

FINAL BILL REPORT

SHB 2242

PARTIAL VETO

C 8 L 01

Synopsis as Enacted

Brief Description: Revising provisions for medicaid nursing home rates.

Sponsors: By House Committee on Appropriations (originally sponsored by Representatives Cody, Lisk, Ruderman, Alexander and Eickmeyer).

House Committee on Appropriations

Background:

There are 260 Medicaid-certified nursing home facilities in Washington providing long-term care services to approximately 13,500 Medicaid clients. The payment system for these nursing homes is established in statute and is administered by the Department of Social and Health Services Aging and Adult Services Administration.

The rates paid to nursing facilities are based on seven different components. These rate components include: direct care, support services, operations, therapy care, property, financing allowance, and variable return.

In 1998 the Legislature adopted a case mix payment system. Under this system, direct care payments are calculated in such a way as to account for differences in client care needs. The higher the care needs of the client, the higher the direct care rate. Case mix affects only the direct care rate component.

Rather than implementing these changes all at once, the Legislature elected to phase in the changes over time. The Legislature accomplished this through the establishment of a hold harmless provision and rate corridors. Under the hold harmless provision, facilities are paid the greater of their case-mix rate, or their June 30, 2000, rate plus vendor rate increases. This hold harmless provision expires June 30, 2002. Under the corridor, facilities whose direct care costs are below 90 percent of the median are raised to the 90 percent corridor floor, and those whose case-mix costs are above 110 percent of the median are paid at the 110 percent corridor ceiling. The corridor narrows to 95 and 105 percent July 1, 2002.

Two rate components relate to the capital cost of a nursing facility. The first component is property, which is a payment made to reflect the depreciation of the facility and other capital assets. Property depreciation periods vary, with most new facilities depreciating over 40 years. A financing allowance is also paid and calculated by multiplying an

interest rate by the value of the assets. The applicable interest rate is 10 percent for construction proposed prior to May 17, 1999, and 8.5 percent for construction proposed after that date. These two rate components sunset June 30, 2001.

Summary:

The property and financing payment systems for Medicaid-certified nursing homes are made permanent, with some revisions. Facilities seeking to have major construction funded in whole or in part by Medicaid after July 1, 2001, must obtain a certificate of capital authorization issued by the Department of Social and Health Services. The total dollar value of the capital authorizations that may be issued during a biennium is specified in the biennial appropriations act.

Nursing homes may shift savings between the direct care and therapy costs centers to cover a deficit in these two cost centers.

The method of calculating the direct care rate component is modified. Once a facility's direct care rate is reimbursed under case mix, the facility continues to be paid under case mix from then forward. Direct care rates are based upon three, rather than two peer groups, including: rural counties; urban counties in which the median direct care cost is at least 10 percent greater than in other urban counties; and other urban counties. The case mix corridor is permanently established with a floor of 90 percent of the peer group median and a ceiling of 110 percent.

The method of calculating the property, financing, and operations rate components is modified. Minimum facility occupancy for calculating these rate components is set at 90 percent. Rates are not adjusted upward for beds banked after May 25, 2001. These new provisions do not apply to an essential community provider, which is defined as the only nursing facility within a 40-minute commute.

Building owners with a secured interest in the beds may complete a bed replacement project if the facility licensee files for bankruptcy.

An eight-member joint legislative task force is established to monitor and evaluate various aspects of the nursing home reimbursement system. The task force is to submit any recommendations to the Legislature by December 1, 2003.

A number of technical changes to the nursing facility Medicaid payment system are specified.

Votes on Final Passage:

First Special Session

House 83 0

Senate 33 11 (Senate amended)

House 77 19 (House concurred)

Effective: July 1, 2001

June 29, 2001 (Section 20)

Partial Veto Summary: Section 19 of the act, which would have allowed for the transfer of nursing facility certificates of need when a licensee files for bankruptcy, is removed.