

FINAL BILL REPORT

ESSB 5724

PARTIAL VETO

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SYNOPSIS AS ENACTED

Brief Description: Modifying nursing home auditing and reimbursement.

SPONSORS: Senate Committee on Ways & Means (originally sponsored by Senator Rinehart; by request of Department of Social and Health Services)

SENATE COMMITTEE ON WAYS & MEANS

BACKGROUND:

There are approximately 300 nursing homes in Washington, with a total of about 30,000 beds, of which about 90 percent are occupied on any given day. Of the occupied beds, about 5 percent are reimbursed by Medicare, about 28 percent are reimbursed on a private-pay basis, and the remaining two-thirds are paid through the state/federal Medicaid program. At the current services level, Medicaid nursing home expenditures will total \$1 billion in 1993-95, a \$180 million increase from the 1991-93 biennium. Of this total increase, about \$30 million is due to increased nursing home caseloads, and the remaining \$150 million is due to increased payment rates.

Nursing home payment rates are re-set at the beginning of each state fiscal year, according to a complex set of rules defined in state law. A nursing home's Medicaid rate is its actual allowable costs for the previous calendar year, adjusted for inflation. A facility's actual costs are subject to a number of lids and limitations regarding the types and amount of costs eligible for reimbursement, and allowable growth from one year to the next.

Governor Lowry's budget, the Senate budget, and the House budget all proposed changes in the method used to calculate nursing home rates. Under those changes, nursing home payment rates would have increased by about \$115 million in 1993-95, rather than by \$150 million as under current law. During 1993-95, nursing home rates would have increased an average of 6.8 percent each year, rather than the 8.5 percent per year projected in the legislative ERL budget.

SUMMARY:

Nursing home payment rates are increased by an estimated \$132 million in 1993-95. This reduced rate of increase is due to nine primary changes made in the reimbursement system:

- 1) There is a full-scale rate recalculation every two years. In the second year of the biennium, a facility's rate is its first year rate, inflated by a national measure of nursing home inflation.
- 2) Urban and rural facilities are separated into two "peer groups" for purposes of establishing cost lids.
- 3) Nursing services costs are capped at the median for each peer group, plus 25 percent. The state no longer reimburses a facility for nursing costs which are more than 25 percent higher than the middle facility in its peer group, when all facilities are ranked according to costs. However, no facility will receive a nursing services rate which is lower than its June 30, 1993 rate, adjusted for inflation.
- 4) Food costs are capped at the median for each peer group, plus 25 percent.
- 5) Administrative costs are capped at the median for each peer group, plus 10 percent.
- 6) Other operating costs are separated from administrative costs for capping purposes, and capped at the peer group median plus 25 percent.
- 7) There continues to be a 1-4 percent variable "efficiency incentive" to reward lower costs homes. However, nursing services costs no longer are excluded from the efficiency calculation.
- 8) The state may no longer recapture the depreciation it paid on a facility when the facility is sold at a profit.
- 9) There is to be a prospective rate increase not exceeding \$50,000 annually for nursing homes which meet a number of specific criteria.

The Legislative Budget Committee is to study and report on the adequacy of the reimbursement system by November 15, 1994.

VOTES ON FINAL PASSAGE:

First Special Session

Senate	26	20	
House	57	41	(House amended)
Senate	26	22	(Senate concurred)

EFFECTIVE: July 1, 1993

Partial Veto Summary: A provision is vetoed which would have required special payments of up to \$50,000 annually to nursing homes which meet a number of specific criteria regarding rural location and debt structure. (See VETO MESSAGE)