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**SUBSTITUTE HOUSE BILL 1272**

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**State of Washington**

**67th Legislature**

**2021 Regular Session**

**By** House Health Care & Wellness (originally sponsored by Representatives Macri, Cody, Fitzgibbon, Davis, Hackney, Thai, Kloba, Rule, Simmons, Pollet, Dolan, Slatter, Riccelli, and Harris-Talley)

READ FIRST TIME 02/15/21.

1 AN ACT Relating to health system transparency; amending RCW  
2 43.70.052, 70.01.040, and 70.41.470; adding a new section to chapter  
3 43.70 RCW; adding a new section to chapter 70.41 RCW; and providing  
4 an effective date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 43.70.052 and 2014 c 220 s 2 are each amended to  
7 read as follows:

8 (1) (a) To promote the public interest consistent with the  
9 purposes of chapter 492, Laws of 1993 as amended by chapter 267, Laws  
10 of 1995, the department shall ~~((continue to))~~ require hospitals to  
11 submit hospital financial and patient discharge information,  
12 including any applicable information reported pursuant to section 2  
13 of this act, which shall be collected, maintained, analyzed, and  
14 disseminated by the department. The department shall, if deemed cost-  
15 effective and efficient, contract with a private entity for any or  
16 all parts of data collection. Data elements shall be reported in  
17 conformance with a uniform reporting system established by the  
18 department. This includes data elements identifying each hospital's  
19 revenues, expenses, contractual allowances, charity care, bad debt,  
20 other income, total units of inpatient and outpatient services, and

1 other financial and employee compensation information reasonably  
2 necessary to fulfill the purposes of this section.

3 (b) Data elements relating to use of hospital services by  
4 patients shall be the same as those currently compiled by hospitals  
5 through inpatient discharge abstracts. The department shall encourage  
6 and permit reporting by electronic transmission or hard copy as is  
7 practical and economical to reporters.

8 (c) The department must revise the uniform reporting system to  
9 further delineate hospital expenses reported in the other direct  
10 expense category in the statement of revenue and expense. The  
11 department must include the following additional categories of  
12 expenses within the other direct expenses category:

13 (i) Blood supplies;

14 (ii) Contract staffing;

15 (iii) Information technology, including licenses and maintenance;

16 (iv) Insurance and professional liability;

17 (v) Laundry services;

18 (vi) Legal, audit, and tax professional services;

19 (vii) Purchased laboratory services;

20 (viii) Repairs and maintenance;

21 (ix) Shared services or system office allocation;

22 (x) Staff recruitment;

23 (xi) Training costs;

24 (xii) Taxes;

25 (xiii) Utilities; and

26 (xiv) Other noncategorized expenses.

27 (d) The department must revise the uniform reporting system to  
28 further delineate hospital revenues reported in the other operating  
29 revenue category in the statement of revenue and expense. The  
30 department must include the following additional categories of  
31 revenues within the other operating revenues category:

32 (i) Donations;

33 (ii) Grants;

34 (iii) Joint venture revenue;

35 (iv) Local taxes;

36 (v) Outpatient pharmacy;

37 (vi) Parking;

38 (vii) Quality incentive payments;

39 (viii) Reference laboratories;

40 (ix) Rental income;

1 (x) Retail cafeteria; and

2 (xi) Other noncategorized revenues.

3 (e)(i) A hospital, other than a hospital designated by medicare  
4 as a critical access hospital or sole community hospital, must report  
5 line items and amounts for any expenses or revenues in the other  
6 noncategorized expenses category in (c)(xiv) of this subsection or  
7 the other noncategorized revenues category in (d)(xi) of this  
8 subsection that either have a value: (A) Of \$1,000,000 or more; or  
9 (B) representing one percent or more of the total expenses or total  
10 revenues; or

11 (ii) A hospital designated by medicare as a critical access  
12 hospital or sole community hospital must report line items and  
13 amounts for any expenses or revenues in the other noncategorized  
14 expenses category in (c)(xiv) of this subsection or the other  
15 noncategorized revenues category in (d)(xi) of this subsection that  
16 represent the greater of: (A) \$1,000,000; or (B) one percent or more  
17 of the total expenses or total revenues.

