



PROPOSED RULE MAKING

CR-102 (June 2024)
(Implements RCW 34.05.320)
Do **NOT** use for expedited rule making

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STATE OF WASHINGTON
FILED

DATE: October 31, 2024

TIME: 2:38 PM

WSR 24-22-090

Agency: Department of Health

Original Notice

Supplemental Notice to WSR

Continuance of WSR

Preproposal Statement of Inquiry was filed as WSR 24-15-024; or

Expedited Rule Making--Proposed notice was filed as WSR _____; or

Proposal is exempt under RCW 34.05.310(4) or 34.05.330(1); or

Proposal is exempt under RCW _____.

Title of rule and other identifying information: (describe subject) Hospital Financial Data Reporting – reviewing the Accounting and Reporting Manual requirements for the uniform, hospital, financial reporting system. In response to Engrossed Second Substitute House Bill (E2SHB) 1272 (chapter 162, Laws of 2021), the Department of Health (department) is proposing amendments to chapter 246-454 WAC to simplify existing rules regarding the uniform system for hospitals for accounting, financial reporting, budgeting, and cost allocation. Also proposed are amendments to update outdated language within chapter 246-454 WAC, and two sections of Hospitals-Assessments and Related Reports, WAC 246-451-010 and 246-451-050.

Hearing location(s):

Date:	Time:	Location: (be specific)	Comment:
December 18, 2024	11:00 AM	In-Person: WA State Department of Health Town Center 2 Room 166/167 111 Israel Rd SE Tumwater, Washington 98501 Zoom Link: Register in advance for this webinar: https://us02web.zoom.us/webinar/register/WN_OXLq4rZTCCrqDX_R-ZHYA After registering, you will receive a confirmation email containing information about joining the webinar.	The Department of Health will be offering a hybrid public hearing. Participants may attend virtually or in-person at the physical location. You may also submit comments in writing.

Date of intended adoption: December 27, 2024 (Note: This is **NOT** the effective date)

Submit written comments to:

Name Carrie Baranowski
Address Department of Health
PO Box 47853, Olympia WA 98504-7853
Email <https://fortress.wa.gov/doh/policyreview/>
Fax N/A
Other
Beginning (date and time) The date and time of this filing
By (date and time) December 18, 2024 at 11:59 PM

Assistance for persons with disabilities:

Contact Carrie Baranowski
Phone 360-236-4210
Fax N/A
TTY 711
Email hos@doh.wa.gov
Other
By (date) December 4, 2024

Purpose of the proposal and its anticipated effects, including any changes in existing rules: Instructions for the uniform system for hospital financial reporting are provided to hospitals within the Washington State Department of Health Accounting and Reporting Manual for Hospitals (Accounting Manual). Both the Accounting Manual and requirements in WAC 246-454-020, 246-454-090, and 246-454-110 contain separate, and competing update and distribution processes. To eliminate confusion for hospitals required to report financial data, the department proposes removing references to the Accounting Manual from rules, including repealing WAC 246-454-020, 246-454-090, and 246-454-110 to eliminate the outdated processes in favor of maintaining the updated, current practice described in the Accounting Manual.

Additional amendments to WAC 246-451-010, 246-451-050, and chapter 246-454 WAC modernize rules by updating or eliminating RCW and WAC references that have been repealed and bring rules up to date with best practice and current practice.

Reasons supporting proposal: E2SHB 1272, which initiated this rulemaking, strives to increase transparency in hospital financial data. The bill requires the department to revise the uniform, hospital financial reporting system to further delineate hospital expenses and revenue, and monies received by federal, state, or local government in response to national or state-declared emergencies. Instructions for hospital financial reporting are provided by the department in the Accounting Manual, which has been updated to comply with the new requirements.

The intent of hospital financial data is to bring clarity and transparency to costs associated with health care. The proposed amendments eliminate competing processes and update out of date references which provides greater clarity and reduces confusion of reporting requirements for hospital financial data reporters. Rulemaking is necessary to create rules that are clear, accurate, and implement E2SHB 1272.

Statutory authority for adoption: RCW 43.70.052 and Engrossed Second Substitute House Bill (E2SHB) 1272 (chapter 162, Laws of 2021)

Statute being implemented: E2SHB 1272

Is rule necessary because of a:

Federal Law? Yes No
Federal Court Decision? Yes No
State Court Decision? Yes No

If yes, CITATION:

Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters: None.

Name of proponent: (person or organization) Department of Health

Type of proponent: Private. Public. Governmental.

Name of agency personnel responsible for:

	Name	Office Location	Phone
Drafting	Carrie Baranowski	111 Israel Road, Tumwater WA 98504	360-236-4210
Implementation	Carrie Baranowski	111 Israel Road, Tumwater WA 98504	360-236-4210
Enforcement	Carrie Baranowski	111 Israel Road, Tumwater WA 98504	360-236-4210

Is a school district fiscal impact statement required under [RCW 28A.305.135](#)? Yes No

If yes, insert statement here:

The public may obtain a copy of the school district fiscal impact statement by contacting:

Name
Address
Phone
Fax
TTY
Email
Other

Is a cost-benefit analysis required under [RCW 34.05.328](#)?

