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ENGROSSED SUBSTITUTE HOUSE BILL 2016

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State of Washington

63rd Legislature

2013 Regular Session

By House Appropriations (originally sponsored by Representatives Jinkins, Hunter, and Alexander)

READ FIRST TIME 04/09/13.

1 AN ACT Relating to a hospital safety net assessment; amending RCW  
2 74.60.005, 74.60.010, 74.60.020, 74.60.030, 74.60.050, 74.60.070,  
3 74.60.080, 74.60.090, 74.60.100, 74.60.110, 74.60.120, 74.60.130,  
4 74.60.140, 74.60.150, 74.60.900, and 74.60.901; adding a new section to  
5 chapter 74.60 RCW; adding a new section to chapter 74.09 RCW; providing  
6 an expiration date; and declaring an emergency.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 **Sec. 1.** RCW 74.60.005 and 2010 1st sp.s. c 30 s 1 are each amended  
9 to read as follows:

10 (1) The purpose of this chapter is to provide for a safety net  
11 assessment on certain Washington hospitals, which will be used solely  
12 to augment funding from all other sources and thereby (~~obtain~~  
13 ~~additional—funds—to—restore—recent—reductions—and—to~~) support  
14 additional payments to hospitals for medicaid services as specified in  
15 this chapter.

16 (2) The legislature finds that(~~+~~

17 ~~(a) Washington hospitals, working with the department of social and~~  
18 ~~health services, have proposed a hospital safety net assessment to~~  
19 ~~generate additional state and federal funding for the medicaid program,~~

1 ~~which will be used to partially restore recent inpatient and outpatient~~  
2 ~~reductions in hospital reimbursement rates and provide for an increase~~  
3 ~~in hospital payments; and~~

4 ~~(b))~~ federal health care reform will result in an expansion of  
5 medicaid enrollment in this state. The hospital safety net assessment  
6 and hospital safety net assessment fund created in this chapter  
7 ~~((allows the state to generate additional federal financial~~  
8 ~~participation for the medicaid program and provides for increased~~  
9 ~~reimbursement to hospitals))~~ will improve the state's ability to  
10 provide medicaid clients with access to hospital care by generating  
11 additional federal financial participation for the medicaid program and  
12 to provide for additional reimbursement for hospital services and  
13 grants to certified public expenditure hospitals.

14 (3) In adopting this chapter, it is the intent of the legislature:

15 (a) To impose a hospital safety net assessment to be used solely  
16 for the purposes specified in this chapter;

17 ~~(b) ((That funds generated by the assessment shall be used solely~~  
18 ~~to augment all other funding sources and not as a substitute for any~~  
19 ~~other funds;~~

20 ~~(e))~~ To generate approximately four hundred forty-six million nine  
21 hundred thirty-eight thousand dollars per state fiscal year in new  
22 state and federal funds by disbursing all of that amount to pay for  
23 medicaid hospital services and grants to certified public expenditure  
24 hospitals, except costs of administration as specified herein, in the  
25 form of additional payments to hospitals and managed care plans, which  
26 may not be a substitute for payments from other sources;

27 (c) To generate one hundred ninety-nine million eight hundred  
28 thousand dollars in assessment funds per biennium to be used in lieu of  
29 state general fund payments for medicaid hospital services;

30 (d) That the total amount assessed not exceed the amount needed, in  
31 combination with all other available funds, to support the  
32 ~~((reimbursement rates and other))~~ payments authorized by this chapter;  
33 and

34 ~~((d))~~ (e) To condition the assessment on receiving federal  
35 approval for receipt of additional federal financial participation and  
36 on continuation of other funding sufficient to maintain ((hospital  
37 inpatient and outpatient reimbursement rates and small rural  
38 disproportionate share payments at least at the levels in effect on

1 July 1, 2009)) aggregate payment levels to hospitals for inpatient and  
2 outpatient services covered by medicaid, including fee-for-service and  
3 managed care, at least at the levels the state paid for those services  
4 on July 1, 2009, as adjusted for current enrollment and utilization,  
5 but without regard to payment increases resulting from chapter 30, Laws  
6 of 2010 1st sp. sess.

7 **Sec. 2.** RCW 74.60.010 and 2010 1st sp.s. c 30 s 2 are each amended  
8 to read as follows:

9 The definitions in this section apply throughout this chapter  
10 unless the context clearly requires otherwise.

11 (1) "Authority" means the health care authority.

12 (2) "Base year" for medicaid payments for state fiscal year 2014 is  
13 state fiscal year 2011. For each following year's calculations, the  
14 base year must be updated to the next following year.

15 (3) "Bordering city hospital" means a hospital as defined in WAC  
16 182-550-1050 and bordering cities as described in WAC 182-501-0175, or  
17 successor rules.

18 (4) "Certified public expenditure hospital" means a hospital  
19 participating in ((the department's)) or that at any point from the  
20 effective date of this section to July 1, 2017, has participated in the  
21 authority's certified public expenditure payment program as described  
22 in WAC ((388-550-4650)) 182-550-4650 or successor rule. The  
23 eligibility of such hospitals to receive grants under RCW 74.60.090  
24 solely from funds generated under this chapter may not be affected by  
25 any modification or termination of the federal certified public  
26 expenditure program, or reduced by the amount of any federal funds no  
27 longer available for that purpose.

28 ((+2)) (5) "Critical access hospital" means a hospital as  
29 described in RCW 74.09.5225.

30 ((-3)) ~~"Department" means the department of social and health~~  
31 ~~services.~~

32 (+4)) (6) "Director" means the director of the health care  
33 authority.

34 (7) "Eligible new prospective payment hospital" means a prospective  
35 payment hospital opened after January 1, 2009, for which a full year of  
36 cost report data as described in RCW 74.60.030(2) and a full year of

1 medicaid\_base\_year\_data\_required\_for\_the\_calculations\_in\_RCW  
2 74.60.120(3) are available.

3 (8) "Fund" means the hospital safety net assessment fund  
4 established under RCW 74.60.020.

5 ~~((+5))~~ (9) "Hospital" means a facility licensed under chapter  
6 70.41 RCW.

7 ~~((+6))~~ (10) "Long-term acute care hospital" means a hospital which  
8 has an average inpatient length of stay of greater than twenty-five  
9 days as determined by the department of health.

10 ~~((+7))~~ (11) "Managed care organization" means an organization  
11 having a certificate of authority or certificate of registration from  
12 the office of the insurance commissioner that contracts with the  
13 ~~((department))~~ authority under a comprehensive risk contract to provide  
14 prepaid health care services to eligible clients under the  
15 ~~((department's))~~ authority's medicaid managed care programs, including  
16 the healthy options program.

17 ~~((+8))~~ (12) "Medicaid" means the medical assistance program as  
18 established in Title XIX of the social security act and as administered  
19 in the state of Washington by the ~~((department of social and health~~  
20 ~~services))~~ authority.

21 ~~((+9))~~ (13) "Medicare cost report" means the medicare cost report,  
22 form 2552~~((96))~~, or successor document.

23 ~~((+10))~~ (14) "Nonmedicare hospital inpatient day" means total  
24 hospital inpatient days less medicare inpatient days, including  
25 medicare days reported for medicare managed care plans, as reported on  
26 the medicare cost report, form 2552~~((96))~~, or successor forms,  
27 excluding all skilled and nonskilled nursing facility days, skilled and  
28 nonskilled swing bed days, nursery days, observation bed days, hospice  
29 days, home health agency days, and other days not typically associated  
30 with an acute care inpatient hospital stay.

31 ~~((+11))~~ (15) "Outpatient" means services provided classified as  
32 ambulatory payment classification services or successor payment  
33 methodologies as defined in WAC 182-550-7050 or successor rule and  
34 applies to fee-for-service payments and managed care encounter data.

35 (16) "Prospective payment system hospital" means a hospital  
36 reimbursed for inpatient and outpatient services provided to medicaid  
37 beneficiaries under the inpatient prospective payment system and the  
38 outpatient prospective payment system as defined in WAC

1 (~~(388-550-1050)~~) 182-550-1050 or success or rule. For purposes of this  
2 chapter, prospective payment system hospital does not include a  
3 hospital participating in the certified public expenditure program or  
4 a bordering city hospital located outside of the state of Washington  
5 and in one of the bordering cities listed in WAC (~~(388-501-0175)~~) 182-  
6 501-0175 or successor (~~(regulation)~~) rule.

7 (~~(12)~~) (17) "Psychiatric hospital" means a hospital facility  
8 licensed as a psychiatric hospital under chapter 71.12 RCW.

9 (~~(13)~~) "~~Regional support network~~" ~~has the same meaning as provided~~  
10 ~~in RCW 71.24.025.~~

11 ~~(14)~~) (18) "Rehabilitation hospital" means a medicare-certified  
12 freestanding inpatient rehabilitation facility.

13 (~~(15)~~) "~~Secretary~~" ~~means the secretary of the department of social~~  
14 ~~and health services.~~

15 ~~(16)~~) (19) "Small rural disproportionate share hospital payment"  
16 means a payment made in accordance with WAC (~~(388-550-5200)~~) 182-550-  
17 5200 or (~~(subsequently filed regulation)~~) successor rule.

18 (20) "Upper payment limit" means the aggregate federal upper  
19 payment limit on the amount of the medicaid payment for which federal  
20 financial participation is available for a class of service and a class  
21 of health care providers, as specified in 42 C.F.R. Part 47, as  
22 separately determined for inpatient and outpatient hospital services.

23 **Sec. 3.** RCW 74.60.020 and 2011 1st sp.s. c 35 s 1 are each amended  
24 to read as follows:

25 (1) A dedicated fund is hereby established within the state  
26 treasury to be known as the hospital safety net assessment fund. The  
27 purpose and use of the fund shall be to receive and disburse funds,  
28 together with accrued interest, in accordance with this chapter.  
29 Moneys in the fund, including interest earned, shall not be used or  
30 disbursed for any purposes other than those specified in this chapter.  
31 Any amounts expended from the fund that are later recouped by the  
32 (~~department~~) authority on audit or otherwise shall be returned to the  
33 fund.

34 (a) Any unexpended balance in the fund at the end of a fiscal  
35 biennium shall carry over into the following biennium and shall be  
36 applied to reduce the amount of the assessment under RCW  
37 74.60.050(1)(c).

