111 and 2020 c 258 s 1 are each amended to  
6 read as follows:

7 (1) The department shall not require a certificate of need for  
8 the offering of an inpatient tertiary health service by:

9 (a) A health maintenance organization or a combination of health  
10 maintenance organizations if (i) the organization or combination of  
11 organizations has, in the service area of the organization or the  
12 service areas of the organizations in the combination, an enrollment  
13 of at least fifty thousand individuals, (ii) the facility in which  
14 the service will be provided is or will be geographically located so  
15 that the service will be reasonably accessible to such enrolled  
16 individuals, and (iii) at least seventy-five percent of the patients  
17 who can reasonably be expected to receive the tertiary health service  
18 will be individuals enrolled with such organization or organizations  
19 in the combination;

20 (b) A health care facility if (i) the facility primarily provides  
21 or will provide inpatient health services, (ii) the facility is or

1 will be controlled, directly or indirectly, by a health maintenance  
2 organization or a combination of health maintenance organizations  
3 which has, in the service area of the organization or service areas  
4 of the organizations in the combination, an enrollment of at least  
5 fifty thousand individuals, (iii) the facility is or will be  
6 geographically located so that the service will be reasonably  
7 accessible to such enrolled individuals, and (iv) at least seventy-  
8 five percent of the patients who can reasonably be expected to  
9 receive the tertiary health service will be individuals enrolled with  
10 such organization or organizations in the combination; or

11 (c) A health care facility (or portion thereof) if (i) the  
12 facility is or will be leased by a health maintenance organization or  
13 combination of health maintenance organizations which has, in the  
14 service area of the organization or the service areas of the  
15 organizations in the combination, an enrollment of at least fifty  
16 thousand individuals and, on the date the application is submitted  
17 under subsection (2) of this section, at least fifteen years remain  
18 in the term of the lease, (ii) the facility is or will be  
19 geographically located so that the service will be reasonably  
20 accessible to such enrolled individuals, and (iii) at least seventy-  
21 five percent of the patients who can reasonably be expected to  
22 receive the tertiary health service will be individuals enrolled with  
23 such organization;

24 if, with respect to such offering or obligation by a nursing home,  
25 the department has, upon application under subsection (2) of this  
26 section, granted an exemption from such requirement to the  
27 organization, combination of organizations, or facility.

28 (2) A health maintenance organization, combination of health  
29 maintenance organizations, or health care facility shall not be  
30 exempt under subsection (1) of this section from obtaining a  
31 certificate of need before offering a tertiary health service unless:

32 (a) It has submitted at least thirty days prior to the offering  
33 of services reviewable under RCW 70.38.105(4)(d) an application for  
34 such exemption; and

35 (b) The application contains such information respecting the  
36 organization, combination, or facility and the proposed offering or  
37 obligation by a nursing home as the department may require to  
38 determine if the organization or combination meets the requirements  
39 of subsection (1) of this section or the facility meets or will meet  
40 such requirements; and

1 (c) The department approves such application. The department  
2 shall approve or disapprove an application for exemption within  
3 thirty days of receipt of a completed application. In the case of a  
4 proposed health care facility (or portion thereof) which has not  
5 begun to provide tertiary health services on the date an application  
6 is submitted under this subsection with respect to such facility (or  
7 portion), the facility (or portion) shall meet the applicable  
8 requirements of subsection (1) of this section when the facility  
9 first provides such services. The department shall approve an  
10 application submitted under this subsection if it determines that the  
11 applicable requirements of subsection (1) of this section are met.

12 (3) A health care facility (or any part thereof) with respect to  
13 which an exemption was granted under subsection (1) of this section  
14 may not be sold or leased and a controlling interest in such facility  
15 or in a lease of such facility may not be acquired and a health care  
16 facility described in (1)(c) which was granted an exemption under  
17 subsection (1) of this section may not be used by any person other  
18 than the lessee described in (1)(c) unless:

19 (a) The department issues a certificate of need approving the  
20 sale, lease, acquisition, or use; or

21 (b) The department determines, upon application, that (i) the  
22 entity to which the facility is proposed to be sold or leased, which  
23 intends to acquire the controlling interest, or which intends to use  
24 the facility is a health maintenance organization or a combination of  
25 health maintenance organizations which meets the requirements of  
26 (1)(a)(i), and (ii) with respect to such facility, meets the  
27 requirements of (1)(a)(ii) or (iii) or the requirements of (1)(b)(i)  
28 and (ii).

