

# SENATE BILL REPORT

## HB 2898

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As of February 16, 2010

**Title:** An act relating to maintaining the current medicaid nursing facility payment methodology through simplification of the nursing facility medicaid payment system statute.

**Brief Description:** Simplifying medicaid payment for nursing facilities.

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

**Brief History:** Passed House: 2/13/10, 95-0.

**Committee Activity:** Ways & Means:

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Megan Atkinson (786-7446)

**Background:** Skilled nursing facilities (nursing homes) are licensed by the Department of Social and Health Services (DSHS) and provide 24-hour supervised nursing care, personal care, therapy, nutrition management, organized activities, social services, laundry services, and room and board to three or more residents. Currently, there are over 200 licensed facilities throughout the state. Medicaid rates for nursing facilities (i.e., payments for providing care and services to eligible, low-income residents) are generally based on a facility's costs, its occupancy level, and the individual care needs of its residents.

The current nursing home rate methodology, including formula variables, allowable costs, and accounting/auditing procedures, is specified in statute (RCW 74.46) and is based on calculations for seven different components: direct care, therapy care, support services, operations, variable return, property, and a financing allowance. The rate calculations for these seven components are based on actual facility cost reports and are updated either annually or biennially, depending on the specific component. Additional factors that enter into the rate calculations are resident days (the total of the days in residence for all eligible residents), certain median lids (a percent of the median costs for all facilities in a peer group), and geographical location.

Finally, RCW 74.46.421 imposes a rate ceiling, commonly referred to as the budget dial. The budget dial is a single daily rate amount calculated as the statewide weighted average maximum payment rate for a fiscal year. This amount is specified in the Appropriations Act

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(i.e., the budget dial for Fiscal Year 2010 is \$156.37) and DSHS must manage all facility specific rates so the budget dial is not exceeded.

Payments to nursing facilities is one of the largest budget units within the Aging and Disability Services Program. The Fiscal Year 2010 nursing home payments are estimated to total about \$476 million from all funds with approximately \$179 million from general fund state resources.

**Summary of Bill:** The current statutory sections (RCW 74.46) that deal with calculating nursing home Medicaid rates are shortened and updated.

- One new section specifying 11 broad principles – all consistent with the existing payment system – to guide in the implementation of a payment methodology in rule is added. A separate grant of rulemaking authority to DSHS is also included.
- Various sections are amended, including the sections dealing with rate setting, commonly referred to as Part E. The majority of the Part E sections are retained but amended to reflect subsequent legislative changes and to remove unnecessary material and references. References to the AIDS pilot nursing facility are left in place. This pilot facility refers to the Bailey-Boushay House in Seattle. A reference to an older three-year rate-setting cycle is deleted. The present, unique status of Bailey-Boushay House is not changed.
- Fifty-two current sections are repealed.
- The current mechanisms surrounding the budget dial are left in place.

**Appropriation:** None.

**Fiscal Note:** Available.

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

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