

The state department of ecology is empowered to pay the travel expenses of the elected and appointed members of the state conservation commission, and the salaries, wages and other expenses of such administrative officers or other employees as may be required under the provisions of this chapter.

NEW SECTION. Sec. 113. There is added to chapter 43.03 RCW a new section to read as follows:

The office of financial management shall review the compensation levels established for the various boards and commissions by sections 2, 3, 4, and 5 of this act. The conclusions of the review, together with any proposed legislation, shall be submitted to the legislative budget committee and the appropriate standing committees of the legislature by December 1, 1988, and every four years thereafter.

NEW SECTION. Sec. 114. Section headings and captions used in sections 2 through 5 of this act do not constitute any part of the law.

NEW SECTION. Sec. 115. If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. Sec. 116. This act shall take effect on July 1, 1985.

Passed the House March 1, 1984.

Passed the Senate February 23, 1984.

Approved by the Governor March 30, 1984, with the exception of sections 22, 23, 24, 25 and 38, which were vetoed.

Filed in Office of Secretary of State March 30, 1984.

Note: Governor's explanation of partial veto is as follows:

I am returning herewith, without my approval as to several sections, House Bill No. 1159, entitled:

"AN ACT Relating to state government."

Sections 22, 23, 24, and 25 would amend statutory provisions dealing with existing barbering and cosmetology boards. Because the legislature has chosen to allow these boards to terminate under existing provisions and to assign their functions to the Department of Licensing and a new State Cosmetology, Barbering and Manicuring Advisory Board (ESHB 1187, Section 9), these sections need to be vetoed in order to avoid potential double-amendment problems.

With the exception of sections 22, 23, 24, 25, and 38, House Bill No. 1159 is approved.

CHAPTER 288

[Engrossed Substitute Senate Bill No. 4403]

HEALTH CARE COSTS

AN ACT Relating to health care costs; amending section 2, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.010; amending section 3, chapter 5, Laws of 1973 1st ex. sess. and

RCW 70.39.020; amending section 4, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.030; amending section 5, chapter 5, Laws of 1973 1st ex. sess. as amended by section 1, chapter 36, Laws of 1977 and RCW 70.39.040; amending section 6, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.050; amending section 7, chapter 5, Laws of 1973 1st ex. sess. as amended by section 1, chapter 35, Laws of 1977 and RCW 70.39.060; amending section 8, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.070; amending section 9, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.080; amending section 10, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.090; amending section 11, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.100; amending section 12, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.110; amending section 13, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.120; amending section 14, chapter 5, Laws of 1973 1st ex. sess. as amended by section 82, chapter 75, Laws of 1977 and RCW 70.39.130; amending section 15, chapter 5, Laws of 1973 1st ex. sess. as amended by section 1, chapter 163, Laws of 1974 ex. sess. and RCW 70.39.140; amending section 16, chapter 5, Laws of 1973 1st ex. sess. as amended by section 1, chapter 154, Laws of 1977 ex. sess. and RCW 70.39.150; amending section 17, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.160; amending section 21, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.200; amending section 10, chapter 161, Laws of 1979 ex. sess. as last amended by section 7, chapter 235, Laws of 1983 and RCW 70.38.105; amending section 11, chapter 161, Laws of 1979 ex. sess. as last amended by section 8, chapter 235, Laws of 1983 and RCW 70.38.115; amending section 9, chapter 223, Laws of 1982 and RCW 43.131.253; amending section 10, chapter 223, Laws of 1982 and RCW 43.131.254; adding new sections to chapter 70.39 RCW; creating new sections; making an appropriation; providing an effective date; and declaring an emergency.

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

Sec. 1. Section 2, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.010 are each amended to read as follows:

The primary purpose of this chapter is to promote the economic delivery of high quality, necessary, and effective ~~((hospital))~~ health care services to the people by establishing a hospital commission with authority over financial disclosure ~~((and))~~, budget ~~((and))~~, prospective rate ~~((review))~~ approval, and other related matters, including authority to develop a hospital reimbursement control system, which will assure all purchasers of ~~((hospital))~~ health care services that total hospital costs are reasonably related to total services, that costs do not exceed those that are necessary for prudently and reasonably managed hospitals, that hospital rates are reasonably related to aggregate costs, and that such rates are set equitably among all purchasers of these services without undue discrimination.

The legislature finds and declares that rising hospital costs are a vital concern to the people of this state because of the danger which is posed that hospital and health care services are fast becoming out of the economic reach of the majority of our population. It is further declared that health care is a right of the people and one of the primary purposes for which governments are established, and it is, therefore, essential that an effective cost control program be established ~~((which will both enable and motivate hospitals to control their spiraling costs))~~. It is the legislative intent, in pursuance of this declared public policy, to provide for uniform measures on a state-wide basis to control hospital ~~((costs))~~ rates without the sacrifice of quality of service or reasonable access to necessary health care.

The legislature further finds and declares that: (1) There is an increased need for comprehensive public oversight of the costs of and expenditures for health care services; (2) no one should be denied access to necessary health care because of poverty or unemployment; (3) access to necessary health care in rural areas must be assured; (4) the hospital commission and the public need additional information to make better-informed decisions about health care costs and charges; (5) there is a need to encourage market penetration of alternative health care delivery systems that have internal incentives to control costs and stimulate market competition, and that some regulatory policies have impeded health care cost containment by unduly restricting competition; (6) there is a need for more effective assessment of the impact of technology on the cost and delivery of health care services so that appropriate public policies may be adopted; and (7) the hospital commission should be more representative of a diversity of public interests so that it can more effectively carry out its mission.

It is the intent of the 1984 amendments to this chapter to strengthen certain regulatory policies which have had limited success in containing hospital costs since this chapter was enacted, and to promote constructive competition among health care delivery systems.

Sec. 2. Section 3, chapter 5, Laws of 1973 1st ex. sess. and RCW 70-.39.020 are each amended to read as follows:

As used in this chapter:

(1) "Commission" means the hospital commission of the state of Washington as created by this chapter;

(2) "Consumer" means any person whose occupation is other than the administration of health activities or the providing of health services, who has no fiduciary obligation to a health facility or other health agency, and who has no material financial interest in the rendering of health services;

(3) "Hospital" means any health care institution which is required to qualify for a license under RCW 70.41.020(2); or as a psychiatric hospital under chapter 71.12 RCW, but shall not include beds utilized by a comprehensive cancer center for cancer research, or any health care institution conducted for those who rely primarily upon treatment by prayer or spiritual means in accordance with the creed or tenets of any church or denomination.

