SENATE BILL REPORT
E2SHB 1272

As Reported by Senate Committee On:
Health & Long Term Care, March 26, 2021
Ways & Means, April 2, 2021

Title: An act relating to health system transparency.

Brief Description: Concerning health system transparency.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Macri, Cody, Fitzgibbon, Davis, Hackney, Thai, Kloba, Rule, Simmons, Pollet, Dolan, Slatter, Riccelli and Harris-Talley).

Brief History: Passed House: 2/25/21, 58-40.
Committee Activity: Health & Long Term Care: 3/19/21, 3/26/21 [DPA-WM, DNP]. Ways & Means: 3/31/21, 4/02/21 [DPA, DNP, w/oRec].

Brief Summary of Amended Bill

- Requires hospitals to provide additional expense and revenue details in their financial reports to the Department of Health (DOH).
- Requires hospitals to include information about patient demographics in their discharge reports to DOH.
- Requires hospitals to quarterly report their activities related to charity care to 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 report certain information about their community health needs assessment available to DOH.
- Directs DOH to contract with the University of Washington to conduct a

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hospital staffing study.

SENATE COMMITTEE ON HEALTH & LONG TERM CARE

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.
Signed by Senators Cleveland, Chair; Frockt, Vice Chair; Conway, Keiser, Randall, Robinson and Van De Wege.

Minority Report: Do not pass.
Signed by Senators Muzzall, Ranking Member; Holy, Padden, Rivers and Wilson, J.

Staff: LeighBeth Merrick (786-7445)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.
Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Capital; Robinson, Vice Chair, Operating & Revenue; Carlyle, Conway, Darneille, Dhingra, Hasegawa, Hunt, Keiser, Liias, Mullet, Pedersen, Van De Wege and Wellman.

Minority Report: Do not pass.
Signed by Senators Honeyford, Assistant Ranking Member, Capital; Schoesler, Assistant Ranking Member, Capital; Gildon, Muzzall, Rivers, Wagoner and Warnick.

Minority Report: That it be referred without recommendation.
Signed by Senators Wilson, L., Ranking Member; Brown, Assistant Ranking Member, Operating; Braun.

Staff: Sandy Stith (786-7710)

Background: Financial Reporting. Hospitals are required to quarterly report financial and patient discharge data to the Department of Health (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.

Hospital Staffing. Hospitals must establish nurse staffing committees to develop and oversee an annual patient care unit and shift-based nurse staffing plan, conduct a semiannual review of the nurse staffing plan, and review, assess, and respond to staffing concerns. Nurse staff plans must consider factors related to patient census, nature of care required for each shift, skill mix and experiences of the nurses providing care, need for specialized equipment, physical design of the patient care unit, staffing guidelines adopted

by industry associations, availability of other personnel to support nursing services, and strategies to enable nurses to take meal and rest breaks.

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 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 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.

Summary of Amended Bill: Financial Reporting. By January 1, 2023, 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, 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.

Hospitals must report any money they or their health systems receive from federal, state, or local governments in response to a national or state-declared emergency, including money received after January 1, 2020, in association with the COVID-19 pandemic. DOH must provide guidance on reporting this information.

Beginning on January 1, 2023, hospitals must submit quarterly reports to DOH regarding the number of submitted and completed charity care applications they received and the number of approved applications.

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

Beginning on January 1, 2023, patient discharge information reported by hospitals must identify the patient's race, ethnicity, gender identity, sexual orientation, preferred language, any disability, and zip code of primary residence. DOH must provide guidance on reporting and develop a waiver process to allow sole community, critical access, or medicare dependent hospitals to adopt an alternative reporting method due to economic hardship, technological limitations, or other exceptional circumstances. The waiver must be limited to one year or less, or any other specified time frame set by DOH. Hospitals may apply for waiver extensions. Patients must be informed that providing the information is voluntary. DOH may not take any action against a hospital that fails to report demographic information because a patient refused to provide the information. Subject to appropriations DOH must establish a grant program by October 1, 2022 to support critical access, sole community, or medicare dependent hospitals with updating their electronic health records systems to comply with the additional patient demographic reporting requirements. Hospitals that are owned or operated by a health system that owns or operates two or more hospitals is not eligible to apply for the grant. A hospital that receives grant funding must comply with the patient demographic reporting requirements by July 1, 2023. DOH must adopt rules to implement the patient demographic reporting, waiver and grant program by July 1, 2022.

Hospital Staffing Study. DOH must contract with the University of Washington School of Nursing to lead an interdisciplinary study to analyze the impact of the number, type, education, training, and experience of acute care hospital staffing personnel on patient mortality and patient outcomes. The University of Washington School of Nursing must collaborate with the other schools in the University of Washington Health Sciences Administration. The study should control for other contributing factors, including access to equipment, patients' underlying conditions and diagnoses, patients' demographic information, the trauma level designation of the hospital, transfers from other hospitals, and external factors impacting hospital volume. The study must be completed by September 1, 2022, and submitted to the appropriate committees of the Legislature by October 1, 2022

Facility Fees. Provider-based clinics located at least 250 yards from main hospital

buildings, or as determined by CMS, are no longer exempt from the facility fees notice and reporting requirements.

Community Health Needs Assessment. Beginning on July 1, 2022, nonprofit hospitals must submit their community health needs assessments to DOH and include an addendum with information about activities identified as community health improvement services. The addendum must describe the type of activity and how it was provided, how the activity addresses an identified community need in the community health needs assessment, the target population for the activity, strategies to reach the target population, identified outcome metrics, the cost to the hospital to provide the activity, the methodology used to calculate the hospital's costs, and the number of people served by the activity. Hospitals, other than those designated as critical access hospitals or sole community hospitals, are required to report community health improvement services activities with a cost of $5,000 or more. Hospitals designated as critical access hospitals or sole community hospitals are only required to report the information for the ten highest cost activities identified as community health improvement services.

