

# HOUSE BILL REPORT

## SSB 5859

---

### As Reported by House Committee On: Appropriations

**Title:** An act relating to providing enhanced payment to small rural hospitals that meet the criteria of a sole community hospital.

**Brief Description:** Providing enhanced payment to small rural hospitals that meet the criteria of a sole community hospital.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Braun, Hatfield, Holmquist Newbry and Hargrove).

#### **Brief History:**

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

Appropriations: 3/1/14 [DPA].

#### **Brief Summary of Substitute Bill (As Amended by Committee)**

- Requires the Health Care Authority to increase reimbursement rates by 25 percent for public hospitals with fewer than 150 beds that were federally designated as "sole community hospitals" and had Level III adult trauma designations from the Department of Health.

---

### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass as amended. Signed by 21 members: Representatives Hunter, Chair; Ormsby, Vice Chair; Chandler, Ranking Minority Member; Ross, Assistant Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Carlyle, Cody, Dunshee, Green, Haigh, Hudgins, S. Hunt, Jinkins, Kagi, Lytton, Morrell, Pettigrew, Seaquist, Springer, Sullivan and Tharinger.

**Minority Report:** Do not pass. Signed by 10 members: Representatives Buys, Christian, Dahlquist, Fagan, Haler, Harris, G. Hunt, Parker, Schmick and Taylor.

**Staff:** Erik Cornellier (786-7116).

---

*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.*

## **Background:**

### Medical Assistance.

Medical assistance is available to eligible low-income state residents and their families from the Health Care Authority (HCA), primarily through the Medicaid program. Most of the state medical assistance programs are funded with matching federal funds in various percentages. Federal funding for the Medicaid program is conditioned on the state having an approved Medicaid state plan and related state laws to enforce the plan. Coverage is provided through fee-for-service (FFS) and managed care systems.

### Sole Community Hospitals.

The federal government designates hospitals as "sole community hospitals" (SCHs) if they meet certain criteria based on rural location, size, or distance from other hospitals. There are five hospitals in Washington that are federally designated as SCHs. These are Grays Harbor Community Hospital in Aberdeen, Olympic Medical Center in Port Angeles, Providence Centralia in Centralia, Samaritan Healthcare in Moses Lake, and PeaceHealth St. Joseph in Bellingham.

Hospitals designated as SCHs can receive increased Medicare payment rates based on federally specified criteria. Currently, these five hospitals receive enhanced payment rates from Medicare and do not receive enhanced payment rates from Medicaid.

### Trauma Designation.

The Department of Health (DOH) has authority to designate trauma services. The DOH designates five levels of acute care trauma services, three levels of pediatric acute care trauma services, and three levels of trauma rehabilitation services.

### Certified Public Expenditure Program.

The Certified Public Expenditure (CPE) program is a hospital payment methodology that applies to public hospitals, including government owned and operated hospitals that are not designated as Critical Access or state psychiatric hospitals. The CPE program allows public hospitals to certify their expenses as the state share in order to receive federal matching Medicaid funds.

---

## **Summary of Amended Bill:**

Beginning January 1, 2015, the HCA must increase Medicaid payment rates by 25 percent over the FFS rates for public hospitals that were designated as SCHs as of January 1, 2013, had a Level III adult trauma service designation from the DOH as of January 1, 2014, and had fewer than 150 acute care licensed beds as of fiscal year 2011. Hospitals participating in the CPE program may not receive these increased reimbursement rates for inpatient services.

## **Amended Bill Compared to Substitute Bill:**

The Appropriations Committee's recommendation restricts the increase in reimbursement rates to hospitals that had a Level III adult trauma designation as of January 1, 2014.

---

**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on February 27, 2014.

**Effective Date of Amended 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) Olympic Medical Center is an 80-bed rural hospital that serves 80,000 people, and 76 percent of the patients are on government programs. It serves four tribes. Most of the patients are poor and elderly, and they need local services. This bill is about maintaining local services for the most needy. The Olympic Medical Center has a 1,000 employees that provide high quality local services and their local jobs should be protected. The Olympic Medical Center serves Port Angeles and Sequim, and it is under financial stress. There have been at least 12 hospitals that have consolidated. The local public hospital system that allows communities to elect their leadership should be supported. Health care reform is necessary in the industry. Health care providers need to control costs, increase outcomes, and increase access.

(Opposed) None.

**Persons Testifying:** Eric Lewis, Olympic Medical Center.

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