

SENATE BILL REPORT

SB 5178

As Reported By Senate Committee On:
Health & Long-Term Care, February 9, 2005

Title: An act relating to licensing specialty hospitals.

Brief Description: Issuing a moratorium on licensing specialty hospitals.

Sponsors: Senators Kastama, Keiser, Benson and Brandland.

Brief History:

Committee Activity: Health & Long-Term Care: 1/26/05, 2/9/05 [DPS].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: That Substitute Senate Bill No. 5178 be substituted therefor, and the substitute bill do pass.

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

Staff: Jonathan Seib (786-7427)

Background: The federal Medicare Modernization Act of 2003 prohibits a physician from referring a patient to certain specialty hospitals in which the physician has an ownership or investment interest, and prohibits the hospitals from billing Medicare or any other entity for services provided as a result of a prohibited referral. Effective December 2003 through June 2005, this moratorium applies to hospitals that are primarily or exclusively engaged in the care and treatment of patients with cardiac or orthopedic conditions and patients receiving surgical procedures.

During the moratorium, the Federal Centers for Medicare and Medicaid Services, the General Accounting Office, and the Medicare Payment Advisory Commission are conducting studies of specialty hospitals to determine their impact on general hospitals and the Medicare program. The study results are expected in March of this year.

However, pending further study of hospital reimbursement issues under Medicare, the Medicare Payment Advisory Commission recently voted to recommend to Congress that the moratorium on specialty hospitals be extended through January, 2007.

There are currently no restrictions specific to specialty hospitals under state law, although the establishment and operation of such a hospital is subject to the same Department of Health licensing requirements and regulatory oversight as hospitals in general.

Summary of Substitute Bill: From January 1, 2005 until July 1, 2006, the Department of Health may not grant a license to any specialty hospital in which a physician, or his or her immediate family member, has an ownership or investment interest.

Specialty hospitals are defined to include any hospital that is primarily or exclusively engaged in the care and treatment of: (1) patients with a cardiac condition; (2) patients with an orthopedic condition; (3) patients receiving a surgical procedure; and (4) and other specialized category of services that the Secretary of Health and Human Services designates as a specialty hospital.

Substitute Bill Compared to Original Bill: The substitute bill corrects an internal reference.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Testimony For: Specialty hospitals could have a significant impact on other hospitals in a given community. Studies of this issue at the federal level will not be completed in time to be considered by the legislature this session. This bill will prevent the establishment of specialty hospitals in Washington until the legislature can consider these studies and decide on an appropriate state role in regulating such hospitals.

Testimony Against: None.

Who Testified: PRO: Lisa Thatcher, Washington State Hospital Association.