HOUSE BILL REPORT
2SSB 5532

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

Title: An act relating to providing enhanced payment to low volume, small rural hospitals.

Brief Description: Providing enhanced payment to low volume, small rural hospitals.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators King, Cleveland, Lovelett, Warnick and Wellman).

Brief History:
Committee Activity:
Health Care & Wellness: 3/21/23, 3/22/23 [DP];
Appropriations: 4/1/23, 4/4/23 [DPA].

Brief Summary of Second Substitute Bill
(As Amended By Committee)

- Requires that Medicaid payments for acute care services be made at 120 percent of the Medicaid fee schedule for inpatient services and 200 percent of the Medicaid fee schedule for outpatient services when services are provided by a hospital that meets certain requirements.

HOUSE COMMITTEE ON HEALTH CARE & WELLNESS

Majority Report: Do pass. Signed by 16 members: Representatives Riccelli, Chair; Bateman, Vice Chair; Schmick, Ranking Minority Member; Hutchins, Assistant Ranking Minority Member; Barnard, Bronoske, Davis, Graham, Harris, Macri, Mosbrucker, Orwall, Simmons, Stonier, Thai and Tharinger.

Staff: Emily Poole (786-7106).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Background:

The Critical Access Hospital Program allows hospitals under Washington's medical assistance programs to receive payment for hospital services based on allowable costs, rather than a set amount per diagnosis or procedure, and to have more flexibility in staffing. There are 39 hospitals in Washington that are federally certified by the Centers for Medicare and Medicaid Services as Critical Access Hospitals. These are hospitals with 25 beds or fewer that are generally located in rural areas. They must deliver continuous emergency department services, and they may not have an average length of stay of more than 96 hours per patient. Most Critical Access Hospitals are operated by public hospital districts.

Summary of Bill:

Beginning January 1, 2024, through December 31, 2028, Medicaid payments for acute care services provided by a hospital are increased to 120 percent of the hospital's fee-for-service rate for inpatient services and 200 percent of the hospital's fee-for-service rate for outpatient services, when services are provided by a hospital that:

- is not currently designated as a Critical Access Hospital, and does not meet current federal eligibility requirements for designation as a Critical Access Hospital;
- has Medicaid inpatient days greater than 50 percent of all hospital inpatient days as reported on the hospital's most recently filed Medicare Cost Report with the state; and
- is located on the land of a federally recognized Indian tribe.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2023.

Staff Summary of Public Testimony:

(In support) This bill is important to the lower Yakima Valley. This bill will help to save the Astria Toppenish Hospital (ATH), which is a very small hospital that has been there for a long time and is in risk of closing. The services provided by ATH are critical to the Yakima tribe and the Hispanic community in the surrounding area. This bill will help ATH, which lost its enhanced Medicaid reimbursement in 2021 and is facing increased costs. Because of its financial state, ATH was forced to close its maternity unit in December 2022. Statistics show that ATH is the most racially inclusive hospital in the state, and it serves a very ethnically diverse population. The community served by ATH has very high Medicaid rates, and many people in the community are at or below 200 percent of the

federal poverty level. Most rural hospitals are Critical Access Hospitals and receive payments for allowable costs, but ATH is not eligible to be a Critical Access Hospital and is paid fee-for-service rates that are below the cost of care. There is a disparity between ATH's reimbursement rates and those for other rural hospitals. This bill has a five-year end date, so there will be time to review its effects. The Yakima community members have a strong relationship with ATH, and it is a major referral center for outpatient procedures. Many patients of ATH are not able to seek care at other hospitals, which would be too far away. This bill will preserve health access and correct inequity faced by members of the surrounding community.

(Opposed) None.

Persons Testifying: Senator Curtis King, prime sponsor; Roman Daniels-Brown, Cathy Bambrick, Eric Jensen, and Raul Garcia, Astria Toppenish Hospital; Ladon Linde, Board of Yakima County Commissioners District 3; and Rex Quaempts, Yakama Indian Health Services.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended. Signed by 31 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Stokesbary, Ranking Minority Member; Chambers, Assistant Ranking Minority Member; Corry, Assistant Ranking Minority Member; Berg, Chandler, Chopp, Connors, Couture, Davis, Dye, Fitzgibbon, Hansen, Harris, Lekanoff, Pollet, Riccelli, Rude, Ryu, Sandlin, Schmick, Senn, Simmons, Slatter, Springer, Steele, Stonier and Tharinger.

Staff: Meghan Morris (786-7119).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Health Care & Wellness:

The amended bill changed the implementation date for increased acute care hospital reimbursement rates from January 1, 2024, to July 1, 2024. A contingent expiration date is added that causes the act to expire when the Centers for Medicare and Medicaid Services approve the Hospital Safety Net Program as established in statute and as amended by Substitute House Bill 1850 (hospital safety net assessment).

A null and void clause is added, making the bill null and void unless funded in the budget.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill contains an emergency clause and takes effect on July 1, 2023. However, the bill is null and void unless funded in the budget.

Staff Summary of Public Testimony:

(In support) Washington has a rural hospital in financial crisis that falls through the cracks for health care funding. The Legislature recognized this crisis by increasing Medicaid reimbursement rates in the 2020 Supplemental Operating Budget, but that funding expired. The crisis is a direct result of losing the enhanced rates, exceptional pandemic-driven cost increases, and years of inadequate Medicaid rates with the highest Medicaid payor mix in the state. Most rural hospitals are critical access hospitals (CAHs) and receive payment based on allowable costs, but this hospital does not. As a non-CAH hospital, payments are based on fee-for-service Medicaid payments which are much lower than costs. These Medicaid rates have not increased in 20 years.

This is the only hospital on native land with a community of 67 percent minorities. This community needs care, and this hospital is their only hope. This is a health equity issue leading to the devastating closure of a maternity unit. The hospital's community is one of the poorest and ethnically diverse in the state serving the highest Medicaid client base. However, Medicaid and Medicare rates do not keep up with costs. Please help this little hospital have a big impact on care in our state.

The state's work on the Hospital Safety Net Program (HSNP) may reduce the need for this bill. The HSNP payments would reach the level of funding needed, pending approval from the Centers for Medicare and Medicaid Services. A contingency clause should be added to this bill so that it does not take effect if the HSNP is approved to save state funding, but the hospital needs to know it will be taken care of regardless. The payments from the HSNP will not be made until April of 2024, so gap funding is appreciated.

(Opposed) None.

Persons Testifying: Cathy Bambrick and Dr. Raul Garcia, Astria Toppenish Hospital; and Eric Jensen and Roman Daniels-Brown, Astria Health.

Persons Signed In To Testify But Not Testifying: None.