

# HOUSE BILL REPORT

## HB 2069

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### As Reported by House Committee On: Ways & Means

**Title:** An act relating to increasing the sum available to the state from the hospital safety net assessment fund by reducing hospital payments.

**Brief Description:** Concerning hospital payments.

**Sponsors:** Representative Cody.

**Brief History:**

**Committee Activity:**

Ways & Means: 4/13/11, 4/15/11 [DP].

#### Brief Summary of Bill

- Reduces the statutory inpatient and outpatient rate increases for medical assistance services provided by prospective payment system hospitals starting July 1, 2011. The inpatient rate increase is reduced from 13 percent to 3.96 percent, and the outpatient rate increase is reduced from 36.83 percent to 27.25 percent.
- Permits expenditures of the sum of \$189.8 million from the Hospital Safety Net Assessment Fund in lieu of State General Fund payments to hospitals in the 2011-13 fiscal biennium.

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### HOUSE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass. Signed by 17 members: Representatives Hunter, Chair; Darneille, Vice Chair; Hasegawa, Vice Chair; Alexander, Ranking Minority Member; Carlyle, Cody, Dickerson, Haigh, Hudgins, Hunt, Kagi, Kenney, Ormsby, Pettigrew, Seaquist, Springer and Sullivan.

**Minority Report:** Do not pass. Signed by 9 members: Representatives Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Chandler, Haler, Hinkle, Parker, Schmick and Wilcox.

**Staff:** Erik Cornellier (786-7116).

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*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.*

**Background:**

Medical assistance is available to eligible low-income state residents and their families from the Department of Social and Health Services (DSHS), primarily through the Medicaid program.

Pursuant to Engrossed Second Substitute House Bill 2956 (hospital safety net assessment), hospital provider assessments are imposed on most hospitals and proceeds from the assessments are deposited into the Hospital Safety Net Assessment Fund (Fund). Money in the Fund may be used for various increases in hospital payments. Inpatient and outpatient payment rates were restored to levels in place on June 30, 2009. Beyond that restoration, hospitals reimbursed under the prospective payment system (PPS) received a 13 percent increase in rates for non-psychiatric inpatient services and a 36.83 percent increase in rates for outpatient services. The sum of \$49.3 million per biennium may be expended from the Fund in lieu of State General Fund payments to hospitals.

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**Summary of Bill:**

Starting July 1, 2011, the inpatient and outpatient rate increases for medical assistance services provided by PPS hospitals are reduced. The inpatient rate increase is reduced from 13 percent to 3.96 percent, and the outpatient rate increase is reduced from 36.83 percent to 27.25 percent.

The sum of \$189.8 million may be expended from the Fund in lieu of State General Fund payments to hospitals in the 2011-13 fiscal biennium.

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**Appropriation:** None.

**Fiscal Note:** Requested on April 9, 2011.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 2011.

**Staff Summary of Public Testimony:**

(In support) None.

(Opposed) Under current law, PPS hospitals pay \$424 million in assessments. This is enough to provide state match for higher Medicaid inpatient and outpatient rates that draw \$287 million in federal matching funds. Critical Access, Long-Term Acute Care, and Certified Public Expenditure hospitals (including Harborview and the University of Washington) receive \$72 million. There is a direct transfer of \$50 million to the State General Fund. Prospective payment system hospitals receive \$549 million in payments. This includes the restoration of the 2009 rate reductions, which for PPS hospitals was \$145 million.

Most of the assessments under current law would be recouped and hospitals were prepared to have money go to the General Fund and to other hospitals that have large charity care and bad debt burdens.

Under the House proposal, the same \$424 million is paid in assessments. Because the rates are reduced, the federal matching funds are reduced to only \$177 million and payments change dramatically. Critical Access, Long-Term Acute Care, and Certified Public Expenditure hospitals still pay \$4 million and receive \$72 million. The direct transfer to the State General Fund goes from \$50 million to \$80 million, and \$110 million is used to supplant State General Fund payments to hospitals at rates that are lower than established in the 2010 bill. This leaves \$328 million to PPS hospitals, which is composed of two pieces: the \$145 million rate restoration and a smaller payback of \$183 million.

From the PPS hospital perspective, they are paying \$424 million and receiving \$183 million. They believe they would have received the \$145 million from the 2009 rate restorations if they had sued under Medicaid law in the Ninth Circuit. From their perspective, this legislation and budget converts a tax they agreed to pay, and for which they received benefits, as well as the state receiving benefit, into a tax that overwhelmingly and primarily benefits the state to the net of \$240 million. That is where the \$251 million all funds savings in the budget comes from. That is why the hospitals oppose this bill.

**Persons Testifying:** Len McComb, Washington State Hospital Association.

**Persons Signed In To Testify But Not Testifying:** None.