

SUPREME COURT OF WASHINGTON

Washington State Hospital Association v. Washington State
Department of Health

183 Wn.2d 590, 353 P.3d 1285 (2015) · No. No. 90486-3 · Decided July 9, 2015

SUMMARY

The Washington Supreme Court held that the Washington State Department of Health exceeded its statutory authority by adopting a rule broadly defining hospital ownership changes subject to certificate-of-need review. The rule covered any direct or indirect change in control, including changes in stock ownership or a hospital board of directors, beyond the statutory terms sale, purchase, or lease. The court affirmed the invalidation of the rule.

CASE DETAILS

COURT	Supreme Court of Washington
WRITING FOR THE COURT	Gonzalez, J.
JURISDICTION	Washington
DECIDED	July 9, 2015
DOCKET	No. 90486-3
DISPOSITION	affirmed
PROCEDURAL POSTURE	The Washington State Hospital Association challenged the Department of Health's rule defining hospital ownership changes subject to certificate-of-need review. The Thurston County Superior Court invalidated the rule as exceeding the department's statutory authority. The department appealed directly to the Washington Supreme Court.
STANDARD OF REVIEW	De novo review applies because, in reviewing administrative action, the Supreme Court sits in the same position as the superior court. Questions of statutory interpretation are also reviewed de novo. Agency rules are presumed valid, and the challenger bears the burden of proving invalidity.
PRECEDENTIAL VALUE	Published Washington Supreme Court en banc opinion; precedential.
PARTIES	Washington State Department of Health v. Washington State Hospital Association

TOPICS

rulemaking

administrative procedure act

judicial review of agency action

statutory interpretation

health law

PRACTICE AREAS

administrative law

health law

statutory interpretation

QUESTIONS PRESENTED

1. Whether the Department of Health exceeded its statutory authority by promulgating a rule defining "sale, purchase, or lease" of a hospital to include any direct or indirect change in control.
2. Whether the Department's New Rule was invalid under the Washington Administrative Procedure Act because it was inconsistent with RCW 70.38.105(4)(b).

HOLDINGS

1. The Department of Health exceeded its statutory authority because its rule defining "sale, purchase, or lease" to include any transaction producing a direct or indirect change in hospital control was too broad and inconsistent with RCW 70.38.105(4)(b). The rule was therefore invalid.

KEY QUOTATIONS

“However, “[a]dministrative rules or regulations cannot amend or change legislative enactments.”” (5)

“We hold that the department exceeded its statutory authority in promulgating the New Rule and the New Rule is consequentially invalid.” (7)

FACTUAL BACKGROUND

Washington's certificate-of-need program requires review of the sale, purchase, or lease of part or all of an existing hospital. The Department of Health historically issued inconsistent determinations concerning whether mergers and other changes in control were covered, and in 2013 it initiated rulemaking after the governor directed it to consider modern health-care affiliations and corporate restructurings. The resulting rule defined covered transactions as any transaction in which direct or indirect control of a hospital changes to a different person, including affiliations, corporate membership restructurings, and any other transaction. The Association, whose members included 98 Washington hospitals, challenged the rule because its broad language could reach ordinary changes such as publicly traded stock ownership or hospital board composition.

PROCEDURAL HISTORY

The Department of Health adopted a rule defining the statutory terms "sale, purchase, or lease" to include any transaction causing a direct or indirect change in control of part or all of an existing hospital. The Association challenged the rule in Thurston County Superior Court, which held that the department exceeded its statutory authority and invalidated the rule without reaching the Association's other arguments. The Department appealed directly, and the Supreme Court granted review.

DISPOSITION

affirmed

CASES CITED

- University of Washington Medical Center v. Department of Health, 164 Wn.2d 95, 100, 187 P.3d 243 (2008)
- Tapper v. Employment Security Department, 122 Wn.2d 397, 402, 858 P.2d 494 (1993)
- Macey v. Department of Employment Security, 110 Wn.2d 308, 312, 752 P.2d 372 (1988)
- State v. Wentz, 149 Wn.2d 342, 346, 68 P.3d 282 (2003)
- City of Pasco v. Public Employment Relations Commission, 119 Wn.2d 504, 507, 833 P.2d 381 (1992)
- St. Francis Extended Health Care v. Department of Social & Health Services, 115 Wn.2d 690, 702, 801 P.2d 212 (1990)
- Department of Labor & Industries v. Gongyin, 154 Wn.2d 38, 50, 109 P.3d 816 (2005)
- Washington Public Ports Association v. Department of Revenue, 148 Wn.2d 637, 646, 62 P.3d 462 (2003)
- Department of Ecology v. Campbell & Gwinn, LLC, 146 Wn.2d 1, 19, 43 P.3d 4 (2002)
- Department of Ecology v. Theodoratus, 135 Wn.2d 582, 600, 957 P.2d 1241 (1998)
- Bostain v. Food Express, Inc., 159 Wn.2d 700, 713, 715-16, 153 P.3d 846 (2007)
- Swinomish Indian Tribal Community v. Department of Ecology, 178 Wn.2d 571, 580-81, 586-87, 311 P.3d 6 (2013)
- Overlake Hospital Association v. Department of Health, 170 Wn.2d 43, 55, 239 P.3d 1095 (2010)