

HOUSE BILL REPORT

HB 1330

As Reported By House Committee On:

Health Care
Appropriations

Title: An act relating to health facilities and services.

Brief Description: Modifying health facility and services provisions.

Sponsors: Representatives Dyer, Dellwo and Backlund; by request of Department of Health.

Brief History:

Committee Activity:

Health Care: 2/2/95, 2/7/95, 2/23/95 [DPS];

Appropriations: 3/2/95, 3/4/95 [DP2S(w/o sub HC)].

HOUSE COMMITTEE ON HEALTH CARE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Dyer, Chairman; Backlund, Vice Chairman; Hymes, Vice Chairman; Dellwo, Ranking Minority Member; Campbell; Casada; Crouse; Morris; Sherstad and Skinner.

Minority Report: Do not pass. Signed by 3 members: Representatives Cody, Assistant Ranking Minority Member; Conway and Kessler.

Staff: John Welsh (786-7133).

Background: The Certificate of Need program is a cost containment program in the Department of Health. Its aim is to ensure the construction and development of only those new health care facilities and services that promote access to high quality, needed care at a reasonable cost.

Currently, a certificate of need is required prior to the commencing of construction or operating of the following health facilities or services:

- * Construction or development of new hospitals, nursing homes, home health and hospice agencies, kidney dialysis centers and ambulatory surgical centers;
- * Sale, purchase or lease of a hospital;

- * Increase in the number of licensed beds at a hospital or nursing home;
- * Increase in the number of kidney dialysis kidney stations;
- * Capital expenditure exceeding \$1.2 million at a nursing home; and
- * New tertiary health services, such as open heart surgery, burn units, and organ transplant programs. Tertiary health services are those services for which successful outcomes relate to the volume of services provided.

The department believes that changes occurring in the health care environment justify a phase-out of the Certificate of Need law.

Summary of Substitute Bill: Effective July 1, 1996, Certificates of Need for the construction or development of new hospitals, ambulatory surgical facilities and home health and hospice agencies, as well as the sale, purchase or lease of existing hospitals, will no longer be required.

A study by the Department of Health, in cooperation with the House Health Care Committee, must evaluate the state's future role in identifying and evaluating community needs and capacity for health facilities and services, and report its recommendations to the legislature by December 1, 1995.

Housekeeping and technical changes are made to the Certificate of Need chapter, including:

A Certificate of Need is still required for the construction or development of a nursing home; but no longer required for an expenditure exceeding \$1.2 million to merely prepare a Certificate of Need application.

The requirement of a Certificate of Need for new tertiary health services is clarified to include even those provided on an intermittent basis.

Amendments to applications for a Certificate of Need may be made if the additional capital costs do not exceed 12 percent of the initial application. Otherwise, a new Certificate of Need is required.

Substitute Bill Compared to Original Bill: The repeal of the Certificate of Need program is limited to hospitals, ambulatory surgical facilities, and home health and hospice agencies. There is a study to assess the need for the regulatory program for other health facilities and services.

Appropriation: None.

Fiscal Note: Requested on January 20, 1995.

Effective Date of Substitute Bill: The bill takes effect on July 1, 1996, except for the study which takes effect 90 days from enactment.

Testimony For: Increased competition and current developments in the provision of managed care options in the health marketplace have displaced the need for the Certificate of Need program to contain costs. Hospitals and ambulatory surgical facilities engage in active competition for patients and services, and access to these services need no longer be planned by a state regulatory process.

Testimony Against: Unregulated competition for some specialized health services would destroy them and consequently affect access to these services by the public. This is especially true for tertiary services such as kidney dialysis stations where successful outcomes relate to a need for a higher volume of services.

Testified: Dr. Peter McGough and Cliff Webster, Washington State Medical Association (pro); , Shane Spray, Skagit Valley Medical Center (pro); Shawn Koos, Wenatchee Valley Clinic (pro); Dave Broderick, Washington State Hospital Association (con); Jerry Reilly, Washington Health Care Association (con); Karen Tynes, Washington Association of Homes for the Aging (con); Bernice Hartzell, Home Care Association of Washington (con); Jim Grant, Washington State Hospice Organization (con); Christopher Blagg, Northwest Kidney Center (con); Jan Sigman, Department of Health (pro); and Linda Williams, Freestanding Ambulatory Surgery Centers of Washington State (pro).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Health Care. Signed by 29 members: Representatives Silver, Chairman; Clements, Vice Chairman; Huff, Vice Chairman; Pelesky, Vice Chairman; Sommers, Ranking Minority Member; Valle, Assistant Ranking Minority Member; Beeksma; Brumsickle; Carlson; Chappell; Cooke; Crouse; G. Fisher; Foreman; Grant; Hargrove; Hickel; Jacobsen; Lambert; Lisk; McMorris; Poulsen; Reams; Rust; Sehlin; Sheahan; Talcott; Thibaudeau and Wolfe.

Minority Report: Without recommendation. Signed by 1 member: Representative Dellwo.

Staff: Jim Lux (786-7152).

Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Health Care: The following differences are contained in the second substitute bill: 1) The certificate of need review for all

hospice and home health agencies is continued, and 2) non-profit home health agencies are exempt from the Certificate of Need review, when the home health agency is operated by a hospital district located in a county with a population under 20,000.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on March 6, 1995.

Effective Date Sections 1 through 6 and 8 of the bill take effect July 1, 1996; the remainder of the bill takes effect ninety days after adjournment of session in which bill is passed.

Testimony For: Active competition in an unregulated environment will contain costs and Certificate of Need Review will not be necessary.

Testimony Against: An exemption from the Certificate of Need review will result in decreased access in rural areas. Competition for patients and services will focus on the closest and easiest to serve. Cost will increase if larger entities compete to provide more hospice or home health services by including overhead costs in the rates.

Testified: Cliff Webster, Washington State Medical Association (pro); Maria Guardipee and Kathy Stout, Department of Health (pro); Patty Hayes, Freestanding Ambulatory Surgery Centers (pro); Gail McGaffic, Home Care Association of Washington (con); Patty Mulhern, Visiting Nurse Services of the Northwest (con); and Dee Thorpe, Harbors Home Health (con).