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## Appropriations Committee

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### HB 3013

**Brief Description:** Making clarifications to the nursing facility medicaid payment system in relation to the use of minimum occupancy in setting cost limits and application of the statewide average payment rate specified in the biennial appropriations act.

**Sponsors:** Representatives Cody, Morrell, Kenney and Linville; by request of Department of Social and Health Services.

#### Brief Summary of Bill

- Clarifies that retrospective final orders or final judgments will be paid according to the nursing facility rates that were in effect for the same period of time for which the order or judgment covers.
- Treats the non-capital nursing facility rate components consistently by requiring the minimum occupancy in therapy care and support services to be adjusted prior to setting median cost limits.
- Declares that the enactment of this amendment is meant to be curative, remedial, and retrospective applicable to July 1, 1998.

**Hearing Date:** 1/30/08

**Staff:** Carma Matti (786-7140).

#### Background:

There are about 224 nursing home facilities in Washington providing long-term care services to approximately 11,115 Medicaid clients. The nursing facility payment system was enacted into statute in 1980. It is administered by the Department of Social and Health Services (department).

The current payment system consists of four non-capital components, two capital components, and one incentive component that is not tied to specific costs. The non-capital components are direct care, therapy care, support services, and operations.

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- Direct care rates are based on the relative needs or the acuity of residents (typically referred to as "case mix"). This component represents around 55 percent of the total nursing facility payment and includes payment for nursing staff wages and benefits, non-prescription medication, and medical supplies.
- Therapy care rates include payments for physical, occupational, and speech therapy.
- Support services rates include payments for food, food preparation, laundry, and housekeeping.
- Operations rates include payment for administrative costs, office supplies, utilities, accounting, minor facility maintenance, and equipment repairs.

All rate components except for direct care are subject to minimum occupancy adjustments. Aside from specific cases where a "hold harmless" applies, if a facility does not meet the minimum occupancy requirements, the rates are adjusted downward. When setting rates for each component, the department puts together an array of facilities' costs and uses this information to set a median cost limit (MCL). By statute, the operations component applies the minimum occupancy adjustment in making the array which is used to set the MCL. The statutes governing the therapy care and support services components do not use the same language as the operations component; however, the department has consistently applied the minimum occupancy adjustment prior to making the arrays for all three rate components.

In the biennial appropriations act, the Legislature sets a statewide weighted average nursing facility Medicaid payment rate, typically referred to as the "budget dial." The department is required to ensure the aggregate actual rates paid to nursing facilities do not exceed the "budget dial." Under current statute when a retrospective judgment or order is awarded, the department is obligated to pay the award according to the current payment rate or "budget dial" set forth in the appropriations act.

**Summary of Bill:**

Retrospective final orders or final judgments will be paid according to the nursing facility rates that were in effect for the same period of time for which the order or judgment covers. The non-capital nursing facility rate components are treated consistently by requiring the minimum occupancy in therapy care and support services to be adjusted prior to setting median cost limits.

The enactment of this amendment is meant to be curative, remedial, and retrospective applicable to July 1, 1998.

**Appropriation:** None.

**Fiscal Note:** Available.

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