

# SENATE BILL REPORT

## SB 5392

---

---

As Reported By Senate Committee On:  
Health & Long-Term Care, February 28, 2005

**Title:** An act relating to improving the quality of health care through the use of clinical information technologies.

**Brief Description:** Improving the quality of health care through the use of clinical information technologies.

**Sponsors:** Senators Keiser, Parlette, Kastama, Roach, Pflug and Kline.

**Brief History:**

**Committee Activity:** Health & Long-Term Care: 1/27/05, 2/28/05 [DPS-WM].  
Ways & Means: 1/25/06.

---

### SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

**Majority Report:** That Substitute Senate Bill No. 5392 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Keiser, Chair; Thibaudeau, Vice Chair; Benson, Brandland, Franklin, Johnson, Kastama, Kline, Parlette and Poulsen.

**Staff:** Stephanie Yurcisin (786-7438)

---

### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Terry Wilson (786-7433)

**Background:** The business & occupation (B&O) tax is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities conducted within the state. There are generally no deductions for the costs of doing business. Although there are 9 different rates, the most common rates are 0.471 percent for retailing, 0.484 percent for wholesaling, and 1.5 percent for services. Physicians and other medical professionals are subject to the state B&O tax under the service classification.

Many experts advocate the use of clinical information technology as a way to cut medical errors, provide doctors with updated patient histories, and reinforce best practices and clinical guidelines. Entering data into electronic records could also help to facilitate quality measurement and improvement, cut paperwork, and streamline health transactions.

The State Health Care Authority (HCA) administers state employee insurance benefits and the basic health plan, which is the state subsidized health insurance program for low income persons. The HCA is also generally responsible for coordinating the study and implementation of state initiatives regarding health care cost containment.

**Summary of Second Substitute Bill:** Licensed physicians, podiatric physicians, osteopathic physicians, and advanced registered nurse practitioners who are solo practitioners or in group practices with five or fewer practitioners and who acquire or who use services to develop, enhance, or install health information technologies will receive a credit against the B&O tax. To be eligible, the practice must use health information technologies that are certified by the HCA to be consistent with recognized national standards related to interoperability, security, and confidentiality.

Health information technologies is a computerized system that provides access to patients' medical records in an electronic format consistent with the regulations adopted in the federal health insurance portability and accountability act and includes email, clinical alerts, and other information technologies.

The tax credit is limited to 50 percent of the amount spent on the technology, up to a lifetime maximum tax credit of \$10,000. The credit may not be claimed until the HCA has determined that standards related to interoperability and security are sufficiently established to ensure that the credits will be offered to systems that are compatible with the development of a statewide system. The HCA must also certify which health information technologies are eligible for the tax credit. The credit program expires December 31, 2011.

The practice is not required to complete an application for the tax credit, but it must keep records for eligibility verification. If it turns out that the practice is not eligible for the credit, the balance plus interest is immediately due.

**Second Substitute Bill Compared to Substitute Bill:** The second substitute updates RCW 41.05.021 to reflect its amendment in 2005 and changes the effective date from January 1, 2006, to January 1, 2007.

**Substitute Bill Compared to Original Bill:** The substitute bill extends the B & O tax credit to include podiatric physicians, osteopathic physicians, and advanced registered nurse practitioners. It creates a lifetime cap of \$10,000 on the tax credit and ends the credit program on December 31, 2011.

The tax credit would not become available until the Health Care Authority has determined that standards related to interoperability and security are sufficiently established to ensure that the credits will be offered to systems that are compatible with the development of a statewide system. The Health Care Authority must develop a list of health information technologies that are eligible for the tax credit.

The substitute bill removes the provisions that required the Health Care Authority and the Department of Social and Health Services to increase reimbursement by 5 percent to providers who adopt qualified EMR systems.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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

**Testimony For (Health & Long-Term Care):** High quality care is cost effective. Clinical decision support will greatly reduce adoption time for new and better standard practices. Clinical information technologies will reduce illegible prescriptions and the corresponding problems and will also assist with ensuring patients will not be re-prescribed medicines to which they have adverse reactions. While difficult to quantify the return on investment, it is clearly a long-term cost savings. Some support the plan but wish to expand the credits to include podiatric physicians and advanced registered nurse practitioners. Some wish the credits could be extended to all physician practices regardless of size but acknowledge that a line needs to be drawn somewhere for funding purposes.

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

**Who Testified (Health & Long-Term Care):** PRO: Meta Dooley, Dr. Smokey Stover, Multicare Medical System; Gail McGaffick, WA State Podiatric Medical Association & WA Association of Nurse Anesthetists; Len Eddinger, WA State Medical Association; Ken Bertrand, Group Health Cooperative.

**Testimony For (Ways & Means):** Sharing information between health care providers is not consistent. This is an incentive to take a risk and update. This will improve continuity and interoperability. There are long-term cost savings.

**Testimony Other (Ways & Means):** Certification costs are not reflected in the fiscal note. You should look at options to make this administratively feasible.

**Who Testified (Ways & Means):** PRO: Senator Keiser, prime sponsor; Alexis Wilson, Multicare Health System; D.J. Wilson, Northwest Physicians Network; Kathleen Collins, Washington Academy of Family Physicians.

OTHER: Dennis Martin, Health Care Authority.