
HOUSE BILL 2016

State of Washington 63rd Legislature 2013 Regular Session

By Representatives Jenkins, Hunter, and Alexander

Read first time 03/19/13. Referred to Committee on Appropriations.

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 74.09 RCW; providing an expiration date; and declaring an
6 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))~~ To generate approximately three hundred forty-five
20 million dollars per state fiscal year in new state and federal funds by
21 disbursing all of that amount to pay for medicaid hospital services and
22 grants to certified public expenditure hospitals, except costs of
23 administration as specified herein, in the form of additional payments
24 to hospitals and managed care plans, which may not be a substitute for
25 payments from other sources;

26 (c) That the total amount assessed not exceed the amount needed, in
27 combination with all other available funds, to support the
28 ~~((reimbursement rates and other))~~ payments authorized by this chapter;
29 and

30 (d) To condition the assessment on receiving federal approval for
31 receipt of additional federal financial participation and on
32 continuation of other funding sufficient to maintain ~~((hospital~~
33 ~~inpatient and outpatient reimbursement rates and small rural~~
34 ~~disproportionate share payments at least at the levels in effect on~~
35 ~~July 1, 2009))~~ aggregate payment levels to hospitals for inpatient and
36 outpatient services covered by medicaid, including fee-for-service and
37 managed care, at least at the levels the state paid for those services

1 on July 1, 2009, as adjusted for current enrollment and utilization,
2 but without regard to payment increases resulting from chapter 30, Laws
3 of 2010 1st sp. sess.

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

6 The definitions in this section apply throughout this chapter
7 unless the context clearly requires otherwise.

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

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

12 (3) "Bordering city hospital" means a hospital as defined in WAC
13 182-550-1050 or bordering cities as described in WAC 182-501-0175, or
14 successor rules.

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

25 ((+2)) (5) "Critical access hospital" means a hospital as
26 described in RCW 74.09.5225.

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

29 (+4)) (6) "Director" means the director of the health care
30 authority.

31 (7) "Eligible new prospective payment hospital" means a prospective
32 payment hospital opened after January 1, 2009, for which a full year of
33 cost report data as described in RCW 74.60.030(2) and a full year of
34 medicaid base year data required for the calculations in RCW
35 74.60.120(3) are available.

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

1 ~~((+5))~~ (9) "Hospital" means a facility licensed under chapter
2 70.41 RCW.

3 ~~((+6))~~ (10) "Long-term acute care hospital" means a hospital which
4 has an average inpatient length of stay of greater than twenty-five
5 days as determined by the department of health.

6 ~~((+7))~~ (11) "Managed care organization" means an organization
7 having a certificate of authority or certificate of registration from
8 the office of the insurance commissioner that contracts with the
9 ~~((department))~~ authority under a comprehensive risk contract to provide
10 prepaid health care services to eligible clients under the
11 ~~((department's))~~ authority's medicaid managed care programs, including
12 the healthy options program.

13 ~~((+8))~~ (12) "Medicaid" means the medical assistance program as
14 established in Title XIX of the social security act and as administered
15 in the state of Washington by the ~~((department of social and health
16 services))~~ authority.

17 ~~((+9))~~ (13) "Medicare cost report" means the medicare cost report,
18 form 2552~~((96))~~, or successor document.

19 ~~((+10))~~ (14) "Nonmedicare hospital inpatient day" means total
20 hospital inpatient days less medicare inpatient days, including
21 medicare days reported for medicare managed care plans, as reported on
22 the medicare cost report, form 2552~~((96))~~, or successor forms,
23 excluding all skilled and nonskilled nursing facility days, skilled and
24 nonskilled swing bed days, nursery days, observation bed days, hospice
25 days, home health agency days, and other days not typically associated
26 with an acute care inpatient hospital stay.

27 ~~((+11))~~ (15) "Prospective payment system hospital" means a
28 hospital reimbursed for inpatient and outpatient services provided to
29 medicaid beneficiaries under the inpatient prospective payment system
30 and the outpatient prospective payment system as defined in WAC
31 ~~((388-550-1050))~~ 182-550-1050. For purposes of this chapter,
32 prospective payment system hospital does not include a hospital
33 participating in the certified public expenditure program or a
34 bordering city hospital located outside of the state of Washington and
35 in one of the bordering cities listed in WAC ~~((388-501-0175))~~ 182-501-
36 0175 or successor ~~((regulation))~~ rule.

