HOUSE BILL REPORT
HB 1635

As Reported by House Committee On:
Appropriations

Title: An act relating to disproportionate share hospital adjustments.

Brief Description: Concerning disproportionate share hospital adjustments.

Sponsors: Representatives Morrell, Cody, Jinkins, Ryu and Pollet; by request of Health Care Authority.

Brief History:
Committee Activity:
Appropriations: 2/11/13, 2/13/13 [DPS].

Brief Summary of Substitute Bill

- Removes some requirements for calculating payments under the Low-Income Disproportionate Share Hospital (DSH) program.
- Requires the Health Care Authority (HCA) to comply with federal laws regarding the Low-Income DSH program.
- Eliminates provisions requiring the HCA to maintain a Medical Indigency DSH program and state-only hospital grants.
- Requires the HCA to keep expenditures on DSH payments within the federal DSH allotment.
- Authorizes the HCA to create DSH payment mechanisms in addition to the low-income component if sufficient funds are specifically appropriated for that purpose.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 30 members: Representatives Hunter, Chair; Ormsby, Vice Chair; Alexander, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Buys, Carlyle, Cody, Dahlquist, Dunshee, Fagan,

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Green, Haigh, Haler, Harris, Hudgins, Hunt, Jinkins, Kagi, Maxwell, Morrell, Parker, Pedersen, Pike, Ross, Schmick, Seaquist, Springer, Sullivan and Taylor.

Staff: Erik Cornellier (786-7116).

Background:

Medical assistance is available to eligible low-income state residents and their families from the Health Care Authority (HCA), primarily through the Medicaid program. Most of the state medical assistance programs are funded with federal matching funds in various percentages.

The federal government matches state funding for Disproportionate Share Hospitals (DSH), which are hospitals that serve a disproportionate share of Medicaid clients or the uninsured. States make DSH payments directly to hospitals, and the federal government reimburses them for part of the payments based on each state's Medicaid matching rate. States receive a DSH allotment that sets an upper limit on how much federal Medicaid money they can spend on DSH payments.

The DSH program offers flexibility to states in how they distribute DSH funds. States are required to take into account the situation of hospitals which serve a disproportionate number of low-income patients with special needs.

To the extent that funds are appropriated specifically for these purposes, the HCA must provide DSH payments considering low-income care and medical indigency components and a state-only component for hospitals that do not qualify for federal payments.

The low-income component must be based on a hospital's Medicaid utilization rate, its low-income utilization rate, its provision of obstetric services, and other factors authorized by federal law.

The Medically Indigent program expired in 2003, and the calculation of the medical indigency care component was eliminated.

Funding for the state-only component was eliminated in the 2009-11 State Omnibus Operating Appropriations Act.

Summary of Substitute Bill:

The requirements for the low-income component of the DSH payments are reduced to consideration of the situation of hospitals serving a disproportionate number of low-income patients with special needs and compliance with federal requirements.

The medical indigency and state-only components of the DSH payments are removed.

The HCA's expenditures on DSH payments may not exceed the federal DSH allotment.

The HCA may create DSH payment mechanisms in addition to the low-income component if sufficient funds are specifically appropriated for that purpose.

The Director of the HCA may adopt rules to implement these provisions.

Substitute Bill Compared to Original Bill:

In the original bill, the low-income component was no longer limited to funds appropriated specifically for that purpose. The substitute bill restores that limitation.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) This is a clean-up bill. The last time the Disproportionate Share Hospital requirements were updated was in 1987. This bill brings Washington into compliance with federal rules and current practice.

(Opposed) None.

Persons Testifying: Sandy Stith, The Health Care Authority.

Persons Signed In To Testify But Not Testifying: None.