(4) "Diagnosis-related groups" is a classification system that groups hospital patients according to principal and secondary diagnosis, presence or absence of a surgical procedure, age, presence or absence of significant comorbidities or complications, and other relevant criteria, an example of which has been adopted as the basis for prospective payment under the federal medicare program by the social security amendments of 1983, Public Law 98-21.

(5) "Medical technology" means the drugs, devices, and medical or surgical procedures used in the delivery of health care, and the organizational or supportive systems within which such care is provided.

(6) "Technology assessment" means a comprehensive form of policy research that examines the technical, economic, and social consequences of technological applications, including the indirect, unintended, or delayed social or economic impacts. In health care, such analysis must evaluate efficacy and safety as well as efficiency.

(7) "Charity care" means necessary hospital health care rendered to indigent persons, to the extent that the persons are unable to pay for the care or to pay deductibles or co-insurance amounts required by a third-party payer, as determined by the commission.

(8) "Rate" means the maximum revenue which a hospital may receive for each unit of service, as determined by the commission.

(9) "Comprehensive cancer center" means an institution and its research programs as recognized by the National Cancer Institute prior to April 20, 1983.

(10) "Region" means one of the health service areas established pursuant to RCW 70.38.085, except that King county shall be considered a separate region for the purposes of this chapter.

Sec. 3, Section 4, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.030 are each amended to read as follows:

(1) There is hereby created a hospital commission, which shall be a separate and independent commission of the state. The commission shall be composed of ~~((five))~~ nine members appointed by the governor~~((and generally representative of the public as consumers, labor, business, and hospitals; and shall be individuals concerned with the delivery of quality health care; but in no event shall more than two members have any fiduciary obligation to a health facility or other health agency, nor any direct financial interest in the rendering of health services. In cases when proposed rate increases for osteopathic hospitals are to be considered, the representative of osteopathic hospitals on the technical advisory committee shall replace a hospital representative on the commission))~~ as follows:

(a) Three members representing consumers of health care services, at least one of whom represents the interests of low-income persons;

(b) One member representing private employers;

(c) One member representing labor;

(d) One member representing hospitals, but in cases in which rates for an osteopathic hospital are to be considered, the representative of osteopathic hospitals on the technical advisory committee shall replace the hospital representative on the commission;

(e) One member representing health care professionals licensed under Title 18 RCW;

(f) One member representing commercial health insurers or health care service contractors; and

(g) The secretary of social and health services, representing the interests of the state as a major purchaser of health care services. The secretary may delegate a permanent designee in the secretary's absence.

(2) Except for the members designated in subsection (1) (d) and (e) of this section, members shall not have any fiduciary obligation to any health care facility or any material financial interest in the provision of health care services.

Sec. 4. Section 5, chapter 5, Laws of 1973 1st ex. sess. as amended by section 1, chapter 36, Laws of 1977 and RCW 70.39.040 are each amended to read as follows:

Except for the secretary of social and health services or the secretary's designee, members of the commission shall serve for four-year terms((: PROVIDED, That upon the expiration of the initial four-year terms, two persons shall be appointed for three-year terms and three persons for four-year terms and thereafter all members of the commission shall serve for four-year terms)). Appointments shall require senate confirmation. No member shall serve on the commission for more than two consecutive terms. A vacancy shall be filled by appointment for the remainder of the unexpired term and the initial appointments and vacancies shall not require senate confirmation until the legislature next convenes. Of the three additional members, other than the secretary, appointed after the effective date of this 1984 act, two shall initially be appointed for two-year terms and one for a three-year term.

Sec. 5. Section 6, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.050 are each amended to read as follows:

((The)) A member representing consumers of health care services and designated by the governor shall serve as chairman. The commission shall elect from its members a vice-chairman biennially. Meetings of the commission shall be held as frequently as its duties require. The commission shall keep minutes of its meetings and adopt procedures for the governing of its meetings, minutes, and transactions.

((Three)) Five members shall constitute a quorum, but a vacancy on the commission shall not impair its power to act. No action of the commission shall be effective unless ((three)) five members concur therein.

The members of the commission shall receive no compensation for their service as members but, with the exception of the secretary of social and health services or the secretary's designee, the members shall be reimbursed for their expenses while attending meetings of the commission in the same manner as legislators engaged in interim committee business as in RCW 44.04.120.

Sec. 6. Section 7, chapter 5, Laws of 1973 1st ex. sess. as amended by section 1, chapter 35, Laws of 1977 and RCW 70.39.060 are each amended to read as follows:

The commission (~~(shall appoint)~~) may employ a full time executive director (~~(and)~~), a deputy director, an associate director for budget and rate review, an associate director for program planning and research, and a confidential secretary who shall be exempt from the civil service law, chapter 41.06 RCW and who shall perform the duties delegated by the commission. The executive director shall be the chief administrative officer of the commission and shall be subject to its direction.

The commission shall employ such other staff as are necessary to fulfill the responsibilities and duties of the commission, such staff to be subject to the civil service law, chapter 41.06 RCW, and under the supervision of the executive director. In addition, the commission may contract with third parties for services necessary to carry out its activities where this will promote economy, avoid duplication of effort, and make best use of available expertise.

Any such contractor or consultant shall be prohibited from releasing, publishing, or otherwise using any information made available to it under its contractual responsibility, without specific permission of the commission.

The commission may apply for and receive and accept grants, gifts, and other payments, including property and service, from any governmental or other public or private entity or person, and may make arrangements as to the use of these receipts, including the undertaking of special studies and other projects relating to hospital health care costs.

Sec. 7. Section 8, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.070 are each amended to read as follows:

In order to assist the commission in carrying out its duties, the governor shall appoint a technical advisory committee, hereinafter referred to as "committee", which shall consist of (~~(eleven)~~) seventeen members as follows:

(1) One member who shall be a certified public accountant licensed pursuant to chapter 18.04 RCW and who shall be knowledgeable in the financial affairs of hospitals.

