

of accumulated contributions shall terminate membership and all benefits under the provisions of RCW 41.32.755 through 41.32.825.

Sec. 2. Section 16, chapter 293, Laws of 1977 ex. sess. and RCW 41.32.825 are each amended to read as follows:

A member, who had left service and withdrawn the member's accumulated contributions, shall, upon reestablishment of membership under RCW 41.32.240, receive service credit for such prior service if the member restores all withdrawn accumulated contributions together with interest since the time of withdrawal as determined by the department. The restoration of such funds must be completed within five years of the resumption of service or prior to retirement, whichever occurs first.

NEW SECTION. Sec. 3. This act shall take effect July 1, 1988.

Passed the House February 15, 1988.

Passed the Senate March 5, 1988.

Approved by the Governor March 18, 1988.

Filed in Office of Secretary of State March 18, 1988.

CHAPTER 118

[Engrossed House Bill No. 2046]

HOSPITAL RATES NEGOTIATED WITH THE DEPARTMENT OF SOCIAL AND HEALTH SERVICES—RATE REVIEW PROCESS REVISED

AN ACT Relating to hospital reimbursement; amending RCW 70.39.140; and declaring an emergency.

Be it enacted by the Legislature of the State of Washington:

Sec. 1. Section 15, chapter 5, Laws of 1973 1st ex. sess. as last amended by section 14, chapter 288, Laws of 1984 and RCW 70.39.140 are each amended to read as follows:

(1)(a) From and after a date not less than twelve months but not more than twenty-four months after the adoption of the uniform system of accounting and financial reporting required by RCW 70.39.100, as the commission may direct, the commission shall have the power to initiate such reviews or investigations as may be necessary to assure all purchasers of health care services that the total costs of a hospital are reasonably related to the total services offered by that hospital, that costs do not exceed those that are necessary for prudently and reasonably managed hospitals, that the hospital's rates are reasonably related to the hospital's aggregate costs; and that rates are set equitably among all purchasers or classes of purchasers of services without undue discrimination or preference. Effective July 1, 1985, this chapter does not preclude any hospital from negotiating with and charging any particular payer or purchaser rates that are less than those approved by the commission, if:

~~((a))~~ (i) The rates are cost justified and do not result in any shifting of costs to other payers or purchasers in the current or any subsequent year; and

~~((c))~~ (ii) All the terms of such negotiated rates are filed with the commission within ten working days and made available for public inspection.

(b) The commission may retrospectively disapprove such negotiated rates in accordance with procedures established by the commission if such rates are found to contravene any provision of this section.

(c) Any hospital may charge rates as negotiated with or established by the department of social and health services. Rates negotiated or established under this subsection (c) are not subject to (a) or (b) of this subsection. Rates negotiated or established under this subsection (c) are not subject to any review or approval by the commission under this chapter.

(2) In order to properly discharge these obligations, the commission shall have full power to review projected annual revenues and approve the reasonableness of rates proposed to generate that revenue established or requested by any hospital subject to the provisions of this chapter. No hospital shall charge for services at rates exceeding those established in accordance with the procedures established hereunder. After June 30, 1985, rates for inpatient care shall be expressed using an appropriate measure of hospital efficiency, such as that based on diagnosis-related groups, and, if necessary for federal medicare participation in a hospital reimbursement control system, hospitals shall charge for such care at rates prospectively established and expressed in terms of a comparable unit of total payment, such as diagnosis-related groups. In the event any hospital reimbursement control system is implemented, children's hospitals shall be exempted until such time as a pediatric based classification system which reflects the unique resource consumption by patients of a children's hospital is perfected. For the purposes of this exemption, children's hospitals are defined as hospitals whose patients are predominantly under eighteen years of age.

(3) In the interest of promoting the most efficient and effective use of health care service, and providing greater promise of hospital cost containment, the commission may develop a hospital reimbursement control system in which all payers or purchasers participate, that includes procedures for establishing prospective rates, that deals equitably with the costs of providing charity care, and that shall include the participation of the federal medicare program under the social security amendments of 1983, Public Law 98-21. The commission shall have the authority to require utilization reviews of patient care to ensure that hospital admissions and services provided are medically justified. The commission may seek approval, concurrence, or participation in such a system from any federal agency, such as the department of health and human services, prior to securing legislative

approval pursuant to concurrent resolution for implementation of any hospital reimbursement control system developed pursuant to this section. The commission shall involve the legislature in the development of any plan for a hospital reimbursement control system.

(4) The commission shall assure that no hospital or its medical staff either adopts or maintains admission practices or policies which result in:

(a) A significant reduction in the proportion of patients who have no third-party coverage and who are unable to pay for hospital services;

(b) A significant reduction in the proportion of individuals admitted for inpatient hospital services for which payment is or is likely to be less than the anticipated charges for or costs of such services; or

(c) The refusal to admit patients who would be expected to require unusually costly or prolonged treatment for reasons other than those related to the appropriateness of the care available at the hospital(~~(-or)~~);

(5) The commission shall serve as the state agency responsible for coordinating state actions and otherwise responding and relating to the efforts of the federal department of health and human services in planning and implementing federal cost containment programs with respect to hospitals and related health care institutions as authorized by the social security amendments of 1983, as now or hereafter amended, or other federal law, and any rules or regulations promulgated thereto. In carrying out this responsibility, the commission may assume any function or role authorized by appropriate federal regulations implementing the social security amendments of 1983; or assume any combination of such roles or functions as it may determine will most effectively contain the rising costs of the varying kinds of hospitals and related health care institutions in Washington state. In determining its functions or roles in relation to federal efforts, the commission shall seek to ensure coordination, and the reduction of duplicatory cost containment efforts, by the state and federal governments, as well as the diligent fulfillment of the purposes of this chapter and declared public policy and legislative intent herein.

Nothing in this chapter limits the ability of the department of social and health services to establish or negotiate hospital payment rates pursuant to RCW 74.09.120 or in accord with a federally approvable state plan under Title XIX of the federal social security act.

NEW SECTION. Sec. 2. This act is necessary for the immediate preservation of the public peace, health, and safety, the support of the state government and its existing public institutions, and shall take effect immediately.

Passed the House March 9, 1988.

Passed the Senate March 9, 1988.

Approved by the Governor March 18, 1988.

Filed in Office of Secretary of State March 18, 1988.