Hospitals must also report demographic information about the participants' race, ethnicity, gender identity, preferred language, any disability, zip code of primary residence. DOH, in consultation with interested entities, may revise the demographic information reporting requirements every six years. Participants must be informed that providing the information is voluntary. DOH may not take any action against a hospital that fails to report demographic information because a participant refused to provide the information. DOH must provide guidance on the community health improvement services data reporting. DOH must develop the guidance in consultation with interested entities, including an association representing hospitals, labor unions representing hospital workers, and community health board associations.

In addition to submitting the information to DOH, hospitals must make community health needs assessments and community health improvement services activities information publicly available and DOH must post the information on its website.

EFFECT OF WAYS & MEANS COMMITTEE AMENDMENT(S):

- Adds sexual orientation to the list of patient demographic information hospitals must include in their patient discharge data reported to DOH.
- Modifies the waiver requirements for hospitals to be exempt from including patient demographic information in their patient discharge data reported to DOH so that the waiver:
    1. only applies to a critical access hospital, sole community hospital, or a medicare dependent hospital;
    2. is limited to one year or less or for any other specified time frame set by DOH; and
    3. allows hospitals to apply for waiver extensions.

- Requires DOH to establish a grant program by October 1, 2022 that is subject to appropriations and supports critical access, sole community, or medicare dependent hospitals with updating their electronic health records systems to comply with the additional patient demographic reporting requirements.
- Requires a hospital that receives a grant to comply with the patient demographic reporting requirements by July 1, 2023.
- Directs DOH to adopt rules to implement the patient demographic reporting, waiver and grant program by July 1, 2022.
- Specifies DOH must contract with the University of Washington School of Nursing to lead an interdisciplinary study on hospital staffing.
- Requires the University of Washington School of Nursing to collaborate with the other University of Washington Health Sciences Schools on the study.

EFFECT OF HEALTH & LONG TERM CARE COMMITTEE AMENDMENT(S):

- Removes the July 1, 2022, effective date and instead adds the following effective dates for each of the reporting requirements:
    1. Reporting for financial, patient demographic data and charity care information must begin by January 1, 2023; and
    2. Reporting for community health needs assessment information must begin by July 1, 2022.
- Removes the requirement for DOH to collaborate with stakeholders on identifying a research entity to conduct a study on hospital staffing and patient outcomes and instead requires DOH to contract with the University of Washington to conduct the study.

Appropriation: The bill contains a null and void clause requiring specific funding be provided in an omnibus appropriation act.

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 on Engrossed Second Substitute House Bill (Health & Long Term Care): *The committee recommended a different version of the bill than what was heard.* PRO: This bill is similar to the bill the committee moved out last session, but has been updated to reflect the health disparities that were exposed with COVID. Some of the policies in the bill are urgent because of COVID-19. This bill helps us achieve the shared goal of creating an equitable health system while managing health care costs. Health systems are growing more complex with consolidation. This makes it challenging for policymakers to understand the main cost drivers and hold health systems accountable. This bill provides greater transparency and seeks to gather data so we can

address health disparities. The information about how tax-exempt hospitals are spending their community benefit dollars is especially important. These hospitals have the responsibility to invest in the community, and it is unclear how the funds are being used and what impact they are making on the community. Until we have this information, health disparities will continue to increase. Improved financial disclosures could prevent hospitals from closing and will help policymakers understand the true financial challenges hospital's face. During COVID-19, hospitals received federal funding yet staff access to PPE remained scare and staff were furloughed or forced to take administrative leave. Additionally, Washington hospitals said they did not have the necessary funds to pay for traveller nurses. Rising and unpredictable health care costs make it challenging for purchases to keep costs low for their enrollees. The stakeholders are working through some minor changes to ensure smooth implementation.

OTHER: We support the work to address health disparities but have a concerns about a narrow section of the bill that requires substantial reporting for small rural hospitals. We are seeking an amendment and budget request that would help these hospitals implement this requirement. We are concerned about some of the timelines in the bill. For example, the staffing study would be due three months after the effective date of the bill.

Persons Testifying (Health & Long Term Care): PRO: Representative Nicole Macri, Prime Sponsor; Kay Funk, MD, Yakima City Council; Justin Gill, DNP, ARNP, Washington State Nurses Association; Candace Jackson, African American Health Board/Community Health Board Coalition; Laura Kate Zaichkin, Service Employees Union 775 Benefits Trust; Sybill Hyppolite, Washington State Labor Council, AFL-CIO.

OTHER: Chelene Whiteaker, Washington State Hospital Association; Kristin Reichl, Washington State Department of Health.

Persons Signed In To Testify But Not Testifying (Health & Long Term Care): No one.

Staff Summary of Public Testimony on Bill as Amended by Health & Long Term Care (Ways & Means): *The committee recommended a different version of the bill than what was heard.* PRO: This bill will help policy makers address rising health care costs and make better decisions regard Medicaid and supporting hospitals in need. The pandemic has revealed inequities that hurt BIPOC communities. This bill expands demographic reporting so we know more about who is served in our hospitals and through community benefit. This is a necessary step for equity work and for BIPOC communities in the state.

OTHER: We support the work to address health disparities but have a concerns about a narrow section of the bill that requires substantial reporting for small rural hospitals. We are seeking an amendment and budget request that would help these hospitals implement this requirement. We are concerned about some of the timelines in the bill. Seeking one-time grants to assist small hospitals in setting up necessary reporting systems.

Persons Testifying (Ways & Means): PRO: Sybill Hyppolite, Washington State Labor Council, AFL-CIO.

OTHER: Zosia Stanley, Washington State Hospital Association.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.