

HOUSE BILL REPORT

SSB 5227

As Reported By House Committee On:
Health Care

Title: An act relating to nonprofit hospital sales.

Brief Description: Regulating the sales of nonprofit hospitals.

Sponsors: Senate Committee on Health & Long-Term Care (originally sponsored by Senators Deccio, Franklin, Patterson, Prentice, Benton, Wojahn and Long).

Brief History:

Committee Activity:

Health Care: 3/25/97, 4/1/97 [DPA].

HOUSE COMMITTEE ON HEALTH CARE

Majority Report: Do pass as amended. Signed by 8 members: Representatives Dyer, Chairman; Backlund, Vice Chairman; Skinner, Vice Chairman; Cody, Ranking Minority Member; Murray, Assistant Ranking Minority Member; Conway; Parlette and Zellinsky.

Minority Report: Do not pass. Signed by 1 member: Representative Sherstad.

Staff: Bill Hagens (786-7131).

Background: Nonprofit hospitals are required to serve charitable or other public purposes. In return, federal and state laws accord them certain tax exemptions. On a national level, however, nonprofit hospitals are increasingly being acquired by for-profit corporations. When this occurs, there is a public interest in ensuring that the acquiring corporation will continue to provide the community served by the hospital with quality, affordable health care and that the proceeds from the transaction will be used for charitable purposes. There is concern that should such acquisitions occur in Washington, our laws are insufficient to ensure that these public interests will be served.

Public hospital districts were created in 1945 as junior taxing districts, to put hospitals in areas where private development did not appear viable. These districts are administered by elected boards of commissioners. Presently, although they are named hospital districts, many provide health services in addition to hospital care; a few

have no hospitals at all. Equal concerns have been expressed about the acquisition of public district hospitals by for-profit corporations.

Summary of Amended Bill: Except for a nonprofit corporation or government entity, a person may not acquire a hospital owned by another nonprofit corporation without the approval of the Department of Health.

A process is provided whereby the department reviews and, possibly, approves an application for a nonprofit hospital acquisition. The department is to charge an application fee to cover the costs of this review process. The review must include public notice, the opportunity to submit written comments, and a public hearing in the county where the hospital being acquired is located. The department may also subpoena information and witnesses, require sworn statements, and take depositions. A completed application must be ruled upon within 120 days of its receipt. For good cause, this deadline may be extended for up to 30 days.

As part of the review process, the attorney general is to provide the department with a written opinion as to whether or not the proposed acquisition meets the requirements of the act.

The department or commission may only approve an acquisition if it determines that appropriate steps have been taken to safeguard charitable assets and to ensure that any proceeds of the transaction are used for appropriate charitable health and health care purposes. Criteria are enumerated for making this determination.

The department or commission may only approve an acquisition if it determines that: the acquisition will not detrimentally affect the continued existence of accessible and affordable health care, and is responsive to the needs of the community where the hospital being acquired is located; alternative sources of care are available in the community should the acquisition result in a reduction or elimination of particular health services; the acquisition will not result in the revocation of hospital privileges; and sufficient safeguards are included to maintain appropriate capacity for health science research and health care provider education. Criteria are enumerated for making this determination

The secretary of state may not accept any documents in connection with an acquisition until the acquisition is approved by the department. The attorney general may seek an injunction to prevent any unapproved acquisition.

All parties to the acquisition are required to periodically report to the Department of Health regarding compliance with commitments made in the acquisition process. If, after a hearing, the department determines that the acquiring party is not fulfilling its commitment, it may revoke or suspend the license of that party, or refer the matter to the attorney general for appropriate action.

The acquisition of the property of a public hospital district may only be authorized by the district's commissioners. Prior to this approval, the Department of Health is to provide an opinion regarding the merits of the acquisition. The district's authority to enter into joint agreements is expanded. Public hospital districts are renamed public health care service districts.

Amended Bill Compared to Substitute Bill: The amended bill: 1) clarifies needed access to alternative sources of care; 2) permits public hospital district joint operations with other profit or non-profit entities; 3) adds safeguards for hospital privileges, research, and provider education; 4) deletes requirements that a public hospital district's proposed sale must be approved by a vote of the district; and 5) changes name of public hospital district to public health care service district.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Amended Bill: The bill contains an emergency clause and takes effect immediately.

Testimony For: This bill is necessary to ensure that, when a nonprofit hospital is sold, the community will continue to have adequate hospital services and the related community resources will be safeguarded.

Testimony Against: None.

Testified: Senator Deccio, prime sponsor (pro); Dave Broderick and Lisa Thatcher, Washington State Hospital Association (pro); Diane Stollenwerk, Providence Health System and Peace Health (pro); Ellie Menzies, District 1199 NW/SEIU (pro); Ann Simons, United Food & Commercial Workers (pro); Cliff Webster, Washington State Medical Association; and Jeff Even, Attorney General's Office (pro).