37 ~~((+12))~~ (16) "Psychiatric hospital" means a hospital facility
38 licensed as a psychiatric hospital under chapter 71.12 RCW.

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

3 ~~(14))~~ (17) "Rehabilitation hospital" means a medicare-certified
4 freestanding inpatient rehabilitation facility.

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

7 ~~(16))~~ (18) "Small rural disproportionate share hospital payment"
8 means a payment made in accordance with WAC ~~((388-550-5200))~~ 182-550-
9 5200 or ~~((subsequently filed regulation))~~ successor rule.

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

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

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

26 (a) Any unexpended balance in the fund at the end of a fiscal
27 biennium shall carry over into the following biennium and shall be
28 applied to reduce the amount of the assessment under RCW
29 74.60.050(1)(c).

30 (b) Any amounts remaining in the fund ~~((on))~~ after July 1, ~~((2013))~~
31 2017, shall be ~~((used to make increased payments in accordance with RCW~~
32 ~~74.60.090 and 74.60.120 for any outstanding claims with dates of~~
33 ~~service prior to July 1, 2013. Any amounts remaining in the fund after~~
34 ~~such increased payments are made shall be refunded to hospitals, pro~~
35 ~~rata according to the amount paid by the hospital, subject to the~~
36 ~~limitations of federal law))~~ refunded to hospitals, pro rata according

1 to the amount paid by the hospital since July 1, 2013, subject to the
2 limitations of federal law.

3 (2) All assessments, interest, and penalties collected by the
4 ((department)) authority under RCW 74.60.030 and 74.60.050 shall be
5 deposited into the fund.

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

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

10 ~~(b) Upon certification by the secretary that the conditions set~~
11 ~~forth in RCW 74.60.150(1) have been met with respect to the assessments~~
12 ~~imposed under RCW 74.60.030 (1) and (2), the payments provided under~~
13 ~~RCW 74.60.080, payments provided under RCW 74.60.120(2), and any~~
14 ~~initial payments under RCW 74.60.100 and 74.60.110, funds shall be~~
15 ~~disbursed in the amount necessary to make the payments specified in~~
16 ~~those sections;~~

17 ~~(c) 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(3) and the payments provided under RCW~~
20 ~~74.60.090 and 74.60.130, payments made subsequent to the initial~~
21 ~~payments under RCW 74.60.100 and 74.60.110, and payments under RCW~~
22 ~~74.60.120(3), funds shall be disbursed periodically as necessary to~~
23 ~~make the payments as specified in those sections;~~

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

26 ~~(e) The sum of forty nine million three hundred thousand dollars~~
27 ~~for the 2009-2011 fiscal biennium may be expended in lieu of state~~
28 ~~general fund payments to hospitals. An additional sum of seventeen~~
29 ~~million five hundred thousand dollars for the 2009-2011 fiscal biennium~~
30 ~~may be expended in lieu of state general fund payments to hospitals if~~
31 ~~additional federal financial participation under section 5001 of P.L.~~
32 ~~No. 111-5 is extended beyond December 31, 2010. The sum of one hundred~~
33 ~~ninety nine million eight hundred thousand dollars for the 2011-2013~~
34 ~~fiscal biennium may be expended in lieu of state general fund payments~~
35 ~~to hospitals;~~

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

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

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

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

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

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

26 (d) Up to one hundred fifty million dollars per biennium to be used
27 in lieu of state general fund payments for medicaid hospital services,
28 provided that if the full amount of the payments required under RCW
29 74.60.120 and 74.60.130 cannot be distributed in a given fiscal year,
30 this amount must be reduced proportionately;

31 (e) To repay the federal government for any excess payments made to
32 hospitals from the fund if the assessments or payment increases set
33 forth in this chapter are deemed out of compliance with federal
34 statutes and regulations and all appeals have been exhausted. In such
35 a case, the authority may require hospitals receiving excess payments
36 to refund the payments in question to the fund. The state in turn
37 shall return funds to the federal government in the same proportion as

1 the original financing. If a hospital is unable to refund payments,
2 the state shall develop either a payment plan, or deduct moneys from
3 future medicaid payments, or both;

