Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Appropriations Committee

HB 2256

Brief Description: Regarding the nursing facility medicaid payment system.

Sponsors: Representatives Sommers and Fromhold.

Brief Summary of Bill

- Modifies nursing home Medicaid payments by eliminating the case-mix corridor floor for direct care payments and eliminating provisions that permit nursing facilities to retain certain overpayments.

Hearing Date:

Staff: Bernard Dean (786-7130).

Background:

There are 253 Medicaid-certified nursing home facilities in Washington providing long-term care services to approximately 12,900 Medicaid clients. The payment system for these nursing homes is established in statute and is administered by the Department of Social and Health Services (DSHS).

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

The direct care rate component includes payments for the wages and benefits of nursing staff, non-prescription medications, and medical supplies. This rate component is most directly related to patient care and comprises roughly 55 percent of the total nursing facility rate. The direct care rate component is based upon "case mix," or the relative care needs of the residents that it serves. The higher the care needs of the clients, the higher the direct care rate. Facilities whose direct care costs are below 90 percent of median costs are raised to 90 percent of the median (corridor floor), and those facilities whose costs are above 110 percent of the median are paid at 110 percent of the median (corridor ceiling).

Two other components relate to patient care. The therapy care rate component includes payments for physical therapy, occupational therapy, and speech therapy and the support services rate component includes payments for food, food preparation, laundry, and other housekeeping needs.

The operations rate component pays for administrative costs, office supplies, utilities, accounting costs, minor building maintenance, and equipment repairs.

The property and financing allowance rate components relate to the capital cost of a nursing facility. The property rate is a payment made to reflect the depreciation of a facility and other capital assets. Property depreciation periods vary, with most new facilities depreciating over 40 years.

The financing allowance is 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.

The variable return rate component does not reimburse nursing facilities for a specific cost. Rather, nursing facilities that serve residents at the lowest cost per resident day receive an efficiency incentive and an opportunity to make a profit or to pay for unreimbursed costs in other areas. Variable return is paid at 1 to 4 percent of the total direct care, therapy care, support services, and operations rate components based on the facilities relative efficiency when measured in comparison with the same costs in other facilities throughout the state.

Facilities are obligated to return any difference between actual costs and the rates paid for the direct care, therapy care, and support services components following an audit and settlement process. Currently, providers may retain any overpayment that does not exceed 1 percent of the facility's direct care, therapy care, and support services rate.

Summary of Bill:

Nursing facilities whose allowable direct care costs are below 90 percent of median will receive rate allocations equal to their allowable costs.

Statutory provisions that permit nursing facilities to retain 1 percent of overpayments of direct care, therapy care, and support services payments through the settlement process are eliminated.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill contains an emergency clause and takes effect July 1, 2003.