18 (f) A hospital must report any money, including loans, received  
19 by the hospital or a health system to which it belongs from a  
20 federal, state, or local government entity in response to a national  
21 or state-declared emergency, including a pandemic. Hospitals must  
22 report this information as it relates to federal, state, or local  
23 money received after January 1, 2020, in association with the  
24 COVID-19 pandemic. The department shall provide guidance on reporting  
25 pursuant to this subsection.

26 (2) In identifying financial reporting requirements, the  
27 department may require both annual reports and condensed quarterly  
28 reports from hospitals, so as to achieve both accuracy and timeliness  
29 in reporting, but shall craft such requirements with due regard of  
30 the data reporting burdens of hospitals.

31 (3)(a) Beginning with compensation information for 2012, unless a  
32 hospital is operated on a for-profit basis, the department shall  
33 require a hospital licensed under chapter 70.41 RCW to annually  
34 submit employee compensation information. To satisfy employee  
35 compensation reporting requirements to the department, a hospital  
36 shall submit information as directed in (a)(i) or (ii) of this  
37 subsection. A hospital may determine whether to report under (a)(i)  
38 or (ii) of this subsection for purposes of reporting.

39 (i) Within one hundred thirty-five days following the end of each  
40 hospital's fiscal year, a nonprofit hospital shall file the

1 appropriate schedule of the federal internal revenue service form 990  
2 that identifies the employee compensation information with the  
3 department. If the lead administrator responsible for the hospital or  
4 the lead administrator's compensation is not identified on the  
5 schedule of form 990 that identifies the employee compensation  
6 information, the hospital shall also submit the compensation  
7 information for the lead administrator as directed by the  
8 department's form required in (b) of this subsection.

9 (ii) Within one hundred thirty-five days following the end of  
10 each hospital's calendar year, a hospital shall submit the names and  
11 compensation of the five highest compensated employees of the  
12 hospital who do not have any direct patient responsibilities.  
13 Compensation information shall be reported on a calendar year basis  
14 for the calendar year immediately preceding the reporting date. If  
15 those five highest compensated employees do not include the lead  
16 administrator for the hospital, compensation information for the lead  
17 administrator shall also be submitted. Compensation information shall  
18 include base compensation, bonus and incentive compensation, other  
19 payments that qualify as reportable compensation, retirement and  
20 other deferred compensation, and nontaxable benefits.

21 (b) To satisfy the reporting requirements of this subsection (3),  
22 the department shall create a form and make it available no later  
23 than August 1, 2012. To the greatest extent possible, the form shall  
24 follow the format and reporting requirements of the portion of the  
25 internal revenue service form 990 schedule relating to compensation  
26 information. If the internal revenue service substantially revises  
27 its schedule, the department shall update its form.

28 (4) The health care data collected, maintained, and studied by  
29 the department shall only be available for retrieval in original or  
30 processed form to public and private requestors pursuant to  
31 subsection ~~((7))~~ (8) of this section and shall be available within  
32 a reasonable period of time after the date of request. The cost of  
33 retrieving data for state officials and agencies shall be funded  
34 through the state general appropriation. The cost of retrieving data  
35 for individuals and organizations engaged in research or private use  
36 of data or studies shall be funded by a fee schedule developed by the  
37 department that reflects the direct cost of retrieving the data or  
38 study in the requested form.

39 (5) The department shall, in consultation and collaboration with  
40 ~~((the federally recognized))~~ tribes, urban or other Indian health

1 service organizations, and the federal area Indian health service,  
2 design, develop, and maintain an American Indian-specific health  
3 data, statistics information system.