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

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

11 ~~(1) ((An assessment is imposed as set forth in this subsection~~
12 ~~effective after the date when the applicable conditions under RCW~~
13 ~~74.60.150(1) have been satisfied through June 30, 2013, for the purpose~~
14 ~~of funding restoration of reimbursement rates under RCW 74.60.080(1)~~
15 ~~and 74.60.120(2)(a) and funding payments made subsequent to the initial~~
16 ~~payments under RCW 74.60.100 and 74.60.110. Payments under this~~
17 ~~subsection are due and payable on the first day of each calendar~~
18 ~~quarter after the department sends notice of assessment to affected~~
19 ~~hospitals. However, the initial assessment is not due and payable less~~
20 ~~than thirty calendar days after notice of the amount due has been~~
21 ~~provided to affected hospitals.~~

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

24 ~~(i) Each prospective payment system hospital shall pay an~~
25 ~~assessment of thirty two dollars for each annual nonmedicare hospital~~
26 ~~inpatient day, multiplied by the number of days in the assessment~~
27 ~~period divided by three hundred sixty five.~~

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

32 ~~(b) For the period beginning on January 1, 2011, and ending on June~~
33 ~~30, 2011:~~

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

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

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

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

10 ~~(ii) Each critical access hospital shall pay an assessment of ten~~
11 ~~dollars for each annual nonmedicare hospital inpatient day, multiplied~~
12 ~~by the number of days in the assessment period divided by three hundred~~
13 ~~sixty-five.~~

14 ~~(d)(i) For purposes of (a) and (b) of this subsection, the~~
15 ~~department shall determine each hospital's annual nonmedicare hospital~~
16 ~~inpatient days by summing the total reported nonmedicare inpatient days~~
17 ~~for each hospital that is not exempt from the assessment as described~~
18 ~~in RCW 74.60.040 for the relevant state fiscal year 2008 portions~~
19 ~~included in the hospital's fiscal year end reports 2007 and/or 2008~~
20 ~~cost reports. The department shall use nonmedicare hospital inpatient~~
21 ~~day data for each hospital taken from the centers for medicare and~~
22 ~~medicaid services' hospital 2552-96 cost report data file as of~~
23 ~~November 30, 2009, or equivalent data collected by the department.~~

24 ~~(ii) For purposes of (c) of this subsection, the department shall~~
25 ~~determine each hospital's annual nonmedicare hospital inpatient days by~~
26 ~~summing the total reported nonmedicare hospital inpatient days for each~~
27 ~~hospital that is not exempt from the assessment under RCW 74.60.040,~~
28 ~~taken from the most recent publicly available hospital 2552-96 cost~~
29 ~~report data file or successor data file available through the centers~~
30 ~~for medicare and medicaid services, as of a date to be determined by~~
31 ~~the department. If cost report data are unavailable from the foregoing~~
32 ~~source for any hospital subject to the assessment, the department shall~~
33 ~~collect such information directly from the hospital.~~

34 ~~(2) An assessment is imposed in the amounts set forth in this~~
35 ~~section for the purpose of funding the restoration of the rates under~~
36 ~~RCW 74.60.080(2) and 74.60.120(2)(b) and funding the initial payments~~
37 ~~under RCW 74.60.100 and 74.60.110, which shall be due and payable~~
38 ~~within thirty calendar days after the department has transmitted a~~

1 notice of assessment to hospitals. Such notice shall be transmitted
2 immediately upon determination by the secretary that the applicable
3 conditions established by RCW 74.60.150(1) have been met.

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

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

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

17 (b) ~~Each critical access hospital shall pay an assessment of ten~~
18 ~~dollars for each annual nonmedicare hospital inpatient day, multiplied~~
19 ~~by a ratio, the numerator of which is the number of days between June~~
20 ~~30, 2009, and the day after the applicable conditions established by~~
21 ~~RCW 74.60.150(1) have been met and the denominator of which is three~~
22 ~~hundred sixty five.~~

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

33 (3) ~~An assessment is imposed as set forth in this subsection for~~
34 ~~the period February 1, 2010, through June 30, 2013, for the purpose of~~
35 ~~funding increased hospital payments under RCW 74.60.090 and~~
36 ~~74.60.120(3), which shall be due and payable on the first day of each~~
37 ~~calendar quarter after the department has sent notice of the assessment~~
38 ~~to each affected hospital, provided that the initial assessment shall~~

