

SENATE BILL REPORT

SB 5780

As Reported By Senate Committee On:
Ways & Means, March 7, 2005

Title: An act relating to technical improvements to the medicaid nursing home rate setting process.

Brief Description: Making technical improvements to the medicaid nursing home rate setting process.

Sponsors: Senators Prentice, Zarelli, Fairley and Rasmussen; by request of Department of Social and Health Services.

Brief History:

Committee Activity: Ways & Means: 3/2/05, 3/7/05 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Doumit, Vice Chair; Fraser, Vice Chair; Zarelli, Ranking Minority Member; Brandland, Fairley, Hewitt, Kohl-Welles, Pflug, Pridemore, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Thibaudeau.

Staff: Tim Yowell (786-7435)

Background: The state Medicaid program pays for nursing home care for an average of about 12,000 people each day, at 240 nursing homes across the state, at an annual state and federal cost of approximately \$525 million.

RCW 74.46 establishes detailed standards and procedures regarding how nursing home rates are to be calculated. However, for most components of the rate, the statute does not specify any rate-setting standards for periods subsequent to June 2005.

The components of the nursing home rate that pay for property and equipment are "rebased" to reflect actual costs every year. All other parts of the rate are rebased to reflect actual costs at periodic intervals specified in statute. During the years between rebasings, rates are increased by any inflationary vendor rate adjustments authorized in the annual appropriations act.

The last rate rebasing was in July 2001, when rates were re-calculated to reflect calendar year 1999 costs, adjusted 4 percent for vendor rate increases. Since the July 2001 rebasing adjustment, rates have been increased a cumulative total of about 9.8 percent by vendor rate increases.

Medicaid payment rates are sometimes temporarily increased for patients who have exceptional care needs, such as ventilators or tracheotomies. These payments are excluded from the cost base used for future rate-setting.

There is a potential conflict between RCW 74.46.155, which provides that interest is due on any over- or under-payments made to a nursing facility sixty days after notification by the Department of Social and Health Services; and RCW 43.20B.695, which waives interest for 90 days if a contractor notifies the department of an overpayment.

Summary of Bill: After June 30, 2005, nursing home payment rates are to continue to be based upon adjusted cost report data from 1999, unless the Legislature specifies differently in the annual appropriations act.

The costs associated with exceptional care payments are excluded from the cost base used for future rate-setting.

The provisions of RCW 43.20B.695 regarding payment of interest on overpayments do not apply to nursing homes.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For: DSHS requested the bill because the three changes provide necessary clarifications. If the provisions with regard to interest rates aren't clarified, there is a potential state cost of \$250,000 per biennium.

Testimony Against: Rates need to be rebased. Continuing to base rates on 1999 costs will force more nursing homes to close. Most nursing homes in the state are losing hundreds of thousands of dollars every year on state Medicaid clients. They cannot continue to absorb these losses.

Who Testified: PRO: Tom Kearns, DSHS Aging and Disability Services Administration.

CON: Deborah Murphy, Washington Association of Homes and Services for the Aging; Jonathan Eames, Washington Health Care Association.