

SENATE BILL REPORT

SB 5466

As of February 9, 2011

Title: An act relating to ensuring efficient and economic medicaid nursing facility payments.

Brief Description: Regarding medicaid nursing facility payments.

Sponsors: Senator Keiser; by request of Department of Social and Health Services.

Brief History:

Committee Activity: Ways & Means:

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 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 calculation for the noncapital components (direct care, therapy care, support services, and operations) are based on actual facility cost reports and are updated biennially in a process known as rebasing. The capital components (property and financing allowance) are also based on actual facility cost reports but are rebased annually. The variable return component is designed to reward efficiency based on the four noncapital components. 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), facility geographical location, and the case mix index of the facility. The case mix index is a weighted scoring of all facility residents that is designed to quantify the relative acuity of the residents.

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.

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, and DSHS must manage all facility specific rates so the budget dial is not exceeded.

Payments to nursing facilities are one of the largest budget units within the Aging and Disability Services Program. The Fiscal Year 2011 nursing home payments are estimated to total approximately \$500 million from all fund sources with about \$202 million from state sources.

Summary of Bill: Several changes are made to the nursing facility rate structure, these changes are detailed below.

- Rebasing is postponed for one year and the cycle for rebasing moves from every even-numbered year to every odd-numbered year.
- The variable return component is repealed.
- The financing allowance for fixed assets is reduced to 4.0 percent for all assets, regardless of the date of purchase.
- DSHS is provided with flexibility to adjust the case-mix weights for the lowest ten resource utilization groups.
- DSHS is provided with flexibility in calculating the quarterly case-mix adjustment during fiscal year 2012 to facilitate the transition to a new, federally required software program for assessing residents.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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