

# HOUSE BILL REPORT

## SHB 1205

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### As Passed Legislature

**Title:** An act relating to physician referral.

**Brief Description:** Modifying physician self-referral provisions.

**Sponsors:** By House Committee on Health Care (originally sponsored by Representative Dyer; by request of Department of Social and Health Services).

**Brief History:**

**Committee Activity:**

Health Care: 2/2/95, 2/10/95 [DPS].

**Floor Activity:**

Passed House: 2/22/95, 97-0.

Senate Amended.

House Concurred.

Passed Legislature.

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### HOUSE COMMITTEE ON HEALTH CARE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Dyer, Chairman; Backlund, Vice Chairman; Hymes, Vice Chairman; Dellwo, Ranking Minority Member; Cody, Assistant Ranking Minority Member; Campbell; Casada; Conway; Crouse; Kessler; Morris; Sherstad and Skinner.

**Staff:** Bill Hagens (786-7131).

**Background:** Since 1979, laws governing medical assistance [Chapter 74.09 RCW] have made it illegal to receive any remuneration, such as kickbacks, bribes, or rebate, in return for referring an individual to a person or organization for services, purchasing, leasing, etc., when payment is made for medical assistance [Medicaid] benefits. Violation of this provision is a class C felony - up to five years in prison and a \$25,000 fine. As a condition of the 1993 federal Medicaid amendments, which take effect this year, states were specifically required to address prohibition from certain physician referrals for certain services.

**Summary of Bill:** Effective 90 days after the regular session of the Legislature, it shall be illegal, for physicians to self-refer any medical assistance client eligible for

the following health services to a facility in which the physician or an immediate family member has a financial relationship: clinical laboratory services; physical therapy services; occupational therapy services; radiology or other diagnostic services; durable medical equipment; parenteral and enteral nutrients equipment and supplies; prosthetics, orthotics, and prosthetic devices; home health services; outpatient prescription drugs; and inpatient and outpatient hospital services.

Federal law exempts a number of services from this proscription, e.g.:

Permitting self-referral for physician services provided personally by the physician or another physician in the same group practice, including managed care arrangements;

Permitting self-referral for in-office ancillary services furnished by, or personally supervised by, the referring physician or another physician in the group;

Permitting rural physicians with financial interest in the facilities/services to refer Medicaid clients to the facilities; and

Permitting, under certain circumstances, self-referral for designated services to hospitals in which the referring physician has an ownership interest.

Health care entities, which are not otherwise licensed by the state, may obtain a "license of location" which enables the owner to purchase legend drugs or controlled substances at the specific location named in the license. Health care entities included in this provision are free-standing outpatient surgery centers, free-standing cardiac care centers or kidney dialysis centers. Health care entities not included are individual practitioner's offices or multi-practitioner clinics. Health care entities must obtain these licenses annually in accordance with rules established by the Board of Pharmacy. These health care entities are allowed to receive, administer, dispense, and deliver controlled substances and legend drugs only under the supervision of a pharmacist.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** The bill is needed to meet federal Medicaid requirements.

**Testimony Against:** None

**Testified:** Jane Beyer, Department of Social & Health Services, Medical Assistance (pro); and Ken Bertrand, Group Health (pro on substitute).