29 (4) In the case of a health maintenance organization, an  
30 ambulatory care facility, or a health care facility, which ambulatory  
31 or health care facility is controlled, directly or indirectly, by a  
32 health maintenance organization or a combination of health  
33 maintenance organizations, the department may under the program apply  
34 its certificate of need requirements to the offering of inpatient  
35 tertiary health services to the extent that such offering is not  
36 exempt under the provisions of this section or RCW 70.38.105(7).

37 (5)(a) The department shall not require a certificate of need for  
38 the construction, development, or other establishment of a nursing  
39 home, or the addition of beds to an existing nursing home, that is  
40 owned and operated by a continuing care retirement community that:

1 (i) Offers services only to contractual members;

2 (ii) Provides its members a contractually guaranteed range of  
3 services from independent living through skilled nursing, including  
4 some assistance with daily living activities;

5 (iii) Contractually assumes responsibility for the cost of  
6 services exceeding the member's financial responsibility under the  
7 contract, so that no third party, with the exception of insurance  
8 purchased by the retirement community or its members, but including  
9 the medicaid program, is liable for costs of care even if the member  
10 depletes his or her personal resources;

11 (iv) Has offered continuing care contracts and operated a nursing  
12 home continuously since January 1, 1988, or has obtained a  
13 certificate of need to establish a nursing home;

14 (v) Maintains a binding agreement with the state assuring that  
15 financial liability for services to members, including nursing home  
16 services, will not fall upon the state;

17 (vi) Does not operate, and has not undertaken a project that  
18 would result in a number of nursing home beds in excess of one for  
19 every four living units operated by the continuing care retirement  
20 community, exclusive of nursing home beds; and

21 (vii) Has obtained a professional review of pricing and long-term  
22 solvency within the prior five years which was fully disclosed to  
23 members.

24 (b) A continuing care retirement community shall not be exempt  
25 under this subsection from obtaining a certificate of need unless:

26 (i) It has submitted an application for exemption at least thirty  
27 days prior to commencing construction of, is submitting an  
28 application for the licensure of, or is commencing operation of a  
29 nursing home, whichever comes first; and

30 (ii) The application documents to the department that the  
31 continuing care retirement community qualifies for exemption.

32 (c) The sale, lease, acquisition, or use of part or all of a  
33 continuing care retirement community nursing home that qualifies for  
34 exemption under this subsection shall require prior certificate of  
35 need approval to qualify for licensure as a nursing home unless the  
36 department determines such sale, lease, acquisition, or use is by a  
37 continuing care retirement community that meets the conditions of (a)  
38 of this subsection.

39 (6) A rural hospital, as defined by the department, reducing the  
40 number of licensed beds to become a rural primary care hospital under

1 the provisions of Part A Title XVIII of the Social Security Act  
2 Section 1820, 42 U.S.C., 1395c et seq. may, within three years of the  
3 reduction of beds licensed under chapter 70.41 RCW, increase the  
4 number of licensed beds to no more than the previously licensed  
5 number without being subject to the provisions of this chapter.

6 (7) A rural health care facility licensed under RCW 70.175.100  
7 formerly licensed as a hospital under chapter 70.41 RCW may, within  
8 three years of the effective date of the rural health care facility  
9 license, apply to the department for a hospital license and not be  
10 subject to the requirements of RCW 70.38.105(4)(a) as the  
11 construction, development, or other establishment of a new hospital,  
12 provided there is no increase in the number of beds previously  
13 licensed under chapter 70.41 RCW and there is no redistribution in  
14 the number of beds used for acute care or long-term care, the rural  
15 health care facility has been in continuous operation, and the rural  
16 health care facility has not been purchased or leased.

