

# HOUSE BILL REPORT

## 2SSB 5179

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### As Reported By House Committee On:

Appropriations

**Title:** An act relating to nursing facility reimbursement.

**Brief Description:** Correcting inequities in the nursing facility reimbursement system.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Deccio, Prentice and Wood).

### Brief History:

#### Committee Activity:

Appropriations: 4/5/97 [DPA].

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass as amended. Signed by 28 members: Representatives Huff, Chairman; Alexander, Vice Chairman; Clements, Vice Chairman; Wensman, Vice Chairman; Doumit, Assistant Ranking Minority Member; Gombosky, Assistant Ranking Minority Member; Benson; Carlson; Cody; Cooke; Crouse; Dyer; Grant; Keiser; Kenney; Kessler; Lambert; Linville; Lisk; Mastin; McMorris; Parlette; Poulsen; D. Schmidt; Sehlin; Sheahan; Talcott and Tokuda.

**Minority Report:** Do not pass. Signed by 3 members: Representatives H. Sommers, Ranking Minority Member; Chopp and Regala.

**Staff:** Jason Hall (786-7145).

**Background:** There are five primary components of state Medicaid reimbursement rates for nursing homes. Rates for the operational, administrative, nursing services, and food components for the first year of the current biennium (FY 96) were based upon inflation-adjusted actual spending in the calendar year. This rate was increased by a national index of nursing home inflation in FY 97, and will be increased by 125 percent of the national inflation index in FY 98.

The property rate component is adjusted every year to reflect the current occupancy rate, capital improvements which have occurred in the past year, and the calculated depreciation value of the facility. The depreciation schedule for nursing homes is

based upon a national index of the anticipated life of various construction types, and typically runs 30-50 years.

Reimbursement of land costs for new nursing homes are established based on the average county tax assessed value of 10 of the nearest nursing facilities.

**Summary of Amended Bill:** The following areas considered in determining reimbursement rates are changed:

- The allowable cost for land on which new facilities are constructed is limited to the actual cost per square foot or the cost established by a mandatory competent professional appraisal process.
- Real estate taxes are recognized on a current funded basis for rate adjustments, on non-rebasing years, only for new or replacement construction.
- New buildings, major remodels and allowable major repair projects have lives for depreciation purposes set according to guidelines published by the American Hospital Association, but for new construction they will never be set at less than 30 years.
- Anticipated patient day levels are used when adjusting the property and return on investment (ROI) components of the rate when facilities reduce capacity by reducing their number of beds.
- The minimum occupancy standard for a facility which operated for less than a full year in 1994 is set at 85 percent, rather than 90 percent. Additional reimbursement is provided for a previously-leased facility which was purchased following lessor bankruptcy.
- The amended bill allows specific nursing facilities to finance renovation projects at a lower cost than currently used.

**Amended Bill Compared to Second Substitute Bill:** The amended bill allows specific nursing facilities to finance renovation projects at a lower cost than currently used.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Amended Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** All changes are really technical in nature. This bill helps smaller, locally owned nursing facilities. This will assist a facility in accordance with a long-standing agreement and maintain access to a facility that is the only one for 15-20 miles. The funding provided for the single facility is all state funds. There is no risk of lost federal funds.

**Testimony Against:** This bill seems to make substantial changes to the nursing home reimbursement system. There are concerns that section seven violates federal requirements that the reimbursement system be consistent and equitable. This puts the department at risk of losing federal funds.

**Testified:** Denise Gaither, Department of Social and Health Services, Aging and Adult Services (con); and Jerry Reilly, Washington Health Care Association (pro).