SENATE BILL REPORT
2SSB 5532

As Passed Senate, March 6, 2023

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 & Long Term Care: 2/09/23, 2/14/23 [DPS-WM]. Ways & Means: 2/21/23, 2/23/23 [DP2S].

Floor Activity: Passed Senate: 3/6/23, 48-0.

Brief Summary of Second Substitute Bill

- Requires 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.

SENATE COMMITTEE ON HEALTH & LONG TERM CARE

Majority Report: That Substitute Senate Bill No. 5532 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Cleveland, Chair; Robinson, Vice Chair; Rivers, Ranking Member; Muzzall, Assistant Ranking Member; Conway, Dhingra, Holy, Padden, Randall and Van De Wege.

Staff: Julie Tran (786-7283)

SENATE COMMITTEE ON WAYS & MEANS

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.

Majority Report: That Second Substitute Senate Bill No. 5532 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Rolfes, Chair; Robinson, Vice Chair, Operating & Revenue; Mullet, Vice Chair, Capital; Wilson, L., Ranking Member, Operating; Gildon, Assistant Ranking Member, Operating; Schoesler, Ranking Member, Capital; Rivers, Assistant Ranking Member, Capital; Warnick, Assistant Ranking Member, Capital; Billig, Boehnke, Braun, Conway, Dhingra, Hasegawa, Hunt, Keiser, Muzzall, Nguyen, Pedersen, Saldaña, Torres, Van De Wege, Wagoner and Wellman.

Staff: Sandy Stith (786-7710)

Background: Critical Access Hospitals. Rural hospitals report unique operating challenges due to their remote locations and the large percentage of their revenue derived from publicly funded health care programs, including Medicaid and Medicare. Eligible rural hospitals may be certified by the Centers for Medicare and Medicaid Services as critical access hospitals.

To be eligible for critical access hospital status, a rural hospital must have 25 beds or fewer acute care inpatient beds, offer 24/7 emergency department care services, and have an average length of stay of 96 hours or less for acute care patients.

In Washington State, there are 39 critical access hospitals. These hospitals are often operated by public hospital districts. In addition to emergency and acute care, they provide a range of health care services such as primary care, long-term care, and physical and occupational therapy. These hospitals receive Medicare and Medicaid payments based on allowable costs, whereas non-designated critical access hospitals are paid based on a set fee per diagnosis or procedure.

In 2015, the Department of Health and the Washington State Hospital Association created the Washington Rural Health Access Preservation (WRHAP) pilot to reform payment and service delivery for Washington's rural hospitals. Currently, there are 13 hospitals participating in the WRHAP pilot working to implement or expand care coordination and behavioral health services for Medicaid clients.

Astria Toppenish Hospital. The only hospital in Washington that meets the criteria is Astria Toppenish Hospital (ATH), located in Toppenish, Washington. This facility is a community hospital including emergency, surgical, and outpatient services. In December 2022, ATH announced the closure of the Family Maternity Center and would no longer offer labor and delivery services in Toppenish.

Summary of Second Substitute Bill: Beginning January 1, 2024, Medicaid payments for acute care services provided by the hospital, regardless of the beneficiary's managed care enrollment status, must be paid at 120 percent of the Medicaid fee schedule for inpatient services and 200 percent of the Medicaid fee schedule for outpatient services if the hospital:

- 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; and
- is located on the land of a federally recognized Indian tribe.

Increases provided expire December 31, 2028.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill takes effect on July 1, 2023.

Staff Summary of Public Testimony on First Substitute (Health & Long Term Care): PRO: This is a bill that is vitally important to a small hospital in Yakima. The critical access hospital designation is not an option for some small hospitals like Toppenish because they don't meet the current federal distance requirement. Toppenish serves a lot of the Yakima tribe community, and the community relies on the hospital. This hospital is a beacon of hope for health equity, and unfortunately, it had to close the maternity unit due to funding issues. There is hope that this bill will pass both chambers this time so Toppenish hospital can receive the funding it needs as this will help keep the hospital open so they can provide critical services to members of the Yakima nation and other people living in the area.

Persons Testifying (Health & Long Term Care): PRO: Senator Curtis King, Prime Sponsor; Dr. Raul Garcia, Astria Toppenish Hospital; Commissioner LaDon Linde, Yakima County Commissioner; Dr. Rex Quaempts, Medical Director, Yakima Indian Health Services; Roman Daniels-Brown, Astria Toppenish Hospital; Cathy Bambrick, Astria Toppenish Hospital, Administrator; Eric Jensen, Astria Health.

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

Staff Summary of Public Testimony on First Substitute (Ways & Means): *The committee recommended a different version of the bill than what was heard.* PRO: Toppenish hospital was ranked in the top 5 in the nation yet has fallen through the cracks due to financial access, resulting in the closing of their OBGYN unit and creating health and equity issues. The current financial crisis is a result of losing Medicaid reimbursement combined with exceptional cost increases during the COVID pandemic. In comparison to similarly sized critical access hospitals, only 21% of charges are paid at Toppenish while 30-47% are paid at other hospitals. Since Toppenish is not a critical access hospital, they would not receive the same cost reimbursements. Toppenish hospital serves the poorest and most ethnically diverse population in the state, with over 50% living under the federal poverty level and 67% enrolled to receive Medicaid services. For members of the Yakima

Nation, this hospital is a beacon of hope. The doctors working at this hospital want to provide high quality care to a community that really needs it. It is important to preserve health care access and correct the inequity faced by members of Yakima Nation. The fiscal note on this bill is likely to be less if the State Safety Net assessment program is passed. This legislation would help fund the gap that the hospital is experiencing due to implementation not being available until January.

Persons Testifying (Ways & Means): PRO: Roman Daniels-Brown, Astria Toppenish Hospital; Eric Jensen, Astria Toppenish Hospital; Cathy Bambrick, Astria Toppenish Hospital, CEO; Dr. Raul Garcia, Astria Toppenish Hospital, Medical Director.

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