

SENATE BILL REPORT

HB 2042

As Reported by Senate Committee On:
Ways & Means, June 11, 2013

Title: An act relating to modifying the nursing facility medicaid payment system by delaying the rebase of certain rate components and extending certain rate add-ons.

Brief Description: Modifying the nursing facility medicaid payment system by delaying the rebase of certain rate components and extending certain rate add-ons.

Sponsors: Representatives Cody, Hunter and Sullivan.

Brief History: Passed House: 4/25/13, 88-8; 6/06/13, 84-9.

Committee Activity: Ways & Means: 6/10/13, 6/11/13 [DP, w/oRec].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Hill, Chair; Honeyford, Capital Budget Chair; Nelson, Assistant Ranking Member; Bailey, Becker, Braun, Conway, Dammeier, Fraser, Hasegawa, Hewitt, Keiser, Kohl-Welles, Parlette, Ranker, Rivers, Schoesler and Tom.

Minority Report: That it be referred without recommendation.

Signed by Senator Padden.

Staff: Carma Matti-Jackson (786-7454)

Background: The current Washington Medicaid program provides health and long-term care assistance to low-income individuals in skilled nursing facilities (nursing homes) and community settings. Nursing homes are licensed by the Department of Social and Health Services (the Department) and provide 24-hour supervised nursing care, personal care, therapy care, and room and board. Currently, there are over 200 licensed nursing homes throughout the state. Rates paid to nursing homes are specific to each facility and are prospectively calculated according to a methodology detailed in statute, RCW 74.46. The statute includes calculation variables, allowable costs, and accounting and auditing procedures. The payment methodology is generally based on client acuity (case mix), occupancy levels, and a facility's allowable costs. The payment methodology consists of two capital components – property and financing allowance, and four non-capital components – direct care, therapy care, support services, and operations.

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.

Rate calculations for non-capital components are based on facility cost reports and are typically updated in a process known as rebasing. The rebase timeline in statute is every odd-numbered year and is currently scheduled for July 1, 2013. The non-capital components were last rebased in 2009.

Current statute 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 State Omnibus Operating Appropriation Act (operating budget), and the Department must manage all facility specific rates so that the budget dial is not exceeded. If the statewide daily average rate exceeds the budget dial, all individual facility rates are reduced in order to bring the statewide daily average back under the amount funded in the Department's appropriation. The fiscal year 2013 statewide weighted average budget dial is set at \$171.43.

The 2011 Legislature established two temporary rate add-ons to (1) a comparative analysis, which pays facility-specific rates at a level no less than the June 30, 2010, payment rate; and (2) an acuity add-on, which provides a 10 percent direct-care rate add-on for facilities that take on clients who are more acute than the clients they cared for in fiscal year 2010. These rate add-ons expire on June 30, 2013.

Summary of Bill: The rebase for non-capital rate components is delayed from July 1, 2013, to July 1, 2015. Rate add-ons established in 2011 are extended through June 30, 2015. These modifications to the nursing home payment methodology allow the statewide weighted average budget dial to be set in the operating budget at \$171.35 for fiscal year 2014 and at \$171.58 for fiscal year 2015.

Appropriation: None

Fiscal Note: Available

Committee/Commission/Task Force Created: No.

Effective Date: This bill contains an emergency clause and takes effect on July 1, 2013.

Staff Summary of Public Testimony: OTHER: Non-capital nursing home rate components are currently paid based on 2007 costs. Delaying the rebase of these rates for another two years means that nursing facilities will still be paid based on 2007 costs until fiscal year 2015. Facility costs continue to go up and at some point, the payments need to align with the costs. The extension of the two payment rate add-ons which are in this bill is appreciated. We are in opposition of a separate modification specific to the Senate proposed budget which would freeze a half of one percent case mix adjustment.

Persons Testifying: OTHER: Rich Miller, Washington Health Care Association.