

SENATE BILL REPORT

SB 5423

As Reported By Senate Committee On:
Health & Long-Term Care, February 19, 2007

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

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

Sponsors: Senators Keiser, Pflug, Parlette, Franklin, Kastama, Marr, Tom, Delvin, Clements, Kilmer, Kohl-Welles and Kline.

Brief History:

Committee Activity: Health & Long-Term Care: 2/08/07, 2/19/07 [DPS-WM].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: That Substitute Senate Bill No. 5423 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Keiser, Chair; Franklin, Vice Chair; Pflug, Ranking Minority Member; Carrell, Fairley, Kastama, Kohl-Welles and Marr.

Staff: Mich'l Needham (786-7442)

Background: The business and occupation (B&O) tax is levied on the gross receipts of all business activities conducted within Washington. Virtually all businesses in Washington are subject to B&O tax, including corporations, limited liability companies, partnerships, and sole proprietors, whether nonprofit or for profit. There are generally no deductions for the costs of doing business. Although there are nine different rates, the most common rates are 0.471 percent for retailing, 0.484 percent for wholesaling and manufacturing, and 1.5 percent for services and other activities. Physicians and other medical professionals are included in the "services" classification for the B&O tax.

Many experts advocate the use of clinical information technology as a way to reduce medical errors, and reinforce best practices and clinical guidelines; however, small medical practices find the investment in technology can be cost prohibitive.

Summary of Bill: Physicians and advance registered nurse practitioners licensed as sole proprietors or working in groups of up to five practitioners may access a new tax credit for the purchase of certified health information technologies. The tax credit is limited to 50 percent of the expenditure and subject to a lifetime maximum of \$10,000.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Health information technologies include a computerized system that provides access to patients' medical records, e-mail communications, and clinical alerts and reminders. The Washington State Health Care Authority (HCA) must certify the technologies are eligible for the tax credit, and are consistent with state and national standards for interoperability, security, and the protection of confidentiality. The HCA must also develop a list of health information technologies that are eligible for the tax credit and provide the list to the Department of Revenue.

The tax credit becomes available January 1, 2008, for expenses incurred in 2008, and expires December 31, 2013.

EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Health & Long-Term Care): Naturopathic physicians are added to the list of providers eligible for the tax credit. Leased equipment may qualify for the credit in addition to purchased equipment. The HCA is removed from certifying the technology, and providers may indicate to Department of Revenue that the technology is certified by a state, regional, or national commission.

Appropriation: None.

Fiscal Note: Requested on January 25, 2007.

Committee/Commission/Task Force Created: No.

Effective Date: Section 1 is effective January 1, 2008.

Staff Summary of Public Testimony: PRO: This will be extremely helpful for small practices that find it difficult to purchase the health technology for electronic patient records. It would be helpful to add a reference to allow the tax credit for leased equipment.

Persons Testifying: PRO: Mark Johnson, Washington Retail Association; Kathleen Collins, Washington Academy of Family Physicians; Carl Nelson, Washington State Medical Association.