

# HOUSE BILL REPORT

## HB 1547

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

**Title:** An act relating to exempting certain hospitals from certificate of need requirements for the addition of psychiatric beds until June 2019.

**Brief Description:** Exempting certain hospitals from certificate of need requirements for the addition of psychiatric beds until June 2019.

**Sponsors:** Representatives Schmick and Cody.

**Brief History:**

**Committee Activity:**

Health Care & Wellness: 1/31/17, 2/17/17 [DPS].

**Brief Summary of Substitute Bill**

- Suspends certificate of need requirements through June 30, 2019, for hospitals and establishments that add new psychiatric beds and entities that construct establishments of no more than 16 beds.

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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 17 members: Representatives Cody, Chair; Macri, Vice Chair; Schmick, Ranking Minority Member; Graves, Assistant Ranking Minority Member; Caldier, Clibborn, DeBolt, Harris, Jinkins, MacEwen, Maycumber, Riccelli, Robinson, Rodne, Slatter, Stonier and Tharinger.

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

**Background:**

The certificate of need process evaluates proposals by certain health care providers to expand health care activities and reviews the potential impact of the expansion on a community's need for the service. A certificate of need from the Department of Health (Department) is required prior to the construction, renovation, or sale of a health care facility; changes in bed

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capacity; an increase in the number of dialysis stations at a kidney disease treatment center; or the addition of specialized health services. Under the program, the Department reviews the project under specific criteria related to community need, quality of services, financial feasibility, and the impact on health care costs in the community. A facility or service that is subject to the certificate of need program must be approved prior to beginning operations.

For fiscal year 2015, certificate of need requirements were suspended for hospitals that changed the use of licensed beds to increase the number of beds used to provide psychiatric services. In the 2015-17 biennial capital budget, \$32 million was appropriated to the Department of Commerce to support grants to hospitals to add new psychiatric beds to their facilities. The certificate of need requirements were suspended in fiscal years 2016 and 2017 for hospitals adding beds through the grant program.

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### **Summary of Substitute Bill:**

The suspension of certificate of need requirements for hospitals and psychiatric establishments that increase the number of beds for psychiatric services is reinstated through June 30, 2019. For acute care hospitals, the exemption applies to new psychiatric beds. For psychiatric establishments, the exemption covers the addition of up to 30 new psychiatric beds if: (1) the last two years of cost report data show that its payer mix was at least 50 percent Medicare and Medicaid payments and; (2) the psychiatric establishment commits to maintaining a payer mix of at least 50 percent Medicare and Medicaid payments for at least five years after the beds are made available.

Until June 30, 2019, an entity that seeks to construct, develop, or establish a psychiatric establishment is exempt from certificate of need requirements if the establishment will have no more than 16 beds and will provide treatment to adults on 90- or 180-day involuntary commitment orders. The psychiatric establishment may also treat adults on a 72-hour detention or 14-day involuntary commitment order.

Hospitals and psychiatric establishments receiving an exemption from certificate of need requirements must notify the Department of Health (Department) of their intent to increase the number of psychiatric beds or to construct a new establishment. The Department must provide the hospital or psychiatric establishment with a notice of exemption within 30 days. A hospital or psychiatric establishment must begin the project within two years of receiving the notice of exemption. The hospital or establishment must seek a certificate of need or reduce its licensed capacity if psychiatric beds that have been granted an exemption are changed to a different use. An entity that constructs a psychiatric establishment must receive a certificate of need if it exceeds 16 beds.

### **Substitute Bill Compared to Original Bill:**

The substitute bill corrects references to "psychiatric hospitals" by changing them to "establishments."

The substitute bill exempts the construction development, or establishment of an establishment (the legal term for a psychiatric hospital in chapter 71.12 RCW) from certificate of need requirements if it will have no more than 16 beds and provide treatment to adults on 90- or 180-day involuntary commitment orders. If the entity exceeds 16 beds it must seek a certificate of need.

The substitute bill requires a hospital or establishment that is adding psychiatric beds or constructing a new establishment for up to 16 beds to notify the Department of Health (Department). The Department must provide the hospital or establishment with a notice of exemption within 30 days. A hospital or establishment must begin the project within two years of receiving the notice of exemption. Beds that are exempted from certificate of need review must remain psychiatric beds unless a certificate of need is granted to change the use or a voluntary reduction in capacity occurs.

The substitute bill changes the source for determining an establishment's payer mix from cost report data from the Centers for Medicaid and Medicare Services to fiscal year-end report data submitted to the Department. The automatic revocation of the certificate of need exemption if an establishment fails to meet the payer mix requirement is removed.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect immediately.

**Staff Summary of Public Testimony:**

(In support) This bill will suspend the certificate of need and allow a hospital to evaluate after two years if the addition of these beds is working. These beds are needed, and this is a reasonable request under the circumstances. Hospitals should be allowed to add psychiatric beds without going through the certificate of need process. This bill dovetails with House Bill 1546. The state has previously reduced certificate of need restrictions, and the policy worked to add at least 60 new beds.

While hospitals have been adding psychiatric beds, there is still a shortage of these beds for persons in mental health crisis. The high number of single-bed certifications shows that there is still a shortage of beds for persons who have been involuntarily detained, but does not address shortages for those seeking voluntary treatment.

There needs to be an amendment to notify the hospital of the exemption. There should be a clarifying amendment to show that this is a means of increasing capacity for mental health treatment in local communities. Companies not currently operating facilities in the state should also be allowed to be a part of this exemption.

(Opposed) None.

**Persons Testifying:** Representative Schmick, prime sponsor; Chelene Whiteaker, Washington State Hospital Association; Seth Dawson, National Alliance on Mental Illness; Drew Bouton, Department of Health; and Luke Esser, Signature Healthcare Services.

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