

# ANALYSIS OF HOUSE BILL 1484

Modifying property valuation methods for reimbursing nursing facilities.

SPONSORS: Representative Barlett and Cody.

## BASIC BACKGROUND:

In 1995, the Legislature repealed much of the payment system to develop the current as a mix payment system. However, it chose not to make any changes in the property component. Rather, they mandated that the DSHS study the payment system and report to the Legislature. In 1998, the current property system was extended for one more year pending the results of this study. If no legislation is passed, the DSHS would be responsible for developing a system in rule that would establish property rates.

## WHAT THE BILL WILL DO

- 1) For the return on investment financing allowance, a floor on net book value is set at 50% of the undepreciated value of assets used in the delivery of care.
- 2) The financing allowance is modified for the cost of new construction over \$5 million, reducing it from ten percent to nine percent of book value.
- 3) The department must use a resident occupancy level of 85 percent rather than the anticipated resident days occupancy level to adjust the property and financing allowance for banking beds or returning the beds to use.
- 4) Depreciation for fixed equipment is tied to the life of the building for new or replacement building construction after 1/1/99.

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**BACKGROUND:**

The Capital reimbursement rate refers to the cost of capital building and equipment for each nursing home facility. It is a unique cost-based rate for each nursing facility, paid through three components of the overall nursing home rate;