



Preserve Strategic Health Care Relationships

Background

Washington State hospitals are experiencing ongoing, unsustainable financial losses, which grew to \$1.66 billion from operations in the first nine months of 2022. Washingtonians rely on hospitals to be there to care for heart attacks, strokes, trauma, appendicitis, cancer, and other emergency and acute care needs. Access to this specialized care is threatened by these financial losses. Many hospitals are already reducing services to reduce costs. We expect hospitals will face continued losses during the last quarter of 2022 and into 2023. Ensuring continued access to services and preventing hospital closures requires strategic relationships – including mergers and affiliations – with other hospitals or systems to create efficiencies, sustain services and respond to the Accountable Care Act’s push toward modernization. These arrangements – including contractual relationships – are already subject to antitrust oversight by the state Attorney General’s Office, the federal Department of Justice and the Federal Trade Commission. The sale, purchase or lease of a hospital in Washington State is also subject to the Department of Health’s Certificate of Need review.

WSHA Position

Hospitals are critical community infrastructure that are currently experiencing unsustainable financial losses, which have long-term impacts on the availability of health care services to patients and communities. WSHA supports the ability of hospitals, providers, and health systems to work collaboratively to create efficiencies and sustain services. Increased administrative burden and oversight will delay the business decisions needed to sustain the viability of hospitals, leading to a reduction of services and the potential closure of hospitals given current financial fragility.

Key Messages

- Positive financial margins are necessary for hospitals to continue to provide critical health care services to communities. Healthy finances are also necessary for hospitals to afford labor costs, capacity and technologies to better care for patients.
- Due to financial losses, many hospitals are already reducing services. Strategic relationships between hospitals are necessary to ensure continued viability and access to care for patients.
- Integration and strategic partnerships are driven by state and federal forces, including low reimbursement by government payers, value-based and bundled payments, accountable care organizations, Medicare’s moving of more care to the outpatient setting, the complexity of billing and health information technology.
- Health care transactions are currently subject to significant regulatory oversight at the state and federal level:
 - Federal: Hart Scott Radino; Sherman Act & Clayton Acts (antitrust)
 - State: Pre-transaction notice (RCW 19.390); state antitrust acts (RCW 19.86); Consumer Protection Act (RCW 19.86); Certificate of Need (RCW 70.38); nonprofit hospital conversion (RCW 70.45).

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