17 (8) A rural hospital determined to no longer meet critical access  
18 hospital status for state law purposes as a result of participation  
19 in the Washington rural health access preservation pilot identified  
20 by the state office of rural health and formerly licensed as a  
21 hospital under chapter 70.41 RCW may apply to the department to renew  
22 its hospital license and not be subject to the requirements of RCW  
23 70.38.105(4)(a) as the construction, development, or other  
24 establishment of a new hospital, provided there is no increase in the  
25 number of beds previously licensed under chapter 70.41 RCW. If all or  
26 part of a formerly licensed rural hospital is sold, purchased, or  
27 leased during the period the rural hospital does not meet critical  
28 access hospital status as a result of participation in the Washington  
29 rural health access preservation pilot and the new owner or lessor  
30 applies to renew the rural hospital's license, then the sale,  
31 purchase, or lease of part or all of the rural hospital is subject to  
32 the provisions of this chapter.

33 (9)(a) A nursing home that voluntarily reduces the number of its  
34 licensed beds to provide assisted living, licensed assisted living  
35 facility care, adult day care, adult day health, respite care,  
36 hospice, outpatient therapy services, congregate meals, home health,  
37 or senior wellness clinic, or to reduce to one or two the number of  
38 beds per room or to otherwise enhance the quality of life for  
39 residents in the nursing home, may convert the original facility or  
40 portion of the facility back, and thereby increase the number of

1 nursing home beds to no more than the previously licensed number of  
2 nursing home beds without obtaining a certificate of need under this  
3 chapter, provided the facility has been in continuous operation and  
4 has not been purchased or leased. Any conversion to the original  
5 licensed bed capacity, or to any portion thereof, shall comply with  
6 the same life and safety code requirements as existed at the time the  
7 nursing home voluntarily reduced its licensed beds; unless waivers  
8 from such requirements were issued, in which case the converted beds  
9 shall reflect the conditions or standards that then existed pursuant  
10 to the approved waivers.

11 (b) To convert beds back to nursing home beds under this  
12 subsection, the nursing home must:

13 (i) Give notice of its intent to preserve conversion options to  
14 the department of health no later than thirty days after the  
15 effective date of the license reduction; and

16 (ii) Give notice to the department of health and to the  
17 department of social and health services of the intent to convert  
18 beds back. If construction is required for the conversion of beds  
19 back, the notice of intent to convert beds back must be given, at a  
20 minimum, one year prior to the effective date of license modification  
21 reflecting the restored beds; otherwise, the notice must be given a  
22 minimum of ninety days prior to the effective date of license  
23 modification reflecting the restored beds. Prior to any license  
24 modification to convert beds back to nursing home beds under this  
25 section, the licensee must demonstrate that the nursing home meets  
26 the certificate of need exemption requirements of this section.

27 The term "construction," as used in (b)(ii) of this subsection,  
28 is limited to those projects that are expected to equal or exceed the  
29 expenditure minimum amount, as determined under this chapter.

30 (c) Conversion of beds back under this subsection must be  
31 completed no later than four years after the effective date of the  
32 license reduction. However, for good cause shown, the four-year  
33 period for conversion may be extended by the department of health for  
34 one additional four-year period.

35 (d) Nursing home beds that have been voluntarily reduced under  
36 this section shall be counted as available nursing home beds for the  
37 purpose of evaluating need under RCW 70.38.115(2) (a) and (k) so long  
38 as the facility retains the ability to convert them back to nursing  
39 home use under the terms of this section.

1 (e) When a building owner has secured an interest in the nursing  
2 home beds, which are intended to be voluntarily reduced by the  
3 licensee under (a) of this subsection, the applicant shall provide  
4 the department with a written statement indicating the building  
5 owner's approval of the bed reduction.

