

# SENATE BILL REPORT

## SB 5905

---

---

As Reported By Senate Committee On:  
Ways & Means, March 5, 2007

**Title:** An act relating to certificate of capital authorization.

**Brief Description:** Concerning certificate of capital authorization.

**Sponsors:** Senators Franklin, Pflug, Keiser, Tom, Zarelli, Marr and Carrell.

**Brief History:**

**Committee Activity:** Ways & Means: 3/05/07, 3/05/07 [DPS].

---

### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 5905 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

**Staff:** Chelsea Buchanan (786-7446)

**Background:** Since 2001, skilled nursing facilities (nursing homes) seeking to have major construction funded in whole or part by Medicaid must first obtain a "certificate of capital authorization" (CCA) issued by the Department of Social and Health Services (DSHS). Having a CCA allows a nursing home to include the depreciation and investment associated with their capital project as part of their Medicaid reimbursement rate allocation. Medicaid reimbursement rates to nursing homes are paid by the operating budget.

Statute requires that the total dollar value of capital authorizations that may be issued during a biennium is specified in the biennial appropriations act, or operating budget. For fiscal years 2004 and 2005, maximum capital authorizations were set at \$32 million per fiscal year. For fiscal years 2006 to 2008, capital authorizations have been set at \$16 million per fiscal year.

Within the total amount authorized by the operating budget, CCAs are approved on a first-come, first-serve basis. Projects not approved in one appropriation period have priority in the subsequent period. DSHS has the authority to give priority to a project necessitated by an emergency situation, as determined by DSHS rules.

---

*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.*

DSHS also has the authority to establish deadlines for construction progress and to withdraw a CCA if deadlines are not met in a good faith manner.

**Summary of Bill:** The criteria for awarding CCAs is changed from first-come, first-serve to a prioritized system. Priority must be given to construction or major renovation of existing or replacement facilities. First priority is given to facilities with the longest amount of time since their last major renovation. CCAs for new facilities are last priority and done on a first-come, first-serve basis. To the extent that the annual capital authorization level is not reached through priority assignment, subsequent applications for CCAs must be approved on a first-come, first-serve basis.

Deadlines for nursing facilities are set for applying for a CCA, and DSHS is given a 90-day period from the deadline to reject or approve the CCA.

DSHS may still approve CCAs for projects necessitated by emergency. Rather than being defined by DSHS rules, "emergency" is defined as the project is needed to: (1) retain a facility's license or certification; (2) protect the health or safety of the facilities' residents; or (3) avoid closure.

Projects that are not completed within the fiscal year for which the CCA was approved must be given an extended deadline if it can be established that substantial and continuing progress toward commencement of the project has been made.

The annual capital authorization available is changed. It is required to be at least one-fortieth of the current replacement value of all licensed skilled nursing facilities in the state, using current criteria contained in the Marshall and Swift Valuation Service. (According to current calculations, this would increase the total available capital authorization for 2008 to \$49 million, and to \$50 million for 2009.)

**EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Ways & Means):** The portion of the bill is removed that increases the amount of annual capital authorization available and statutorily ties it to a certain value. The level of capital authorization available would continue to be set only by the biennial budget appropriations act.

**Appropriation:** None.

**Fiscal Note:** Available on House companion (HB 2063).

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony:** PRO: It's time to establish a public policy on capital authorization other than first-come, first-serve. The policy is based on the need for renovations. Emergency needs are specified. The for-profit and non-profit nursing home associations both support the bill.

OTHER: DSHS cannot advocate for the bill because the cost for the bill is not in the Governor's budget. If the bill proceeds DSHS suggests some technical amendments.

**Persons Testifying:** PRO: Gary Weeks, Washington State Health Care Association; Deb Murphy, Washington Association of Housing and Services for the Aging.

OTHER: Kathy Marshall, Department of Social and Health Services Aging and Disability Services Administration.