1 ~~be transmitted only after the secretary has determined that the~~
2 ~~applicable conditions established by RCW 74.60.150(1) have been~~
3 ~~satisfied and shall be payable no less than thirty calendar days after~~
4 ~~the department sends notice of the amount due to affected hospitals.~~
5 ~~The initial assessment shall include the full amount due from February~~
6 ~~1, 2010, through the date of the notice.~~

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

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

9 ~~(A) Each prospective payment system hospital shall pay an~~
10 ~~assessment of one hundred nineteen dollars for each annual nonmedicare~~
11 ~~hospital inpatient day up to sixty thousand per year, multiplied by the~~
12 ~~number of days in the assessment period divided by three hundred sixty-~~
13 ~~five.~~

14 ~~(B) Each prospective payment system hospital shall pay an~~
15 ~~assessment of five dollars for each annual nonmedicare hospital~~
16 ~~inpatient day over and above sixty thousand per year, multiplied by the~~
17 ~~number of days in the assessment period divided by three hundred sixty-~~
18 ~~five.~~

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

23 ~~(b) For the period beginning on January 1, 2011, and ending on June~~
24 ~~30, 2011:~~

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

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

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

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

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

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

7 ~~(A) Each prospective payment system hospital shall pay an~~
8 ~~assessment of one hundred fifty six dollars for each annual nonmedicare~~
9 ~~hospital inpatient day up to sixty thousand per year, multiplied by the~~
10 ~~number of days in the assessment period divided by three hundred sixty~~
11 ~~five.~~

12 ~~(B) Each prospective payment system hospital shall pay an~~
13 ~~assessment of six dollars for each annual nonmedicare inpatient day~~
14 ~~over and above sixty thousand per year, multiplied by the number of~~
15 ~~days in the assessment period divided by three hundred sixty five. The~~
16 ~~department may adjust the assessment or the number of nonmedicare~~
17 ~~hospital inpatient days if necessary to maintain compliance with~~
18 ~~federal statutes and regulations related to medicaid program health~~
19 ~~care-related taxes.~~

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

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

34 ~~(ii) For purposes of (c) of this subsection, the department shall~~
35 ~~determine each hospital's annual nonmedicare hospital inpatient days by~~
36 ~~summing the total reported nonmedicare hospital inpatient days for each~~
37 ~~hospital that is not exempt from the assessment under RCW 74.60.040,~~
38 ~~taken from the most recent publicly available hospital 2552-96 cost~~

1 ~~report data file or successor data file available through the centers~~
2 ~~for medicare and medicaid services, as of a date to be determined by~~
3 ~~the department. If cost report data are unavailable from the foregoing~~
4 ~~source for any hospital subject to the assessment, the department shall~~
5 ~~collect such information directly from the hospital.~~

6 ~~(4) Notwithstanding the provisions of RCW 74.60.070, nothing in~~
7 ~~chapter 30, Laws of 2010 1st sp. sess. is intended to prohibit a~~
8 ~~hospital from including assessment amounts paid in accordance with this~~
9 ~~section on their medicare and medicaid cost reports)) (a) Upon~~
10 satisfaction of the conditions stated in RCW 74.60.150(1), and so long
11 as the conditions set forth in RCW 74.60.150(2) have not occurred, an
12 assessment is imposed as set forth in this subsection, effective as of
13 July 1, 2013. The authority shall calculate the amount due annually
14 and shall issue assessments monthly for one-twelfth of the annual
15 amount due from each hospital. Initial assessment notices must be sent
16 to each hospital not earlier than thirty days after satisfaction of the
17 conditions set forth in RCW 74.60.150(1), must include all amounts due
18 from and after July 1, 2013, and payment is due not sooner than thirty
19 days thereafter. Subsequent notices must be sent on the first of each
20 subsequent month and payment is due thirty days thereafter.