1 (b) Any amounts remaining in the fund ~~((on))~~ after July 1, ~~((2013))~~  
2 2017, shall be ~~((used to make increased payments in accordance with RCW~~  
3 ~~74.60.090 and 74.60.120 for any outstanding claims with dates of~~  
4 ~~service prior to July 1, 2013. Any amounts remaining in the fund after~~  
5 ~~such increased payments are made shall be refunded to hospitals, pro~~  
6 ~~rata according to the amount paid by the hospital, subject to the~~  
7 ~~limitations of federal law))~~ refunded to hospitals, pro rata according  
8 to the amount paid by the hospital since July 1, 2013, subject to the  
9 limitations of federal law.

10 (2) All assessments, interest, and penalties collected by the  
11 ~~((department))~~ authority under RCW 74.60.030 and 74.60.050 shall be  
12 deposited into the fund.

13 (3) Disbursements from the fund ~~((may be made only as follows:~~

14 ~~(a) Subject to appropriations and the continued availability of~~  
15 ~~other funds in an amount sufficient to maintain the level of medicaid~~  
16 ~~hospital rates in effect on July 1, 2009;~~

17 ~~(b) Upon certification by the secretary that the conditions set~~  
18 ~~forth in RCW 74.60.150(1) have been met with respect to the assessments~~  
19 ~~imposed under RCW 74.60.030 (1) and (2), the payments provided under~~  
20 ~~RCW 74.60.080, payments provided under RCW 74.60.120(2), and any~~  
21 ~~initial payments under RCW 74.60.100 and 74.60.110, funds shall be~~  
22 ~~disbursed in the amount necessary to make the payments specified in~~  
23 ~~those sections;~~

24 ~~(c) Upon certification by the secretary that the conditions set~~  
25 ~~forth in RCW 74.60.150(1) have been met with respect to the assessments~~  
26 ~~imposed under RCW 74.60.030(3) and the payments provided under RCW~~  
27 ~~74.60.090 and 74.60.130, payments made subsequent to the initial~~  
28 ~~payments under RCW 74.60.100 and 74.60.110, and payments under RCW~~  
29 ~~74.60.120(3), funds shall be disbursed periodically as necessary to~~  
30 ~~make the payments as specified in those sections;~~

31 ~~(d) To refund erroneous or excessive payments made by hospitals~~  
32 ~~pursuant to this chapter;~~

33 ~~(e) The sum of forty nine million three hundred thousand dollars~~  
34 ~~for the 2009-2011 fiscal biennium may be expended in lieu of state~~  
35 ~~general fund payments to hospitals. An additional sum of seventeen~~  
36 ~~million five hundred thousand dollars for the 2009-2011 fiscal biennium~~  
37 ~~may be expended in lieu of state general fund payments to hospitals if~~  
38 ~~additional federal financial participation under section 5001 of P.L.~~

1 No. 111-5 is extended beyond December 31, 2010. The sum of one hundred  
2 ninety-nine million eight hundred thousand dollars for the 2011-2013  
3 fiscal biennium may be expended in lieu of state general fund payments  
4 to hospitals;

5 (f) The sum of one million dollars per biennium may be disbursed  
6 for payment of administrative expenses incurred by the department in  
7 performing the activities authorized by this chapter;

8 (g) To repay the federal government for any excess payments made to  
9 hospitals from the fund if the assessments or payment increases set  
10 forth in this chapter are deemed out of compliance with federal  
11 statutes and regulations and all appeals have been exhausted. In such  
12 a case, the department may require hospitals receiving excess payments  
13 to refund the payments in question to the fund. The state in turn  
14 shall return funds to the federal government in the same proportion as  
15 the original financing. If a hospital is unable to refund payments,  
16 the state shall develop a payment plan and/or deduct moneys from future  
17 medicaid payments)) are conditioned upon appropriation and the  
18 continued availability of other funds sufficient to maintain aggregate  
19 payment levels to hospitals for inpatient and outpatient services  
20 covered by medicaid, including fee-for-service and managed care, at  
21 least at the levels the state paid for those services on July 1, 2009,  
22 as adjusted for current enrollment and utilization, but without regard  
23 to payment increases resulting from chapter 30, Laws of 2010 1st sp.  
24 sess.

25 (4) Disbursements from the fund may be made only:

26 (a) To make payments to hospitals and managed care plans as  
27 specified in this chapter;

28 (b) To refund erroneous or excessive payments made by hospitals  
29 pursuant to this chapter;

30 (c) Up to one million dollars per biennium for payment of  
31 administrative expenses incurred by the authority in performing the  
32 activities authorized by this chapter;

33 (d) Up to one hundred ninety-nine million eight hundred thousand  
34 dollars per biennium to be used in lieu of state general fund payments  
35 for medicaid hospital services: PROVIDED, That if the full amount of  
36 the payments required under RCW 74.60.120 and 74.60.130 cannot be  
37 distributed in a given fiscal year, this amount must be reduced  
38 proportionately: PROVIDED FURTHER, That absolutely no amount greater

1 than one hundred ninety-nine million eight hundred thousand dollars may  
2 be used in lieu of state general fund payments for medicaid hospital  
3 services and if such greater amount is so used this chapter ceases to  
4 be imposed in accordance with RCW 74.60.150(2);

5 (e) To repay the federal government for any excess payments made to  
6 hospitals from the fund if the assessments or payment increases set  
7 forth in this chapter are deemed out of compliance with federal  
8 statutes and regulations in a final determination by a court of  
9 competent jurisdiction with all appeals exhausted. In such a case, the  
10 authority may require hospitals receiving excess payments to refund the  
11 payments in question to the fund. The state in turn shall return funds  
12 to the federal government in the same proportion as the original  
13 financing. If a hospital is unable to refund payments, the state shall  
14 develop either a payment plan, or deduct moneys from future medicaid  
15 payments, or both;

16 (f) Beginning in state fiscal year 2015, an amount sufficient, when  
17 combined with the maximum available amount of federal funds necessary  
18 to provide a one percent increase in medicaid hospital inpatient rates  
19 to hospitals eligible for quality improvement incentives under section  
20 17 of this act.

21 **Sec. 4.** RCW 74.60.030 and 2010 1st sp.s. c 30 s 4 are each amended  
22 to read as follows:

23 ~~(1) ((An assessment is imposed as set forth in this subsection~~  
24 ~~effective after the date when the applicable conditions under RCW~~  
25 ~~74.60.150(1) have been satisfied through June 30, 2013, for the purpose~~  
26 ~~of funding restoration of reimbursement rates under RCW 74.60.080(1)~~  
27 ~~and 74.60.120(2)(a) and funding payments made subsequent to the initial~~  
28 ~~payments under RCW 74.60.100 and 74.60.110. Payments under this~~  
29 ~~subsection are due and payable on the first day of each calendar~~  
30 ~~quarter after the department sends notice of assessment to affected~~  
31 ~~hospitals. However, the initial assessment is not due and payable less~~  
32 ~~than thirty calendar days after notice of the amount due has been~~  
33 ~~provided to affected hospitals.~~

34 ~~(a) For the period beginning on the date the applicable conditions~~  
35 ~~under RCW 74.60.150(1) are met through December 31, 2010:~~

36 ~~(i) Each prospective payment system hospital shall pay an~~



1 ~~assessment of thirty two dollars for each annual nonmedicare hospital~~  
2 ~~inpatient day, multiplied by the number of days in the assessment~~  
3 ~~period divided by three hundred sixty five.~~

4 ~~(ii) Each critical access hospital shall pay an assessment of ten~~  
5 ~~dollars for each annual nonmedicare hospital inpatient day, multiplied~~  
6 ~~by the number of days in the assessment period divided by three hundred~~  
7 ~~sixty five.~~

8 ~~(b) For the period beginning on January 1, 2011, and ending on June~~  
9 ~~30, 2011:~~

10 ~~(i) Each prospective payment system hospital shall pay an~~  
11 ~~assessment of forty dollars for each annual nonmedicare hospital~~  
12 ~~inpatient day, multiplied by the number of days in the assessment~~  
13 ~~period divided by three hundred sixty five.~~

14 ~~(ii) Each critical access hospital shall pay an assessment of ten~~  
15 ~~dollars for each annual nonmedicare hospital inpatient day, multiplied~~  
16 ~~by the number of days in the assessment period divided by three hundred~~  
17 ~~sixty five.~~

18 ~~(c) For the period beginning July 1, 2011, through June 30, 2013:~~

19 ~~(i) Each prospective payment system hospital shall pay an~~  
20 ~~assessment of forty four dollars for each annual nonmedicare hospital~~  
21 ~~inpatient day, multiplied by the number of days in the assessment~~  
22 ~~period divided by three hundred sixty five.~~

23 ~~(ii) Each critical access hospital shall pay an assessment of ten~~  
24 ~~dollars for each annual nonmedicare hospital inpatient day, multiplied~~  
25 ~~by the number of days in the assessment period divided by three hundred~~  
26 ~~sixty five.~~

27 ~~(d)(i) For purposes of (a) and (b) of this subsection, the~~  
28 ~~department shall determine each hospital's annual nonmedicare hospital~~  
29 ~~inpatient days by summing the total reported nonmedicare inpatient days~~  
30 ~~for each hospital that is not exempt from the assessment as described~~  
31 ~~in RCW 74.60.040 for the relevant state fiscal year 2008 portions~~  
32 ~~included in the hospital's fiscal year end reports 2007 and/or 2008~~  
33 ~~cost reports. The department shall use nonmedicare hospital inpatient~~  
34 ~~day data for each hospital taken from the centers for medicare and~~  
35 ~~medicaid services' hospital 2552-96 cost report data file as of~~  
36 ~~November 30, 2009, or equivalent data collected by the department.~~

37 ~~(ii) For purposes of (c) of this subsection, the department shall~~  
38 ~~determine each hospital's annual nonmedicare hospital inpatient days by~~

1 ~~summing the total reported nonmedicare hospital inpatient days for each~~  
2 ~~hospital that is not exempt from the assessment under RCW 74.60.040,~~  
3 ~~taken from the most recent publicly available hospital 2552-96 cost~~  
4 ~~report data file or successor data file available through the centers~~  
5 ~~for medicare and medicaid services, as of a date to be determined by~~  
6 ~~the department. If cost report data are unavailable from the foregoing~~  
7 ~~source for any hospital subject to the assessment, the department shall~~  
8 ~~collect such information directly from the hospital.~~

