

# SENATE BILL REPORT

## SHB 2669

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As Reported By Senate Committee On:  
Health & Long-Term Care, February 23, 2006

**Title:** An act relating to licensing specialty hospitals.

**Brief Description:** Licensing specialty hospitals.

**Sponsors:** House Committee on Health Care (originally sponsored by Representatives Cody, Green, Morrell, Clibborn, Campbell, Moeller, Priest and Lantz).

**Brief History:** Passed House: 2/13/06, 65-31.

**Committee Activity:** Health & Long-Term Care: 2/16/06, 2/23/06 [DPA, w/oRec].

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### SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

**Majority Report:** Do pass as amended.

Signed by Senators Keiser, Chair; Thibaudeau, Vice Chair; Deccio, Ranking Minority Member; Franklin, Kastama and Kline.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Brandland and Parlette.

**Staff:** Edith Rice (786-7444)

**Background:** The federal Medicare Modernization Act of 2003 (MMA) prohibits a physician from referring a patient to certain specialty hospitals in which the physician has an ownership or investment interest, and prohibits the hospitals from billing Medicare or any other entity for services provided as a result of a prohibited referral. Effective December 2003 through June 2005, this prohibition applies to hospitals that are primarily or exclusively engaged in the care and treatment of patients with cardiac or orthopedic conditions and patients receiving surgical procedures. This moratorium has now expired. However, the Centers for Medicare and Medicaid Services (CMS) have extended it administratively to further study related issues. Further congressional action is pending.

Although specializing in specific types of treatment can improve the quality of care to patients, specialty hospitals have been a concern for several reasons, including: (1) potential financial conflict of interest for physicians who stand to gain from referrals to specialty hospitals in which they hold an interest; (2) "skimming" of more profitable cases; and (3) financial impact on community hospitals which provide emergency care and treat underinsured or uninsured patients.

Until last year, there were no state restrictions to specialty hospitals. However, the Department of Health regulates the establishment, operation, and licensing of hospitals generally. Substitute Senate Bill 5178 barred (for the period from January 1, 2005, until July 1, 2006) the Department of Health from granting a license to any specialty hospital in which a physician has an ownership or investment interest. Specialty hospitals are defined to include

any hospital that is primarily or exclusively engaged in the care and treatment of: (1) patients with a cardiac condition; (2) patients with an orthopedic condition; (3) patients receiving a surgical procedure; and (4) other specialized category of services that the Secretary of Health and Human Services designates as a specialty hospital.

**Summary of Amended Bill:** The Legislature establishes specific requirements in order for specialty hospitals to be licensed. These requirements include compliance with minimum participation rates for providing services to medicare and medicaid beneficiaries as well as a percentage of charity care provided by a general hospital in the same health service area. Specialty hospitals must also provide emergency services twenty-four hours per day, seven days a week. Physician owners are required to disclose their financial interests to patients and to maintain privileges at a general hospital. These requirements do not pertain to specialty hospitals which provide psychiatric, pediatric, long-term acute care, cancer or rehabilitative services, or hospitals licensed before January 1, 2006.

**Amended Bill Compared to Substitute Bill:** It is emphasized in the intent section of the bill, that these requirements do not apply to specialty hospitals that provide only psychiatric, pediatric, long-term acute care, cancer, or rehabilitative services.

**Amended Bill Compared to Original Bill:** The requirement that a specialty hospital be part of the state's trauma system is removed.

A hospital providing only cancer care or services is not considered a specialty hospital and the licensing requirements in this bill do not apply.

It is emphasized in the intent section of the bill, that these requirements do not apply to specialty hospitals that provide only psychiatric, pediatric, long-term acute care, cancer, or rehabilitative services.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** Community hospitals need to stay financially viable. Emergency services provided by hospitals are critical for the communities they serve. Specialty hospitals should be required to compete on an equal basis.

**Testimony Against:** Specialty hospitals are already subject to the certificate of need process. They provide quality care for patients and greater satisfaction for doctors. Hospitals would like specialty hospitals to be outlawed and this will prevent low income individuals from receiving quality care.

**Who Testified:** PRO: Representative Cody, prime sponsor, Robb Menaul, Washington State Hospital Association, Lisa Thatcher, Washington State Hospital Association.

CON: Carl Nelson, Washington State Medical Association.