
SECOND SUBSTITUTE HOUSE BILL 1272

State of Washington

67th Legislature

2021 Regular Session

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

READ FIRST TIME 02/22/21.

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; creating a new
4 section; and providing 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.

37 NEW SECTION. Sec. 7. If specific funding for the purposes of
38 this act, referencing this act by bill or chapter number, is not

1 provided by June 30, 2021, in the omnibus appropriations act, this
2 act is null and void.

--- **END** ---