Yes: A preliminary cost-benefit analysis may be obtained by contacting:

Name

Address
Phone
Fax
TTY
Email
Other

No: Please explain: The rule proposal is exempt from a cost-benefit analysis under RCW 34.05.328(5)(b)(iv) as the proposed rules only correct typographical errors by fixing outdated citations and clarify language of a rule without changing its effect by removing language that is no longer applicable and including amendments that reflect current practices for hospital financial reporting.

Regulatory Fairness Act and Small Business Economic Impact Statement

Note: The [Governor's Office for Regulatory Innovation and Assistance \(ORIA\)](#) provides support in completing this part.

(1) Identification of exemptions:

This rule proposal, or portions of the proposal, **may be exempt** from requirements of the Regulatory Fairness Act (see [chapter 19.85 RCW](#)). For additional information on exemptions, consult the [exemption guide published by ORIA](#). Please check the box for any applicable exemption(s):

This rule proposal, or portions of the proposal, is exempt under [RCW 19.85.061](#) because this rule making is being adopted solely to conform and/or comply with federal statute or regulations. Please cite the specific federal statute or regulation this rule is being adopted to conform or comply with, and describe the consequences to the state if the rule is not adopted.

Citation and description:

This rule proposal, or portions of the proposal, is exempt because the agency has completed the pilot rule process defined by [RCW 34.05.313](#) before filing the notice of this proposed rule.

This rule proposal, or portions of the proposal, is exempt under the provisions of [RCW 15.65.570\(2\)](#) because it was adopted by a referendum.

This rule proposal, or portions of the proposal, is exempt under [RCW 19.85.025\(3\)](#). Check all that apply:

- | | |
|---|---|
| <input type="checkbox"/> RCW 34.05.310 (4)(b)
(Internal government operations) | <input type="checkbox"/> RCW 34.05.310 (4)(e)
(Dictated by statute) |
| <input type="checkbox"/> RCW 34.05.310 (4)(c)
(Incorporation by reference) | <input type="checkbox"/> RCW 34.05.310 (4)(f)
(Set or adjust fees) |
| <input checked="" type="checkbox"/> RCW 34.05.310 (4)(d)
(Correct or clarify language) | <input type="checkbox"/> RCW 34.05.310 (4)(g)
(i) Relating to agency hearings; or (ii) process requirements for applying to an agency for a license or permit) |

This rule proposal, or portions of the proposal, is exempt under [RCW 19.85.025\(4\)](#). (Does not affect small businesses).

This rule proposal, or portions of the proposal, is exempt under RCW _____.

Explanation of how the above exemption(s) applies to the proposed rule: The proposal is exempt as it clarifies the language of a rule without changing its effect, corrects typographical errors including incorrect citations, and removes language that is no longer applicable or accurate.

(2) Scope of exemptions: Check one.

- The rule proposal: Is fully exempt. (*Skip section 3.*) Exemptions identified above apply to all portions of the rule proposal.
- The rule proposal: Is partially exempt. (*Complete section 3.*) The exemptions identified above apply to portions of the rule proposal, but less than the entire rule proposal. Provide details here (consider using [this template from ORIA](#)):
- The rule proposal: Is not exempt. (*Complete section 3.*) No exemptions were identified above.

(3) Small business economic impact statement: Complete this section if any portion is not exempt.

If any portion of the proposed rule is **not exempt**, does it impose more-than-minor costs (as defined by RCW 19.85.020(2)) on businesses?

- No Briefly summarize the agency's minor cost analysis and how the agency determined the proposed rule did not impose more-than-minor costs.
- Yes Calculations show the rule proposal likely imposes more-than-minor cost to businesses and a small business economic impact statement is required. Insert the required small business economic impact statement here:

The public may obtain a copy of the small business economic impact statement or the detailed cost calculations by contacting:

- Name
- Address
- Phone
- Fax
- TTY
- Email
- Other

Date: October 31, 2024

Name: Kristin Peterson, JD for Umair A. Shah, MD, MPH

Title: Chief of Policy for Secretary of Health

Signature:

A handwritten signature in cursive script that reads "Kristin Peterson".

AMENDATORY SECTION (Amending WSR 94-12-089, filed 6/1/94, effective 7/2/94)

WAC 246-451-010 Definitions. As used in this chapter, unless the context requires otherwise,

(1) "Department" shall mean the Washington state department of health created by chapter 43.70 RCW.

(2) "Hospital" shall mean any health care institution which is required to qualify for a license under (~~RCW 70.41.020(2)~~) chapter 70.41 RCW; or as a (~~psychiatric~~) behavioral health hospital under chapter 71.12 RCW.

(3) "Gross operating costs" shall mean the sum of direct operating expenses required to be reported in (~~cost centers 6000-8999, as specified in the manual adopted under WAC 246-454-020~~) the year-end report submitted pursuant to WAC 246-454-050 or, if the year-end report was not submitted, the quarterly report submitted pursuant to WAC 246-454-070 for the same period of time.