21 (b) For the period beginning July 1, 2013:

22 (i) Each prospective payment system hospital, except psychiatric
23 and rehabilitation hospitals, shall pay a monthly assessment of two
24 hundred sixty-four dollars for each annual nonmedicare hospital
25 inpatient day, up to a maximum of fifty-four thousand dollars per year.
26 For each nonmedicare hospital inpatient day in excess of fifty-four
27 thousand dollars, each prospective payment system hospital shall pay an
28 assessment of seven dollars for each such day;

29 (ii) Each critical access hospital shall pay a monthly assessment
30 of ten dollars for each annual nonmedicare hospital inpatient day;

31 (iii) Each psychiatric hospital shall pay a monthly assessment of
32 fifty-two dollars for each annual nonmedicare hospital inpatient day;
33 and

34 (iv) Each rehabilitation hospital shall pay a monthly assessment of
35 fifty-two dollars for each annual nonmedicare hospital inpatient day.

36 (2) The authority shall determine each hospital's annual
37 nonmedicare hospital inpatient days by summing the total reported
38 nonmedicare hospital inpatient days for each hospital that is not

1 exempt from the assessment under RCW 74.60.040, taken from the
2 hospital's 2552 cost report data file or successor data file available
3 through the centers for medicare and medicaid services, as of a date to
4 be determined by the authority. For state fiscal year 2014, the
5 authority shall use cost report data for hospitals' fiscal years ending
6 in 2010. For subsequent years, the hospitals' next succeeding fiscal
7 year cost report data must be used.

8 (a) With the exception of eligible new prospective payment system
9 hospitals as defined in RCW 74.60.010, for any hospital without a cost
10 report for the relevant fiscal year, the authority shall work with the
11 affected hospital to identify appropriate supplemental information that
12 may be used to determine annual nonmedicare hospital inpatient days;

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

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

19 (1) The ~~((department))~~ authority, in cooperation with the office of
20 financial management, shall develop rules for determining the amount to
21 be assessed to individual hospitals, notifying individual hospitals of
22 the assessed amount, and collecting the amounts due. Such rule making
23 shall specifically include provision for:

24 (a) Transmittal of ~~((quarterly))~~ notices of assessment by the
25 ~~((department))~~ authority to each hospital informing the hospital of its
26 nonmedicare hospital inpatient days and the assessment amount due and
27 payable. Such quarterly notices shall be sent to each hospital at
28 least thirty calendar days prior to the due date for the quarterly
29 assessment payment.

30 (b) Interest on delinquent assessments at the rate specified in RCW
31 82.32.050.

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

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

35 ~~(A) If sufficient other funds for hospitals, excluding any~~
36 ~~extension of section 5001 of P.L. No. 111-5, are available to support~~
37 ~~the reimbursement rates and other payments under RCW 74.60.080,~~

1 ~~74.60.090, 74.60.100, 74.60.110, or 74.60.120 without utilizing the~~
2 ~~full assessment authorized under RCW 74.60.030 (1) or (3), the~~
3 ~~department shall reduce the amount of the assessment for prospective~~
4 ~~payment system, psychiatric, and rehabilitation hospitals~~
5 ~~proportionately to the minimum level necessary to support those~~
6 ~~reimbursement rates and other payments.~~

7 ~~(B) Provided that none of the conditions set forth in RCW~~
8 ~~74.60.150(2) have occurred, if the department's forecasts indicate that~~
9 ~~the assessment amounts under RCW 74.60.030 (1) and (3), together with~~
10 ~~all other available funds, are not sufficient to support the~~
11 ~~reimbursement rates and other payments under RCW 74.60.080, 74.60.090,~~
12 ~~74.60.100, 74.60.110, or 74.60.120, the department shall increase the~~
13 ~~assessment rates for prospective payment system, psychiatric, and~~
14 ~~rehabilitation hospitals proportionately to the amount necessary to~~
15 ~~support those reimbursement rates and other payments, plus a~~
16 ~~contingency factor up to ten percent of the total assessment amount.~~

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

20 ~~(ii) Any adjustment to the assessment amounts pursuant to this~~
21 ~~subsection, and the data supporting such adjustment, including but not~~
22 ~~limited to relevant data listed in subsection (2) of this section, must~~
23 ~~be submitted to the Washington state hospital association for review~~
24 ~~and comment at least sixty calendar days prior to implementation of~~
25 ~~such adjusted assessment amounts. Any review and comment provided by~~
26 ~~the Washington state hospital association shall not limit the ability~~
27 ~~of the Washington state hospital association or its members to~~
28 ~~challenge an adjustment or other action by the department that is not~~
29 ~~made in accordance with this chapter.~~

