

# HOUSE BILL REPORT

## HB 2761

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As Reported By House Committee On:  
Health Care  
Appropriations

**Title:** An act relating to nursing home contractor costs.

**Brief Description:** Modifying nursing home contractor cost provisions.

**Sponsors:** Representatives G. Fisher, Patterson, J. Kohl, Brown, Horn, Foreman, Edmondson, Cooke and Long.

**Brief History:**

Reported by House Committee on:  
Health Care, February 4, 1994, DPS;  
Appropriations, February 7, 1994, DP2S.

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### HOUSE COMMITTEE ON HEALTH CARE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Dellwo, Chair; L. Johnson, Vice Chair; Dyer, Ranking Minority Member; Ballasiotes, Assistant Ranking Minority Member; Appelwick; Backlund; Conway; Cooke; Flemming; R. Johnson; Lemmon; Lisk; Mastin; Morris; Thibaudeau and Veloria.

**Staff:** Antonio Sanchez (786-7383).

**Background:** There are approximately 280 nursing homes in Washington, with a total of about 28,000 beds. Medicaid, a state/federal funded program, pays for about two-thirds of the occupied nursing home beds, while private pay clients represent about 28 percent of the payment, and Medicare pays for about 2 percent. Medicaid nursing home expenditures were expected to total \$1 billion in state and federal funds in 1993-1995, an approximately \$150 million increase from the 1991-1993 biennium. The 1993 Legislature adopted measures to slow the growth of nursing home reimbursement rates from a yearly average of 9.5 to an average of 5.4 percent by July 1, of this year.

#### NURSING SERVICES COST CENTER RATE ADJUSTMENT

Rate setting is specified in statute. On July 1, 1993, legislation was implemented that established median cost

limits in the nursing services, food, administrative, and operational cost centers. Nursing homes with higher than average staffing or wage levels were faced with the potential for a severe and sudden decrease in the amount of Medicaid reimbursement under the new law. As many as 25 nursing homes are impacted by this new rate setting factor.

#### NURSING FACILITY AUDIT ADJUSTMENT

Current nursing home statutes require that nursing home facilities must be audited at least once in every three-year period. These audits review the costs reported by a nursing home facility to determine if the costs are allowable for reimbursement purposes. The patient trust funds are audited and the patient days that have been billed to Medicaid are reconciled. A settlement is calculated to determine if any overpayments were made to the facility, and the facility is billed for these overpayments. Currently, only a small portion of audits result in repayments of funds to the Department of Social and Health Services (DSHS). The department has limited resources to devote to the audits of hospitals and nursing home facilities. In addition, nursing homes must dedicate a large amount of administrative time to meeting the demands of a formal audit procedure.

#### **Summary of Substitute Bill:**

#### NURSING SERVICES COST CENTER RATE ADJUSTMENT

Nursing homes impacted by median cost limits of 1993 are "grandfathered" into an extended rate setting adjustment. Under the new rate setting adjustment period, nursing homes are allowed to have their reimbursement rates frozen at the July 1, 1994 rate for purpose of the July 1995 rate, if the July 1994 rate is greater than the median cost limits.

#### NURSING FACILITY AUDIT ADJUSTMENT

The amount of time permitted between DSHS nursing home audits would be extended from every three years to every five years.

**Substitute Bill Compared to Original Bill:** The substitute bill freezes the rate and only allows the nursing homes to have the mitigating factor one time.

**Fiscal Note:** Available.

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

**Testimony For:** This measure is needed to maintain the quality of care in nursing homes that are doing a good job. It will impact the homes who need this one-time exemption. A more gradual reduction allows these facilities to plan to meet the care needs of their residents while bringing their costs down.

**Testimony Against:** The Department of Social and Health Services is supportive of section 1, however, is opposed to the original language as found in section 2.

**Witnesses:** Karen Tynes, Washington Association of Home for the Aging (pro); Paul Montgomery, Department of Social and Health Services (con/original bill); John Simpson (pro); and Charles Hawley, Sisters of Providence (pro).

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#### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass. Signed by 21 members: Representatives Sommers, Chair; Valle, Vice Chair; Appelwick; Ballasiotes; Basich; Cooke; Dellwo; Dorn; Dunshee; G. Fisher; Jacobsen; Lemmon; Linville; H. Myers; Peery; Sheahan; Stevens; Talcott; Wang; Wineberry and Wolfe.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Rust.

**Staff:** John Woolley (786-7154).

**Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Health Care:** A limit of \$104,167 per year is placed on the total Medicaid payment above the nursing services lid which will be paid to any nursing home. This equates to a maximum \$50,000 per year, per home, from the general fund-state.

**Fiscal Note:** Available.

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

**Testimony For:** Some nursing homes will be impacted heavily if the bill does not pass. The bill only affects direct care costs in the nursing services area; the impact will be on those directly providing care.

**Testimony Against:** None.

**Witnesses:** Bob Widenhaus, Mother Joseph Care Center.