

# SENATE BILL REPORT

## SB 5673

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As Amended by House, April 9, 2009

**Title:** An act relating to requiring certificates of need for certain hospitals.

**Brief Description:** Concerning certificates of need.

**Sponsors:** Senators Pridemore, Zarelli, Keiser, Murray, Rockefeller, Hobbs, Regala and Shin.

**Brief History:**

**Committee Activity:** Health & Long-Term Care: 2/02/09, 2/05/09 [DP].

Passed Senate: 3/02/09, 41-6.

Passed House: 4/09/09, 97-1.

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

**Majority Report:** Do pass.

Signed by Senators Keiser, Chair; Franklin, Vice Chair; Pflug, Ranking Minority Member; Becker, Fairley and Parlette.

**Staff:** Edith Rice (786-7444)

**Background:** The certificate of need (CON) program is operated by the Department of Health under direction of the secretary's designee. A certificate of need is required before a health care facility can be constructed, sold, purchased or leased or before a health care provider can offer certain new or expanded services. Some examples are: construction or sale of a hospital or an increase in the number of licensed hospital or nursing home beds. The purpose for a certificate of need process is to ensure that new services proposed by health care providers are needed within a particular region.

Criteria for the review of a certificate of need application are different for health maintenance organizations (HMO's) and other health care providers.

An HMO is a public or private organization which makes health care services available to enrolled participants and is further defined in state law.

Health care facility CON applications are reviewed subject (but not limited) to the following criteria: the need for such services, the availability of less costly or more effective alternative methods of providing such services, financial feasibility and impact on health care costs in

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the community, quality assurance and cost effectiveness, use of existing services and facilities, and (for hospitals) whether the hospital meets or exceeds the regional average level of charity care as well as other factors.

An HMO CON application is not subject to the previously listed criteria. Instead, an HMO CON application must be approved by the department if the department finds: CON approval is required to meet the needs of the HMO's current and future members and the HMO is unable to provide its services in a reasonable and cost effective manner consistent with the basic method of operation.

**Summary of Bill:** Hospitals constructed, developed, or established by a health maintenance organization are subject to certificate of need review. Hospitals sold, purchased or leased by a health maintenance organization are subject to certificate of need review.

**Appropriation:** None.

**Fiscal Note:** Requested on January 28, 2009.  
[OFM requested ten-year cost projection pursuant to I-960.]

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

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

**Staff Summary of Public Testimony:** PRO: HMOs should be subject to the same certificate of need review criteria that any other hospital is subject to.

**Persons Testifying:** PRO: David Michener, Southwest Washington Medical Center.

**House Amendment(s):** Exempts an HMO from the requirement to obtain a certificate of need prior to construction, development, establishment, sale, purchase, or lease of a hospital if the HMO operates a group practice that has been continuously licensed as an HMO since January 1, 2009.