

SENATE BILL REPORT

SB 5445

As Reported By Senate Committee On:
Health & Long-Term Care, February 27, 2001

Title: An act relating to the medicaid related payment of property costs in licensed nursing facilities.

Brief Description: Regarding payment of property costs in licensed nursing facilities.

Sponsors: Senators Costa, Deccio, Thibaudeau, Parlette and Kohl-Welles.

Brief History:

Committee Activity: Health & Long-Term Care: 2/8/01, 2/27/01 [DP-WM].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Thibaudeau, Chair; Franklin, Vice Chair; Costa, Deccio, Fraser, Parlette and Winsley.

Staff: Rhoda Donkin (786-7198)

Background: The state pays for about two-thirds of all care delivered in the state's 261 nursing homes. This year the average daily rate the state paid for approximately 13,300 residents was \$122 per day.

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

In the property component, nursing homes receive a depreciation allowance to reflect the cost of building and equipment based on the previous year's cost report. The useful life (depreciation rate) of the building and the fixed equipment is set by using the lives-identified by the American Hospital Association. The shortest life allowed for new construction is 40 years. The property system component is scheduled to end on July 1, 2001.

The financing allowance component is intended to cover mortgage or lease costs. Allowable asset values are established based on the purchase price or historical cost. All new assets acquired after May 1999 receive 8.5 percent financing allowance, with some exceptions.

Summary of Bill: A process for obtaining a certification of capital authorization- is established. This places a limit on nursing home construction. Any nursing home seeking major renovation, all or in part funded by Medicaid, must receive a certificate of capital authorization. A limit of 5 percent of the nursing home beds is authorized for these each

biennium. Major construction is authorized on a first come, first serve basis, and for emergencies.

A new ceiling for major capital construction projects is established. The budget dial, or budget control mechanism that gives the department the ability to directly control annual growth rate is eliminated.

The process for establishing a rate for variable return is modified to allow it to be calculated during the time rebasing occurs.

The variable return, property, financing allowance, depreciation formulas, and contractor adjustment for taxing new construction are continued.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: This is necessary to support a reasonable level of nursing home renovation and construction.

Testimony Against: None.

Testified: PRO: Chuck Hawley, Sisters of Providence.