9 ~~(2) An assessment is imposed in the amounts set forth in this~~  
10 ~~section for the purpose of funding the restoration of the rates under~~  
11 ~~RCW 74.60.080(2) and 74.60.120(2)(b) and funding the initial payments~~  
12 ~~under RCW 74.60.100 and 74.60.110, which shall be due and payable~~  
13 ~~within thirty calendar days after the department has transmitted a~~  
14 ~~notice of assessment to hospitals. Such notice shall be transmitted~~  
15 ~~immediately upon determination by the secretary that the applicable~~  
16 ~~conditions established by RCW 74.60.150(1) have been met.~~

17 ~~(a) Prospective payment system hospitals.~~

18 ~~(i) Each prospective payment system hospital shall pay an~~  
19 ~~assessment of thirty dollars for each annual nonmedicare hospital~~  
20 ~~inpatient day up to sixty thousand per year, multiplied by a ratio, the~~  
21 ~~numerator of which is the number of days between June 30, 2009, and the~~  
22 ~~day after the applicable conditions established by RCW 74.60.150(1)~~  
23 ~~have been met and the denominator of which is three hundred sixty five.~~

24 ~~(ii) Each prospective payment system hospital shall pay an~~  
25 ~~assessment of one dollar for each annual nonmedicare hospital inpatient~~  
26 ~~day over and above sixty thousand per year, multiplied by a ratio, the~~  
27 ~~numerator of which is the number of days between June 30, 2009, and the~~  
28 ~~day after the applicable conditions established by RCW 74.60.150(1)~~  
29 ~~have been met and the denominator of which is three hundred sixty five.~~

30 ~~(b) Each critical access hospital shall pay an assessment of ten~~  
31 ~~dollars for each annual nonmedicare hospital inpatient day, multiplied~~  
32 ~~by a ratio, the numerator of which is the number of days between June~~  
33 ~~30, 2009, and the day after the applicable conditions established by~~  
34 ~~RCW 74.60.150(1) have been met and the denominator of which is three~~  
35 ~~hundred sixty five.~~

36 ~~(c) For purposes of this subsection, the department shall determine~~  
37 ~~each hospital's annual nonmedicare hospital inpatient days by summing~~  
38 ~~the total reported nonmedicare inpatient days for each hospital that is~~

1 ~~not exempt from the assessment as described in RCW 74.60.040 for the~~  
2 ~~relevant state fiscal year 2008 portions included in the hospital's~~  
3 ~~fiscal year end reports 2007 and/or 2008 cost reports. The department~~  
4 ~~shall use nonmedicare hospital inpatient day data for each hospital~~  
5 ~~taken from the centers for medicare and medicaid services' hospital~~  
6 ~~2552-96 cost report data file as of November 30, 2009, or equivalent~~  
7 ~~data collected by the department.~~

8 ~~(3) An assessment is imposed as set forth in this subsection for~~  
9 ~~the period February 1, 2010, through June 30, 2013, for the purpose of~~  
10 ~~funding increased hospital payments under RCW 74.60.090 and~~  
11 ~~74.60.120(3), which shall be due and payable on the first day of each~~  
12 ~~calendar quarter after the department has sent notice of the assessment~~  
13 ~~to each affected hospital, provided that the initial assessment shall~~  
14 ~~be transmitted only after the secretary has determined that the~~  
15 ~~applicable conditions established by RCW 74.60.150(1) have been~~  
16 ~~satisfied and shall be payable no less than thirty calendar days after~~  
17 ~~the department sends notice of the amount due to affected hospitals.~~  
18 ~~The initial assessment shall include the full amount due from February~~  
19 ~~1, 2010, through the date of the notice.~~

20 ~~(a) For the period February 1, 2010, through December 31, 2010:~~

21 ~~(i) Prospective payment system hospitals.~~

22 ~~(A) Each prospective payment system hospital shall pay an~~  
23 ~~assessment of one hundred nineteen dollars for each annual nonmedicare~~  
24 ~~hospital inpatient day up to sixty thousand per year, multiplied by the~~  
25 ~~number of days in the assessment period divided by three hundred sixty~~  
26 ~~five.~~

27 ~~(B) Each prospective payment system hospital shall pay an~~  
28 ~~assessment of five dollars for each annual nonmedicare hospital~~  
29 ~~inpatient day over and above sixty thousand per year, multiplied by the~~  
30 ~~number of days in the assessment period divided by three hundred sixty~~  
31 ~~five.~~

32 ~~(ii) Each psychiatric hospital and each rehabilitation hospital~~  
33 ~~shall pay an assessment of thirty one dollars for each annual~~  
34 ~~nonmedicare hospital inpatient day, multiplied by the number of days in~~  
35 ~~the assessment period divided by three hundred sixty five.~~

36 ~~(b) For the period beginning on January 1, 2011, and ending on June~~  
37 ~~30, 2011:~~

38 ~~(i) Prospective payment system hospitals.~~

1       ~~(A) — Each — prospective — payment — system — hospital — shall — pay — an~~  
2 ~~assessment — of — one — hundred — fifty — dollars — for — each — annual — nonmedicare~~  
3 ~~inpatient — day — up — to — sixty — thousand — per — year, — multiplied — by — the — number~~  
4 ~~of — days — in — the — assessment — period — divided — by — three — hundred — sixty — five.~~

5       ~~(B) — Each — prospective — payment — system — hospital — shall — pay — an~~  
6 ~~assessment — of — six — dollars — for — each — annual — nonmedicare — inpatient — day~~  
7 ~~over — and — above — sixty — thousand — per — year, — multiplied — by — the — number — of~~  
8 ~~days — in — the — assessment — period — divided — by — three — hundred — sixty — five. — The~~  
9 ~~department — may — adjust — the — assessment — or — the — number — of — nonmedicare~~  
10 ~~hospital — inpatient — days — used — to — calculate — the — assessment — amount — if~~  
11 ~~necessary — to — maintain — compliance — with — federal — statutes — and — regulations~~  
12 ~~related — to — medicaid — program — health — care — related — taxes.~~

13       ~~(ii) — Each — psychiatric — hospital — and — each — rehabilitation — hospital~~  
14 ~~shall — pay — an — assessment — of — thirty — nine — dollars — for — each — annual~~  
15 ~~nonmedicare — hospital — inpatient — day, — multiplied — by — the — number — of — days — in~~  
16 ~~the — assessment — period — divided — by — three — hundred — sixty — five.~~

17       ~~(c) For the period beginning July 1, 2011, through June 30, 2013:~~

18       ~~(i) Prospective payment system hospitals.~~

19       ~~(A) — Each — prospective — payment — system — hospital — shall — pay — an~~  
20 ~~assessment — of — one — hundred — fifty — six — dollars — for — each — annual — nonmedicare~~  
21 ~~hospital — inpatient — day — up — to — sixty — thousand — per — year, — multiplied — by — the~~  
22 ~~number — of — days — in — the — assessment — period — divided — by — three — hundred — sixty —~~  
23 ~~five.~~

24       ~~(B) — Each — prospective — payment — system — hospital — shall — pay — an~~  
25 ~~assessment — of — six — dollars — for — each — annual — nonmedicare — inpatient — day~~  
26 ~~over — and — above — sixty — thousand — per — year, — multiplied — by — the — number — of~~  
27 ~~days — in — the — assessment — period — divided — by — three — hundred — sixty — five. — The~~  
28 ~~department — may — adjust — the — assessment — or — the — number — of — nonmedicare~~  
29 ~~hospital — inpatient — days — if — necessary — to — maintain — compliance — with~~  
30 ~~federal — statutes — and — regulations — related — to — medicaid — program — health~~  
31 ~~care — related — taxes.~~

32       ~~(ii) — Each — psychiatric — hospital — and — each — rehabilitation — hospital~~  
33 ~~shall — pay — an — assessment — of — thirty — nine — dollars — for — each — annual~~  
34 ~~nonmedicare — inpatient — day, — multiplied — by — the — number — of — days — in — the~~  
35 ~~assessment — period — divided — by — three — hundred — sixty — five.~~

36       ~~(d)(i) — For — purposes — of — (a) — and — (b) — of — this — subsection, — the~~  
37 ~~department — shall — determine — each — hospital's — annual — nonmedicare — hospital~~  
38 ~~inpatient — days — by — summing — the — total — reported — nonmedicare — inpatient — days~~

1 for each hospital that is not exempt from the assessment as described  
2 in RCW 74.60.040 for the relevant state fiscal year 2008 portions  
3 included in the hospital's fiscal year end reports 2007 and/or 2008  
4 cost reports. The department shall use nonmedicare hospital inpatient  
5 day data for each hospital taken from the centers for medicare and  
6 medicaid services' hospital 2552-96 cost report data file as of  
7 November 30, 2009, or equivalent data collected by the department.

8 (ii) For purposes of (c) of this subsection, the department shall  
9 determine each hospital's annual nonmedicare hospital inpatient days by  
10 summing the total reported nonmedicare hospital inpatient days for each  
11 hospital that is not exempt from the assessment under RCW 74.60.040,  
12 taken from the most recent publicly available hospital 2552-96 cost  
13 report data file or successor data file available through the centers  
14 for medicare and medicaid services, as of a date to be determined by  
15 the department. If cost report data are unavailable from the foregoing  
16 source for any hospital subject to the assessment, the department shall  
17 collect such information directly from the hospital.

18 (4) Notwithstanding the provisions of RCW 74.60.070, nothing in  
19 chapter 30, Laws of 2010 1st sp. sess. is intended to prohibit a  
20 hospital from including assessment amounts paid in accordance with this  
21 section on their medicare and medicaid cost reports)) (a) Upon  
22 satisfaction of the conditions stated in RCW 74.60.150(1), and so long  
23 as the conditions set forth in RCW 74.60.150(2) have not occurred, an  
24 assessment is imposed as set forth in this subsection, effective as of  
25 July 1, 2013. The authority shall calculate the amount due annually  
26 and shall issue assessments quarterly for one-fourth of the annual  
27 amount due from each hospital. Initial assessment notices must be sent  
28 to each hospital not earlier than thirty days after satisfaction of the  
29 conditions set forth in RCW 74.60.150(1), must include all amounts due  
30 from and after July 1, 2013, and payment is due not sooner than thirty  
31 days thereafter. Subsequent notices must be sent on or about thirty  
32 days prior to the end of each subsequent quarter and payment is due  
33 thirty days thereafter.