(2) (~~(One)~~) Two members who shall be (~~(a)~~) health care practitioners, one of whom shall be a physician, licensed under the laws of this state and who shall be knowledgeable in hospital administration.

(3) (~~(Five)~~) Six members who shall be representative of the interest of investor-owned, district, not-for-profit, osteopathic, (~~(and)~~) university, and rural hospitals.

(4) One member who shall be representative of consumers of health care.

(5) One member who shall be the secretary of the department of social and health services, or (~~(his)~~) the secretary's designee, to provide continuing

liaison, data and support from those functions of the department which may affect the responsibilities of the commission and to represent the department as a purchaser of health care services.

(6) ~~One member who shall be ((the director of the planning and community affairs agency, or his designee, to provide continuing liaison with the planning efforts of the comprehensive health planning council))~~ the executive director of the state health coordinating council established under RCW 70.38.055.

(7) One member of the commission, elected by the commission.

(8) One member who shall be representative of private employers.

(9) One member who shall be representative of commercial health insurers registered and doing business in the state under Title 48 RCW.

(10) One member who shall be representative of health care service contractors, as defined in RCW 48.44.010.

(11) One member who shall be representative of health maintenance organizations, as defined in RCW 48.46.030.

Except for the members designated in subsections (2), (3), (10), and (11) of this section, members of the committee shall not have any fiduciary obligation to any health care facility or any material financial interest in the provision of health care services.

With the exception of members designated in subsections (5) and (6) of this section, the members shall serve concurrently and shall have four-year terms. Any vacancy shall be filled by appointment by the governor and an appointee selected to fill such vacancy shall hold office for the balance of the term for which his predecessor was appointed. The committee shall elect from its members a chairman and a vice-chairman to serve concurrently with the chairman. The executive director of the commission shall act as executive secretary to the committee, and the commission shall otherwise offer such staff services and supplies as the committee may require to carry out its responsibilities.

The committee shall meet on call of the chairman of the commission, or on request of a majority of the commission. Members of the committee shall serve without compensation for their service as members but, except for those designated in subsections (5) and (6) of this section, shall be reimbursed for their expenses in the same manner as members of the commission.

Sec. 8. Section 9, chapter 5, Laws of 1973 1st ex. sess. and RCW 70-39.080 are each amended to read as follows:

The committee shall have the duty upon the request of the commission to consult with and make recommendations to the commission:

(1) On matters of public policy related to the delivery of health care services;

(2) On rules and regulations proposed by the commission to implement this chapter;

(3) On analyses and studies of hospital health care costs and related matters which may be undertaken by the commission; ~~((and))~~

(4) On any issue related to medical technology or technology assessment in the area of health care; and

(5) On such other matters as the commission may refer.

Sec. 9. Section 10, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.090 are each amended to read as follows:

To further the purposes of this chapter, the commission may create committees from its membership, and may create such ad hoc advisory committees in specialized fields, related to the functions of hospitals, the delivery of health care services, economic issues concerning health care, technology assessment, and such other subjects as it deems necessary, to supplement the resources provided by the technical advisory committee.

Sec. 10. Section 11, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.100 are each amended to read as follows:

(1) The commission, after study and in consultation with advisory committees, if any, shall establish by the promulgation of rules and regulations pursuant to the Administrative Procedure Act, chapter 34.04 RCW, a uniform system of accounting and financial reporting, including such cost allocation methods as it may prescribe, by which hospitals shall record and report to the commission their revenues, expenses, other income, other outlays, assets and liabilities, and units of service. All hospitals shall adopt the system for their fiscal year period to be effective at such time and date as the commission shall direct. In determining the effective date for reporting requirements, the commission shall be mindful both of the immediate need for uniform hospital reporting information to effectuate the purposes of this chapter and the administrative and economic difficulties which hospitals may encounter in conversion, but in no event shall such effective date be later than two and one-half years from the date of the formation of the commission.

(2) In establishing such accounting systems and uniform reporting procedures, the commission shall take into consideration:

(a) Existing systems of accounting and reporting presently utilized by hospitals;

(b) Differences among hospitals according to size; financial structure; methods of payment for services; and scope, type, and method of providing services; and

(c) Other pertinent distinguishing factors.

(3) The commission shall, where appropriate, provide for modification, consistent with the purposes of this chapter, of reporting requirements to correctly reflect these differences among hospitals, and to avoid otherwise unduly burdensome costs in meeting the requirements of the uniform system of accounting and financial reporting.

(4) The accounting system, where appropriate, shall be structured so as to establish and differentiate costs incurred for patient-related services rendered by hospitals, as distinguished from those incurred with reference to educational research and other nonpatient-related activities including but not limited to charitable activities of such hospitals.

(5) The commission shall collect and maintain patient discharge data, including data necessary for identification of discharges by diagnosis-related groups. So far as possible, the data collection procedures shall be coordinated with any similar procedures or requirements of the federal department of health and human services for the medicare program and the needs of the department of social and health services in gathering public health statistics, in order to minimize any unduly burdensome reporting requirements imposed on hospitals.

Sec. 11. Section 12, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.110 are each amended to read as follows:

(1) Each hospital shall file annually, at such time as the commission may prescribe, its proposed budget for the next fiscal year, showing projected revenues and expenses and including such further information as the commission may require to implement the purposes of this chapter.

(2) Each hospital shall file annually with the commission after the close of the fiscal year:

(a) A balance sheet detailing the assets, liabilities, and net worth of the hospital;

(b) A statement of income and expenses; and

(c) Such other reports of the costs incurred in rendering services as the commission may prescribe.

~~((2))~~ (3) Where more than one licensed hospital is operated by the reporting organization, the information required by this section shall be reported for each hospital separately.

~~((3))~~ (4) The commission shall require certification of specified financial reports by the hospital's certified public accountant, and may require attestation as to such statements from responsible officials of the hospital that such reports have to the best of their knowledge and belief been prepared in accordance with the prescribed system of accounting and reporting.

~~((4))~~ (5) All reports, except privileged medical information, filed under this chapter shall be ~~((open to))~~ available for public inspection and copying under RCW 42.17.250 through 42.17.340.

~~((5))~~ (6) The commission shall ~~((have the right of inspection of))~~ inspect hospital books, audits, and records as reasonably necessary to ~~((verify hospital reports))~~ implement the policies and purposes of this chapter.

