

SENATE BILL REPORT

E2SHB 1688

As Reported By Senate Committee On:
Health & Long-Term Care, March 28, 2005
Ways & Means, April 4, 2005

Title: An act relating to creating a task force to review health care facilities and services supply issues.

Brief Description: Studying and preparing recommendations to improve and update the certificate of need program.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Cody, Clibborn, Moeller, Sommers, Kenney and Schual-Berke).

Brief History: Passed House: 3/14/05, 71-25.

Committee Activity: Health & Long-Term Care: 3/24/05, 3/28/05 [DPA-WM, DNP, w/oRec].

Ways & Means: 4/1/05, 4/4/05 [DPA, DNP, w/oRec].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Keiser, Chair; Thibaudeau, Vice Chair; Deccio, Ranking Minority Member; Franklin, Kastama, Kline and Poulsen.

Minority Report: Do not pass.

Signed by Senator Johnson and Parlette.

Minority Report: That it be referred without recommendation.

Signed by Senator Brandland.

Staff: Jonathan Seib (786-7427)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Prentice, Chair; Doumit, Vice Chair; Fraser, Vice Chair; Kohl-Welles, Pridemore, Rasmussen, Regala, Rockefeller and Thibaudeau.

Minority Report: Do not pass.

Signed by Senators Brandland, Parlette, and Schoesler.

Minority Report: That it be referred without recommendation. Signed by Senators Zarelli, Ranking Minority Member; Pflug and Roach.

Staff: Tim Yowell (7435)

Background: The Certificate of Need (CON) program is a Department of Health (DOH) led review and approval process of specified additions or changes within the state's health care system based on established criteria for public need. The program was mandated by the federal government in 1974 as a means to prevent unnecessary duplication of services and to limit the location of sophisticated medical services to facilities with proven expertise and experience. The federal mandate was repealed in 1987.

A certificate of need is required prior to the construction, renovation, or sale of a health care facility; changes in bed capacity at certain health care facilities, an increase in the number of dialysis stations at a kidney disease center; or the addition of specialized health services.

In determining whether or not to issue a certificate of need, DOH must consider: (1) the population's need for the service; (2) the availability of less costly or more effective alternative methods of providing the service; (3) the financial feasibility and probable impact of the proposal on the cost of health care in the community; (4) the need and availability of services and facilities for physicians and their patients in the community; (5) the efficiency and appropriateness of the use of existing services and facilities similar to those proposed; and (6) improvements in the financing and delivery of health services that contain costs and promote quality assurance.

A 1999 study by the Joint Legislative Audit and Review Committee on the Certificate of Need program found: (1) CON had not controlled overall health spending or hospital costs; and (2) conflicting or limited evidence about the effects of CON on the quality and availability of other health care services.

Summary of Amended Bill: A sixteen member task force is created to make recommendations to the Governor and the Legislature related to improving and updating the certificate of need program. The task force will include four legislators, the Secretaries of Health and the Department of Social and Health Services, the Administrator of the Health Care Authority, a health economist, two representatives of private employer-sponsored health benefits purchasers, two consumer representatives, two health care provider representatives, and one representative each from organized labor and health carriers. The task force must consult with an advisory committee that consists of affected health care providers and others.

In conducting the study and preparing recommendations, the task force is to be guided by the following principles:

- the supply of health services impacts the utilization of those services independent of the need for the services;
- consideration must be given to the impact of new health services or facilities on overall health expenditures;
- consideration must be given to the likelihood that a new health facility, service, or equipment will improve health care quality or outcomes; and
- it is presumed that the services and facilities currently subject to certificate of need should continue to be subject to it.

The task force must make recommendations by November 1, 2006, related to the scope of facilities, services and capital expenditures that should be subject to certificate of need reviews; the criteria for reviewing certificate of need applications; the need for service and facility specific policies to guide certificate of need decisions; the purpose of the certificate of

need program; the timeliness and consistency of certificate of need decisions; and mechanisms to monitor commitments made by health care facilities.

In developing its recommendations, the task force is to consider the results of a performance audit of the Department of Health regarding its administration and implementation of the CON program. The audit will be completed by the Joint Legislative Audit and Review Committee (JLARC) by July 1, 2006.

Subject to funding, staff support for the task force is to be provided by the Health Care Authority.

The bill contains a null and void clause.

Amended Bill Compared to Original Bill: The amended bill adds an additional health care provider representative to the task force; changes the due date for the Task Force report from October to November 2006; and adds the requirement that there be a JLARC performance audit of the certificate of need process whose results are to be considered in the Task Force's recommendations.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: Yes.

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

Testimony For (Health & Long-Term Care): Certificate of need applications have become much more of a political struggle than they should be. We need to look at the CON program as a health planning process in relation to escalating health care costs. The changes made to the bill since it was introduced have substantially improved the bill. The CON program needs to be updated. Both the underlying policy and the administration of the program need to be fixed. The bill would be improved further by the addition of another provider to the task force, and the requirement that the task force also consider a performance audit of the CON program conducted by the Joint Legislative Audit and Review Committee. The provision which presumes that those facilities currently covered should remain covered should be removed.

Testimony Against (Health & Long-Term Care): None.

Who Testified (Health & Long-Term Care): PRO: Representative Cody, prime sponsor; Robb Menaul, Washington State Hospital Association; Jody Carona, Renal Care Group; Jim Jesernig, HealthSouth; Linda Hull, Providence Health Systems, Northwest Kidney Centers; Cliff Webster, Washington State Medical Association.

Testimony For (Ways & Means): None.

Testimony Against (Ways & Means): None.

Who Testified (Ways & Means): No one.