

# SENATE BILL REPORT

## ESHB 2036

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As of February 27, 2020

**Title:** An act relating to health system transparency.

**Brief Description:** Concerning health system transparency.

**Sponsors:** House Committee on Health Care & Wellness (originally sponsored by Representatives Macri, Ormsby, Riccelli and Pollet).

**Brief History:** Passed House: 2/17/20, 56-42.

**Committee Activity:** Health & Long Term Care: 2/26/20.

### Brief Summary of Bill

- Requires hospitals to provide additional expense and revenue details in their financial reports to the Department of Health (DOH).
- Requires health systems operating hospitals to annually submit income statements and balance sheets to DOH.
- Eliminates the facility fees notification and reporting exemption for certain off-campus clinics or providers.
- Requires hospitals to make additional information about their community health needs assessment available to the public.
- Requires hospitals to post on their websites if they have ownership or specific revenue exchanges with debt collection agencies.
- Establishes reporting requirements for ambulatory surgical facilities.

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### SENATE COMMITTEE ON HEALTH & LONG TERM CARE

**Staff:** LeighBeth Merrick (786-7445)

**Background:** Financial Reporting. Hospitals are required to quarterly report financial and utilization data to DOH. The financial data includes revenues, expenses, contractual allowances, charity care, bad debt, other income, total units of inpatient and outpatient services, and other financial and employee compensation information.

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Facility Fees. Hospitals with provider-based clinics that bill a separate facility fee must provide notice to patients receiving nonemergency services and annually report specific information to DOH. The notice must inform the patient that the clinic is licensed as part of a hospital, and the patient may receive a separate billing for the facility component of a health care visit which may result in a higher out-of-pocket expense. A facility fee is a separate charge intended to cover building, electronic medical records systems, billing, and other administrative and operational expenses. Provider-based clinics that are located at least 250 yards from the main hospital buildings or as determined by the Centers for Medicare and Medicaid Services (CMS) are exempt from the facility fees notification and reporting requirements.

Community Health Needs Assessment. Federal law requires nonprofit hospitals to complete a community health needs assessment and adopt an implementation strategy to meet the identified needs. State law requires nonprofit hospitals to make their assessments available to the public. The information made available to the public must include the description of the community served by the hospital and demographics about the community's health. Within one year of completing the assessment, the hospital must make public their implementation strategy.

Debt Collection. State law prohibits hospitals from denying patients access to emergency care because of the inability to pay. Hospitals are required to have a charity care policy and notify patients of the availability of charity care. Hospitals must submit their charity care and bad debt policies to DOH, including standards for collecting the unpaid portions of hospital charges that are the patient's responsibility.

**Summary of Bill:** Financial Reporting. DOH must revise its annual financial reporting system for hospitals to report additional details about their expenses and revenues. Hospitals must report the following additional expense categories: blood supplies; contract staffing; information technology; insurance and professional liability; laundry services; professional services; purchased laboratory services; repairs and maintenance; shared services or system office allocation; staff recruitment; training costs; taxes; utilities; and other noncategorized expenses. Hospitals must report the following additional revenue categories: donations; grants; joint venture revenue; local taxes; outpatient pharmacy; local taxes; outpatient pharmacy; parking; quality incentive payments; reference laboratories; rental income; retail cafeteria; and other noncategorized revenues.

Critical access hospitals or sole community hospitals must report line items and amounts for any of the noncategorized expenses or revenues that are either greater than \$1 million or 1 percent of total expenses or revenues. All other hospitals must report line items and amounts for any of the noncategorized expenses or revenues that are either \$1 million or more, or 1 percent or more of total expenses or revenues.

A health system operating a hospital must annually submit a consolidated annual income statement and balance sheet to DOH for all of the facilities they operate in Washington including hospitals, ambulatory surgical facilities, health clinics, urgent care clinics, physician groups, health-related laboratories, long-term care facilities, home health agencies, dialysis facilities, ambulance services, behavioral health settings, and virtual care entities. The Washington State Auditor's Office must provide audited financial statements for all

hospitals owned or operated by a public hospital district to DOH. DOH must make the income statements and balance sheets, as well as the audited financial statements, publicly available.

Ambulatory surgical facilities are required to annually report the following information to DOH:

- the number of patient encounters;
- utilization data by services provided, including primary care, specialty care, urgent care, surgery, and virtual care;
- acquisitions of diagnostic and therapeutic equipment during the reporting period with a value over \$500,000; and
- projects that were commenced during the reporting period that require a capital expenditure for the facility over \$1 million

Facility Fees. Provider-based clinics that are located at least 250 yards from the main hospital buildings or as determined by CMS are no longer exempt from the facility fees notice and reporting requirements.

Community Health Needs Assessment. Nonprofit hospitals must make available to the public an addendum to their community health needs assessment. The addendum must provide information about their community benefits and community building activities. Critical access or sole community hospitals must include the 10 community benefits and community building activities with the highest costs. All other hospitals must include the 20 community benefits and community building activities with the highest costs. The addendum must describe each activity and its cost, the community health needs assessment implementation strategy that is the basis for the activity, the zip codes in the hospital's service area, and how medically underserved, low-income, and minority, or chronically ill populations were served.

Debt Collection. Hospitals must post information on their website if they have any ownership interest in a debt collection agency or exchange of revenue with a debt collection agency that exceeds the amount a consumer owed related to medical debt for services provided and administrative costs and fees related to collecting the debt.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: Health care costs continue to increase and hospitals are a significant cost driver. It is important that the public, purchasers, employers and policymakers understand why health care costs are increasing. The hospital financial reporting laws need to be modernized to reflect the growing number of consolidations and acquisitions within the health care sector. All of the stakeholders, including hospitals, have helped refined the bill so that it only focuses on collecting the most relevant information.

Hospitals are reporting hundreds of millions of dollars in "other expenses". The bill disaggregates this information so we can see exactly where expenses are occurring. Several states require non-profit hospitals to report additional information about how community benefit dollars are spent. It is important the public know what community needs hospitals identify and what the hospital is doing to address them. All provider-based clinics should be required to report and notify patients about facility fees; we appreciate the removal of the exemption. Other states have reported hospitals having a revenue generating relationship with debt collectors which is why it is important that we require hospitals to publicly disclose this.

CON: The bill will not accomplish expanding access to health care and understanding costs. The hospitals have agreed to reporting the information in the "other" expense and revenue categories and the additional community benefit information. Hospitals do not agree with the need to report the additional noncategorized other expense or revenues.

**Persons Testifying:** PRO: Representative Nicole Macri, Prime Sponsor; Sybill Hyppolite, Washington State Labor Council; Katharine Weiss, Washington State Nurses Association; Brenda Weist, Teamsters 117; Elaine Cox, Health Care for All Washington; Marcia Stedman, Health Care for All Washington.

CON: Lisa Thatcher, Washington State Hospital Association.

**Persons Signed In To Testify But Not Testifying:** No one.