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HOUSE BILL 2420

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State of Washington

52nd Legislature

1992 Regular Session

By Representatives Moyer, Braddock, Sprenkle, Day, Prentice, Casada, Rayburn, Bowman, Orr and Rasmussen; by request of Department of Health

Read first time 01/16/92. Referred to Committee on Health Care.

1 AN ACT Relating to rural health care facilities; amending RCW  
2 70.38.105, 70.38.111, 70.41.090, and 70.175.130; and adding a new  
3 section to chapter 70.175 RCW.

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

5 **Sec. 1.** RCW 70.38.105 and 1991 sp.s. c 8 s 4 are each amended to  
6 read as follows:

7 (1) The department is authorized and directed to implement the  
8 certificate of need program in this state pursuant to the provisions of  
9 this chapter.

10 (2) There shall be a state certificate of need program which is  
11 administered consistent with the requirements of federal law as  
12 necessary to the receipt of federal funds by the state.

13 (3) No person shall engage in any undertaking which is subject to  
14 certificate of need review under subsection (4) of this section without

1 first having received from the department either a certificate of need  
2 or an exception granted in accordance with this chapter.

3 (4) The following shall be subject to certificate of need review  
4 under this chapter:

5 (a) The construction, development, or other establishment of a new  
6 health care facility;

7 (b) The sale, purchase, or lease of part or all of any existing  
8 hospital as defined in RCW 70.38.025;

9 (c) Any capital expenditure for the construction, renovation, or  
10 alteration of a nursing home which substantially changes the services  
11 of the facility after January 1, 1981, provided that the substantial  
12 changes in services are specified by the department in rule;

13 (d) Any capital expenditure for the construction, renovation, or  
14 alteration of a nursing home which exceeds the expenditure minimum as  
15 defined by RCW 70.38.025. However, a capital expenditure which is not  
16 subject to certificate of need review under (a), (b), (c), or (e) of  
17 this subsection and which is solely for any one or more of the  
18 following is not subject to certificate of need review except to the  
19 extent required by the federal government as a condition to receipt of  
20 federal assistance and does not substantially affect patient charges:

21 (i) Communications and parking facilities;

22 (ii) Mechanical, electrical, ventilation, heating, and air  
23 conditioning systems;

24 (iii) Energy conservation systems;

25 (iv) Repairs to, or the correction of, deficiencies in existing  
26 physical plant facilities which are necessary to maintain state  
27 licensure;

28 (v) Acquisition of equipment, including data processing equipment,  
29 which is not or will not be used in the direct provision of health  
30 services;

1 (vi) Construction which involves physical plant facilities,  
2 including administrative and support facilities, which are not or will  
3 not be used for the provision of health services;

4 (vii) Acquisition of land; and

5 (viii) Refinancing of existing debt;

6 (e) A change in bed capacity of a health care facility which  
7 increases the total number of licensed beds or redistributes beds among  
8 acute care, nursing home care, and boarding home care if the bed  
9 redistribution is to be effective for a period in excess of six months,  
10 or a change in bed capacity of a rural health care facility which  
11 increases the total number of nursing home beds or redistributes beds  
12 from acute care or boarding home care to nursing home care if the bed  
13 redistribution is to be effective for a period in excess of six months;

14 (f) Any new tertiary health services which are offered in or  
15 through a health care facility or rural health care facility, and which  
16 were not offered on a regular basis by, in, or through such health care  
17 facility or rural health care facility within the twelve-month period  
18 prior to the time such services would be offered;

19 (g) Any expenditure for the construction, renovation, or alteration  
20 of a nursing home or change in nursing home services in excess of the  
21 expenditure minimum made in preparation for any undertaking under  
22 subsection (4) of this section and any arrangement or commitment made  
23 for financing such undertaking. Expenditures of preparation shall  
24 include expenditures for architectural designs, plans, working  
25 drawings, and specifications. The department may issue certificates of  
26 need permitting predevelopment expenditures, only, without authorizing  
27 any subsequent undertaking with respect to which such predevelopment  
28 expenditures are made; and

29 (h) Any increase in the number of dialysis stations in a kidney  
30 disease center.

1 (5) The department is authorized to charge fees for the review of  
2 certificate of need applications and requests for exemptions from  
3 certificate of need review. The fees shall be sufficient to cover the  
4 full cost of review and exemption, which may include the development of  
5 standards, criteria, and policies.

6 (6) No person may divide a project in order to avoid review  
7 requirements under any of the thresholds specified in this section.

8 **Sec. 2.** RCW 70.38.111 and 1991 c 158 s 2 are each amended to read  
9 as follows:

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

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

23 (b) A health care facility if (i) the facility primarily provides  
24 or will provide inpatient health services, (ii) the facility is or will  
25 be controlled, directly or indirectly, by a health maintenance  
26 organization or a combination of health maintenance organizations which  
27 has, in the service area of the organization or service areas of the  
28 organizations in the combination, an enrollment of at least fifty  
29 thousand individuals, (iii) the facility is or will be geographically

1 located so that the service will be reasonably accessible to such  
2 enrolled individuals, and (iv) at least seventy-five percent of the  
3 patients who can reasonably be expected to receive the tertiary health  
4 service will be individuals enrolled with such organization or  
5 organizations in the combination; or

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

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

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

29 (b) The application contains such information respecting the  
30 organization, combination, or facility and the proposed offering or

1 obligation by a nursing home as the department may require to determine  
2 if the organization or combination meets the requirements of subsection  
3 (1) of this section or the facility meets or will meet such  
4 requirements; and

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

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

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

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

1 requirements of (1)(a)(ii) or (iii) or the requirements of (1)(b)(i)  
2 and (ii).