34 (b) Beginning July 1, 2013:

35 (i) Each prospective payment system hospital, except psychiatric  
36 and rehabilitation hospitals, shall pay a quarterly assessment of three  
37 hundred forty-four dollars for each annual nonmedicare hospital  
38 inpatient day, up to a maximum of fifty-four thousand days per year.

1 For each nonmedicare hospital inpatient day in excess of fifty-four  
2 thousand days, each prospective payment system hospital shall pay an  
3 assessment of seven dollars for each such day;

4 (ii) Each critical access hospital shall pay a quarterly assessment  
5 of ten dollars for each annual nonmedicare hospital inpatient day;

6 (iii) Each psychiatric hospital shall pay a quarterly assessment of  
7 sixty-seven dollars for each annual nonmedicare hospital inpatient day;  
8 and

9 (iv) Each rehabilitation hospital shall pay a quarterly assessment  
10 of sixty-seven dollars for each annual nonmedicare hospital inpatient  
11 day.

12 (2) The authority shall determine each hospital's annual  
13 nonmedicare hospital inpatient days by summing the total reported  
14 nonmedicare hospital inpatient days for each hospital that is not  
15 exempt from the assessment under RCW 74.60.040, taken from the  
16 hospital's 2552 cost report data file or successor data file available  
17 through the centers for medicare and medicaid services, as of a date to  
18 be determined by the authority. For state fiscal year 2014, the  
19 authority shall use cost report data for hospitals' fiscal years ending  
20 in 2010. For subsequent years, the hospitals' next succeeding fiscal  
21 year cost report data must be used.

22 (a) With the exception of a prospective payment system hospital  
23 commencing operations after January 1, 2009, for any hospital without  
24 a cost report for the relevant fiscal year, the authority shall work  
25 with the affected hospital to identify appropriate supplemental  
26 information that may be used to determine annual nonmedicare hospital  
27 inpatient days;

28 (b) A prospective payment system hospital commencing operations  
29 after January 1, 2009, must be assessed in accordance with this section  
30 after becoming an eligible new prospective payment system hospital as  
31 defined in RCW 74.60.010.

32 **Sec. 5.** RCW 74.60.050 and 2010 1st sp.s. c 30 s 6 are each amended  
33 to read as follows:

34 (1) The (~~department~~) authority, in cooperation with the office of  
35 financial management, shall develop rules for determining the amount to  
36 be assessed to individual hospitals, notifying individual hospitals of

1 the assessed amount, and collecting the amounts due. Such rule making  
2 shall specifically include provision for:

3 (a) Transmittal of (~~quarterly~~) notices of assessment by the  
4 (~~department~~) authority to each hospital informing the hospital of its  
5 nonmedicare hospital inpatient days and the assessment amount due and  
6 payable. (~~Such quarterly notices shall be sent to each hospital at  
7 least thirty calendar days prior to the due date for the quarterly  
8 assessment payment.~~)

9 (b) Interest on delinquent assessments at the rate specified in RCW  
10 82.32.050.

11 (c) Adjustment of the assessment amounts (~~as follows:~~

12 ~~(i) For each fiscal year beginning July 1, 2010, the assessment  
13 amounts under RCW 74.60.030 (1) and (3) may be adjusted as follows:~~

14 ~~(A) If sufficient other funds for hospitals, excluding any  
15 extension of section 5001 of P.L. No. 111-5, are available to support  
16 the reimbursement rates and other payments under RCW 74.60.080,  
17 74.60.090, 74.60.100, 74.60.110, or 74.60.120 without utilizing the  
18 full assessment authorized under RCW 74.60.030 (1) or (3), the  
19 department shall reduce the amount of the assessment for prospective  
20 payment system, psychiatric, and rehabilitation hospitals  
21 proportionately to the minimum level necessary to support those  
22 reimbursement rates and other payments.~~

23 ~~(B) Provided that none of the conditions set forth in RCW  
24 74.60.150(2) have occurred, if the department's forecasts indicate that  
25 the assessment amounts under RCW 74.60.030 (1) and (3), together with  
26 all other available funds, are not sufficient to support the  
27 reimbursement rates and other payments under RCW 74.60.080, 74.60.090,  
28 74.60.100, 74.60.110, or 74.60.120, the department shall increase the  
29 assessment rates for prospective payment system, psychiatric, and  
30 rehabilitation hospitals proportionately to the amount necessary to  
31 support those reimbursement rates and other payments, plus a  
32 contingency factor up to ten percent of the total assessment amount.~~

33 ~~(C) Any positive balance remaining in the fund at the end of the  
34 fiscal year shall be applied to reduce the assessment amount for the  
35 subsequent fiscal year.~~

36 ~~(ii) Any adjustment to the assessment amounts pursuant to this  
37 subsection, and the data supporting such adjustment, including but not  
38 limited to relevant data listed in subsection (2) of this section, must~~

1 be submitted to the Washington state hospital association for review  
2 and comment at least sixty calendar days prior to implementation of  
3 such adjusted assessment amounts. Any review and comment provided by  
4 the Washington state hospital association shall not limit the ability  
5 of the Washington state hospital association or its members to  
6 challenge an adjustment or other action by the department that is not  
7 made in accordance with this chapter.

8 (2) By November 30th of each year, the department shall provide the  
9 following data to the Washington state hospital association:

10 (a) The fund balance;

11 (b) The amount of assessment paid by each hospital;

12 (c) The annual medicaid fee for service payments for inpatient  
13 hospital services and outpatient hospital services; and

14 (d) The medicaid healthy options inpatient and outpatient payments  
15 as reported by all hospitals to the department on disproportionate  
16 share hospital applications. The department shall amend the  
17 disproportionate share hospital application and reporting instructions  
18 as needed to ensure that the foregoing data is reported by all  
19 hospitals as needed in order to comply with this subsection (2)(d).

20 (3) The department shall determine the number of nonmedicare  
21 hospital inpatient days for each hospital for each assessment period.

22 (4) To the extent necessary, the department shall amend the  
23 contracts between the managed care organizations and the department and  
24 between regional support networks and the department to incorporate the  
25 provisions of RCW 74.60.120. The department shall pursue amendments to  
26 the contracts as soon as possible after April 27, 2010. The amendments  
27 to the contracts shall, among other provisions, provide for increased  
28 payment rates to managed care organizations in accordance with RCW  
29 74.60.120)) in accordance with subsection (2) of this section.

30 (2) For each fiscal year following state fiscal year 2014, the  
31 assessment amounts established under RCW 74.60.030 must be adjusted as  
32 follows:

33 (a) If sufficient other funds, including federal funds, are  
34 available to make the payments required under this chapter and fund the  
35 state portion of the quality incentive payments under section 17 of  
36 this act and RCW 74.60.020(4)(f) without utilizing the full assessment  
37 under RCW 74.60.030, the authority shall reduce the amount of the  
38 assessment to the minimum levels necessary to support those payments;



1       (b) If in any fiscal year the total amount of inpatient or  
2 outpatient supplemental payments under RCW 74.60.120 is in excess of  
3 the upper payment limit and the entire excess amount cannot be  
4 disbursed by additional payments to managed care organizations under  
5 RCW 74.60.130, the authority shall proportionately reduce future  
6 assessments on prospective payment hospitals to the level necessary to  
7 generate additional payments to hospitals that are consistent with the  
8 upper payment limit plus the maximum permissible amount of additional  
9 payments to managed care organizations under RCW 74.60.130;

10       (c) If the amount of payments to managed care organizations under  
11 RCW 74.60.130 cannot be distributed because of failure to meet federal  
12 actuarial soundness or utilization requirements or other federal  
13 requirements, the authority shall apply the amount that cannot be  
14 distributed to reduce future assessments to the level necessary to  
15 generate additional payments to managed care organizations that are  
16 consistent with federal actuarial soundness or utilization requirements  
17 or other federal requirements;

18       (d) If required in order to obtain federal matching funds, the  
19 maximum number of nonmedicare inpatient days at the higher rate  
20 provided under RCW 74.60.030(1)(b)(i) may be adjusted in order to  
21 comply with federal requirements;

22       (e) If the number of nonmedicare inpatient days applied to the  
23 rates provided in RCW 74.60.030 will not produce sufficient funds to  
24 support the payments required under this chapter and the state portion  
25 of the quality incentive payments under section 17 of this act and RCW  
26 74.60.020(4)(f), the assessment rates provided in RCW 74.60.030 may be  
27 increased proportionately by category of hospital to amounts no greater  
28 than necessary in order to produce the required level of funds needed  
29 to make the payments specified in this chapter and the state portion of  
30 the quality incentive payments under section 17 of this act and RCW  
31 74.60.020(4)(f); and

32       (f) Any actual or estimated surplus remaining in the fund at the  
33 end of the fiscal year must be applied to reduce the assessment amount  
34 for the subsequent fiscal year.

35       (3)(a) Any adjustment to the assessment amounts pursuant to this  
36 subsection, and the data supporting such adjustment, including, but not  
37 limited to, relevant data listed in (b) of this subsection, must be  
38 submitted to the Washington state hospital association for review and

1 comment at least sixty calendar days prior to implementation of such  
2 adjusted assessment amounts. Any review and comment provided by the  
3 Washington state hospital association does not limit the ability of the  
4 Washington state hospital association or its members to challenge an  
5 adjustment or other action by the authority that is not made in  
6 accordance with this chapter.

7 (b) The authority shall provide the following data to the  
8 Washington state hospital association sixty days before implementing  
9 any revised assessment levels, detailed by fiscal year, beginning with  
10 fiscal year 2011 and extending to the most recent fiscal year, except  
11 in connection with the initial assessment under this chapter:

12 (i) The fund balance;

13 (ii) The amount of assessment paid by each hospital;

14 (iii) The state share, federal share, and total annual medicaid  
15 fee-for-service payments for inpatient hospital services made to each  
16 hospital under RCW 74.60.120, and the data used to calculate the  
17 payments to individual hospitals under that section;

18 (iv) The state share, federal share, and total annual medicaid fee-  
19 for-service payments for outpatient hospital services made to each  
20 hospital under RCW 74.60.120, and the data used to calculate annual  
21 payments to individual hospitals under that section;

22 (v) The annual state share, federal share, and total payments made  
23 to each hospital under each of the following programs: Grants to  
24 certified public expenditure hospitals under RCW 74.60.090, for  
25 critical access hospital payments under RCW 74.60.100; and  
26 disproportionate share programs under RCW 74.60.110, and the data used  
27 to calculate annual payments to individual hospitals under those  
28 sections; and

29 (vi) The amount of payments made to managed care plans under RCW  
30 74.60.130, including the amount representing additional premium tax,  
31 and the data used to calculate those payments.

