HOUSE BILL REPORT
ESHB 2592

As Passed House:

February 18, 2008

Title: An act relating to vendor overpayments.

Brief Description: Modifying vendor overpayment provisions.

Sponsors: By House Committee on Appropriations (originally sponsored by Representatives Morrell and VanDeWege).

Brief History:

Committee Activity:

Appropriations: 2/11/08 [DPS].

Floor Activity:

Passed House: 2/18/08, 95-0.

Brief Summary of Engrossed Substitute Bill

• Limits the accrual period for which interest may be collected, with respect to overpayments by the Department of Social and Health Services (Department) to vendors, to the period that begins 30 days after the Department notifies the vendor of overpayment.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 32 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Haler, Assistant Ranking Minority Member; Anderson, Chandler, Cody, Conway, Darneille, Ericks, Fromhold, Grant, Green, Haigh, Hinkle, Hunt, Kagi, Kenney, Kessler, Kretz, Linville, McIntire, Morrell, Pettigrew, Priest, Ross, Schmick, Schual-Berke, Seaquist, Sullivan and Walsh.

Staff: Mark Matteson (786-7145).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Vendors of the Department of Social and Health Services (Department) to which the Department has made overpayments for services rendered must repay the amounts overpaid with interest. The amount of interest is calculated at 1 percent per month. The accrual period begins 30 days following the date when the Department first sends notice of overpayment to the vendor, or 90 days after the date of overpayment to the vendor, whichever occurs first. The Department Secretary may secure overpayments and the interest thereon through a lien against the vendor's real and personal property, through seizure of assets, or other methods available to the Department for the satisfaction of debts.

In June 2007 representatives of the Washington State Pharmacy Association (WSPA) met with Department staff concerning pharmacy audits. In a letter to legislators issued July 3, 2007, the Department provided context on recent discussions with WSPA. The Department explained that the discussions yielded agreement about steps to take to address concerns about the Department audits, including investigating how to modify overpayment interest accrual periods.

Summary of Engrossed Substitute Bill:

Interest on overpayments to a vendor may not begin to accrue earlier than 30 days following notification by the Department that overpayment has occurred.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) This bill is the result of a June 2007 meeting between Doug Porter, the DSHS Assistant Secretary for the Health and Recovery Services Administration, and the National Association of Chain Drug Stores. When the Department audits pharmacies on Medicaid claims, their look-back period is wide open. We have businesses that have had audit look-back periods of up to eight years. When an audit occurs and overpayment is discovered, our members face interest payment periods beginning 30 days after the audit period or 90 days after the overpayment occurrence, whichever occurs first. This bill standardizes the period to 30 days after the audit, which Mr. Porter agreed was a fair approach. The Department indicated a statutory change was needed, and this bill addresses that.

(Opposed) None.

Persons Testifying: Dedi Hitchens, Washington State Pharmacy Association.

Persons Signed In To Testify But Not Testifying: None.