

FINAL BILL REPORT

SHB 2967

C 80 L 92
Synopsis As Enacted

Brief Description: Expanding federally authorized medicaid taxes and appropriations to IMR facilities.

By House Committee on Revenue (originally sponsored by Representatives Wang, Locke, Braddock and Paris).

House Committee on Revenue

Background: State medicaid spending is financed with both state and federal dollars. Most of the state dollars come from the state's general tax system. Many states, including Washington, use health care provider specific taxes to help finance their medicaid programs.

Recently, federal law was changed to limit the use of health care provider specific taxes as sources of financing the state's share of medicaid payments. Under current federal law, health care provider specific taxes must meet certain standards, otherwise these state funds will not be matched with federal funds.

Under federal law, health care provider specific taxes may be applied to medical providers within defined classes. These classes include: inpatient hospital services; outpatient hospital services; nursing facility services; services of intermediate care facilities for the mentally retarded; physician's services; home health care services; outpatient prescription drugs; health maintenance organization services; and other classifications established by regulation.

A health care provider specific tax must be broad based. That is, the tax must be imposed on the entire class of providers and with limited exemptions. For example, no exemption is allowed for non-medicaid providers. However, the tax may exclude activities related to medicaid or medicare services.

Summary: A new business and occupation tax on intermediate care facilities for the mentally retarded is created. The tax is equal to 15 percent of the gross income from inpatient services.

The tax increase expires on the date federal matching funds become unavailable or are substantially reduced, or on the effective date of a permanent injunction, court order, or final court decision prohibiting the collection of the tax.

Votes on Final Passage:

House	67	30	
Senate	38	5	(Senate amended)
House	63	34	(House concurred)

Effective: April 1, 1992