HOUSE BILL REPORT
HB 2450

As Reported by House Committee On:
Health Care & Wellness

Title: An act relating to allowing critical access hospitals participating in the Washington rural health access preservation pilot to resume critical access hospital payment and licensure.

Brief Description: Allowing critical access hospitals participating in the Washington rural health access preservation pilot to resume critical access hospital payment and licensure.

Sponsors: Representatives Tharinger, Short, Cody, Schmick, Jinkins and Blake.

Brief History:
Committee Activity:
Health Care & Wellness: 1/22/16, 1/29/16 [DPS].

Brief Summary of Substitute Bill

- Allows rural hospitals that have been certified as critical access hospitals to participate in the Washington Rural Health Access Preservation pilot project without relinquishing their ability to return to their previous payment and licensing status as critical access hospitals.

HOUSE COMMITTEE ON HEALTH CARE & WELLNESS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Cody, Chair; Schmick, Ranking Minority Member; Caldier, Clibborn, DeBolt, Jinkins, Johnson, Moeller, Robinson, Short, Tharinger and Van De Wege.

Staff: Chris Blake (786-7392).

Background:

Critical Access Hospitals.

Prior to becoming licensed by the Department of Health and beginning operations, a hospital must receive a certificate of need and comply with the review process for any construction

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project related to the facility. In the case of hospitals, a certificate of need is required prior to construction, renovation, or sale of a hospital; changes in bed capacity; or the addition of specialized health services. The construction review process provides technical assistance for changes to hospitals such as new construction, replacement, alterations, additions, expansions, change of approved use, remodeling, and upgrades.

There are 39 hospitals in Washington that are certified as critical access hospitals. These are hospitals with 25 beds or less that are generally located in rural areas. They must deliver continuous emergency department services and they may not have an average length of stay of more than 96 hours per patient. The Critical Access Hospital Program allows hospitals under Washington's medical assistance programs to receive payment for hospital services based on allowable costs and to have more flexibility in staffing. Since 2005, there has been a moratorium on additional hospital participation in the Critical Access Hospital Program.

Healthier Washington.

The federal Patient Protection and Affordable Care Act established the Center for Medicare and Medicaid Innovation (CMMI) within the Centers for Medicare and Medicaid Services to test innovative payment and service delivery models without reducing the quality of care. As part of the State Innovation Models Initiative, Washington received approximately $1 million from the CMMI to continue work on the State Health Care Innovation Plan (Innovation Plan). In late 2014, Washington received an additional $65 million from the federal government for implementing the Innovation Plan. The Innovation Plan includes three strategies:

- Encourage value-based purchasing, beginning with state-purchased health care.
- Build healthy communities through prevention and early mitigation of disease.
- Improve chronic illness care through better integration of care and social supports, in particular for people with both physical and behavioral health issues.

The state has undertaken implementation of the Innovation Plan under an initiative known as "Healthier Washington." Among the projects is an effort to build new payment and delivery mechanisms for federally qualified health centers and rural health care clinics, and critical access hospitals. For critical access hospitals, the project includes the creation of a new payment and delivery option. The Department of Health and the Washington State Hospital Association have formed the Washington Rural Health Access Preservation project to examine different structures for payment and care delivery. The project expects to create a new facility type that would allow rural critical access hospitals to scale their services to the needs and care patterns of the communities. The project is considering a pilot of 12 to 15 critical access hospitals to test the new type of facility. Pilot sites are being considered based upon remoteness of the location, the size of the population center, and the hospital's fiscal performance.

Summary of Substitute Bill:

A rural hospital that has been certified as a critical access hospital and relinquishes its status as a critical access hospital to participate in the Washington Rural Health Access Preservation

(WRHAP) pilot may discontinue its participation in the pilot and resume its participation in Medicaid payment methodologies for critical access hospitals.

A rural hospital that fails to meet critical access hospital status as a result of participation in the WRHAP pilot may renew its hospital license and resume operations as a hospital with the same number of previously approved beds without having to meet certificate of need and construction review requirements. The exemption applies as long as the hospital was in compliance with licensing rules at the time it began participation in the WRHAP pilot and the condition of the hospital's physical plant and equipment is equal to or exceeds the level of compliance required when it began participation in the WRHAP pilot. If a formerly licensed hospital that participates in the WRHAP pilot is sold, purchased, or leased during the WRHAP pilot and the new owner or lessor applies to renew the hospital's license, the sale, purchase, or lease is subject to certificate of need requirements. The Department of Health may conduct an inspection to determine compliance with hospital licensing rules.

Substitute Bill Compared to Original Bill:

The substitute bill precludes a formerly licensed hospital that participates in the Washington Rural Health Access Preservation pilot program from claiming the exemption from certificate of need requirements if all or part of the hospital was sold, purchased, or leased while participating in the pilot.

The substitute bill eliminates the condition that to be exempt from certificate of need and construction review requirements there may not be any changes to the existing hospital building since it began the pilot project and replaces it with the condition that the physical plant and equipment be in a condition that is equal to or exceeds the level of compliance at the time the hospital reduced its beds.

Appropriation: None.

Fiscal Note: Available.

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) Low volume of patients, shifts from inpatient to outpatient care, and the lack of commercial pay patients have challenged rural communities and this bill will allow some hospitals to participate in a pilot project that may better serve the health care needs of the community. The hospitals participating in the pilot project are needed less for inpatient care and more as a critical anchor for preventive services, emergency services, primary care, outpatient services, and referrals to other facilities. While hospitals would like to innovate, this bill provides them with the reassurance that they can return to their critical access hospital status if the pilot project ends or it does not fit their needs. This supports the goal of

designing a value-based delivery and reimbursement model to better align the services of the hospital with the needs of the community.

Demonstrations always offer lessons, but they also pose risks. This bill provides an essential safety net to fiscally vulnerable hospitals that participate in the pilot project so access to services is not decreased for rural Washingtonians. This bill provides risk management for hospitals so they may innovate in ways that improve care and delivery of services without losing their status prior to entering the pilot project.

(Opposed) None.

Persons Testifying: Representative Tharinger, prime sponsor; Pat Justis, Washington Department of Health; Gary Bostrom, East Adams Hospital; and Marc Provence, Washington Health Care Authority.

Persons Signed In To Testify But Not Testifying: None.