32 **Sec. 6.** RCW 74.60.070 and 2010 1st sp.s. c 30 s 8 are each amended  
33 to read as follows:

34 The incidence and burden of assessments imposed under this chapter  
35 shall be on hospitals and the expense associated with the assessments  
36 shall constitute a part of the operating overhead of hospitals.  
37 Hospitals shall not increase charges or billings to patients or third-

1 party payers as a result of the assessments under this chapter. The  
2 ((department)) authority may require hospitals to submit certified  
3 statements by their chief financial officers or equivalent officials  
4 attesting that they have not increased charges or billings as a result  
5 of the assessments.

6 **Sec. 7.** RCW 74.60.080 and 2010 1st sp.s. c 30 s 9 are each amended  
7 to read as follows:

8 ~~((Upon satisfaction of the applicable conditions set forth in RCW  
9 74.60.150(1), the department shall:~~

10 ~~(1) Restore medicaid inpatient and outpatient reimbursement rates  
11 to levels as if the four percent medicaid inpatient and outpatient rate  
12 reductions did not occur on July 1, 2009; and~~

13 ~~(2) Recalculate the amount payable to each hospital that submitted  
14 an otherwise allowable claim for inpatient and outpatient  
15 medicaid covered services rendered from and after July 1, 2009, up to  
16 and including the date when the applicable conditions under RCW  
17 74.60.150(1) have been satisfied, as if the four percent medicaid  
18 inpatient and outpatient rate reductions did not occur effective July  
19 1, 2009, and, within sixty calendar days after the date upon which the  
20 applicable conditions set forth in RCW 74.60.150(1) have been~~

21 ~~satisfied, remit the difference to each hospital.)) In each fiscal year  
22 and upon satisfaction of the conditions set forth in RCW 74.60.150(1),  
23 after deducting or reserving amounts authorized to be disbursed under  
24 RCW 74.60.020(4) (d), (e), and (f), disbursements from the fund must be  
25 made as follows:~~

26 (1) For grants to certified public expenditure hospitals in  
27 accordance with RCW 74.60.090;

28 (2) For payments to critical access hospitals in accordance with  
29 RCW 74.60.100;

30 (3) For small rural disproportionate share payments in accordance  
31 with RCW 74.60.110;

32 (4) For payments to hospitals under RCW 74.60.120; and

33 (5) For payments to managed care organizations under RCW 74.60.130  
34 for the provision of hospital services.

35 **Sec. 8.** RCW 74.60.090 and 2011 1st sp.s. c 35 s 2 are each amended  
36 to read as follows:

1           ~~(1) ((Upon satisfaction of the applicable conditions set forth in~~  
2 ~~RCW 74.60.150(1) and for services rendered on or after February 1,~~  
3 ~~2010, through June 30, 2011, the department shall increase the medicaid~~  
4 ~~inpatient and outpatient fee for service hospital reimbursement rates~~  
5 ~~in effect on June 30, 2009, by the percentages specified below:~~

6           ~~(a) Prospective payment system hospitals:~~

7           ~~(i) Inpatient psychiatric services: Thirteen percent;~~

8           ~~(ii) Inpatient services: Thirteen percent;~~

9           ~~(iii) Outpatient services: Thirty six and eighty three one~~  
10 ~~hundredths percent.~~

11           ~~(b) Harborview medical center and University of Washington medical~~  
12 ~~center:~~

13           ~~(i) Inpatient psychiatric services: Three percent;~~

14           ~~(ii) Inpatient services: Three percent;~~

15           ~~(iii) Outpatient services: Twenty one percent.~~

16           ~~(c) Rehabilitation hospitals:~~

17           ~~(i) Inpatient services: Thirteen percent;~~

18           ~~(ii) Outpatient services: Thirty six and eighty three one~~  
19 ~~hundredths percent.~~

20           ~~(d) Psychiatric hospitals:~~

21           ~~(i) Inpatient psychiatric services: Thirteen percent;~~

22           ~~(ii) Inpatient services: Thirteen percent.~~

23           ~~(2) Upon satisfaction of the applicable conditions set forth in RCW~~  
24 ~~74.60.150(1) and for services rendered on or after July 1, 2011, the~~  
25 ~~department shall increase the medicaid inpatient and outpatient~~  
26 ~~fee for service hospital reimbursement rates in effect on June 30,~~  
27 ~~2009, by the percentages specified below:~~

28           ~~(a) Prospective payment system hospitals:~~

29           ~~(i) Inpatient psychiatric services: Thirteen percent;~~

30           ~~(ii) Inpatient services: Three and ninety six one hundredths~~  
31 ~~percent;~~

32           ~~(iii) Outpatient services: Twenty seven and twenty five one~~  
33 ~~hundredths percent.~~

34           ~~(b) Harborview medical center and University of Washington medical~~  
35 ~~center:~~

36           ~~(i) Inpatient psychiatric services: Three percent;~~

37           ~~(ii) Inpatient services: Three percent;~~

38           ~~(iii) Outpatient services: Twenty one percent.~~

1 ~~(c) Rehabilitation hospitals:~~  
2 ~~(i) Inpatient services: Thirteen percent;~~  
3 ~~(ii) Outpatient services: Thirty six and eighty three one~~  
4 ~~hundredths percent.~~

5 ~~(d) Psychiatric hospitals:~~  
6 ~~(i) Inpatient psychiatric services: Thirteen percent;~~  
7 ~~(ii) Inpatient services: Thirteen percent.~~

8 ~~(3) For claims processed for services rendered on or after February~~  
9 ~~1, 2010, but prior to satisfaction of the applicable conditions~~  
10 ~~specified in RCW 74.60.150(1), the department shall, within sixty~~  
11 ~~calendar days after satisfaction of those conditions, calculate the~~  
12 ~~amount payable to hospitals in accordance with this section and remit~~  
13 ~~the difference to each hospital that has submitted an otherwise~~  
14 ~~allowable claim for payment for such services.~~

15 ~~(4) By December 1, 2012, the department will submit a study to the~~  
16 ~~legislature with recommendations on the amount of the assessments~~  
17 ~~necessary to continue to support hospital payments for the 2013-2015~~  
18 ~~biennium. The evaluation will assess medicaid hospital payments~~  
19 ~~relative to medicaid hospital costs. The study should address current~~  
20 ~~federal law, including any changes on scope of medicaid coverage,~~  
21 ~~provisions related to provider taxes, and impacts of federal health~~  
22 ~~care reform legislation. The study should also address the state's~~  
23 ~~economic forecast. Based on the forecast, the department should~~  
24 ~~recommend the amount of assessment needed to support future hospital~~  
25 ~~payments and the departmental administrative expenses. Recommendations~~  
26 ~~should be developed with the fiscal committees of the legislature,~~  
27 ~~office of financial management, and the Washington state hospital~~  
28 ~~association.)~~

29 In each fiscal year commencing upon satisfaction of the  
30 applicable conditions set forth in RCW 74.60.150(1), funds must be  
31 disbursed from the fund and the authority shall make grants to  
32 certified public expenditure hospitals, which may not be considered  
33 payments for hospital services, as follows:

34 (a) University of Washington medical center: Three million three  
35 hundred thousand dollars per fiscal year;

36 (b) Harborview medical center: Seven million six hundred thousand  
37 dollars per fiscal year;

38 (c) All other certified public expenditure hospitals: Four million  
seven hundred thousand dollars per fiscal year. The amount of payments

1 to individual hospitals under this subsection must be determined using  
2 a methodology that provides each hospital with a proportional  
3 allocation of the group's total amount of medicaid payments determined  
4 from claims and encounter data using the same general methodology as  
5 described in RCW 74.60.120 (3) and (4).

6 (2) Payments must be made quarterly, taking the total disbursement  
7 amount and dividing by four to calculate the quarterly amount. The  
8 initial payment, which must include all amounts due from and after July  
9 1, 2013, to the date of the initial payment, must be made within thirty  
10 days after satisfaction of the conditions set forth in RCW  
11 74.60.150(1). The authority shall provide a quarterly report of such  
12 payments to the Washington state hospital association.

13 **Sec. 9.** RCW 74.60.100 and 2010 1st sp.s. c 30 s 11 are each  
14 amended to read as follows:

15 ~~((Upon satisfaction of the applicable conditions set forth in RCW~~  
16 ~~74.60.150(1), the department shall pay critical access hospitals that~~  
17 ~~do not qualify for or receive a small rural disproportionate share~~  
18 ~~payment in the subject state fiscal year an access payment of fifty~~  
19 ~~dollars for each medicaid inpatient day, exclusive of days on which a~~  
20 ~~swing bed is used for subacute care, from and after July 1, 2009.~~  
21 ~~Initial payments to hospitals, covering the period from July 1, 2009,~~  
22 ~~to the date when the applicable conditions under RCW 74.60.150(1) are~~  
23 ~~satisfied, shall be made within sixty calendar days after such~~  
24 ~~conditions are satisfied. Subsequent payments shall be made to~~  
25 ~~critical access hospitals on an annual basis at the time that~~  
26 ~~disproportionate share eligibility and payment for the state fiscal~~  
27 ~~year are established. These payments shall be in addition to any other~~  
28 ~~amount payable with respect to services provided by critical access~~  
29 ~~hospitals and shall not reduce any other payments to critical access~~  
30 ~~hospitals.)) In each fiscal year commencing upon satisfaction of the~~  
31 ~~conditions set forth in RCW 74.60.150(1), the authority shall make~~  
32 ~~access payments to critical access hospitals that do not qualify for or~~  
33 ~~receive a small rural disproportionate share hospital payment in a~~  
34 ~~given fiscal year in the total amount of five hundred twenty thousand~~  
35 ~~dollars from the fund. The amount of payments to individual hospitals~~  
36 ~~under this subsection must be determined using a methodology that~~  
37 ~~provides each hospital with a proportional allocation of the group's~~

1 total amount of medicaid payments determined from claims and encounter  
2 data using the same general methodology as described in RCW 74.60.120  
3 (3) and (4). Payments must be made after the authority determines a  
4 hospital's payments under RCW 74.60.110. These payments shall be in  
5 addition to any other amount payable with respect to services provided  
6 by critical access hospitals and shall not reduce any other payments to  
7 critical access hospitals. The authority shall provide a report of  
8 such payments to the Washington state hospital association within  
9 thirty days after payments are made.