Sec. 12. Section 13, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.120 are each amended to read as follows:

(1) The commission shall from time to time undertake analyses and studies relating to ~~((hospital))~~ the need for and delivery of health care services, the availability of such services, hospital rates, health care costs, and ~~((to))~~ the financial status of any hospital or hospitals subject to the provisions of this chapter, and may publish and disseminate such information as it deems desirable in the public interest. It shall further ~~((require the filing of))~~ publish information concerning the ~~((total financial needs of each hospital and the resources available or expected to become available to meet such needs, including the effect of proposals made by area-wide and state comprehensive health planning agencies))~~ need for health care services identified by area-wide and state comprehensive health planning agencies under chapter 70.38 RCW and the extent to which such needs are being met.

(2) The commission shall also prepare and file such summaries and compilations or other supplementary reports based on the information filed with the commission hereunder as will advance the purposes of this chapter.

(3) The commission shall furnish a copy of any report regarding any hospital to the chief executive officer of the hospital and the presiding officer of the hospital's governing body.

Sec. 13. Section 14, chapter 5, Laws of 1973 1st ex. sess. as amended by section 82, chapter 75, Laws of 1977 and RCW 70.39.130 are each amended to read as follows:

The commission shall prepare and, prior to each legislative session beginning in January, transmit to the governor and to the legislature an annual report of commission operations and activities for the preceding fiscal year. This report shall include such findings and recommendations as the commission ~~((deems necessary))~~ believes will further the legislative goal of cost containment in the delivery of good quality health care services, including cost-containment programs that have been or might be adopted, and issues of access to good quality care. The report shall also include data on the amount and proportion of charity care provided by each hospital. The commission's report for 1986, to be submitted in January 1987, shall include an analysis of the impacts of section 15 of this 1984 act on (1) the use by indigent persons of health care settings other than hospitals and (2) the caseloads and costs associated with the limited casualty program for medical indigents under RCW 74.09.700. The department of social and health services and the health systems agencies established under chapter 70.38 RCW shall provide such information and assistance as the commission may reasonably require in preparing the report on the impact of section 15 of this 1984 act.

*Sec. 14. Section 15, chapter 5, Laws of 1973 1st ex. sess. as amended by section 1, chapter 163, Laws of 1974 ex. sess. and RCW 70.39.140 are each amended to read as follows:

(1) 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 ~~((hospital))~~ 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 ~~((aggregate revenues as expressed by))~~ 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, *if all 1984 amendments to this section and section 22 of this 1984 act take effect*, 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) 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;

(b) *The hospital granting such rates has been determined by the commission to be providing charity care at or above the average for such care in the region served by the hospital and as determined by the commission*; and

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

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.

(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 ~~((other than))~~ 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 ((hospital)) health care service, and providing greater promise of hospital cost containment, the commission may ((promote and approve alternative methods of rate determination and payment of an experimental nature that may be in the public interest and consistent with the purposes of this chapter)) 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;

(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

(d) The refusal to provide emergency or other medically necessary services to any person who is in need of such services if the hospital provides such services. The commission shall establish by rule a definition of "medically necessary services" for the purposes of this subsection (4)(d), which shall be narrowly construed.

(5) The commission shall serve as the state agency responsible for coordinating state actions and otherwise responding and relating to the efforts of the ((cost of living council, or its successor,)) 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 ((Federal Economic Stabilization Act of 1970)) 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 ((serve as the state agency responsible for recommending increases in rates for hospitals and related

health care institutions to the cost of living council, or its successor, may apply to the cost of living council for authorization to administer a control program in Washington state in lieu of the federal controls established and otherwise administered by the cost of living council, may)) assume ((another)) any function or role authorized by appropriate federal regulations implementing the ((Federal Economic Stabilization Act of 1970)) 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 ((the)) federal efforts ((to the cost of living council, or its successor)), 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((~~PROVIDED, HOWEVER, That in cases where the rates of nursing homes or similar health institutions are subject to review pursuant to the provisions of the Federal Economic Stabilization Act of 1970 or any rules or regulations promulgated thereto, the members of the commission representing hospitals shall not sit in the proceedings nor vote, and the governor shall appoint an ad hoc member representing nursing homes or similar health institutions in lieu thereof, who shall have the same powers as the other members with respect to such review only~~)).

Nothing in this chapter limits the ability of the department of social and health services to establish 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.

*Sec. 14 was partially vetoed, see message at end of chapter.

NEW SECTION. Sec. 15. There is added to chapter 70.39 RCW a new section to read as follows:

Within six months of the effective date of this act, the commission shall establish by rule, consistent with the definition of charity care under RCW 70.39.020, the following:

- (1) Uniform procedures, data requirements, and criteria for identifying patients receiving charity care;
- (2) A definition of residual bad debt as a component of hospital rate-setting and budget review, including reasonable and uniform standards for collection procedures to be used in efforts to collect the unpaid portions of hospital charges that are the patient's responsibility.

NEW SECTION. Sec. 16. By January 1, 1985, a select committee of the legislature shall develop legislative recommendations for programs that will promote the state-wide development of comprehensive cost-effective managed health care systems and shall recommend programs that will promote use of such managed health care systems. The select committee shall be composed of twelve members of the legislature, six appointed by the

speaker of the house of representatives and six appointed by the president of the senate, three from each of the two largest political caucuses in each house, upon recommendation of the majority and minority caucuses of their respective bodies.

The committee shall elect a chairperson from among its membership.

The committee is authorized to appoint a technical advisory committee to prepare proposals under which cost-effective managed health care systems could be used to control health care costs, to more equitably distribute charity care among hospitals and licensed health care practitioners, and more effectively provide publicly and privately financed patient care.

For the purposes of this study "managed health care system" means any health care organization, including health providers, insurers, health care service contractors, health maintenance organizations, or any combination thereof, that provides directly or by contract comprehensive health care services to one or more defined patient populations by enrollment or other prior agreement or arrangement.

