

SENATE BILL REPORT

SB 6038

**AS REPORTED BY COMMITTEE ON HEALTH & LONG-TERM CARE,
JANUARY 28, 1992**

Brief Description: Requiring disclosure to the patient's insurer, as well as the patient, of a health care provider's financial interest in an entity to which the patient is referred.

SPONSORS: Senators West, Johnson and L. Smith

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: Do pass as amended.

Signed by Senators West, Chairman; L. Smith, Vice Chairman; Amondson, Newhouse, and Niemi.

Staff: Sarena Seifer (786-7417)

Hearing Dates: January 22, 1992; January 28, 1992

BACKGROUND:

Under current state law, licensed health care professionals are prohibited from requesting or receiving a rebate, refund, commission, unearned discount or profit in connection with the referral of patients for goods, services or supplies prescribed for medical diagnosis, care or treatment. A licensed health care professional is permitted to have a financial interest in any firm, corporation or association which furnishes services for medical, surgical or dental diagnosis if it is disclosed to the patient in writing. Any violation of this law is considered a misdemeanor.

SUMMARY:

The Legislature finds that there is a growing practice of health care professionals referring patients to laboratory and other services in which the professional has a financial interest. Such practices may lead to over-utilization of health care services and excessive health care costs.

The Legislature declares that notifying patients and third-party payers about these referral practices will increase awareness of such practices and allow payers to track referring providers who over-utilize services for financial reasons.

Licensed health care professionals are permitted to have a financial interest in any firm, corporation or association which furnishes services for medical, surgical or dental diagnosis if it is disclosed to the patient and the patient's insurer in writing. The firm, corporation or association must

also notify the insurer at the time of billing for such services.

SUMMARY OF PROPOSED COMMITTEE AMENDMENT:

The Legislature finds that there is a growing practice of health care professionals having financial interest in laboratory and other services. In addition to disclosing a financial interest to the patient and the insurer in writing, the referring practitioner must provide the patient with a list of effective alternative facilities, inform the patient that he or she has the option to use one of the alternative facilities, and assure the patient that he or she will not be treated differently by the referring practitioner if the patient chooses one of the alternative facilities.

Appropriation: none

Revenue: none

Fiscal Note: none requested

TESTIMONY FOR:

Studies have shown that physician ownership of laboratories and other health care entities can lead to increased health care cost and utilization. Disclosure of a health professional's financial interests to both patients and insurers will allow patients to make informed decisions about their health care and insurers to track health professionals who may overutilize health care services.

TESTIMONY AGAINST:

The medical profession's code of ethics already addresses the bill's intent. Data collection and utilization review efforts are already underway to identify health care professionals who overutilize health care services. The requirement to notify the insurer at the time of billing would be administratively burdensome.

TESTIFIED: Tom Curry, Washington State Medical Association (con);
Dr. Marvin Young, Washington State Medical Association (con);
Becky Bogard, Washington State Physical Therapy Association
(pro)