

SENATE BILL REPORT

SB 5286

AS REPORTED BY COMMITTEE ON HEALTH & HUMAN SERVICES,
FEBRUARY 26, 1993

Brief Description: Deleting provisions relating to gain on sale of nursing homes.

SPONSORS: Senators Niemi and Deccio

SENATE COMMITTEE ON HEALTH & HUMAN SERVICES

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Talmadge, Chairman; Wojahn, Vice Chairman; Deccio, Erwin, Franklin, Fraser, Hargrove, McAuliffe, McDonald, Niemi, Quigley, Sheldon, L. Smith, and Winsley.

Staff: Shannon Murphy (786-7483)

Hearing Dates: February 26, 1993

SENATE COMMITTEE ON WAYS & MEANS

Staff: Tim Yowell (786-7715)

Hearing Dates: March 8, 1993

BACKGROUND:

When there is a sale of a nursing facility a gain on sale may result. If the sale of a nursing facility is on or after July 1, 1991, the Department of Social and Health Services (DSHS) is authorized to recapture from the purchaser of the facility the amount of depreciation paid to the seller through the Medicaid reimbursement program. The depreciation can be recaptured to the extent of the gain on sale.

Under Medicaid, nursing facilities are allowed to claim depreciation on fixed assets on their annual cost reports to DSHS. The facilities are then paid for the depreciation.

A gain on sale is defined as the difference between the total net book value (historical cost of an asset less accumulated depreciation) of nursing home assets and the total sales price of all assets. A gain on sale is not limited to land, buildings and equipment.

SUMMARY:

The definition of gain on sales of a nursing home is eliminated.

DSHS is prohibited from recapturing depreciation from the purchaser of a nursing facility to the extent there is a gain on sale.

Appropriation: none

Revenue: none

Fiscal Note: available

TESTIMONY FOR (Health & Human Services):

Contrary to the original intent of recapturing depreciation to generate revenue and to recover money under the Medicaid program, the recapture program has not proven to be financially successful and has also placed a hardship on the nursing home industry.

TESTIMONY AGAINST (Health & Human Services):

The Department of Social and Health Services is opposed to the bill because the department will lose revenue if this bill becomes law.

TESTIFIED (Health & Human Services): Senator Niemi (pro); Ralph Smith, Department of Social and Health Services (con); Jerry Reilly, Washington Health Care Association (pro)

TESTIMONY FOR (Ways & Means):

The depreciation recapture provision is making it difficult for nursing homes to secure financing to make required renovations to their facilities.

TESTIMONY AGAINST (Ways & Means): None

TESTIFIED (Ways & Means): Jerry Reilly, WA Health Care Assn. (pro)