

# HOUSE BILL REPORT

## HB 1952

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### 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, Morris, Backlund, Grant and Sherstad.

### Brief History:

#### Committee Activity:

Health Care: 2/24/97, 3/4/97 [DPS];  
Appropriations: 3/8/97 [DPS(HC)].

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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 6 members: Representatives Dyer, Chairman; Backlund, Vice Chairman; Skinner, Vice Chairman; Parlette; Sherstad and Zellinsky.

**Minority Report:** Do not pass. Signed by 5 members: Representatives Cody, Ranking Minority Member; Murray, Assistant Ranking Minority Member; Anderson; Conway and Wood.

**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 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.

Ambulatory surgical centers are distinct facilities operating primarily for the purpose of performing outpatient surgical procedures. Most are physician-owned and operated within the physician's office practice.

Ambulatory surgical centers are not regulated by law, although the Department of Health certifies them for the purposes of reimbursement under the federal Medicare program. Surgery is also performed in hospitals, which are licensed facilities, but an estimated 60 percent of all surgeries will be performed on an outpatient basis by 1996.

The Comprehensive Hospital Abstract and Reporting System, commonly known as CHARS, was created in 1984 to collect, maintain, analyze, and disseminate financial and patient discharge information. Presently, the CHARS system is financed by an assessment against hospitals of no more than .04 percent of each hospital's gross operating costs. The existing CHARS system does not include reporting by ambulatory surgical facilities.

Hospitals are required to report the provision of charity care, but there is no such requirement for ambulatory surgical centers.

**Summary of Substitute Bill:** Effective January 1, 1998, Certificates of Need for the construction or development of new hospitals and ambulatory surgical facilities, as well as the sale, purchase or lease of existing hospitals or an increase in the number of hospital beds, will no longer be required. However, tertiary health services provided by hospitals must still be reviewed.

Housekeeping and technical changes are made to the Certificate of Need law, as follows:

- A Certificate of Need is 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.

The Department of Health establishes licensure standards for construction, maintenance, and operation of ambulatory surgical centers. These include any free-standing distinct entities operating primarily to perform outpatient procedures. Hospitals, physicians, osteopathic physicians, dental or podiatry offices are excluded from these licensing requirements unless practitioners from outside are allowed to use the facility.

License renewal is set at two years. The department inspects the center at least once during that period. Compliance surveys conducted by approved accrediting or certifying bodies can be used in place of department-conducted surveys in certain instances.

The Department of Health shall prepare a feasibility study for adding ambulatory surgical center data to the Comprehensive Hospital Abstract Reporting System, and report to the Legislature by July 1, 1998.

Ambulatory surgical centers must comply with hospital charity care reporting requirements provided by law.

**Substitute Bill Compared to Original Bill:** The effective date is moved from July 1, 1997 to January 1, 1998. The Department of Health must study the applicability of reporting data on ambulatory surgical centers. The exemption of Christian Science Sanatoriums is clarified.

**Appropriation:** None.

**Fiscal Note:** Requested on February 19, 1997.

**Effective Date of Substitute Bill:** The bill takes effect on January 1, 1998.

**Testimony For:** Changes in the health care marketplace, with increasing competitiveness among hospitals and between hospitals and ambulatory surgical centers, have had a substantial influence on costs. State regulation over hospitals' and ambulatory surgical centers' construction and acquisition costs is no longer necessary.

**Testimony Against:** The stability of the health care marketplace is problematic for hospitals, especially rural hospitals. It is estimated that half of all hospitals nationally may disappear within 10 years. Deregulation of hospitals at this time threatens the viability of hospital care during a period of great dislocation.

**Testified:** Gail McGaffick, Home Care Association of Washington and Washington State Hospice Organization (pro); Mimi Fields, Department of Health (pro w/amendments); Dave Broderick, Washington State Hospital Association;

Kathy Stout, Department of Health; Jerry Farley, Washington Association of Optometric Physicians (con w/o amendment); and Cliff Webster, Peter Marsh and William Portuese, Washington State Medical Association (pro).

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill by Committee on Health Care be substituted therefor and the substitute bill do pass. Signed by 19 members: Representatives Huff, Chairman; Alexander, Vice Chairman; Clements, Vice Chairman; Wensman, Vice Chairman; Benson; Carlson; Cooke; Crouse; Dyer; Grant; Lambert; Lisk; Mastin; McMorris; Parlette; D. Schmidt; Sehlin; Sheahan and Talcott.

**Minority Report:** Do not pass. Signed by 12 members: Representatives H. Sommers, Ranking Minority Member; Doumit, Assistant Ranking Minority Member; Gombosky, Assistant Ranking Minority Member; Chopp; Cody; Keiser; Kenney; Kessler; Linville; Poulsen; Regala and Tokuda.

**Staff:** Beth Redfield (786-7130).

**Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Health Care:** No new changes were recommended.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect on January 1, 1998.

**Testimony For:** The Certificate of Need exemptions will save the state money.

**Testimony Against:** None.

**Testified:** Cliff Webster, Washington State Medical Association.