4 (6) Patient discharge information reported by hospitals to the  
5 department must identify patients by race, ethnicity, gender  
6 identity, preferred language, any disability, zip code of primary  
7 residence, whether the patient applied for charity care, whether the  
8 patient received charity care, and whether the patient reported an  
9 income of 400 percent of the federal poverty level or less. The  
10 department shall provide guidance on reporting pursuant to this  
11 subsection. When requesting demographic information under this  
12 subsection, a hospital must inform patients that providing the  
13 information is voluntary. If a hospital fails to report demographic  
14 information under this subsection because a patient refused to  
15 provide the information, the department may not take any action  
16 against the hospital for failure to comply with reporting  
17 requirements or other licensing standards on that basis.

18 (7) All persons subject to the data collection requirements of  
19 this section shall comply with departmental requirements established  
20 by rule in the acquisition of data.

21 ~~((7))~~ (8) The department must maintain the confidentiality of  
22 patient discharge data it collects under subsection (1) of this  
23 section. Patient discharge data that includes direct and indirect  
24 identifiers is not subject to public inspection and the department  
25 may only release such data as allowed for in this section. Any agency  
26 that receives patient discharge data under (a) or (b) of this  
27 subsection must also maintain the confidentiality of the data and may  
28 not release the data except as consistent with subsection ~~((8))~~ (9)  
29 (b) of this section. The department may release the data as follows:

30 (a) Data that includes direct and indirect patient identifiers,  
31 as specifically defined in rule, may be released to:

32 (i) Federal, state, and local government agencies upon receipt of  
33 a signed data use agreement with the department; and

34 (ii) Researchers with approval of the Washington state  
35 institutional review board upon receipt of a signed confidentiality  
36 agreement with the department.

37 (b) Data that does not contain direct patient identifiers but may  
38 contain indirect patient identifiers may be released to agencies,  
39 researchers, and other persons upon receipt of a signed data use  
40 agreement with the department.

1 (c) Data that does not contain direct or indirect patient  
2 identifiers may be released on request.

3 ~~((+8))~~ (9) Recipients of data under subsection ~~((+7))~~ (8)(a)  
4 and (b) of this section must agree in a written data use agreement,  
5 at a minimum, to:

6 (a) Take steps to protect direct and indirect patient identifying  
7 information as described in the data use agreement; and

8 (b) Not redisclose the data except as authorized in their data  
9 use agreement consistent with the purpose of the agreement.

10 ~~((+9))~~ (10) Recipients of data under subsection ~~((+7))~~ (8)(b)  
11 and (c) of this section must not attempt to determine the identity of  
12 persons whose information is included in the data set or use the data  
13 in any manner that identifies individuals or their families.

14 ~~((+10))~~ (11) For the purposes of this section:

15 (a) "Direct patient identifier" means information that identifies  
16 a patient; and

17 (b) "Indirect patient identifier" means information that may  
18 identify a patient when combined with other information.

19 ~~((+11))~~ (12) The department must adopt rules necessary to carry  
20 out its responsibilities under this section. The department must  
21 consider national standards when adopting rules.

22 NEW SECTION. Sec. 2. A new section is added to chapter 43.70  
23 RCW to read as follows:

24 (1)(a) For a health system operating a hospital licensed under  
25 chapter 70.41 RCW, the health system must annually submit to the  
26 department a consolidated annual income statement and balance sheet,  
27 including hospitals, ambulatory surgical facilities, health clinics,  
28 urgent care clinics, physician groups, health-related laboratories,  
29 long-term care facilities, home health agencies, dialysis facilities,  
30 ambulance services, behavioral health settings, and virtual care  
31 entities that are operated in Washington.

32 (b) The state auditor's office shall provide the department with  
33 audited financial statements for all hospitals owned or operated by a  
34 public hospital district under chapter 70.44 RCW. Public hospital  
35 districts are not required to submit additional information to the  
36 department under this subsection.

37 (2) The department must make information submitted under this  
38 section available in the same manner as hospital financial data.