10 **Sec. 10.** RCW 74.60.110 and 2010 1st sp.s. c 30 s 12 are each  
11 amended to read as follows:

12 ~~((Upon satisfaction of the applicable conditions set forth in RCW~~  
13 ~~74.60.150(1), small rural disproportionate share payments shall be~~  
14 ~~increased to one hundred twenty percent of the level in effect as of~~  
15 ~~June 30, 2009, for the period from and after July 1, 2009, until July~~  
16 ~~1, 2013. Initial payments, covering the period from July 1, 2009, to~~  
17 ~~the date when the applicable conditions under RCW 74.60.150(1) are~~  
18 ~~satisfied, shall be made within sixty calendar days after those~~  
19 ~~conditions are satisfied. Subsequent payments shall be made directly~~  
20 ~~to hospitals by the department on a periodic basis.)) In each fiscal~~

21 year commencing upon satisfaction of the applicable conditions set  
22 forth in RCW 74.60.150(1), one million nine hundred nine thousand  
23 dollars must be distributed from the fund and, with available federal  
24 matching funds, paid to hospitals eligible for small rural  
25 disproportionate share payments under WAC 182-550-4900 or successor  
26 rule. Payments must be made directly to hospitals by the authority in  
27 accordance with that regulation. The authority shall provide a report  
28 of such payments to the Washington state hospital association within  
29 thirty days after payments are made.

30 **Sec. 11.** RCW 74.60.120 and 2010 1st sp.s. c 30 s 13 are each  
31 amended to read as follows:

32 ~~((Subject to the applicable conditions set forth in RCW~~  
33 ~~74.60.150(1), the department shall:~~

34 ~~(1) Amend medicaid managed care and regional support network~~  
35 ~~contracts as necessary in order to ensure compliance with this chapter;~~

1       ~~(2) With respect to the inpatient and outpatient rates established~~  
2 ~~by RCW 74.60.080:~~

3       ~~(a) Upon satisfaction of the applicable conditions under RCW~~  
4 ~~74.60.150(1), increase payments to managed care organizations and~~  
5 ~~regional support networks as necessary to ensure that hospitals are~~  
6 ~~reimbursed in accordance with RCW 74.60.080(1) for services rendered~~  
7 ~~from and after the date when applicable conditions under RCW~~  
8 ~~74.60.150(1) have been satisfied, and pay an additional amount equal to~~  
9 ~~the estimated amount of additional state taxes on managed care~~  
10 ~~organizations or regional support networks due as a result of the~~  
11 ~~payments under this section, and require managed care organizations and~~  
12 ~~regional support networks to make payments to each hospital in~~  
13 ~~accordance with RCW 74.60.080. The increased payments made to~~  
14 ~~hospitals pursuant to this subsection shall be in addition to any other~~  
15 ~~amounts payable to hospitals by managed care organizations or regional~~  
16 ~~support networks and shall not affect any other payments to hospitals;~~

17       ~~(b) Within sixty calendar days after satisfaction of the applicable~~  
18 ~~conditions under RCW 74.60.150(1), calculate the additional amount due~~  
19 ~~to each hospital to pay claims submitted for inpatient and outpatient~~  
20 ~~medicaid covered services rendered from and after July 1, 2009, through~~  
21 ~~the date when the applicable conditions under RCW 74.60.150(1) have~~  
22 ~~been satisfied, based on the rates required by RCW 74.60.080(2), make~~  
23 ~~payments to managed care organizations and regional support networks in~~  
24 ~~amounts sufficient to pay the additional amounts due to each hospital~~  
25 ~~plus an additional amount equal to the estimated amount of additional~~  
26 ~~state taxes on managed care organizations or regional support networks~~  
27 ~~due as a result of the payments under this subsection, and require~~  
28 ~~managed care organizations and regional support networks to make~~  
29 ~~payments to each hospital in accordance with the department's~~  
30 ~~calculations within forty five calendar days after the department~~  
31 ~~disburses funds for those purposes;~~

32       ~~(3) With respect to the inpatient and outpatient hospital rates~~  
33 ~~established by RCW 74.60.090:~~

34       ~~(a) Upon satisfaction of the applicable conditions under RCW~~  
35 ~~74.60.150(1), increase payments to managed care organizations and~~  
36 ~~regional support networks as necessary to ensure that hospitals are~~  
37 ~~reimbursed in accordance with RCW 74.60.090, and pay an additional~~



1 amount equal to the estimated amount of additional state taxes on  
2 managed care organizations or regional support networks due as a result  
3 of the payments under this section;

4 (b) Require managed care organizations and regional support  
5 networks to reimburse hospitals for hospital inpatient and outpatient  
6 services rendered after the date that the applicable conditions under  
7 RCW 74.60.150(1) are satisfied at rates no lower than the combined  
8 rates established by RCW 74.60.080 and 74.60.090;

9 (c) Within sixty calendar days after satisfaction of the applicable  
10 conditions under RCW 74.60.150(1), calculate the additional amount due  
11 to each hospital to pay claims submitted for inpatient and outpatient  
12 medicaid covered services rendered from and after February 1, 2010,  
13 through the date when the applicable conditions under RCW 74.60.150(1)  
14 are satisfied based on the rates required by RCW 74.60.090, make  
15 payments to managed care organizations and regional support networks in  
16 amounts sufficient to pay the additional amounts due to each hospital  
17 plus an additional amount equal to the estimated amount of additional  
18 state taxes on managed care organizations or regional support networks,  
19 and require managed care organizations and regional support networks to  
20 make payments to each hospital in accordance with the department's  
21 calculations within forty five calendar days after the department  
22 disburses funds for those purposes;

23 (d) Require managed care organizations that contract with health  
24 care organizations that provide, directly or by contract, health care  
25 services on a prepaid or capitated basis to make payments to health  
26 care organizations for any of the hospital payments that the managed  
27 care organizations would have been required to pay to hospitals under  
28 this section if the managed care organizations did not contract with  
29 those health care organizations, and require the managed care  
30 organizations to require those health care organizations to make  
31 equivalent payments to the hospitals that would have received payments  
32 under this section if the managed care organizations did not contract  
33 with the health care organizations;

34 (4) The department shall ensure that the increases to the medicaid  
35 fee schedules as described in RCW 74.60.090 are included in the  
36 development of healthy options premiums.

37 (5) The department may require managed care organizations and  
38 regional support networks to demonstrate compliance with this

1 section.) (1) Beginning in state fiscal year 2014, commencing thirty  
2 days after satisfaction of the applicable conditions set forth in RCW  
3 74.60.150(1), and for the period of state fiscal years 2014 through  
4 2017, the authority shall make supplemental payments directly to  
5 Washington hospitals, separately for inpatient and outpatient fee-for-  
6 service medicaid services, as follows:

7 (a) For inpatient fee-for-service payments for prospective payment  
8 hospitals other than psychiatric or rehabilitation hospitals, twenty-  
9 nine million two hundred twenty-five thousand dollars from the fund,  
10 plus federal matching funds;

11 (b) For outpatient fee-for-service payments for prospective payment  
12 hospitals other than psychiatric or rehabilitation hospitals, thirty  
13 million dollars from the fund, plus federal matching funds;

14 (c) For inpatient fee-for-service payments for psychiatric  
15 hospitals, six hundred twenty-five thousand dollars from the fund, plus  
16 federal matching funds;

17 (d) For inpatient fee-for-service payments for rehabilitation  
18 hospitals, one hundred fifty thousand dollars from the fund, plus  
19 federal matching funds;

20 (e) For inpatient fee-for-service payments for border hospitals,  
21 two hundred fifty thousand dollars from the fund, plus federal matching  
22 funds; and

23 (f) For outpatient fee-for-service payments for border hospitals,  
24 two hundred fifty thousand dollars from the fund, plus federal matching  
25 funds.

26 (2) If the amount of inpatient or outpatient payments under  
27 subsection (1) of this section, when combined with federal matching  
28 funds, exceeds the upper payment limit, payments to each category of  
29 hospital must be reduced proportionately to a level where the total  
30 payment amount is consistent with the upper payment limit. Funds under  
31 this chapter unable to be paid to hospitals under this section because  
32 of the upper payment limit must be paid to managed care organizations  
33 under RCW 74.60.130, subject to the limitations set forth in this  
34 chapter.

35 (3) The amount of such fee-for-service inpatient payments to  
36 individual hospitals within each of the categories identified in  
37 subsection (1)(a), (c), (d), and (e) of this section must be determined  
38 by:

1       (a) Applying the medicaid fee-for-service rates in effect on July  
2 1, 2009, without regard to the increases required by chapter 30, Laws  
3 of 2010 1st sp. sess. to each hospital's inpatient fee-for-services  
4 claims and medicaid managed care encounter data for the base year;

5       (b) Applying the medicaid fee-for-service rates in effect on July  
6 1, 2009, without regard to the increases required by chapter 30, Laws  
7 of 2010 1st sp. sess. to all hospitals' inpatient fee-for-services  
8 claims and medicaid managed care encounter data for the base year; and

9       (c) Using the amounts calculated under (a) and (b) of this  
10 subsection to determine an individual hospital's percentage of the  
11 total amount to be distributed to each category of hospital.

12       (4) The amount of such fee-for-service outpatient payments to  
13 individual hospitals within each of the categories identified in  
14 subsection (1)(b) and (f) of this section must be determined by:

15       (a) Applying the medicaid fee-for-service rates in effect on July  
16 1, 2009, without regard to the increases required by chapter 30, Laws  
17 of 2010 1st sp. sess. to each hospital's outpatient fee-for-services  
18 claims and medicaid managed care encounter data for the base year;

19       (b) Applying the medicaid fee-for-service rates in effect on July  
20 1, 2009, without regard to the increases required by chapter 30, Laws  
21 of 2010 1st sp. sess. to all hospitals' outpatient fee-for-services  
22 claims and medicaid managed care encounter data for the base year; and

23       (c) Using the amounts calculated under (a) and (b) of this  
24 subsection to determine an individual hospital's percentage of the  
25 total amount to be distributed to each category of hospital.