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

32 ~~(a) The fund balance;~~

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

34 ~~(c) The annual medicaid fee for service payments for inpatient~~
35 ~~hospital services and outpatient hospital services; and~~

36 ~~(d) The medicaid healthy options inpatient and outpatient payments~~
37 ~~as reported by all hospitals to the department on disproportionate~~
38 ~~share hospital applications. The department shall amend the~~

1 ~~disproportionate share hospital application and reporting instructions~~
2 ~~as needed to ensure that the foregoing data is reported by all~~
3 ~~hospitals as needed in order to comply with this subsection (2)(d).~~

4 ~~(3) The department shall determine the number of nonmedicare~~
5 ~~hospital inpatient days for each hospital for each assessment period.~~

6 ~~(4) To the extent necessary, the department shall amend the~~
7 ~~contracts between the managed care organizations and the department and~~
8 ~~between regional support networks and the department to incorporate the~~
9 ~~provisions of RCW 74.60.120. The department shall pursue amendments to~~
10 ~~the contracts as soon as possible after April 27, 2010. The amendments~~
11 ~~to the contracts shall, among other provisions, provide for increased~~
12 ~~payment rates to managed care organizations in accordance with RCW~~
13 ~~74.60.120)) in accordance with subsection (2) of this section.~~

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

17 (a) If sufficient other funds, including federal funds, are
18 available to make the payments required under this chapter without
19 utilizing the full assessment under RCW 74.60.030, the authority shall
20 reduce the amount of the assessment to the minimum levels necessary to
21 support those payments, except that the portion of the assessment
22 required to fund the state portion of the quality incentive payments
23 under RCW 74.60.020(4)(f) may not be so reduced;

24 (b) If in any fiscal year the total amount of inpatient or
25 outpatient supplemental payments under RCW 74.60.120 is in excess of
26 the upper payment limit and the entire excess amount cannot be
27 disbursed by additional payments to managed care organizations under
28 RCW 74.60.130, the authority shall proportionately reduce future
29 assessments on prospective payment hospitals to the level necessary to
30 generate additional payments to hospitals that are consistent with the
31 upper payment limit plus the maximum permissible amount of additional
32 payments to managed care organizations under RCW 74.60.130;

33 (c) If the amount of payments to managed care organizations under
34 RCW 74.60.130 cannot be distributed because of failure to meet
35 actuarial or utilization standards or federal restrictions, the
36 authority shall apply the amount that cannot be distributed to reduce
37 future assessments to the level necessary to generate additional

1 payments to managed care organizations that are consistent with
2 actuarial or utilization or other requirements;

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

7 (e) If the number of nonmedicare inpatient days applied to the
8 rates provided in RCW 74.60.030 will not produce sufficient funds to
9 support the payments required under this chapter, the assessment rates
10 provided in RCW 74.60.030 may be increased proportionately by category
11 of hospital to amounts no greater than necessary in order to produce
12 the required level of funds needed to make the payments specified in
13 this chapter; and

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

17 (3)(a) Any adjustment to the assessment amounts pursuant to this
18 subsection, and the data supporting such adjustment, including, but not
19 limited to, relevant data listed in (b) of this subsection, must be
20 submitted to the Washington state hospital association for review and
21 comment at least sixty calendar days prior to implementation of such
22 adjusted assessment amounts. Any review and comment provided by the
23 Washington state hospital association does not limit the ability of the
24 Washington state hospital association or its members to challenge an
25 adjustment or other action by the authority that is not made in
26 accordance with this chapter.

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

32 (i) The fund balance;

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

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

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

5 (v) The annual state share, federal share, and total payments made
6 to each hospital under each of the following programs: Grants to
7 certified public expenditure hospitals under RCW 74.60.090, for
8 critical access hospital payments under RCW 74.60.100; and
9 disproportionate share programs under RCW 74.60.110, and the data used
10 to calculate annual payments to individual hospitals under those
11 sections; and

12 (vi) The amount of payments made to managed care plans under RCW
13 74.60.130, including the amount representing additional premium tax,
14 and the data used to calculate those payments.