3 (4) In the case of a health maintenance organization, an ambulatory  
4 care facility, or a health care facility, which ambulatory or health  
5 care facility is controlled, directly or indirectly, by a health  
6 maintenance organization or a combination of health maintenance  
7 organizations, the department may under the program apply its  
8 certificate of need requirements only to the offering of inpatient  
9 tertiary health services and then only to the extent that such offering  
10 is not exempt under the provisions of this section.

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

15 (i) Offers services only to contractual members;

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

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

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

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

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

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

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

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

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

16 (c) The sale, lease, acquisition, or use of part or all of a  
17 continuing care retirement community nursing home that qualifies for  
18 exemption under this subsection shall require prior certificate of need  
19 approval to qualify for licensure as a nursing home unless the  
20 department determines such sale, lease, acquisition, or use is by a  
21 continuing care retirement community that meets the conditions of (a)  
22 of this subsection.

23 (6) A rural hospital, as defined by the department, reducing the  
24 number of licensed beds to become a rural primary care hospital under  
25 the provisions of Part A Title XVIII of the Social Security Act Section  
26 1820, 42 U.S.C., 1395c et seq. may, within three years of the reduction  
27 of beds licensed under chapter 70.41 RCW, increase the number of  
28 licensed beds to no more than the previously licensed number without  
29 being subject to the provisions of this chapter.



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

12       **Sec. 3.** RCW 70.41.090 and 1989 1st ex.s. c 9 s 611 are each  
13 amended to read as follows:

14       (1) No person or governmental unit of the state of Washington,  
15 acting separately or jointly with any other person or governmental  
16 unit, shall establish, maintain, or conduct a hospital in this state,  
17 or use the word "hospital" to describe or identify an institution,  
18 without a license under this chapter: PROVIDED, That the provisions of  
19 this section shall not apply to state mental institutions and  
20 psychiatric hospitals which come within the scope of chapter 71.12 RCW.

21       (2) After June 30, 1989, no hospital shall initiate a tertiary  
22 health service as defined in RCW 70.38.025(14) unless it has received  
23 a certificate of need as provided in RCW 70.38.105 and 70.38.115.

24       (3) A rural health care facility licensed under RCW 70.175.100  
25 formerly licensed as a hospital under this chapter may, within three  
26 years of the effective date of the rural health care facility license,  
27 apply to the department for a hospital license and not be required to  
28 meet certificate of need requirements under chapter 70.38 RCW as a new  
29 health care facility and not be required to meet new construction

1 requirements as a new hospital under this chapter. These exceptions  
2 are subject to the following: The facility at the time of initial  
3 conversion was considered by the department to be in compliance with  
4 the hospital licensing rules and the condition of the physical plant  
5 and equipment is equal to or exceeds the level of compliance that  
6 existed at the time of conversion to a rural health care facility. The  
7 department shall inspect and determine compliance with the hospital  
8 rules prior to reissuing a hospital license.

9 A rural hospital, as defined by the department, reducing the number  
10 of licensed beds to become a rural primary care hospital under the  
11 provisions of Part A Title XVIII of the Social Security Act Section  
12 1820, 42 U.S.C., 1395c et seq. may, within three years of the reduction  
13 of licensed beds, increase the number of beds licensed under this  
14 chapter to no more than the previously licensed number of beds without  
15 being subject to the provisions of chapter 70.38 RCW and without being  
16 required to meet new construction requirements under this chapter.  
17 These exceptions are subject to the following: The facility at the  
18 time of the reduction in licensed beds was considered by the department  
19 to be in compliance with the hospital licensing rules and the condition  
20 of the physical plant and equipment is equal to or exceeds the level of  
21 compliance that existed at the time of the reduction in licensed beds.  
22 The department may inspect and determine compliance with the hospital  
23 rules prior to increasing the hospital license.

24 **Sec. 4.** RCW 70.175.130 and 1990 c 271 s 18 are each amended to  
25 read as follows:

26 The department may develop and implement a rural health care plan  
27 and may approve hospital and rural health care facility requests to be  
28 designated as essential access community hospitals or rural primary  
29 care hospitals so that such facilities may form rural health networks

1 to preserve health care services in rural areas and thereby be eligible  
2 for federal program funding and enhanced medicare reimbursement. The  
3 department may monitor any rural health care plan and designated  
4 facilities to assure continued compliance with the rural health care  
5 plan.

6 NEW SECTION. Sec. 5. A new section is added to chapter 70.175 RCW  
7 to read as follows:

8 Any licensee or applicant desiring to make alterations or additions  
9 to its facilities or to construct new facilities may contact the  
10 department for consultative advice before commencing such alteration,  
11 addition, or new construction.