26       (5) Thirty days before the initial payments and sixty days before  
27 the first payment in each subsequent fiscal year, the authority shall  
28 provide each hospital and the Washington state hospital association  
29 with an explanation of how the amounts due to each hospital under this  
30 section were calculated.

31       (6) Payments must be made in quarterly installments on or about the  
32 last day of every quarter, except that the initial payment must be made  
33 within thirty days after satisfaction of the conditions set forth in  
34 RCW 74.60.150(1) and must include all amounts due from July 1, 2013, to  
35 the date of the initial payment.

36       (7) A prospective payment system hospital commencing operations  
37 after January 1, 2009, is eligible to receive payments in accordance

1 with this section after becoming an eligible new prospective payment  
2 system hospital as defined in RCW 74.60.010.

3 (8) Payments under this section are supplemental to all other  
4 payments and do not reduce any other payments to hospitals.

5 **Sec. 12.** RCW 74.60.130 and 2010 1st sp.s. c 30 s 14 are each  
6 amended to read as follows:

7 ~~(1) ((The department, in collaboration with the health care~~  
8 ~~authority, the department of health, the department of labor and~~  
9 ~~industries, the Washington state hospital association, the Puget Sound~~  
10 ~~health alliance, and the forum, a collaboration of health carriers,~~  
11 ~~physicians, and hospitals in Washington state, shall design a system of~~  
12 ~~hospital quality incentive payments. The design of the system shall be~~  
13 ~~submitted to the relevant policy and fiscal committees of the~~  
14 ~~legislature by December 15, 2010. The system shall be based upon the~~  
15 ~~following principles:~~

16 ~~(a) Evidence based treatment and processes shall be used to improve~~  
17 ~~health care outcomes for hospital patients;~~

18 ~~(b) Effective purchasing strategies to improve the quality of~~  
19 ~~health care services should involve the use of common quality~~  
20 ~~improvement measures by public and private health care purchasers,~~  
21 ~~while recognizing that some measures may not be appropriate for~~  
22 ~~application to specialty pediatric, psychiatric, or rehabilitation~~  
23 ~~hospitals;~~

24 ~~(c) Quality measures chosen for the system should be consistent~~  
25 ~~with the standards that have been developed by national quality~~  
26 ~~improvement organizations, such as the national quality forum, the~~  
27 ~~federal centers for medicare and medicaid services, or the federal~~  
28 ~~agency for healthcare research and quality. New reporting burdens to~~  
29 ~~hospitals should be minimized by giving priority to measures hospitals~~  
30 ~~are currently required to report to governmental agencies, such as the~~  
31 ~~hospital compare measures collected by the federal centers for medicare~~  
32 ~~and medicaid services;~~

33 ~~(d) Benchmarks for each quality improvement measure should be set~~  
34 ~~at levels that are feasible for hospitals to achieve, yet represent~~  
35 ~~real improvements in quality and performance for a majority of~~  
36 ~~hospitals in Washington state; and~~

1       ~~(e) Hospital performance and incentive payments should be designed~~  
2 ~~in a manner such that all noncritical access hospitals in Washington~~  
3 ~~are able to receive the incentive payments if performance is at or~~  
4 ~~above the benchmark score set in the system established under this~~  
5 ~~section.~~

6       ~~(2) Upon satisfaction of the applicable conditions set forth in RCW~~  
7 ~~74.60.150(1), and for state fiscal year 2013 and each fiscal year~~  
8 ~~thereafter, assessments may be increased to support an additional one~~  
9 ~~percent increase in inpatient hospital rates for noncritical access~~  
10 ~~hospitals that meet the quality incentive benchmarks established under~~  
11 ~~this section.)) For state fiscal year 2014, commencing within thirty~~  
12 ~~days after satisfaction of the conditions set forth in RCW 74.60.150(1)~~  
13 ~~and subsection (6) of this section, and for the period of state fiscal~~  
14 ~~years 2014 through 2017, the authority shall increase capitation~~  
15 ~~payments to managed care organizations by an amount at least equal to~~  
16 ~~the amount available from the fund after deducting disbursements~~  
17 ~~authorized by RCW 74.60.020(4) (c) through (f) and payments required by~~  
18 ~~RCW 74.60.080 through 74.60.120, which must be no less than one hundred~~  
19 ~~fifty-three million one hundred thirty-one thousand six hundred~~  
20 ~~dollars, plus the maximum available amount of federal matching funds.~~  
21 ~~The initial payment following satisfaction of the conditions set forth~~  
22 ~~in RCW 74.60.150(1) must include all amounts due from July 1, 2013.~~

23       (2) In fiscal years 2015, 2016, and 2017, the authority shall use  
24 any additional federal matching funds for the increased managed care  
25 capitation payments under subsection (1) of this section available from  
26 medicaid expansion under the federal patient protection and affordable  
27 care act to substitute for assessment funds which otherwise would have  
28 been used to pay managed care plans under this section.

29       (3) Payments to individual managed care organizations shall be  
30 determined by the authority based on each organization's or network's  
31 enrollment relative to the anticipated total enrollment in each program  
32 for the fiscal year in question, the anticipated utilization of  
33 hospital services by an organization's or network's medicaid enrollees,  
34 and such other factors as are reasonable and appropriate to ensure that  
35 purposes of this chapter are met.

36       (4) In the event that the federal government determines that total  
37 payments to managed care organizations under this section exceed what

1 is permitted under applicable medicaid laws and regulations, payments  
2 must be reduced to levels that meet such requirements, and the balance  
3 remaining must be applied as provided in RCW 74.60.050.

4 (5) Payments under this section do not reduce the amounts that  
5 otherwise would be paid to managed care organizations: PROVIDED, That  
6 such payments are consistent with actuarial soundness certification and  
7 enrollment.

8 (6) Before making such payments, the authority shall require  
9 medicaid managed care organizations to comply with the following  
10 requirements:

11 (a) All payments to managed care organizations under this chapter  
12 must be expended for hospital services provided by Washington hospitals  
13 in a manner consistent with the purposes and provisions of this  
14 chapter, and must be equal to all increased capitation payments under  
15 this section received by the organization or network, consistent with  
16 actuarial certification and enrollment, less an allowance for any  
17 estimated premium taxes the organization is required to pay under Title  
18 48 RCW associated with the payments under this chapter. Payments under  
19 this section are exempt from RCW 74.09.522;

20 (b) Before the end of the quarter in which funds are paid to them,  
21 managed care organizations shall expend the increased capitation  
22 payments under this section in a manner consistent with the purposes of  
23 this chapter;

24 (c) Providing that any delegation or attempted delegation of an  
25 organization's or network's obligations under agreements with the  
26 authority do not relieve the organization or network of its obligations  
27 under this section and related contract provisions;

28 (d) Providing that such organizations will submit such  
29 documentation as the authority may reasonably require in order to  
30 determine their compliance with this section, including quarterly  
31 reports showing distribution of amounts received under this section to  
32 hospitals.

33 (7) No hospital or managed care organizations may use the payments  
34 under this section to gain advantage in negotiations.

35 (8) No hospital has a claim or cause of action against a managed  
36 care organization for monetary compensation based on the amount of  
37 payments under subsection (6) of this section.

1       (9) If funds cannot be used to pay for services in accordance with  
2 this chapter the managed care organization or network must return the  
3 funds to the authority, which shall return them to the hospital safety  
4 net assessment fund.

5       **Sec. 13.** RCW 74.60.140 and 2010 1st sp.s. c 30 s 16 are each  
6 amended to read as follows:

7       (1) If an entity owns or operates more than one hospital subject to  
8 assessment under this chapter, the entity shall pay the assessment for  
9 each hospital separately. However, if the entity operates multiple  
10 hospitals under a single medicaid provider number, it may pay the  
11 assessment for the hospitals in the aggregate.

12       (2) Notwithstanding any other provision of this chapter, if a  
13 hospital subject to the assessment imposed under this chapter ceases to  
14 conduct hospital operations throughout a state fiscal year, the  
15 assessment for the quarter in which the cessation occurs shall be  
16 adjusted by multiplying the assessment computed under RCW 74.60.030  
17 (~~((1) and (3))~~) by a fraction, the numerator of which is the number of  
18 days during the year which the hospital conducts, operates, or  
19 maintains the hospital and the denominator of which is three hundred  
20 sixty-five. Immediately prior to ceasing to conduct, operate, or  
21 maintain a hospital, the hospital shall pay the adjusted assessment for  
22 the fiscal year to the extent not previously paid.

23       ~~(3) ((Notwithstanding any other provision of this chapter, in the~~  
24 ~~case of a hospital that commences conducting, operating, or maintaining~~  
25 ~~a hospital that is not exempt from payment of the assessment under RCW~~  
26 ~~74.60.040 and that did not conduct, operate, or maintain such hospital~~  
27 ~~throughout the cost reporting year used to determine the assessment~~  
28 ~~amount, the assessment for that hospital shall be computed on the basis~~  
29 ~~of the actual number of nonmedicare inpatient days reported to the~~  
30 ~~department by the hospital on a quarterly basis. The hospital shall be~~  
31 ~~eligible to receive increased payments under this chapter beginning on~~  
32 ~~the date it commences hospital operations.~~

33       ~~(4))~~) Notwithstanding any other provision of this chapter, if a  
34 hospital previously subject to assessment is sold or transferred to  
35 another entity and remains subject to assessment, the assessment for  
36 that hospital shall be computed based upon the cost report data  
37 previously submitted by that hospital. The assessment shall be

1 allocated between the transferor and transferee based on the number of  
2 days within the assessment period that each owned, operated, or  
3 maintained the hospital.

