

HOUSE BILL REPORT

SSB 6076

*As Passed House
March 3, 1992*

Title: An act relating to rural health care facilities.

Brief Description: Modifying rural health facility certificate of need provisions.

Sponsor(s): By Senate Committee on Health & Long-Term Care (originally sponsored by Senators West, M. Kreidler, Amondson and Barr; by request of Department of Health).

Brief History:

Reported by House Committee on:
Health Care, February 27, 1992, DP;
Passed House, March 3, 1992, 96-0.

**HOUSE COMMITTEE ON
HEALTH CARE**

Majority Report: *Do pass.* Signed by 11 members: Representatives Braddock, Chair; Day, Vice Chair; Moyer, Ranking Minority Member; Casada, Assistant Ranking Minority Member; Cantwell; Edmondson; Franklin; Morris; Paris; Prentice; and Sprenkle.

Staff: John Welsh (786-7133).

Background: In 1989 the Legislature created the rural health care facility licensure law. A major objective of the law was to provide a less stringent licensing option for rural hospitals which desired to restructure and provide more limited acute and emergency medical care. In some cases the restructuring is seen as essential to preserve health care services in the rural community and to avoid total closure of the rural hospital.

By restructuring, rural hospitals can reduce the level of acute and emergency care to become a rural primary care hospital and be eligible to receive more enhanced reimbursement. Under federal law, rural health care facilities are believed to already be eligible for designation as a rural primary care hospital. Rural hospitals and rural health care facilities must request participation in the program from an appropriate state agency that has authority to prepare a state plan to

establish regional rural health networks. The Legislature granted this authority to the Department of Health in 1990.

However, if the restructuring proves unfeasible, the hospital would be required to obtain a certificate of need in order to revert to its former status as a hospital, as well as be licensed as a hospital. The state certificate of need law is administered by the Department of Health and intended to contain health care costs by avoiding the duplication of services provided by hospitals. Applicants must obtain a certificate of need from the department to justify the need for additional hospital services.

Therefore, faced with the legal barriers of a certificate of need review and re-licensure as a hospital if restructuring as a rural health care facility is not economically viable, there is no incentive for a hospital to convert.

A hospital or nursing home that wishes to make a change in bed capacity that increases the total number of licensed beds, or redistributes beds among acute care, nursing care, and boarding home care if the bed redistribution is to be effective for a period of six months, is a reviewable activity under the certificate of need law. However, there is no such requirement for a rural health facility. Additionally, the provision of new tertiary health services by a hospital or nursing home is reviewable, but there is no such requirement for a rural health facility.

The law also allows for cooperative arrangements among rural health providers which is seen as essential to assure the preservation of a rural health care delivery system. Concerns have been raised that cooperative service delivery arrangements may be viewed as anti-competitive behavior. State oversight of these arrangements may be a solution to this concern. There is no express authority for the department to monitor rural health access plans to assure compliance, nor for rendering consultative advice to facilities in contemplation of additional construction.

Summary of Bill: A rural hospital is exempt from review under the certificate of need law if, within three years of its obtaining a license as a rural health facility, it reverts to its former status as a licensed hospital under certain conditions. These conditions provide that it has been in continuous operation as a rural health facility that has not been previously purchased or leased; there is no increase or redistribution in the number of beds it had as a licensed hospital; and it remains in compliance with the hospital licensing rules and the condition of the physical plant and equipment is at least equal to the level of compliance that existed at the time of restructuring.

A change in bed capacity or a redistribution of beds, or the provision of new tertiary services, by a rural health facility is reviewable under the certificate of need law.

The department may monitor cooperative arrangements among rural health care providers as part of its responsibilities to prepare a state rural regional health network plan. The department may also provide consultative advice to rural health care facilities about construction projects.

Fiscal Note: Not requested.

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

Testimony For: The bill is needed to provide a further incentive for hospitals wishing to restructure as rural health facilities to serve rural populations of the state. To date, none have. The bill removes the impediment of a certificate of need review if the hospital chooses to revert to its former status if restructuring does not prove feasible. A hospital then would not be punished for attempting to take advantage of the state and federal Rural Access Program. Additionally, a rural health facility is subject to the same provisions regarding the addition of beds and tertiary care as hospitals and nursing homes, and this provides some equitable treatment for the purposes of the law.

Testimony Against: None.

Witnesses: Verne Gibbs, Department of Health (pro).