
HOUSE BILL 1607

State of Washington

66th Legislature

2019 Regular Session

By Representatives Caldier, Jinkins, Robinson, Macri, and Cody

1 AN ACT Relating to notice of material changes to the operations
2 or governance structure of participants in the health care
3 marketplace; adding a new chapter to Title 19 RCW; and prescribing
4 penalties.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** INTENT. It is the intent of the
7 legislature to ensure that competition beneficial to consumers in
8 health care markets across Washington remains vigorous and robust.
9 The legislature supports that intent through this act, which provides
10 the attorney general with notice of all material health care
11 transactions in this state so that the attorney general has the
12 information necessary to determine whether an investigation under the
13 consumer protection act is warranted for potential anticompetitive
14 conduct and consumer harm. This act is intended to supplement the
15 federal Hart-Scott-Rodino antitrust improvements act, Title 15 U.S.C.
16 Sec. 18a, by requiring notice of transactions not reportable under
17 Hart-Scott-Rodino reporting thresholds and by providing the attorney
18 general with a copy of any filings made pursuant to the Hart-Scott-
19 Rodino act.

1 NEW SECTION. **Sec. 2.** DEFINITIONS. The definitions in this
2 section apply throughout this chapter unless the context clearly
3 requires otherwise.

4 (1) "Acquisition" means any agreement, arrangement, or activity
5 the consummation of which results in a person acquiring directly or
6 indirectly the control of another person, and includes the
7 acquisition of voting securities and noncorporate interests, such as
8 assets, capital stock, membership interests, or equity interests.

9 (2) "Carrier" means the same as in RCW 48.44.010.

10 (3) "Contracting affiliation" includes any relationship between
11 two or more entities that permits the entities to negotiate jointly
12 with carriers or third-party administrators over rates for
13 professional medical services, or for one entity to negotiate on
14 behalf of the other entity with carriers or third-party
15 administrators over rates for professional medical services.

16 (4) "Health care services" includes medical, surgical,
17 chiropractic, hospital, optometric, podiatric, pharmaceutical,
18 ambulance, mental health, substance use disorder, therapeutic,
19 preventative, diagnostic, curative, rehabilitative, palliative,
20 custodial, and any other services relating to the prevention, cure,
21 or treatment of illness, injury, or disease.

22 (5) "Health maintenance organization" means any organization
23 receiving a certificate of registration pursuant to chapter 48.46 RCW
24 which provides comprehensive health care services to enrolled
25 participants of such organization on a group practice per capita
26 prepayment basis or on a prepaid individual practice plan, except for
27 an enrolled participant's responsibility for copayments and
28 deductibles, either directly or through contractual or other
29 arrangements with other institutions, entities, or persons, and which
30 qualifies as a health maintenance organization pursuant to RCW
31 48.46.030 and 48.46.040.

32 (6) "Hospital" means any entity that is:

33 (a) Defined as a hospital in RCW 70.41.020 and is required to
34 obtain a license under RCW 70.41.090; or

35 (b) A psychiatric hospital required to obtain a license under
36 chapter 71.12 RCW.

37 (7) "Hospital system" includes:

38 (a) A parent corporation of one or more hospitals and any entity
39 affiliated with such parent corporation through ownership,
40 governance, control, or membership; or

1 (b) A hospital and any entity affiliated with such hospital
2 through ownership, governance, or membership.

3 (8) "Merger" includes a consolidation or integration of two or
4 more organizations, including two or more organizations joining
5 through a common parent organization or two or more organizations
6 forming a new organization.

7 (9) "Patient service revenue" means the total revenue received
8 for patient care in the previous twelve months.

9 (10) "Person" includes, where applicable, natural persons,
10 corporations, trusts, unincorporated associations, and partnerships.

11 (11) "Provider" includes any natural person who practices a
12 profession identified in RCW 18.130.040.

13 (12) "Provider organization" includes any corporation,
14 partnership, business trust, association, or organized group of
15 persons, whether incorporated or not, which is in the business of
16 health care delivery or management and that represents seven or more
17 health care providers in contracting with carriers or third-party
18 administrators for the payments of health care services. A "provider
19 organization" includes physician organizations, physician-hospital
20 organizations, independent practice associations, provider networks,
21 accountable care organizations, and any other organization that
22 contracts with carriers or third-party administrators for payment for
23 health care services.

24 (13) "Third-party administrator" means an entity that administers
25 payments for health care services on behalf of a client in exchange
26 for an administrative fee.

27 NEW SECTION. **Sec. 3.** NOTICE OF MATERIAL CHANGE. (1) Not less
28 than thirty days prior to the effective date of any transaction that
29 results in a material change, each party to the transaction shall
30 submit written notice to the attorney general of such material
31 change.

32 (2) For the purposes of this section, a material change includes
33 a merger, acquisition, or contracting affiliation between two or more
34 entities of the following types:

- 35 (a) Hospitals;
- 36 (b) Hospital systems; or
- 37 (c) Provider organizations.

38 (3) A material change includes proposed changes identified in
39 subsection (2) of this section between a Washington entity and an

1 out-of-state entity where the out-of-state entity generates ten
2 million dollars or more in patient service revenue from patients
3 residing in Washington state. Any party to a material change that is
4 licensed or operating in Washington state shall submit a notice as
5 required under this section.

6 NEW SECTION. **Sec. 4.** NOTICE REQUIREMENTS. The written notice
7 provided by each party, as required by section 3 of this act, must
8 include:

- 9 (1) The names of the parties and their current business
10 addresses;
- 11 (2) A copy of all current agreements governing and related to the
12 proposed material change;
- 13 (3) A brief description of the nature and objectives of the
14 proposed material change; and
- 15 (4) The anticipated effective date of the proposed material
16 change.

17 NEW SECTION. **Sec. 5.** REQUESTS FOR ADDITIONAL INFORMATION. The
18 attorney general shall make any requests for additional information
19 from the parties under RCW 19.86.110 within thirty days of the date
20 notice is received under sections 3 and 4 of this act. Nothing in
21 this section precludes the attorney general from conducting an
22 investigation or enforcing state or federal antitrust laws at a later
23 date.

24 NEW SECTION. **Sec. 6.** HART-SCOTT-RODINO ACT. Any provider or
25 provider organization conducting business in this state that files a
26 premerger notification with the federal trade commission or the
27 United States department of justice, in compliance with the Hart-
28 Scott-Rodino antitrust improvements act, Title 15 U.S.C. Sec. 18a,
29 shall provide a copy of such filing to the attorney general.
30 Providing a copy of the Hart-Scott-Rodino filing to the attorney
31 general satisfies the notice requirement under section 4 of this act.

32 NEW SECTION. **Sec. 7.** MATERIALS SUBMITTED TO THE ATTORNEY
33 GENERAL. Information submitted to the attorney general pursuant to
34 this chapter shall be maintained and used by the attorney general in
35 the same manner as provided in RCW 19.86.110. Nothing in this chapter

1 limits the attorney general's authority under RCW 19.86.110 or
2 19.86.115.

3 NEW SECTION. **Sec. 8.** PENALTY FOR NONCOMPLIANCE. Any person who
4 fails to comply with any provision of this chapter is liable to the
5 state for a civil penalty of not more than two hundred dollars per
6 day for each day during which such person is in violation of this
7 chapter.

8 NEW SECTION. **Sec. 9.** The notice requirement in section 3 of
9 this act applies to transactions with an anticipated effective date
10 on or after January 1, 2020.

11 NEW SECTION. **Sec. 10.** Sections 1 through 9 of this act
12 constitute a new chapter in Title 19 RCW.

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