NEW SECTION. Sec. 17. By January 1, 1985, the governor shall submit a six-year state health care purchasing plan to the legislature. The plan shall identify the number and type of health care services purchased by the state through the department of social and health services, the department of labor and industries, the state employees' insurance board, the office of superintendent of public instruction, and other agencies of government where state funds are used to purchase health care. The plan shall contain objectives for realizing specific dollar savings in the purchase of these health care services by obtaining discounts from providers, contracting with managed health care systems, altering copayment and deductible requirements, instituting improved utilization controls, using prospective payment arrangements, or by other means.

The governor or the governor's designee shall report the governor's progress in completing this plan to the legislative budget committee and the social and health services and ways and means committees of the house of representatives and the senate by September 30, 1984.

Sec. 18. Section 16, chapter 5, Laws of 1973 1st ex. sess. as amended by section 1, chapter 154, Laws of 1977 ex. sess. and RCW 70.39.150 are each amended to read as follows:

To properly carry out its authority the commission shall:

(1) Compile and maintain all relevant financial ~~((and))~~, accounting, and patient discharge data in order to have available the statistical information necessary to properly conduct rate review and approval. Such data shall include necessary operating expenses, appropriate expenses incurred for charity care and for rendering services to patients who ~~((cannot or))~~ do not pay, all properly incurred interest charges, and reasonable depreciation expenses based on the expected useful life of the property and equipment involved. The commission shall define and prescribe by rule and regulation

the types and classes of charges which cannot be changed except as provided by the procedure contained in RCW 70.39.160 and it shall also obtain from each such hospital a current rate schedule as well as any subsequent amendments or modifications of that schedule as it may require. So far as possible, the commission shall compile and maintain the same patient discharge data with respect to all patients as that required under the federal medicare program and the uniform billing procedures applicable to third-party payers.

(2) Permit any ((nonprofit)) hospital subject to the provisions of this chapter to charge reasonable rates which will permit the hospital to render necessary, effective, and efficient service in the public interest ((and on a solvent basis)).

~~(3) ((Permit any proprietary profit-making hospital subject to the provisions of this chapter to charge reasonable rates which will permit the hospital to render effective and efficient service in the public interest and which includes an allowance for a fair return to stockholders based upon actual investment or, if the hospital elects, upon the fair value of the investment on the effective date of this section: PROVIDED, That once the election is made it may not be changed without the approval of the commission.~~

(4)) Take into account, in the determination of reasonable rates under this section, that it is its obligation to assure access to necessary, effective, economically viable, and efficient hospital health care capability throughout the state, rather than the solvency or profitability of any individual hospital subject to this chapter except where the insolvency of a hospital would seriously threaten the access of the rural public to basic health care services.

(4) Take into account, in the determination of reasonable rates under this section for each hospital, the recommendations of appropriate area-wide and state comprehensive health planning agencies to ensure compliance with Washington comprehensive health planning law, chapter 70.38 RCW.

~~((5) Permit, in considering a request for change in or initiating a review of rate schedules or other charges, any hospital subject to the provisions of this chapter to charge rates which will in the aggregate produce sufficient total revenue for the hospital to meet all of the reasonable obligations specified in this chapter.))~~

(5) Permit any hospital, whether proprietary, district, public, or not-for-profit, to retain the excess of its revenues, if any, that exceed the actual cost of providing services, generated as a result of cost-effective practices, if the hospital charges do not exceed rates permitted by the commission.

(6) On or before October 1 of each year, after notice and public hearing, and in full consideration of the intent and purpose of this chapter as expressed in RCW 70.39.010, adopt a target dollar amount of total state-wide hospital revenue for the ensuing calendar year. To set the target

amount, the commission shall develop a standard methodology that considers such factors as changes in the economy, affordability of hospital care, cost of hospital-purchased goods, numbers and age of the population, technology, and severity of illness of hospital patients. The commission shall endeavor, in establishing rates, to assure that total hospital revenues do not exceed the target amount for the applicable year.

Sec. 19. Section 17, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.160 are each amended to read as follows:

From and after the date determined by the commission pursuant to RCW 70.39.140, no hospital subject to the provisions of this chapter shall change or amend that schedule of rates and charges of the type and class which cannot be changed without prior approval of the commission, except in accordance with the following procedure:

(1) Any request for a change in rate schedules or other charges must be filed in writing in the form and content prescribed by the commission and with such supporting data as the hospital seeking the change deems appropriate. Unless the commission orders otherwise as provided for in subsection (4) of this section, no hospital shall establish such changes except after publication and notice to the commission of at least thirty days from the time the rate is intended to go into effect. All proposed changes shall be plainly indicated on the schedule effective at that time and shall be open to public inspection. Upon receipt of notice, the commission may suspend the effective date of any proposed change. In any such case a formal written statement of the reasons for the suspension will be promptly submitted to the hospital. Unless suspended, any proposed change shall go into effect upon the date specified in the application.

(2) In any case where such action is deemed necessary, the commission shall promptly, but in any event within thirty days, institute proceedings as to the reasonableness of the proposed changes. The suspension may extend for a period of not more than thirty days beyond the date the change would otherwise go into effect: **PROVIDED**, That should it be necessary, the commission may extend the suspension for an additional thirty days. After the expiration of ninety days from the date the rate is intended to go into effect the new rate will go into effect, if the commission does not approve, disapprove, or modify the request by that time.

(3) Such proposed changes shall be considered at a public hearing, the time and place of which shall be determined by the commission. The hearing shall be conducted by the commission. Evidence for and against the requested change may be introduced at the time of the hearing by any interested party and witnesses may be heard. The hearing may be conducted without compliance with formal rules of evidence.

(4) The commission may, in its discretion, permit any hospital to make a temporary change in rates which shall be effective immediately upon filing

and in advance of any review procedure when it deems it in the public interest to do so. Notwithstanding such temporary change in rates, the review procedures set out in this section shall be conducted by the commission as soon thereafter as is practicable.

(5) Every decision and order of the commission in any contested proceeding shall be in writing and shall state the grounds for the commission's conclusions. The effects of such orders shall be prospective in nature.

Sec. 20. Section 21, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.200 are each amended to read as follows:

Every person who shall violate or knowingly aid and abet the violation of this chapter or any valid orders, rules, or regulations thereunder, or who fails to perform any act which it is herein made his duty to perform shall be guilty of a misdemeanor. Following official notice to the accused by the commission of the existence of an alleged violation, each day upon which a violation occurs shall constitute a separate violation. Any person violating the provisions of this chapter may be enjoined from continuing such violation. The commission has authority to levy civil penalties not exceeding one thousand dollars for violations of this chapter.

