

HOUSE BILL REPORT

HB 3016

As Reported By House Committee On:

Health Care
Appropriations

Title: An act relating to providing state medical assistance reimbursements for small rural hospitals that meet the criteria of a critical access hospital.

Brief Description: Creating a reimbursement system for the state's medical assistance programs in rural hospitals.

Sponsors: Representatives Parlette and Cody.

Brief History:

Committee Activity:

Health Care: 2/3/00, 2/4/00 [DPS];

Appropriations: 2/7/00, 2/8/00 [DP2S(w/o sub HC)].

Brief Summary of Second Substitute Bill

- The Department of Social and Health Services will develop an enhanced cost-based reimbursement system to reimburse small, rural hospitals for care provided to department clients.

HOUSE COMMITTEE ON HEALTH CARE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Cody, Democratic Co-Chair; Parlette, Republican Co-Chair; Pflug, Republican Vice Chair; Schual-Berke, Democratic Vice Chair; Alexander; Campbell; Conway; Edmonds; Edwards; Mulliken; Pennington and Ruderman.

Staff: David Knutson (786-7146).

Background:

The federal Health Care Financing Administration allows small rural hospitals, which meet eligibility criteria, to be reimbursed on a cost-based system for Medicare

services. This provides qualifying hospitals with a higher reimbursement rate than they would normally receive. State medical assistance programs do not currently provide small rural hospitals with the same type of cost-based reimbursement for medical services.

Summary of Substitute Bill:

The Department of Social and Health Services will reimburse small, rural hospitals on a cost-based reimbursement basis if they meet specific eligibility criteria. Medicaid, the limited casualty program, and the medical care services program are included in the cost-based reimbursement system.

Substitute Bill Compared to Original Bill: The requirement that payments to qualifying hospitals be made with additional state funds is deleted. Incorrect references are removed.

Appropriation: None.

Fiscal Note: Requested on January 26, 2000.

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

Testimony For: Small rural hospitals need additional reimbursement for clients of the Department of Social and Health Services. This new reimbursement system is based on a federal system used to compensate small rural hospitals who care for Medicare clients.

Testimony Against: None.

Testified: (In support) Andy Davidson and Brenda Suiter, Washington State Hospital Association.

(Support concept-not in Governor's budget) Ron Weaver, Department of Health.

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 32 members: Representatives Huff, Republican Co-Chair; H. Sommers, Democratic Co-Chair; Barlean, Republican Vice Chair; Doumit,

Democratic Vice Chair; D. Schmidt, Republican Vice Chair; Alexander; Benson; Boldt; Clements; Cody; Crouse; Gombosky; Grant; Kagi; Keiser; Kenney; Kessler; Lambert; Linville; Lisk; Mastin; McIntire; McMorris; Mulliken; Parlette; Regala; Rockefeller; Ruderman; Sullivan; Sump; Tokuda and Wensman.

Staff: Amy Hanson (786-7118).

Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Health Care: The second substitute bill removes the requirement that reimbursement be cost-based and instead makes cost a factor to consider. A null and void clause was added.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Second Substitute Bill: Ninety days after adjournment of session in which bill is passed; however, the bill is null and void unless funded in the budget.

Testimony For: It is a tough fiscal time for rural hospitals. The federal Balanced Budget Act of 1997 reduced reimbursements to hospitals in Washington State by almost \$700 million. The Balanced Budget Act did, however, create the Critical Access Hospital program, which reimburses hospitals based on cost, provided they meet certain eligibility criteria. This bill creates a state program of reimbursement. Fifteen hospitals will qualify. This was a top priority at the 1999 Rural Health Summit held this past fall in Yakima.

Testimony Against: None.

Testified: Andy Davidson, Washington State Hospital Association.