1        NEW SECTION.    **Sec. 3.**    A new section is added to chapter 70.41  
2    RCW to read as follows:

3        (1) Each hospital must report the following information to the  
4    department each month:

5        (a) The number of days of critical staffing, by job class.  
6    Critical staffing job classes include environmental services, nurses,  
7    other health care personnel, other licensed independent  
8    practitioners, pharmacy and pharmacy technicians, physicians,  
9    respiratory therapists, temporary physicians, temporary nurses,  
10   temporary respiratory therapists, temporary pharmacists, and other  
11   job classes identified by the department; and

12        (b) Mortality rates, including race and ethnicity mortality rates  
13   among labor and delivery patients.

14        (2) The department must adopt rules to implement the reporting  
15   requirements under this section.

16        **Sec. 4.**    RCW 70.01.040 and 2012 c 184 s 1 are each amended to  
17   read as follows:

18        (1) Prior to the delivery of nonemergency services, a provider-  
19   based clinic that charges a facility fee shall provide a notice to  
20   any patient that the clinic is licensed as part of the hospital and  
21   the patient may receive a separate charge or billing for the facility  
22   component, which may result in a higher out-of-pocket expense.

23        (2) Each health care facility must post prominently in locations  
24   easily accessible to and visible by patients, including its website,  
25   a statement that the provider-based clinic is licensed as part of the  
26   hospital and the patient may receive a separate charge or billing for  
27   the facility, which may result in a higher out-of-pocket expense.

28        (3) Nothing in this section applies to laboratory services,  
29   imaging services, or other ancillary health services not provided by  
30   staff employed by the health care facility.

31        (4) As part of the year-end financial reports submitted to the  
32   department of health pursuant to RCW 43.70.052, all hospitals with  
33   provider-based clinics that bill a separate facility fee shall  
34   report:

35        (a) The number of provider-based clinics owned or operated by the  
36   hospital that charge or bill a separate facility fee;

37        (b) The number of patient visits at each provider-based clinic  
38   for which a facility fee was charged or billed for the year;

1 (c) The revenue received by the hospital for the year by means of  
2 facility fees at each provider-based clinic; and

3 (d) The range of allowable facility fees paid by public or  
4 private payers at each provider-based clinic.

5 (5) For the purposes of this section:

6 (a) "Facility fee" means any separate charge or billing by a  
7 provider-based clinic in addition to a professional fee for  
8 physicians' services that is intended to cover building, electronic  
9 medical records systems, billing, and other administrative and  
10 operational expenses.

11 (b) "Provider-based clinic" means the site of an off-campus  
12 clinic or provider office (~~located at least two hundred fifty yards~~  
13 ~~from the main hospital buildings or as determined by the centers for~~  
14 ~~medicare and medicaid services,~~) that is owned by a hospital  
15 licensed under chapter 70.41 RCW or a health system that operates one  
16 or more hospitals licensed under chapter 70.41 RCW, is licensed as  
17 part of the hospital, and is primarily engaged in providing  
18 diagnostic and therapeutic care including medical history, physical  
19 examinations, assessment of health status, and treatment monitoring.  
20 This does not include clinics exclusively designed for and providing  
21 laboratory, X-ray, testing, therapy, pharmacy, or educational  
22 services and does not include facilities designated as rural health  
23 clinics.

24 **Sec. 5.** RCW 70.41.470 and 2012 c 103 s 1 are each amended to  
25 read as follows:

26 (1) As of January 1, 2013, each hospital that is recognized by  
27 the internal revenue service as a 501(c)(3) nonprofit entity must  
28 make its federally required community health needs assessment widely  
29 available to the public within fifteen days of submission to the  
30 internal revenue service. Following completion of the initial  
31 community health needs assessment, each hospital in accordance with  
32 the internal revenue service(~~(7)~~) shall complete and make widely  
33 available to the public an assessment once every three years.