Sec. 21. Section 10, chapter 161, Laws of 1979 ex. sess. as last amended by section 7, chapter 235, Laws of 1983 and RCW 70.38.105 are each amended to read as follows:

(1) The department is authorized and directed to implement the certificate of need program in this state pursuant to the provisions of this chapter.

(2) There shall be a state certificate of need program which is administered consistent with the requirements of federal law as necessary to the receipt of federal funds by the state.

(3) No person shall engage in any undertaking which is subject to certificate of need review under subsection (4) of this section without first having received from the department either a certificate of need or an exception granted in accordance with this chapter.

(4) The following shall be subject to certificate of need review under this chapter:

(a) The construction, development, or other establishment of a new health care facility;

(b) The sale, purchase, or lease of part or all of any existing hospital as defined in RCW 70.39.020;

(c) Any capital expenditure by or on behalf of a health care facility which substantially changes the services of the facility after January 1, 1981, provided that the substantial changes in services are specified by the department in rule;

~~((c))~~ (d) Any capital expenditure by or on behalf of a health care facility which exceeds the expenditure minimum as defined by RCW 70.38.025. However, a capital expenditure which is not subject to certificate of

need review under (a), (b), ~~((d))~~ (c), (e), ~~((or))~~ (f), or (g) of this subsection and which is solely for any one or more of the following is not subject to certificate of need review except to the extent required by the federal government as a condition to receipt of federal assistance and does not substantially affect patient charges:

- (i) Communications and parking facilities;
 - (ii) Mechanical, electrical, ventilation, heating, and air conditioning systems;
 - (iii) Energy conservation systems;
 - (iv) Repairs to, or the correction of, deficiencies in existing physical plant facilities which are necessary to maintain state licensure;
 - (v) Acquisition of equipment, including data processing equipment, which is not or will not be used in the direct provision of health services;
 - (vi) Construction which involves physical plant facilities, including administrative and support facilities, which are not or will not be used for the provision of health services;
 - (vii) Acquisition of land; and
 - (viii) Refinancing of existing debt;
- ~~((d))~~ (c) A change in bed capacity of a health care facility which increases the total number of licensed beds or redistributes beds among facility and service categories of acute care, skilled nursing, intermediate care, and boarding home care if the bed redistribution is to be effective for a period in excess of six months;
- ~~((e))~~ (f) Acquisition of major medical equipment:
- (i) If the equipment will be owned by or located in a health care facility; or
 - (ii) If, after January 1, 1981, the equipment is not to be owned by or located in a health care facility, the department finds consistent with federal regulations the equipment will be used to provide services for hospital inpatients, or the person acquiring such equipment did not notify the department of the intent to acquire such equipment at least thirty days before entering into contractual arrangements for such acquisition;
- ~~((f))~~ (g) Any new institutional health services which are offered in or through a health care facility, and which were not offered on a regular basis by, in, or through such health care facility within the twelve-month period prior to the time such services would be offered; and
- ~~((g))~~ (h) Any expenditure by or on behalf of a health care facility in excess of the expenditure minimum made in preparation for any undertaking under subsection (4) of this section and any arrangement or commitment made for financing such undertaking. Expenditures of preparation shall include expenditures for architectural designs, plans, working drawings, and specifications. The department may issue certificates of need permitting predevelopment expenditures, only, without authorizing any

subsequent undertaking with respect to which such predevelopment expenditures are made.

(5) No person may divide a project in order to avoid review requirements under any of the thresholds specified in this section.

*Sec. 22. Section 11, chapter 161, Laws of 1979 ex. sess. as last amended by section 8, chapter 235, Laws of 1983 and RCW 70.38.115 are each amended to read as follows:

(1) Certificates of need shall be issued, denied, suspended, or revoked by the designee of the secretary of the department in accord with the provisions of this chapter and rules of the department which establish review procedures and criteria for the certificate of need program.

(2) Criteria for the review of certificate of need applications, except as provided in subsection (3) of this section for health maintenance organizations, shall include but not be limited to consideration of the following:

(a) The relationship of the health services being reviewed to the applicable health plans;

(b) The need that the population served or to be served by such services has for such services;

(c) The availability of less costly or more effective alternative methods of providing such services;

(d) The financial feasibility and the probable impact of the proposal on the cost of and charges for providing health services in the community to be served, including findings and recommendations of the Washington state hospital commission in the case of applications submitted by hospitals. An application by a hospital shall be denied if the state hospital commission does not recommend approval, unless the secretary provides the commission with a written statement setting forth the reason or reasons, and citing the applicable subsection or subsections of this section, for approving an application that the commission has determined to be not feasible;

(e) In the case of health services to be provided, (i) the availability of alternative uses of project resources for the provision of other health services, (ii) the extent to which such proposed services will be accessible to all residents of the area to be served, and (iii) the need for and the availability in the community of services and facilities for osteopathic and allopathic physicians and their patients. The department shall consider the application in terms of its impact on existing and proposed institutional training programs for doctors of osteopathy and medicine at the student, internship, and residency training levels;

(f) In the case of a construction project, the costs and methods of the proposed construction, including the cost and methods of energy provision, and the probable impact of the construction project reviewed (i) on the cost of providing health services by the person proposing such construction project and (ii) on the cost and charges to the public of providing health services by other persons;

(g) The special needs and circumstances of osteopathic hospitals ~~((and))~~, nonallopathic services and children's hospitals;

(h) Improvements or innovations in the financing and delivery of health services which foster cost containment and serve to promote quality assurance and cost-effectiveness;

(i) In the case of health services proposed to be provided, the efficiency and appropriateness of the use of existing services and facilities similar to those proposed; ~~((and))~~

(j) In the case of existing services or facilities, the quality of care provided by such services or facilities in the past; and

(k) In the case of hospital certificate of need applications, whether the hospital meets or exceeds the regional average level of charity care, as determined by the hospital commission. **No certificate of need may be granted to a hospital which has not met or exceeded the regional average level of charity care in the year preceding application and which does not give assurance it will continue to meet or exceed such level in the future.**

(3) A certificate of need application of a health maintenance organization or a health care facility which is controlled, directly or indirectly, by a health maintenance organization, shall be approved by the department if the department finds:

(a) Approval of such application is required to meet the needs of the members of the health maintenance organization and of the new members which such organization can reasonably be expected to enroll; and

(b) The health maintenance organization is unable to provide, through services or facilities which can reasonably be expected to be available to the organization, its institutional health services in a reasonable and cost-effective manner which is consistent with the basic method of operation of the organization and which makes such services available on a long-term basis through physicians and other health professionals associated with it.

