

ANALYSIS OF HOUSE BILL 2359

Concerning the nursing facility payment rate.

SPONSORS: Representatives Parlette and Cody.

WHAT THE BILL DOES

- 1) The statewide payment cap rate referred to as the budget dial– is combined into one total cap rate consisting of both the capital and the non-capital costs.
- 2) Requires that the budget dial, specified in the biennial budget, be established following the principles of the payment system in current statute and allow for a reasonable growth rate in property and direct care acuity levels.
- 3) The department is required to refund nursing homes the money that the department may have recovered in excess of the amount necessary to meet the year end statewide average payment rate specified in the budget.
- 4) The working capital allowance is added back into the financing allowance component.
- 5) The number of years used to depreciate a new nursing home building is decreased from 40 to 30 years. This is made retroactive to July 1, 1999.
- 6) The department is directed to adjust all reported costs for nursing homes by a national inflation factor established by (HCFA), except for those facilities that receive a direct care hold harmless– payment rate. Facilities that have their rates based on direct care hold harmless– are allowed to have their rates adjusted using an inflation factor of 2%.
- 7) The June 30, 2001 sunset clause for the property payment system is repealed and the property payment system is maintained in statute.

BACKGROUND:

Nursing Homes: There are 269 medicaid certified facilities in 37 counties providing care to approximately 14,000 state funded Medicaid clients. The state plays two major roles with regard to nursing homes: the regulator and service purchaser. The state purchases, through Medicaid, about two-thirds of all nursing home care delivered in the state. This year the average daily costs per person for nursing home care is \$118.56.

Nursing Home Rate Setting - The Current Payment System: The Washington nursing home rate refers to the Medicaid payment made to a nursing home operator to care for one person for one day. The Washington nursing home payment system may be characterized as prospective and based on total facility costs and patient acuity. The nursing home payment statute currently directs the department to set (rebase) October 1, 1998 through July 1, 2001 rates based on 1996 costs and to adjust those 1996 costs for inflation by a factor found in the appropriations act. When setting facilities' July 1, 2001 through June 30, 2004 rates, the department may again be directed to adjust 1999 costs for inflation by a factor specified in the biennial budget. Some facilities who have a hold harmless rate– specified in the 1999 budget will receive a one percent inflation rate increase. Property and financing allowances, which are specific to facilities' investments, are rebased each year.

Multiple Components to the Rate - The rates paid to nursing facilities are based on seven different components. These components include, direct care, operations, support services, therapy care, property, financing allowance and variable return. Each individual facility is paid the lower of their actual cost of providing a component of care, or they are paid up to the ceiling for that component. For the other components, the nursing homes receive their rate. The following is a description of the component rate setting system: