

SENATE BILL REPORT

2SSB 5179

As Passed Senate, March 18, 1997

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: Health & Long-Term Care: 2/4/97, 2/18/97 [DPS-WM].
Ways & Means: 2/26/97, 3/7/97 [DP2S].
Passed Senate, 3/18/97, 49-0.

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: That Substitute Senate Bill No. 5179 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Deccio, Chair; Wood, Vice Chair; Benton, Fairley, Franklin, Strannigan and Wojahn.

Staff: Rhoda Jones (786-7198)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5179 be substituted therefor, and the second substitute bill do pass.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Brown, Fraser, Hochstatter, Long, McDonald, Roach, Rossi, Schow, Snyder, Spanel, Swecker, Thibaudeau, Winsley and Zarelli.

Staff: Tim Yowell (786-7435)

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 ten of the nearest nursing facilities.

Summary of 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 on new or replacement construction only are recognized on a current funded basis for rate adjustments on non-rebasing years.

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.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For (Health & Long-Term Care): The bill solves reimbursement concerns.

Testimony Against (Health & Long-Term Care): None.

Testified (Health & Long-Term Care): PRO: Jerry Reilly, Washington Health Care Association; Paul Montgomery, Aging and Adult Services Administration, DSHS.

Testimony For (Ways & Means): The change to bed-banking provisions will make it more financially feasible for homes to take beds off-line. The changes relating to new construction are needed to enable homes to get financing to replace aging facilities.

Testimony Against (Ways & Means): None.

Testified (Ways & Means): Jerry Reilly, WA Health Care Association (pro).

House Amendment(s): Language is added which provides additional funding for a facility seeking to have acquisition costs recognized by the state. Language is also added which provides an add-on to one facility's reimbursement rate.