

SENATE BILL REPORT

SB 5597

AS REPORTED BY COMMITTEE ON HEALTH & LONG-TERM CARE,  
MARCH 6, 1991

**Brief Description:** Requiring the department of social and health services and the state health care authority to plan for better financial aid to rural health care facilities.

**SPONSORS:** Senators West, Snyder, Barr and Jesernig.

**SENATE COMMITTEE ON HEALTH & LONG-TERM CARE**

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

Signed by Senators West, Chairman; L. Smith, Vice Chairman; Amondson, Johnson, L. Kreidler, Niemi, and Wojahn.

**Staff:** Scott Plack (786-7409)

**Hearing Dates:** March 5, 1991; March 6, 1991

**BACKGROUND:**

A recent report by the Washington State Hospital Association claims that 48 percent of the state's rural hospitals are in very poor financial condition. The report indicates that while adjusted admission rates for all hospitals are down, the absolute number of admissions for rural hospitals have declined while they have risen for urban hospitals. In addition, there are differences in financial performance among rural hospitals. While some do better than others, 61 percent were reported to have suffered financial losses in 1989.

The report identifies four major reasons for poor financial performance of rural hospitals. They include public payment systems providing inadequate reimbursement, the growing proportion of uninsured and underinsured patients which leave the hospital with little ability to shift the cost of care to the private pay base because of its small size, a growing number of private pay patients seeking care outside the community and the general shift of care from the inpatient to the outpatient setting.

The report claims that the state medical assistance programs pay at rates which are often below costs. State Health Care Authority (HCA) practices are also attributed for exacerbating the financial conditions of some rural hospitals. The HCA often contracts with providers outside the community because they are able or willing to accept a discount for providing care. This forces state employees to leave the community to receive care or face the financial penalty of receiving care from non-preferred providers.

**SUMMARY:**

The Department of Social and Health Services (DSHS) is directed to prepare a plan that would provide reasonable payments for the delivery of essential access services to medical assistance clients in rural areas. Essential services are defined to include at least outpatient and inpatient services for pregnant women, infants, children and youth; emergency room services; inpatient treatments; and appropriate diagnostic and therapeutic services. DSHS is directed to consult with the Department of Health in identifying a list of rural hospitals. The report is to be submitted to the Legislature by December 31, 1991.

The State Health Care Authority is to evaluate the extent which other health care purchasing activities conflict with the state's policy goals of preserving access to essential health care services in rural areas. The HCA is to report to the Legislature by December 31, 1991 with recommendations to resolve these conflicts.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** available

**TESTIMONY FOR:**

The plan should help assure that the state will reimburse rural hospitals at a reasonable rate for the essential health care services they provide.

**TESTIMONY AGAINST:** None

**TESTIFIED:** Les James, Division of Medical Assistance (con); Verne Gibbs, Department of Health (pro); Greg Vigdor, Washington State Hospital Association (pro)