6 (10)(a) The department shall not require a certificate of need  
7 for a hospice agency if:

8 (i) The hospice agency is designed to serve the unique religious  
9 or cultural needs of a religious group or an ethnic minority and  
10 commits to furnishing hospice services in a manner specifically aimed  
11 at meeting the unique religious or cultural needs of the religious  
12 group or ethnic minority;

13 (ii) The hospice agency is operated by an organization that:

14 (A) Operates a facility, or group of facilities, that offers a  
15 comprehensive continuum of long-term care services, including, at a  
16 minimum, a licensed, medicare-certified nursing home, assisted  
17 living, independent living, day health, and various community-based  
18 support services, designed to meet the unique social, cultural, and  
19 religious needs of a specific cultural and ethnic minority group;

20 (B) Has operated the facility or group of facilities for at least  
21 ten continuous years prior to the establishment of the hospice  
22 agency;

23 (iii) The hospice agency commits to coordinating with existing  
24 hospice programs in its community when appropriate;

25 (iv) The hospice agency has a census of no more than forty  
26 patients;

27 (v) The hospice agency commits to obtaining and maintaining  
28 medicare certification;

29 (vi) The hospice agency only serves patients located in the same  
30 county as the majority of the long-term care services offered by the  
31 organization that operates the agency; and

32 (vii) The hospice agency is not sold or transferred to another  
33 agency.

34 (b) The department shall include the patient census for an agency  
35 exempted under this subsection (10) in its calculations for future  
36 certificate of need applications.

37 (11) To alleviate the need to board psychiatric patients in  
38 emergency departments and increase capacity of hospitals to serve  
39 individuals on ninety-day or one hundred eighty-day commitment

1 orders, for the period of time from May 5, 2017, through June 30,  
2 ((2021)) 2023:

3 (a) The department shall suspend the certificate of need  
4 requirement for a hospital licensed under chapter 70.41 RCW that  
5 changes the use of licensed beds to increase the number of beds to  
6 provide psychiatric services, including involuntary treatment  
7 services. A certificate of need exemption under this subsection  
8 (11) (a) shall be valid for two years.

9 (b) The department may not require a certificate of need for:

10 (i) The addition of beds as described in RCW 70.38.260 (2) and  
11 (3); or

12 (ii) The construction, development, or establishment of a  
13 psychiatric hospital licensed as an establishment under chapter 71.12  
14 RCW that will have no more than sixteen beds and provide treatment to  
15 adults on ninety or one hundred eighty-day involuntary commitment  
16 orders, as described in RCW 70.38.260(4).

17 (12) (a) An ambulatory surgical facility is exempt from all  
18 certificate of need requirements if the facility:

19 (i) Is an individual or group practice and, if the facility is a  
20 group practice, the privilege of using the facility is not extended  
21 to physicians outside the group practice;

22 (ii) Operated or received approval to operate, prior to January  
23 19, 2018; and

24 (iii) Was exempt from certificate of need requirements prior to  
25 January 19, 2018, because the facility either:

26 (A) Was determined to be exempt from certificate of need  
27 requirements pursuant to a determination of reviewability issued by  
28 the department; or

29 (B) Was a single-specialty endoscopy center in existence prior to  
30 January 14, 2003, when the department determined that endoscopy  
31 procedures were surgeries for purposes of certificate of need.

32 (b) The exemption under this subsection:

33 (i) Applies regardless of future changes of ownership, corporate  
34 structure, or affiliations of the individual or group practice as  
35 long as the use of the facility remains limited to physicians in the  
36 group practice; and

37 (ii) Does not apply to changes in services, specialties, or  
38 number of operating rooms.

39 (13) A rural health clinic providing health services in a home  
40 health shortage area as declared by the department pursuant to 42



1 C.F.R. Sec. 405.2416 is not subject to certificate of need review  
2 under this chapter.

3 **Sec. 2.** RCW 70.38.260 and 2019 c 324 s 9 are each amended to  
4 read as follows:

5 (1) For a grant awarded during fiscal years 2018 and 2019 by the  
6 department of commerce under this section, hospitals licensed under  
7 chapter 70.41 RCW and psychiatric hospitals licensed as  
8 establishments under chapter 71.12 RCW are not subject to certificate  
9 of need requirements for the addition of the number of new  
10 psychiatric beds indicated in the grant. The department of commerce  
11 may not make a prior approval of a certificate of need application a  
12 condition for a grant application under this section. The period  
13 during which an approved hospital or psychiatric hospital project  
14 qualifies for a certificate of need exemption under this section is  
15 two years from the date of the grant award.