A health care facility (or any part thereof) or medical equipment with respect to which a certificate of need was issued under this subsection may not be sold or leased and a controlling interest in such facility or equipment or in a lease of such facility or equipment may not be acquired unless the department issues a certificate of need approving the sale, acquisition, or lease.

(4) The decision of the department on a certificate of need application shall be consistent with the state health plan in effect, except in emergency circumstances which pose a threat to the public health. The department in making its final decision may issue a conditional certificate of need if it finds that the project is justified only under specific circumstances. The conditions shall directly relate to the project being reviewed. The conditions may be released if it can be substantiated that the conditions are no longer valid and the release of such conditions would be consistent with the purposes of this chapter.

(5) Criteria adopted for review in accordance with subsection (2) of this section may vary according to the purpose for which the particular review is being conducted or the type of health service reviewed.

(6) The department shall specify information to be required for certificate of need applications. Within fifteen days of receipt of the application, the department shall request additional information considered necessary to the application or start the review process. Applicants may decline to submit requested information through written notice to the department, in which case review starts on the date of receipt of the notice. Applications may be denied or limited because of failure to submit required and necessary information.

(7) Concurrent review is for the purpose of comparative analysis and evaluation of competing or similar projects in order to determine which of the projects may best meet identified needs. Categories of projects subject to concurrent review include at least new health care facilities, new services, and expansion of existing health care facilities. The department shall specify time periods for the submission of applications for certificates of need subject to concurrent review, which shall not exceed ninety days. Review of concurrent applications shall start fifteen days after the conclusion of the time period for submission of applications subject to concurrent review. Concurrent review periods shall be limited to one hundred fifty days, except as provided for in rules adopted by the department authorizing and limiting amendment during the course of the review, or for an unresolved pivotal issue declared by the department.

(8) Review periods for certificate of need applications other than those subject to concurrent review shall be limited to ninety days. Review periods may be extended up to thirty days if needed by a review agency, and for unresolved pivotal issues the department may extend up to an additional thirty days. A review may be extended in any case if the applicant agrees to the extension.

(9) The department or a designated regional health council shall conduct a public hearing on a certificate of need application if requested unless the review is expedited or subject to emergency review. The department by rule shall specify the period of time within which a public hearing must be requested and requirements related to public notice of the hearing, procedures, recordkeeping and related matters.

(10) Any applicant denied a certificate of need or whose certificate of need has been suspended or revoked shall be afforded an opportunity for administrative review in accordance with chapter 34.04 RCW and a hearing shall be held within one hundred twenty days of a request therefor. An administrative law judge shall review the decision of the secretary's designee and render a proposed decision for consideration by the secretary in accordance with chapter 34.12 RCW or remand the matter to the secretary's

designee for further consideration. The secretary's final decision is subject to review by the superior court as provided in chapter 34.04 RCW.

(11) The department may establish procedures and criteria for reconsideration of decisions.

(12) An amended certificate of need shall be required for the following modifications of an approved project:

(a) A new service;

(b) An expansion of a service beyond that originally approved;

(c) An increase in bed capacity;

(d) A significant reduction in the scope of a project without a commensurate reduction in the cost of the project, or a cost increase (as represented in bids on a construction project or final cost estimates acceptable to the person to whom the certificate of need was issued) if the total of such increases exceeds twelve percent or fifty thousand dollars, whichever is greater, over the maximum capital expenditure approved. The review of reductions or cost increases shall be restricted to the continued conformance of the project with the review criteria pertaining to financial feasibility and cost containment.

(13) An application for a certificate of need for a capital expenditure which is determined by the department to be required to eliminate or prevent imminent safety hazards or correct violations of applicable licensure and accreditation standards shall be approved.

*Sec. 22 was partially vetoed, see message at end of chapter.

NEW SECTION. Sec. 23. There is added to chapter 70.39 RCW a new section to read as follows:

Each hospital under this chapter shall print and make available for public inspection as prescribed by the commission by rule a schedule of its rates as approved by the commission.

NEW SECTION. Sec. 24. There is added to chapter 70.39 RCW a new section to read as follows:

Every commercial health insurer registered and doing business in the state under Title 48 RCW, every health care service contractor as defined in RCW 48.44.010, and the department of social and health services shall, upon request by the commission but not more frequently than annually, furnish to the commission such information as is readily available which may assist the commission in developing cost containment proposals with respect to the fees of licensed health care practitioners. The commission may request such information from the entities identified in this section, and from the federal department of health and human services, if and when the commission deems appropriate to accord with any requirements of federal law which may be imposed.

Sec. 25. Section 9, chapter 223, Laws of 1982 and RCW 43.131.253 are each amended to read as follows:

The hospital commission and its powers and duties shall be terminated on June 30, (~~(1984)~~) 1989, as provided in RCW 43.131.254.

Sec. 26. Section 10, chapter 223, Laws of 1982 and RCW 43.131.254 are each amended to read as follows:

The following acts or parts of acts, as now existing or hereafter amended, are each repealed, effective June 30, (~~(1985)~~) 1990:

(1) Section 2, chapter 5, Laws of 1973 1st ex. sess., section 1 of this 1984 act and RCW 70.39.010;

(2) Section 3, chapter 5, Laws of 1973 1st ex. sess., section 2 of this 1984 act and RCW 70.39.020;

(3) Section 4, chapter 5, Laws of 1973 1st ex. sess., section 3 of this 1984 act and RCW 70.39.030;

(4) Section 5, chapter 5, Laws of 1973 1st ex. sess., section 1, chapter 36, Laws of 1977, section 4 of this 1984 act and RCW 70.39.040;

(5) Section 6, chapter 5, Laws of 1973 1st ex. sess., section 5 of this 1984 act and RCW 70.39.050;

