

SENATE BILL REPORT

SB 5677

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

Title: An act relating to adjusting nursing home payments to enhance direct care.

Brief Description: Adjusting nursing home payments to enhance direct care.

Sponsors: Senator Thibaudeau; by request of Department of Social and Health Services.

Brief History:

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

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: That it be referred to Committee on Ways & Means without recommendation.

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

Minority Report: Do not pass.

Signed by Senator Deccio.

Staff: Jonathan Seib (786-7427)

Background: There are 261 Medicaid-certified nursing home facilities in Washington State, providing care to approximately 13,300 Medicaid residents. The payment system for these residents is established in statute and administered by the Aging and Adult Services Administration within the Department of Social and Health Services.

In 1998, the Legislature implemented a case mix system for reimbursing Medicaid nursing homes. Under this system, payments are matched to residents' care needs, and incentives are provided for cost control and efficiency. Each facility receives one rate based on its costs and the care needs of the residents in the following seven rate components: direct care, therapy care, support services, operations, property, financing allowance, and variable return.

Summary of Bill: A number of changes are made in the current case mix system for reimbursing Medicaid nursing homes, including:

- Allowing funds provided to nursing homes to be shifted between direct care and therapy care.
- Expanding the list of costs which will not be reimbursed to include commissioner fees (for publicly operated nursing homes), bad debts of Medicaid residents, and management fees.

- Increasing the minimum nursing home occupancy for setting the component rates from 85 percent to 90 percent of licensed beds.
- Continuing the variable return rate component, which was scheduled to sunset on June 30, 2001, until June 30, 2004, and codifying the method for establishing the rate.
- Adding new requirements regarding the Medicaid share of the cost of nursing facility capital improvement projects, including approval limitations in order to manage capital rate growth.

The Department of Social and Health Services must study alternative ways of paying for and providing nursing home services to Medicaid enrollees, and report to the Legislature by September 1, 2002.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2001, except for section 15, which takes effect on June 29, 2001.

Testimony For: The current budget scenerio demands that the budget for Aging and Adult Services not increase as much as it otherwise might have. This bill controls costs where payments are least related to direct patient care. Washington already has one of the highest nursing home reimbursement rates in the country, and has quality homes because of it. Raising the minimum occupancy level will encourage homes to take beds off-line for the biennium.

Testimony Against: Nursing homes statewide are already in crisis, and this bill will make a bad situation even worse. 30 percent of homes statewide are turning away patients because of staff shortages. Any good components of this bill are overwhelmed by the bad. It would remove substantial resources from nursing homes in this state, which would be made up through staff reductions. This would directly impact quality of care.

Testified: PRO: Denise Gaither, Tom Kearns, Aging and Adult Services Administration, Department of Social and Health Services; CON: Jerry Reilly, WHCA; Karen Tynes, Washington Association of Housing and Services for the Aging; CONCERNS: Chuck Hawley, Brenda Jennings, Providence Health; Josh Gortler, Kline Galland.