34 (2) (a) Unless contained in the community health needs assessment  
35 under subsection (1) of this section, a hospital subject to the  
36 requirements under subsection (1) of this section shall make public a  
37 description of the community served by the hospital, including both a  
38 geographic description and a description of the general population  
39 served by the hospital; and demographic information such as leading



1 causes of death, levels of chronic illness, and descriptions of the  
2 medically underserved, low-income, and minority, or chronically ill  
3 populations in the community.

4 (b)(i) A hospital, other than a hospital designated by medicare  
5 as a critical access hospital or sole community hospital, that is  
6 subject to the requirements under subsection (1) of this section must  
7 submit an addendum which details information about activities  
8 identified as community health improvement services. The information  
9 must specify the type of activity, the method in which each type of  
10 activity was provided, the resources used to provide the activity,  
11 how the activity addresses the identified needs of the community, how  
12 each activity may correspond to follow-up services offered by the  
13 hospital, the cost of providing each type of activity with the  
14 methodology used to determine the hospital's costs written in plain  
15 English, and any materials provided to activity participants. In  
16 addition, the information must identify participants by race,  
17 ethnicity, gender identity, preferred language, any disability, zip  
18 code of primary residence, and whether the participant has an income  
19 of 200 percent of the federal poverty level or less. Information  
20 related to the resources used to provide the activity includes, but  
21 is not limited to, labor provided and whether the location was rented  
22 or provided by the hospital.

23 (ii) A hospital designated by medicare as a critical access  
24 hospital or sole community hospital that is subject to the  
25 requirements under subsection (1) of this section must submit an  
26 addendum which details information about the 10 highest cost  
27 activities identified as community health improvement services. The  
28 information must specify the type of activity, the method in which  
29 each type of activity was provided, the resources used to provide the  
30 activity, how the activity addresses the identified needs of the  
31 community, how each activity may correspond to follow-up services  
32 offered by the hospital, the cost of providing each type of activity  
33 with the methodology used to determine the hospital's costs written  
34 in plain English, and any materials provided to activity  
35 participants. In addition, the information must identify participants  
36 by race, ethnicity, gender identity, preferred language, any  
37 disability, zip code of primary residence, and whether the  
38 participant has an income of 200 percent of the federal poverty level  
39 or less. Information related to the resources used to provide the

1 activity includes, but is not limited to, labor provided and whether  
2 the location was rented or provided by the hospital.

3 (iii) The department shall provide guidance on participant data  
4 collection and the reporting requirements under this subsection  
5 (2)(b). The department must develop the guidelines in consultation  
6 with stakeholders, including an association representing hospitals in  
7 Washington, labor unions representing workers who work in hospital  
8 settings, and community health board associations.

9 (3) (a) Each hospital subject to the requirements of subsection  
10 (1) of this section shall make widely available to the public a  
11 community benefit implementation strategy within one year of  
12 completing its community health needs assessment. In developing the  
13 implementation strategy, hospitals shall consult with community-based  
14 organizations and stakeholders, and local public health  
15 jurisdictions, as well as any additional consultations the hospital  
16 decides to undertake. Unless contained in the implementation strategy  
17 under this subsection (3)(a), the hospital must provide a brief  
18 explanation for not accepting recommendations for community benefit  
19 proposals identified in the assessment through the stakeholder  
20 consultation process, such as excessive expense to implement or  
21 infeasibility of implementation of the proposal.

22 (b) Implementation strategies must be evidence-based, when  
23 available; or development and implementation of innovative programs  
24 and practices should be supported by evaluation measures.

25 (4) When requesting demographic information under subsection  
26 (2)(b) of this section, a hospital must inform participants that  
27 providing the information is voluntary. If a hospital fails to report  
28 demographic information under subsection (2)(b) of this section  
29 because a participant refused to provide the information, the  
30 department may not take any action against the hospital for failure  
31 to comply with reporting requirements or other licensing standards on  
32 that basis.

33 (5) For the purposes of this section, the term "widely available  
34 to the public" has the same meaning as in the internal revenue  
35 service guidelines.

36 NEW SECTION. Sec. 6. This act takes effect July 1, 2022.

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