# SENATE BILL REPORT
# SB 6360

As of February 2, 2012

**Title**: An act relating to health care facilities oversight and payment reform.

**Brief Description**: Creating the Washington health care cost commission.

**Sponsors**: Senators Keiser, Pflug and Shin.

**Brief History:**
**Committee Activity**: Health & Long-Term Care: 1/30/12.

## SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

**Staff**: Mich'l Needham (786-7442)

**Background**: Washington State has a history of regulating some rating practices for public accountability that can be traced back to early territory regulation of railroad expansion, by the regulatory agency known today as the Public Utility and Transportation Commission. Washington State has also regulated rates charged for insurance products with the Office of Insurance Commissioner, and at one time regulated rates charged by hospitals with the Washington State Hospital Commission established in 1973. The commission was repealed in the 1980s as prospective payment systems emerged and became the common practice.

The state of Maryland has retained a hospital rating commission known as the Health Services Cost Review Commission, and they have demonstrated success in managing rate increases and have created a unique system billing rates used by all payers in the state, including Medicaid and Medicare.

**Summary of Bill**: The Washington Health Care Cost Commission (Commission) is created with the stated intent of providing oversight of health care facility rates, guiding payment reform, and ensuring accountability and transparency for the pubic. The Commission is composed of three members, appointed by the Governor and confirmed by the Senate. Not more than two members of the Commission may belong to the same political party. The Governor must designate one of the commissioners as chair, and all of them may receive a salary. The Commission must appoint an executive director and other qualified staff to carry out the duties of the Commission.

The duties of the Commission include:

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- Regulating in the public interest, all health care facilities charging for services. Health care facilities includes hospitals licensed under RCW 70.41 and all facilities owned by hospitals.
- Requiring that the rates charged for services be filed with the Commission for review of the components that make up the rate to ensure the rates relate to the cost of proposed services.
- Requiring information from each facility that allows appropriate oversight of the rates charged, including information on any facility mergers or affiliations, expansions of facilities or services, and other areas the Commission deems in the public interest.
- Developing methodologies to expedite the adoption of payment reform efforts, including capitation, pay for performance, bundled payments, and alternative payment mechanisms that incentivize providers to improve quality and efficiency.
- Considering the option to develop an all-payer billing system such as that utilized by Maryland that ensures the costs of care for the population are equally distributed across payers including the Medicaid and Medicare programs.
- Determining the regulatory fees payable by all types of health care facilities and making rules necessary to carry out the powers and duties.

The Health Care Cost Public Service revolving fund is created in the state treasury for the deposit of regulatory fees paid by health care facilities. All of the operating expenses of the Commission must be paid by the fund. The Commission is a public agency and all the proceedings and documents and records are subject to public records requirements.

**Appropriation**: None.

**Fiscal Note**: Requested on January 21, 2012.
[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: Hospital activity is a primary fiscal area that warrants careful attention. There is so much market consolidation that hospitals are able to set rates as the dominant or only provider in some markets. We need to consider hospital services as vital public utilities that need oversight and accountability to the people. We appreciate the focus on transformative payment efforts and support efforts to move payment reform along.

CON: Health care is in the midst of a major transformation in this country. Hospitals already have multiple competing demands and requests for new efforts to control costs and improve quality. We tried rate setting in this state for 16 years and it did not control costs and output prices. The authority of the rate commission was too limited to influence the variables that influence hospital costs. There were rate commissions all over the country, and today only one still exists, in Maryland. The evolution of payments systems with Medicare and Medicaid led to their demise, and carriers determined they could negotiate better rates. We do support the efforts to help move payment reform along more effectively.

**Persons Testifying**: PRO: Senator Keiser, prime sponsor; Mary Clogston, Washington Academy of Family Physicians.

CON: Len McComb, Washington State Hospital Association.