
**Health & Human Services Appropriations
& Oversight Committee**

HB 2685

Brief Description: Concerning financing allowance factors for medicaid nursing homes.

Sponsors: Representatives Billig and Alexander.

Brief Summary of Bill

- Increases the rate of return within the finance rate component to 8.5 percent for all tangible assets acquired on or before June 30, 2011.

Hearing Date: 1/31/12

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

Background:

The Washington State Medicaid (Medicaid) program includes long-term care services provided to low-income individuals. Clients may receive Medicaid long-term care services in their own homes, in community residential settings, and in skilled nursing facilities. There are just over 200 skilled nursing facilities licensed in Washington that provide 24-hour long-term care services for approximately 10,000 Medicaid-eligible clients.

The Medicaid nursing home payment system is administered by the Department of Social and Health Services (DSHS). The payment methodology, including formula variables, allowable costs, and accounting and auditing procedures are specified in statute. Rates in Washington are unique to each nursing facility and are generally based on the facility's allowable costs, occupancy rate, and client acuity (sometimes called the "case mix"). A rate ceiling based on statewide weighted averages, commonly referred to as "the budget dial," is set by the Legislature in the Biennial Appropriations Act. If the actual statewide weighted average nursing facility payments exceed the budget dial, the DSHS is required to proportionally adjust downward all nursing facility payment rates to meet the budget dial.

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.

Regular cost reports are required from the nursing homes. The DSHS is required to review these reports for costs and payments. Through this process, rates are rebased. The property and finance rate components are rebased annually. All other rate components are typically rebased every odd-numbered year.

The payment system consists of six different rate components: direct care, therapy care, support services, operations, property, and financing allowance.

The property and finance components pay for facility capital costs, and represent about 8 percent of the total nursing facility payment rate. The finance component includes an allowable rate of return on the net book value of a facility's tangible fixed assets. This rate of return was modified in 2011 to be 4 percent on assets regardless of the date of acquisition. Prior to that, the rate of return was 8.5 percent for acquisitions made on or after May 17, 1999, and 10 percent for purchases made before May 17, 1999.

In 2011 the nursing home safety net assessment fee and the Skilled Nursing Facility Safety Net Trust Fund (Trust Fund) were established. For fiscal years 2012 and 2013, revenue from the trust fund is used to pay a comparison add-on rate which holds the facility based rates at the June 30, 2010, level or higher.

Summary of Bill:

The finance component's rate of return for all tangible assets purchased on or before June 30, 2011, is increased from 4 percent to 8.5 percent. Tangible assets purchased after July 1, 2011, will remain at a 4 percent rate of return.

Appropriation: None.

Fiscal Note: Available.

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