

SENATE BILL REPORT

SB 6306

As of January 25, 2000

Title: An act relating to the nursing facility payment system.

Brief Description: Concerning the nursing facility payment rate.

Sponsors: Senators Thibaudeau, Deccio and Kohl-Welles.

Brief History:

Committee Activity: Health & Long-Term Care: 1/26/2000.

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Staff: Rhoda Jones (786-7198)

Background: The state pays for about two-thirds of all nursing home care delivered in the state's 269 Medicaid certified facilities. This year the average daily rate the state paid for approximately 17,000 Medicaid residents in nursing homes was \$119 per day.

These rates are calculated based on seven different components. The largest is for direct care, which includes the cost of wages and other expenses associated with nursing care. The rate also includes operations, supports services, therapy care, property, financing allowance, and variable return.

Current statute directs the Department of Social and Health Services (DSHS) to set most rates based on a previous year's costs, and adjust the rate by an inflation factor established in the current state appropriations act. Some facilities receive a flat 1 percent inflation rate increase each year. Property and financing allowances which are specific to facilities investments are recalculated each year.

In 1998 the Legislature implemented a statewide payment cap called a budget "dial" to ensure that the cost of the system did not exceed the amount budgeted by the Legislature. In 1999, the Legislature modified the budget dial into two separate dials, one for capital and the other for noncapital expenses.

Summary of Bill: The nursing facility payment cap rate referred to as the "budget dial" is combined into one overall budget dial including all components of the rate.

The allocation of an allowance of working capital is restored.

The statewide average payment rates specified in the current biennial budget must follow Medicaid payment rate methodologies, and allow for a reasonable growth rate in the property rates, and in the cost of direct care services.

The department is required to refund to nursing homes the amount of 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.

The department is directed to use an inflation factor when calculating rates that are established by the Health Care Financing Administration (HCFA), referred to as the "HCFA index or market basket."

The number of years over which a new nursing home building can be depreciated is decreased from 40 to 30 years. This depreciation formula is made retroactive to July 1, 1999.

The June 30, 2001 sunset clause for the property financing allowance and variable return payments system is repealed.

Appropriation: None.

Fiscal Note: Requested on January 14, 2000.

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