

# HOUSE BILL REPORT

## HB 2229

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### As Reported by House Committee On: Health Care & Wellness

**Title:** An act relating to reporting of compensation for certain hospital employees.

**Brief Description:** Regarding reporting compensation of certain hospital employees.

**Sponsors:** Representatives Jinkins, Hasegawa, Darneille, Wylie, Cody and Roberts.

#### **Brief History:**

##### **Committee Activity:**

Health Care & Wellness: 1/12/12, 1/26/12 [DPS].

#### **Brief Summary of Substitute Bill**

- Requires nonprofit and public hospital district hospitals to report the compensation paid to certain employees.

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### HOUSE COMMITTEE ON HEALTH CARE & WELLNESS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Cody, Chair; Jinkins, Vice Chair; Clibborn, Green, Kelley, Moeller and Van De Wege.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Schmick, Ranking Minority Member; Hinkle, Assistant Ranking Minority Member; Harris.

**Staff:** Chris Blake (786-7392).

#### **Background:**

The Department of Health licenses 97 hospitals in Washington. Of these, 87 are either nonprofit hospitals or public hospital district hospitals.

Among the reporting requirements for hospitals, they must submit financial and discharge data to the Department of Health on a quarterly and annual basis. Each quarter, hospitals must submit a summary utilization and financial report. Each year, hospitals must submit

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their annual budgets at least 30 days before the beginning of their fiscal year and file year-end reports within 120 days of the close of their fiscal year.

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**Summary of Substitute Bill:**

Nonprofit and public hospital district hospitals must annually report certain employee compensation information to the Department of Health (Department). The requirement begins with employee compensation information for 2012.

The reporting requirement can be satisfied in one of two ways. First, within 60 days of the end of the hospital's fiscal year, the hospital may file the portion of its federal Internal Revenue Service (IRS) Form 990 that contains compensation information. If the hospital elects to report by means of the Form 990, and the information does not identify the compensation of the hospital's lead administrator, the hospital must additionally report that individual's compensation information.

Alternatively, within 60 days of the end of the hospital's fiscal year, the hospital may submit the names and compensation information for the five highest compensated employees of the hospital who do not have any direct patient responsibilities. The term "compensation" includes base compensation, bonus and incentive compensation, other payments that qualify as reportable compensation, retirement and deferred compensation, and nontaxable benefits.

The Department shall develop a form for hospitals to use when reporting compensation. The form shall follow the format and requirements of the compensation portion of the Form 990.

**Substitute Bill Compared to Original Bill:**

The substitute bill establishes two options for reporting hospital compensation information. The hospital must file, within 60 days of the end of its fiscal year, either:

1. the portion of its Form 990 that contains compensation information. If the information does not identify the compensation of the hospital's lead administrator, the hospital must report that individual's compensation information according to the second option; or
2. the name and compensation information for the five highest compensated employees of the hospital who do not have any direct patient responsibilities.

The substitute bill directs the Department to establish a form for hospitals to use when reporting employee compensation information. The Department is encouraged to follow the format and reporting requirements of the portion of the Form 990 that contains compensation information.

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**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on January 26, 2012.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) This is a straightforward transparency bill to discover whether or not there should be concern about the compensation of hospital executives. Building transparency around hospital employees is important as long as it is done without much burden to the hospital. Where compensation transparency is already happening, it allows for better dialogue and accountability between the hospital and the community.

While skilled and talented hospital executives are necessary and should be appropriately compensated, the current situation is out of balance. There have been instances of hospital staff having wage freezes and layoffs, while administrators have received bonuses. This transparency legislation will help to treat all hospital employees fairly.

The bill should allow hospitals to use a Form 990 which will provide public access to much of the information that the bill is seeking. Current IRS reporting requirements do not give information on individual hospital executives when the hospitals are part of a larger health system. It is not easy to find the compensation of hospital administrators in a timely manner. If hospital administrators were required to submit compensation information on a real-time basis, there would be more responsibility. There is a long delay in current IRS reporting requirements.

Having current compensation information for hospital administrators helps in labor negotiations with hospitals. The public needs to know how money is being spent at the top and if the exemptions that hospitals are getting are still necessary. The definition of "compensation" is good because it gets beyond just salaries and shows what hospital administrators really earn.

(In support with amendments) Not-for-profit hospitals are required to submit a Form 990 to the federal government and that form captures much of the information being requested in the bill. Sharing the Form 990 with the state would be less of a burden than recreating the information. Public hospitals do not have to file a Form 990, but the information is available upon request.

(Opposed) None.

**Persons Testifying:** (In support) Representative Jinkins, prime sponsor; Forrest Ehlinger, Harrington Medical Center; Julia Weinberg, Washington State Nurses Association; Allan Bell and Chris Barton, Service Employees International Union Healthcare 1199NW; Sharon Ness, United Food and Commercial Workers International Union Local 141; and Cody Arledge, United Food and Commercial Workers International Union 21.

(In support with amendments) Lisa Thatcher, Washington State Hospital Association.

**Persons Signed In To Testify But Not Testifying:** None.