(6) Section 7, chapter 5, Laws of 1973 1st ex. sess., section 1, chapter 35, Laws of 1977, section 6 of this 1984 act and RCW 70.39.060;

(7) Section 8, chapter 5, Laws of 1973 1st ex. sess., section 7 of this 1984 act and RCW 70.39.070;

(8) Section 9, chapter 5, Laws of 1973 1st ex. sess., section 8 of this 1984 act and RCW 70.39.080;

(9) Section 10, chapter 5, Laws of 1973 1st ex. sess., section 9 of this 1984 act and RCW 70.39.090;

(10) Section 11, chapter 5, Laws of 1973 1st ex. sess., section 10 of this 1984 act and RCW 70.39.100;

(11) Section 12, chapter 5, Laws of 1973 1st ex. sess., section 11 of this 1984 act and RCW 70.39.110;

(12) Section 13, chapter 5, Laws of 1973 1st ex. sess., section 12 of this 1984 act and RCW 70.39.120;

(13) Section 14, chapter 5, Laws of 1973 1st ex. sess., section 82, chapter 75, Laws of 1977, section 13 of this 1984 act and RCW 70.39.130;

(14) Section 15, chapter 5, Laws of 1973 1st ex. sess., section 1, chapter 163, Laws of 1974 ex. sess., section 14 of this 1984 act and RCW 70.39.140;

(15) Section 16, chapter 5, Laws of 1973 1st ex. sess., section 1, chapter 154, Laws of 1977 ex. sess., section 18 of this 1984 act and RCW 70.39.150;

(16) Section 17, chapter 5, Laws of 1973 1st ex. sess., section 19 of this 1984 act and RCW 70.39.160;

(17) Section 18, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.170;

(18) Section 19, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.180;

(19) Section 20, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.190;

(20) Section 21, chapter 5, Laws of 1973 1st ex. sess., section 20 of this 1984 act and RCW 70.39.200;

(21) Section 22, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.900; ((and))

(22) Section 23, chapter 5, Laws of 1973 1st ex. sess. and RCW 70.39.910;

(23) Section 15 of this 1984 act and RCW 70.39.—;

(24) Section 23 of this 1984 act and RCW 70.39.—; and

(25) Section 24 of this 1984 act and RCW 70.39.—.

NEW SECTION. Sec. 27. If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. Sec. 28. There is appropriated to the state hospital commission from the general fund, for the biennium ending June 30, 1985, the sum of eight hundred twenty-eight thousand dollars, or so much thereof as may be necessary, to carry out the purposes of this act: **PROVIDED,** That at least twenty-five thousand dollars of the amount available for development of a hospital reimbursement control system, authorized pursuant to section 14 of this act shall be reserved as the state share, in conjunction with funds that may be made available by hospitals, professional associations, health care service contractors, commercial health insurance companies, or other third party payers and major purchasers of hospital services, in order to secure the professional services of national experts in health care economics, hospital financing or similar fields that might be necessary to develop such a system.

***NEW SECTION.** Sec. 29. *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.*

*Sec. 29. was vetoed, see message at end of chapter.

Passed the Senate March 8, 1984.

Passed the House March 8, 1984.

Approved by the Governor March 30, 1984, with the exception of those provisions noted in the veto message.

Filed in Office of Secretary of State March 30, 1984.

Note: Governor's explanation of partial veto is as follows:

I am returning herewith, without my approval as to certain provisions, Substitute Senate Bill No. 4403, entitled:

"AN ACT Relating to health care costs."

The following sections are hereby vetoed: Section 14(4)(d), the term "medically necessary" has been defined in Washington State by the Superior Court case, Mead

v. Burdman. Using that definition for guidance, it is apparent that even a narrowly construed definition of "medically necessary" would place a major new obligation on hospitals. A change of this magnitude deserves full review and public input, which it did not receive during the legislative process. In the meantime, I admonish all hospitals to continue to provide necessary emergency services, without regard to means.

Section 22(2)(k), the second sentence, conditions the receipt of a certificate of need by a hospital on achievement of the regional average of charity care. During a colloquy, both houses clearly stated that they did not want to penalize hospitals who were making a "good faith effort" to reach their regional average. This sentence would, however, regardless of any good faith efforts, penalize not only the hospital, but the community, denying a hospital the right to fund its capital needs in order to assure quality of health care to all.

Similarly, section 14(1)(b) prohibits a hospital from negotiating discounts with health care purchasers unless the hospital is providing charity care at or above the average for the region. This provision is unfair to those hospitals, particularly in rural areas, that provide all the charity care that is demanded yet fall below the regional average. Discounts, as restricted by this bill, may well reduce health care costs. I believe it unwise to frustrate the process at the outset by inextricably tying discounts to mandated levels of charity care.

Section 14(1), on lines 27 and 28, contains a phrase which reads "if all 1984 amendments to this section and section 22 of this 1984 act take effect." This provision allows hospitals to negotiate rates lower than those established by the Commission if the amendments in section 22 take effect. As explained above, I have vetoed portions of section 22 and of section 14. Therefore, in order to preserve the hospital's ability to negotiate competitive rates, it is necessary to veto this provision in section 14.

This bill also contains an emergency clause in section 29. I am concerned that a bill of this complexity proposing such significant changes in the health care industry not be approached precipitously. I am convinced that allowing this bill to become effective in normal course will facilitate the state and the health care industry entering into the process contemplated by this bill in a more deliberative fashion.

With the exception of these provisions, Substitute Senate Bill No. 4403 is approved.

CHAPTER 289

[Engrossed Second Substitute Senate Bill No. 4831]

WORKER AND COMMUNITY RIGHT TO KNOW ACT

AN ACT Relating to worker and community right to know; creating a new chapter in Title 49 RCW; creating new sections; prescribing penalties; and making an appropriation.

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

NEW SECTION. Sec. 1. This chapter shall be known and may be cited as the "worker and community right to know act."

NEW SECTION. Sec. 2. The legislature finds and declares that the proliferation of hazardous substances in the environment poses a growing threat to the public health, safety, and welfare; that the constantly increasing number and variety of hazardous substances, and the many routes of exposure to them make it difficult and expensive to monitor adequately and detect any adverse health effects attributable thereto; that individuals themselves are often able to detect and thus minimize effects of exposure to