4 **Sec. 14.** RCW 74.60.150 and 2010 1st sp.s. c 30 s 17 are each  
5 amended to read as follows:

6 (1) The assessment, collection, and disbursement of funds under  
7 this chapter shall be conditional upon:

8 ~~(a) ((Withdrawal of those aspects of any pending state plan~~  
9 ~~amendments previously submitted to the centers for medicare and~~  
10 ~~medicaid services that are inconsistent with this chapter, specifically~~  
11 ~~any pending state plan amendment related to the four percent rate~~  
12 ~~reductions for inpatient and outpatient hospital rates and elimination~~  
13 ~~of the small rural disproportionate share hospital payment program as~~  
14 ~~implemented July 1, 2009;~~

15 ~~(b) Approval by the centers for medicare and medicaid services of~~  
16 ~~any state plan amendments or waiver requests that are necessary in~~  
17 ~~order to implement the applicable sections of this chapter;~~

18 (e)) Final approval by the centers for medicare and medicaid  
19 services of any state plan amendments or waiver requests that are  
20 necessary in order to implement the applicable sections of this chapter  
21 including, if necessary, waiver of the broad-based or uniformity  
22 requirements as specified under section 1903(w)(3)(E) of the federal  
23 social security act and 42 C.F.R. 433.68(e);

24 (b) To the extent necessary, amendment of contracts between the  
25 ~~((department))~~ authority and managed care organizations in order to  
26 implement this chapter; and

27 ~~((d))~~ (c) Certification by the office of financial management  
28 that appropriations have been adopted that fully support the rates  
29 established in this chapter for the upcoming fiscal year.

30 (2) This chapter ~~((does not take effect or))~~ ceases to be imposed,  
31 and any moneys remaining in the fund shall be refunded to hospitals in  
32 proportion to the amounts paid by such hospitals, if and to the extent  
33 that any of the following conditions occur:

34 ~~((An appellate court or the centers for medicare and medicaid~~  
35 ~~services))~~ The federal department of health and human services and a  
36 court of competent jurisdiction makes a final determination, with all



1 appeals exhausted, that any element of this chapter, other than RCW  
2 74.60.100, cannot be validly implemented;

3 ~~(b) ((Medicaid inpatient or outpatient reimbursement rates for  
4 hospitals are reduced below the combined rates established by RCW  
5 74.60.080 and 74.60.090;~~

6 ~~(c) Except for payments to the University of Washington medical  
7 center and Harborview medical center, payments to hospitals required  
8 under RCW 74.60.080, 74.60.090, 74.60.110, and 74.60.120 are not  
9 eligible for federal matching funds;~~

10 ~~(d) Other funding available for the Medicaid program is not  
11 sufficient to maintain Medicaid inpatient and outpatient reimbursement  
12 rates at the levels set in RCW 74.60.080, 74.60.090, and 74.60.110))  
13 Funds generated by the assessment for payments to prospective payment  
14 hospitals or managed care organizations are determined to be not  
15 eligible for federal match;~~

16 (c) Other funding sufficient to maintain aggregate payment levels  
17 to hospitals for inpatient and outpatient services covered by Medicaid,  
18 including fee-for-service and managed care, at least at the levels the  
19 state paid for those services on July 1, 2009, as adjusted for current  
20 enrollment and utilization, but without regard to payment increases  
21 resulting from chapter 30, Laws of 2010 1st sp. sess., is not  
22 appropriated or available;

23 (d) Payments required by this chapter are reduced, except as  
24 specifically authorized in this chapter, or payments are not made in  
25 substantial compliance with the time frames set forth in this chapter;

26 or

27 (e) The fund is used as a substitute for or to supplant other  
28 funds, except as authorized by RCW 74.60.020(~~(3)~~(e)).

29 **Sec. 15.** RCW 74.60.900 and 2010 1st sp.s. c 30 s 18 are each  
30 amended to read as follows:

31 (1) The provisions of this chapter are not severable: If the  
32 conditions set forth in RCW 74.60.150(1) are not satisfied or if any of  
33 the circumstances set forth in RCW 74.60.150(2) should occur, this  
34 entire chapter shall have no effect from that point forward(~~, except  
35 that if the payment under RCW 74.60.100, or the application thereof to  
36 any hospital or circumstances does not receive approval by the centers  
37 for Medicare and Medicaid services as described in RCW 74.60.150(1)(b)~~

1 ~~or is determined to be unconstitutional or otherwise invalid, the other~~  
2 ~~provisions of this chapter or its application to hospitals or~~  
3 ~~circumstances other than those to which it is held invalid shall not be~~  
4 ~~affected thereby)).~~

5 (2) In the event that any portion of this chapter shall have been  
6 validly implemented and the entire chapter is later rendered  
7 ineffective under this section, prior assessments and payments under  
8 the validly implemented portions shall not be affected.

9 ~~((3) In the event that the payment under RCW 74.60.100, or the~~  
10 ~~application thereof to any hospital or circumstances does not receive~~  
11 ~~approval by the centers for medicare and medicaid services as described~~  
12 ~~in RCW 74.60.150(1)(b) or is determined to be unconstitutional or~~  
13 ~~otherwise invalid, the amount of the assessment shall be adjusted under~~  
14 ~~RCW 74.60.050(1)(c).))~~

15 NEW SECTION. **Sec. 16.** A new section is added to chapter 74.60 RCW  
16 to read as follows:

17 (1) The legislature intends to provide the hospitals with an  
18 opportunity to contract with the authority each fiscal biennium to  
19 protect the hospitals from future legislative action during the  
20 biennium that could result in hospitals receiving less from  
21 supplemental payments, increased managed care payments,  
22 disproportionate share hospital payments, or access payments than the  
23 hospitals expected to receive in return for the assessment based on the  
24 biennial appropriations and assessment legislation.

25 (2) Each odd-numbered year after enactment of the biennial omnibus  
26 operating appropriations act, the authority shall offer to enter into  
27 a contract for the period of the fiscal biennium beginning July 1st  
28 with a hospital that is required to pay the assessment under this  
29 chapter. The contract must include the following terms:

30 (a) The authority must agree not to do any of the following:

31 (i) Increase the assessment from the level set by the authority  
32 pursuant to this chapter on the first day of the contract period for  
33 reasons other than those allowed under RCW 74.60.050(2);

34 (ii) Reduce aggregate payment levels to hospitals for inpatient and  
35 outpatient services covered by medicaid, including fee-for-service and  
36 managed care, allowing for variations due to budget-neutral rebasing

1 and adjusting for changes in enrollment and utilization, from the  
2 levels the state paid for those services on the first day of the  
3 contract period;

4 (iii) For critical access hospitals only, reduce the levels of  
5 disproportionate share hospital payments under RCW 74.60.110 or access  
6 payments under RCW 74.60.100 for all critical access hospitals below  
7 the levels specified in those sections on the first day of the contract  
8 period;

9 (iv) For prospective payment system, psychiatric, and  
10 rehabilitation hospitals only, reduce the levels of supplemental  
11 payments under RCW 74.60.120 for all prospective payment system  
12 hospitals below the levels specified in that section on the first day  
13 of the contract period unless the supplemental payments are reduced  
14 under RCW 74.60.120(2);

15 (v) For prospective payment system, psychiatric, and rehabilitation  
16 hospitals only, reduce the increased capitation payments to managed  
17 care organizations under RCW 74.60.130 below the levels specified in  
18 that section on the first day of the contract period unless the managed  
19 care payments are reduced under RCW 74.60.130(4); or

20 (vi) Except as specified in this chapter, use assessment revenues  
21 for any other purpose than to secure federal medicaid matching funds to  
22 support payments to hospitals for medicaid services; and

23 (b) As long as payment levels are maintained as required under this  
24 chapter, the hospital must agree not to challenge the authority's  
25 reduction of hospital reimbursement rates to July 1, 2009, levels, as  
26 specified in this chapter, under 42 U.S.C. Sec. 1396a(a)(30)(a) either  
27 through administrative appeals or in court during the period of the  
28 contract.

29 (3) If a court finds that the authority has breached an agreement  
30 with a hospital under subsection (2)(a) of this section, the authority:

31 (a) Must immediately refund any assessment payments made subsequent  
32 to the breach by that hospital upon receipt; and

33 (b) May discontinue supplemental payments, increased managed care  
34 payments, disproportionate share hospital payments, and access payments  
35 made subsequent to the breach for the hospital that are required under  
36 this chapter.

37 (4) The remedies provided in this section are not exclusive of any

1 other remedies and rights that may be available to the hospital whether  
2 provided in this chapter or otherwise in law, equity, or statute.

3 NEW SECTION. **Sec. 17.** A new section is added to chapter 74.09 RCW  
4 to read as follows:

5 (1) If sufficient funds are made available as provided in  
6 subsection (2) of this section the authority, in collaboration with the  
7 Washington state hospital association, shall design a system of  
8 hospital quality incentive payments for noncritical access hospitals.  
9 The system must be based upon the following principles:

10 (a) Evidence-based treatment and processes must be used to improve  
11 health care outcomes for hospital patients;

12 (b) Effective purchasing strategies to improve the quality of  
13 health care services should involve the use of common quality  
14 improvement measures by public and private health care purchasers,  
15 while recognizing that some measures may not be appropriate for  
16 application to specialty pediatric, psychiatric, or rehabilitation  
17 hospitals;

18 (c) Quality measures chosen for the system should be consistent  
19 with the standards that have been developed by national quality  
20 improvement organizations, such as the national quality forum, the  
21 federal centers for medicare and medicaid services, or the federal  
22 agency for healthcare research and quality. New reporting burdens to  
23 hospitals should be minimized by giving priority to measures hospitals  
24 are currently required to report to governmental agencies, such as the  
25 hospital compare measures collected by the federal centers for medicare  
26 and medicaid services;

27 (d) Benchmarks for each quality improvement measure should be set  
28 at levels that are feasible for hospitals to achieve, yet represent  
29 real improvements in quality and performance for a majority of  
30 hospitals in Washington state; and

31 (e) Hospital performance and incentive payments should be designed  
32 in a manner such that all noncritical access hospitals are able to  
33 receive the incentive payments if performance is at or above the  
34 benchmark score set in the system established under this section.

35 (2) If hospital safety net assessment funds described in RCW  
36 74.60.020 are made available, such funds must be used to support an

1 additional one percent increase in inpatient hospital rates for  
2 noncritical access hospitals that:

3 (a) Meet the quality incentive benchmarks established under this  
4 section; and

5 (b) Participate in Washington state hospital association  
6 collaboratives related to the benchmarks in order to improve care and  
7 promote sharing of best practices with other hospitals.

8 (3) Funds directed from any other lawful source may also be used to  
9 support the purposes of this section.

10 **Sec. 18.** RCW 74.60.901 and 2010 1st sp.s. c 30 s 21 are each  
11 amended to read as follows:

12 This chapter expires July 1, (~~2013~~) 2017.

13 NEW SECTION. **Sec. 19.** This act is necessary for the immediate  
14 preservation of the public peace, health, or safety, or support of the  
15 state government and its existing public institutions, and takes effect  
16 immediately.

--- END ---