AMENDATORY SECTION (Amending WSR 94-12-089, filed 6/1/94, effective 7/2/94)

WAC 246-451-050 Reporting of information. For the purpose of calculating the assessment, the department will use the most recent year-end report submitted pursuant to WAC 246-454-050 or, if the year-end report was not submitted, the quarterly report submitted pursuant to WAC 246-454-070 for the same period of time.

Chapter 246-454 WAC
HOSPITALS— ((SYSTEM OF ACCOUNTING,)) FINANCIAL REPORTING ((, BUDGETING,
COST ALLOCATION))

AMENDATORY SECTION (Amending WSR 94-12-089, filed 6/1/94, effective 7/2/94)

WAC 246-454-001 Purpose. This chapter is adopted by the Washington state department of health pursuant to ((implement the provisions of RCW 70.170.100 and 43.70.050 regarding the establishment of a uniform system of accounting, financial reporting, budgeting and cost allocation for hospitals in Washington state. This system shall be utilized by each hospital to record and report to the department its revenues, expenses, other income, other outlays, assets and liabilities, and units of service and to submit information, as may be required by the department, pertaining to the total financial needs of the hospital and the resources available or expected to become available to meet such needs)) RCW 43.70.052 and 43.70.053 relating to uniform reporting of data elements identifying each hospital's revenues, expenses, contractual allowances, charity care, bad debt, other income, total units of inpatient and outpatient services, and other financial and employee compensation information.

AMENDATORY SECTION (Amending WSR 19-01-108, filed 12/18/18, effective 1/18/19)

WAC 246-454-010 Definitions. The definitions in this section apply throughout the chapter unless the context clearly requires otherwise.

(1) "Department" means the Washington state department of health created by chapter 43.70 RCW.

(2) "Hospital" means any health care institution which is required to qualify for a license under chapter 70.41 RCW; or as a ((psychiatric)) behavioral health hospital under chapter 71.12 RCW.

~~((3) "Manual" means the *Washington State Department of Health Accounting and Reporting Manual for Hospitals*, third edition adopted under WAC 246-454-020.~~

~~(4) "System of accounts" means the list of accounts, code numbers, definitions, units of measure, and principles and concepts included in the manual.)~~

AMENDATORY SECTION (Amending WSR 94-12-089, filed 6/1/94, effective 7/2/94)

WAC 246-454-050 Submission of year-end report. (1) Each hospital annually shall file its year-end report with the department within

~~((one hundred twenty))~~ 120 days after the close of its fiscal year in the form and manner specified ~~((in the manual: Provided, however,))~~ by the department. The ~~((one hundred twenty))~~ 120-day period may be extended up to and including an additional ~~((sixty))~~ 60 days upon submission of adequate justification to the department. If more than one hospital is operated by the reporting organization, the information required by this section shall be reported for each hospital separately.

(2) Information submitted pursuant to this section shall be certified by the hospital's administrative and financial officers, that such reports, to the best of their knowledge and belief, have been prepared in accordance with the ~~((prescribed system of accounting and reporting))~~ form and manner specified by the department, and fairly state the financial position of the hospital as of the specified date. The department also may require attestation as to such statements from responsible officials of the hospital so designated by the governing body, if any, of the hospital.

AMENDATORY SECTION (Amending WSR 94-12-089, filed 6/1/94, effective 7/2/94)

WAC 246-454-070 Submission of quarterly reports. Each hospital shall submit a quarterly summary utilization and financial report within ~~((forty-five))~~ 45 days after the end of each calendar quarter. The quarterly report shall contain that information specified by the department and shall be submitted in the form and manner specified by the department.

AMENDATORY SECTION (Amending WSR 94-12-089, filed 6/1/94, effective 7/2/94)

WAC 246-454-080 Alternative system of financial reporting. Upon receipt of a request in detail to the satisfaction of the department, the department in its discretion may approve an alternative system for reporting of information under WAC ~~((246-454-030 or))~~ 246-454-050 or 246-454-070 by a hospital for such period(s) or portion thereof as the department shall specify, if:

(1) The hospital charges no fee to users of its services, presents no billing, either direct or indirect, to users of its services, and presents no billing and accepts no payment for services from private or public insurers.

(2) The hospital is significantly different from other hospitals in one or more of the following respects: Size; financial structure; methods of payment for services; or scope, type, and method of providing services.

(3) The hospital has other pertinent distinguishing characteristics.

(4) Such alternative system will avoid otherwise unduly burdensome costs in meeting the requirements ~~((of the uniform reporting system established))~~ specified by the department.

REPEALER

The following sections of the Washington Administrative Code are repealed:

WAC 246-454-020	Adoption and establishment of uniform system.
WAC 246-454-090	Modifications of uniform system.
WAC 246-454-110	Uniformly applicable interpretive rulings and minor manual modifications.
WAC 246-454-120	Penalties for violation.