Hospital Fee Increases

Hospitals provide health care services to people who need care for 24 hours or more. These services may include observing, diagnosing, and treating people suffering from illness or injury. The Department of Health (department) licenses three types of hospitals; acute care, chemical dependency, and psychiatric.

Current laws (chapters 70.41 and 71.12 RCW) and rules (chapters 246-320, 246-322, 246-324 WAC) require the department to ensure patient health and safety by setting and enforcing requirements for hospital licensing, operation, maintenance, and inspections. Acute care hospitals are inspected by the department on average every 18 months, or every 36 months for the 66 hospitals that are also accredited and inspected by an approved accrediting organization. All psychiatric and chemical dependency hospitals are inspected annually regardless of their accreditation status.

RCW 43.70.250 requires the department to charge fees to cover regulatory program expenses (e.g., licensing, inspections, and investigations). The department does this by charging hospitals an initial and annual licensing fee for each approved bed in the facility. The fee is currently $138 per bed for acute care hospitals and $85 per bed for psychiatric and chemical dependency hospitals. There are 15,272 licensed patient beds in the state. 14,465 of the beds are in 96 acute care hospitals, 723 beds are in 9 psychiatric hospitals, and 84 beds are in 2 chemical dependency hospitals.

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Current Financial Situation

Current revenue from hospital licensing fees does not support all mandated regulatory activities, such as ongoing inspections and investigations of all 107 licensed hospitals. Only about 66 percent of the funding needed to support the regulation of hospitals is generated by licensing fees. In 2019, the department anticipates an average annual funding gap of about $1 million and this gap is projected to grow to $1.5 million by 2025.

Factors that have led to this funding gap include:

- Changes made by the Centers for Medicare and Medicaid Services (CMS) that reduce our ability to do dual purpose investigations (state and CMS) and split the cost with the federal government.
- Staff salary increases over the last several years.

Fees were last raised for hospitals in 2017, but the increase only addressed the revenue need for fire code inspections. This fee increase did not impact the current gap in funding for regulatory activities conducted by the department. The last time fees were raised to support regulatory program activities was in 2007 for psychiatric and chemical dependency hospitals and 2012 for acute care hospitals.

Department Actions

The department has taken steps to control expenditures by:

- Restructuring the hospital inspection and investigation teams under a common manager which allows for more cross training, collaboration, and increased efficiency in scheduling of assignments.
- Collaborating with the regulated community through a quality improvement project to reduce redundancies and streamline the inspection process from start to finish.
- Developing multiple inspection worksheets, available to the regulated community, which guide the inspection process and allow for a more consistent, focused, and efficient visit.

Proposed Solution

The funding gap must be addressed through a fee increase to support the department's regulatory work to protect the health and safety of patients, and to address the requirement in RCW 43.70.250 that regulatory program expenses must be covered by fees.

The proposed new fees for license application and renewal are:

- $220 per bed for acute care hospitals (currently $138)
- $135 per bed for psychiatric and chemical dependency hospitals (currently $85)