

FINAL BILL REPORT

SHB 1205

C 319 L 95

Synopsis as Enacted

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

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

House Committee on Health Care
Senate Committee on Health & Long-Term Care

Background: *Since 1979, laws governing medical assistance 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, or for purchasing, leasing, or ordering goods or services when payment is made for medical assistance 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 in 1995, states were specifically required to prohibit certain physician referrals for certain services.*

Some health care entities, which are not licensed in this state, cannot purchase drugs for local facilities.

Summary: *Except as permitted by federal law, it is 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.*

This prohibition does not apply to services exempted by federal law, including:

- (1) self-referral for physician services provided personally by the physician or another physician in the same group practice, including managed care arrangements;*
- (2) self-referral for in-office ancillary services furnished by, or personally supervised by, the referring physician or another physician in the group;*

- (3) *rural physicians with financial interest in the facilities/services to refer Medicaid clients to the facilities; and*
- (4) *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 covered by this provision are free-standing outpatient surgery centers, free-standing cardiac care centers or kidney dialysis centers. Individual practitioner's offices or multi-practitioner clinics are not covered. Health care entities must obtain these licenses annually in accordance with rules established by the Board of Pharmacy. These licensed health care entities are allowed to receive, administer, dispense, and deliver controlled substances and legend drugs only under the supervision of a pharmacist.

Votes on Final Passage

<i>House</i>	<i>97</i>	<i>0</i>	
<i>Senate</i>	<i>46</i>	<i>0</i>	<i>(Senate amended)</i>
<i>House</i>	<i>96</i>	<i>0</i>	<i>(House concurred)</i>

Effective: July 23, 1995