

# SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

**BILL NO.** House Bill 1190

**PRINTER'S NO.** 2090

**AMOUNT**

Potential Savings (See Fiscal Impact)

**FUND**

General Fund

**DATE INTRODUCED**

April 15, 2013

**PRIME SPONSOR**

Representative Cutler

**HISTORY OF BILL**

Referred to HEALTH, April 15, 2013  
Reported as committed, April 22, 2013  
First consideration, April 22, 2013  
Laid on the table, April 22, 2013  
Removed from table, April 23, 2013  
Second consideration, with amendments, April 24, 2013  
Re-committed to APPROPRIATIONS, April 24, 2013  
(Remarks see House Journal Page ), April 24, 2013  
Re-reported as committed, May 6, 2013  
Third consideration and final passage, May 6, 2013 (194-0)  
(Remarks see House Journal Page ), May 6, 2013

In the Senate

Referred to PUBLIC HEALTH AND WELFARE, May 24, 2013  
Reported as amended, June 19, 2013  
First consideration, June 19, 2013  
Re-referred to APPROPRIATIONS, June 20, 2013  
Re-reported as committed, June 28, 2013  
Second consideration, June 29, 2013

**DESCRIPTION AND PURPOSE OF BILL**

This legislation provides for the use of "deemed status" as a process by which a hospital may be exempt from routine licensure renewal surveys conducted by the Department of Health.

Sections 804 and 806 are amended to update terminology for national accreditation organizations in the Administration and Licensure provisions.

In addition, Section 806 (relating to licensure) is amended by creating new subsection (i) which provides for the licensure of hospitals and the use of national accreditation organizations. Specifically:

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- The department will, at the request of the hospital, recognize reports of national accreditation organizations as acceptable by the department in terms of hospitals meeting licensure requirements, and will issue a license to a hospital that has received approval or accreditation from the organization.
- A hospital that is not accredited by a national accreditation organization or does not request that the department rely on the accreditation will be required to comply with regulations adopted by the department.
- A hospital that has obtained accreditation by a national accreditation organization is not exempt from the department's authority to enter and inspect the hospital, including but not limited to the department's right to inspect pursuant to a complaint filed with the department against the hospital.
- A hospital that is deemed must comply with the standards established by the national accreditation organization and will be inspected based upon those standards and State law.
- All hospitals are required to submit plans for new construction and renovations to the department for approval before services can be provided in those newly constructed or renovated areas.

Section 809 (relating to term and content of a license) is amended to address the term and content of a license for an accredited and nonaccredited hospital.

- For hospitals requesting the department rely on reports of a national accreditation organization:
  - For an initial license, the expiration date will be the last day of the month of the hospital's current accreditation cycle; and
  - Subsequently, for deemed hospitals in good standing, the license will be for the duration of the accreditation cycle and the expiration date will be the last day of the month in which the accreditation expires.
- The expiration date will be the last day of the month in which the license is issued for nonaccredited hospitals, for a period of three years.
- Exceptions are provided for health care facilities to exceed the maximum number of beds defined within their license in the case of natural disasters, catastrophes, acts of bio-terrorism, epidemics or other emergencies.

Section 810 (relating to reliance on accrediting agencies and Federal Government) is amended to provide a distinction between hospitals and other health care facilities that utilize the accreditation process. The terminology is also updated to refer to national accreditation organizations.

The new Section 810.1 (related to reliance on national accreditation organizations for hospitals) creates provisions for hospitals that choose to utilize the accreditation process to obtain a license from the Commonwealth. The process is as follows:

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- For hospitals that have been licensed by the department to operate for at least three years and have not been subject to a provisional or restricted license; they are permitted to request and the department will accept a report from an acceptable accreditation organization for renewal thereafter.
- Accreditation organizations must apply to the department for approval and the department will do the following:
  - Determine that the standards of the accreditation organization are equal to or more stringent than existing survey requirements;
  - Evaluate the survey or inspection process of the accreditation organization to ensure the integrity of the survey or inspection process; and
  - Enter into a written agreement with the accreditation organization that includes requirements for:
    - ✓ Notice of all surveys and inspections;
    - ✓ Sharing of complaints and other relevant information;
    - ✓ Participation of the department in accreditation organization activities if determined to be appropriate by the department;
    - ✓ Protection for the confidentiality of medical and personnel records;
  - ✓ All licensure inspections of deemed hospitals shall be based on the standards established by the national accreditation organization and State law; and
  - ✓ Any other provision necessary to ensure the integrity of the accreditation and licensure process.
- The department will grant the hospital deemed status if an approved accreditation organization has issued a final report finding a hospital to be in substantial compliance with the accreditation organization's standards and if the hospital provides a copy of the final report to the department within 10 business days of the hospital receiving it from the approved accreditation organization. The final report must have been issued no more than one year prior to the expiration date of the hospital's license. A hospital that receives anything less than full accreditation will be required to comply with the licensure survey by the department.
- The department will make all final reports from approved accreditation organizations immediately available to the public in accordance with department practice. Neither a preliminary nor a final report of an approved accreditation organization is admissible as evidence in a civil action or proceeding.
- The department may inspect an accredited hospital for any of the following:

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- To follow up on any issues identified by an approved accreditation organization;
- Investigate a complaint;
- Validate the findings of an approved accreditation organization that determined that a hospital is in compliance with conditions of participation issued by the Centers for Medicare and Medicaid Services and State licensure requirements; and
- Comply with the request of any Federal or State regulatory entity.
- The department may observe or participate in an inspection or survey of a hospital conducted by an approved accreditation organization.
- Actions available to the department if an approved accreditation organization fails to meet their agreed-to obligations:
  - The department will have 30 days from the time it notifies the accreditation organization to resolve any issues that are resulting in the accrediting agency's not meeting its obligations.
  - If, after 30 days, no resolution can be reached, the department will provide notice in the *PA Bulletin* of its intention to withdraw approval of the accreditation organization, list the reasons the action is being taken, make available the accreditation organization's response to the department and receive public comment regarding the decision for a period of not less than 30 days.
  - If, after the conclusion of the public comment period, the department's determination is that the approved accreditation organization has failed to meet its obligation, the department is permitted to withdraw approval of the accreditation organization and immediately terminate the agreement.
  - Any hospital that has achieved deemed status as a result of being accredited by the accreditation organization terminated by the department will keep the deemed status until the end of the current licensure period. To renew a license, the hospital will either be accredited by another department-approved accreditation organization or will be subject to the department's licensure regulations.

### **FISCAL IMPACT:**

There are 264 hospitals currently licensed by the Department of Health. The department assumes there are 164 facilities likely to apply to permit the use of the accreditation survey. Annually, under this legislation, the department believes this would eliminate approximately 55 surveys, assuming even distribution over the three year licensure period.

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The department has stated that surveys for this purpose comprise a minimal amount of the overall survey work performed by surveyors. These persons are also responsible for all hospital complaints, Ambulatory Surgical Facility licensing and Ambulatory Surgical Facility complaints, surveys performed for the Department of Public Welfare, occupancy surveys, Centers for Medicare and Medicaid Services validation surveys and revisit surveys that are a result of complaints and non-deemed facilities. Therefore, the department estimates that by the enactment of this legislation, the surveyors' overall workload will be reduced and some limited amount of savings should be realized. The department expects that the reduction in workload should also result in a reduction of overtime which should also be expected to result in savings. However, an estimate of actual savings cannot be determined at this time.