16 (2) (a) Until June 30, ~~((2021))~~ 2023, a hospital licensed under  
17 chapter 70.41 RCW is exempt from certificate of need requirements for  
18 the addition of new psychiatric beds.

19 (b) A hospital that adds new psychiatric beds under this  
20 subsection (2) must:

21 (i) Notify the department of the addition of new psychiatric  
22 beds. The department shall provide the hospital with a notice of  
23 exemption within thirty days; and

24 (ii) Commence the project within two years of the date of receipt  
25 of the notice of exemption.

26 (c) Beds granted an exemption under RCW 70.38.111(11)(b) must  
27 remain psychiatric beds unless a certificate of need is granted to  
28 change their use or the hospital voluntarily reduces its licensed  
29 capacity.

30 (3) (a) Until June 30, ~~((2021))~~ 2023, a psychiatric hospital  
31 licensed as an establishment under chapter 71.12 RCW is exempt from  
32 certificate of need requirements for the one-time addition of up to  
33 ~~((thirty))~~ 30 new psychiatric beds ~~((, and for the one-time addition  
34 of up to sixty psychiatric beds devoted solely to ninety-day and one  
35 hundred eighty-day civil commitment patients if the hospital was  
36 awarded any grant by the department of commerce to increase  
37 behavioral health capacity in fiscal year 2019 and))~~ devoted solely  
38 for 90-day and 180-day civil commitment services and for the one-time  
39 addition of up to 30 new voluntary psychiatric beds or involuntary

1 psychiatric beds for patients on a 120 hour detention or 14-day civil  
2 commitment order, if the hospital makes a commitment to maintain a  
3 payer mix of at least fifty percent medicare and medicaid based on a  
4 calculation using patient days for a period of five consecutive years  
5 after the beds are made available for use by patients, if it  
6 demonstrates to the satisfaction of the department:

7 (i) That its most recent two years of publicly available fiscal  
8 year-end report data as required under RCW 70.170.100 and 43.70.050  
9 reported to the department by the psychiatric hospital, show a payer  
10 mix of a minimum of fifty percent medicare and medicaid based on a  
11 calculation using patient days; and

12 (ii) A commitment to maintaining the payer mix in (a) of this  
13 subsection for a period of five consecutive years after the beds are  
14 made available for use by patients.

15 (b) A psychiatric hospital that adds new psychiatric beds under  
16 this subsection (3) must:

17 (i) Notify the department of the addition of new psychiatric  
18 beds. The department shall provide the psychiatric hospital with a  
19 notice of exemption within thirty days; and

20 (ii) Commence the project within two years of the date of receipt  
21 of the notice of exemption.

22 (c) Beds granted an exemption under RCW 70.38.111(11)(b) must  
23 remain the types of psychiatric beds indicated to the department in  
24 the original exemption application unless a certificate of need is  
25 granted to change their use or the psychiatric hospital voluntarily  
26 reduces its licensed capacity.

27 (4)(a) Until June 30, (~~2021~~) 2023, an entity seeking to  
28 construct, develop, or establish a psychiatric hospital licensed as  
29 an establishment under chapter 71.12 RCW is exempt from certificate  
30 of need requirements if the proposed psychiatric hospital will have  
31 no more than sixteen beds and dedicate a portion of the beds to  
32 providing treatment to adults on ninety or one hundred eighty-day  
33 involuntary commitment orders. The psychiatric hospital may also  
34 provide treatment to adults on a seventy-two hour detention or  
35 fourteen-day involuntary commitment order.

36 (b) An entity that seeks to construct, develop, or establish a  
37 psychiatric hospital under this subsection (4) must:

38 (i) Notify the department of the addition of construction,  
39 development, or establishment. The department shall provide the  
40 entity with a notice of exemption within thirty days; and

1           (ii) Commence the project within two years of the date of receipt  
2 of the notice of exemption.

3           (c) Entities granted an exemption under RCW 70.38.111(11)(b)(ii)  
4 may not exceed sixteen beds unless a certificate of need is granted  
5 to increase the psychiatric hospital's capacity.

6           (5) This section expires June 30, 2025.

--- **END** ---