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

17 The incidence and burden of assessments imposed under this chapter
18 shall be on hospitals and the expense associated with the assessments
19 shall constitute a part of the operating overhead of hospitals.
20 Hospitals shall not increase charges or billings to patients or third-
21 party payers as a result of the assessments under this chapter unless
22 any of the payments specified in this chapter as it existed on the
23 effective date of this section are reduced or eliminated. The
24 ~~((department))~~ authority may require hospitals to submit certified
25 statements by their chief financial officers or equivalent officials
26 attesting that they have not increased charges or billings as a result
27 of the assessments. This section may not be construed to prohibit a
28 hospital from including assessment amounts paid in accordance with this
29 section on its medicare or medicaid cost reports.

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

32 ~~((Upon satisfaction of the applicable conditions set forth in RCW~~
33 ~~74.60.150(1), the department shall:~~

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

1 ~~(2) Recalculate the amount payable to each hospital that submitted~~
2 ~~an otherwise allowable claim for inpatient and outpatient~~
3 ~~medicaid-covered services rendered from and after July 1, 2009, up to~~
4 ~~and including the date when the applicable conditions under RCW~~
5 ~~74.60.150(1) have been satisfied, as if the four percent medicaid~~
6 ~~inpatient and outpatient rate reductions did not occur effective July~~
7 ~~1, 2009, and, within sixty calendar days after the date upon which the~~
8 ~~applicable conditions set forth in RCW 74.60.150(1) have been~~
9 ~~satisfied, remit the difference to each hospital.)~~ In each fiscal year
10 and upon satisfaction of the conditions set forth in RCW 74.60.150(1),
11 after deducting or reserving amounts authorized to be disbursed under
12 RCW 74.60.020(4) (d), (e), and (f), disbursements from the fund must be
13 made as follows:

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

16 (2) For payments to critical access hospitals in accordance with
17 RCW 74.60.100;

18 (3) For small rural disproportionate share payments in accordance
19 with RCW 74.60.110;

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

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

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

25 ~~(1) ((Upon satisfaction of the applicable conditions set forth in~~
26 ~~RCW 74.60.150(1) and for services rendered on or after February 1,~~
27 ~~2010, through June 30, 2011, the department shall increase the medicaid~~
28 ~~inpatient and outpatient fee for service hospital reimbursement rates~~
29 ~~in effect on June 30, 2009, by the percentages specified below:~~

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

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

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

33 ~~(iii) Outpatient services: Thirty six and eighty three one-~~
34 ~~hundredths percent.~~

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

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

1 ~~(ii) Inpatient services: Three percent;~~
2 ~~(iii) Outpatient services: Twenty one percent.~~
3 ~~(c) Rehabilitation hospitals:~~
4 ~~(i) Inpatient services: Thirteen percent;~~
5 ~~(ii) Outpatient services: Thirty six and eighty three one~~
6 ~~hundredths percent.~~
7 ~~(d) Psychiatric hospitals:~~
8 ~~(i) Inpatient psychiatric services: Thirteen percent;~~
9 ~~(ii) Inpatient services: Thirteen percent.~~
10 ~~(2) Upon satisfaction of the applicable conditions set forth in RCW~~
11 ~~74.60.150(1) and for services rendered on or after July 1, 2011, the~~
12 ~~department shall increase the medicaid inpatient and outpatient~~
13 ~~fee for service hospital reimbursement rates in effect on June 30,~~
14 ~~2009, by the percentages specified below:~~
15 ~~(a) Prospective payment system hospitals:~~
16 ~~(i) Inpatient psychiatric services: Thirteen percent;~~
17 ~~(ii) Inpatient services: Three and ninety six one hundredths~~
18 ~~percent;~~
19 ~~(iii) Outpatient services: Twenty seven and twenty five one~~
20 ~~hundredths percent.~~
21 ~~(b) Harborview medical center and University of Washington medical~~
22 ~~center:~~
23 ~~(i) Inpatient psychiatric services: Three percent;~~
24 ~~(ii) Inpatient services: Three percent;~~
25 ~~(iii) Outpatient services: Twenty one percent.~~
26 ~~(c) Rehabilitation hospitals:~~
27 ~~(i) Inpatient services: Thirteen percent;~~
28 ~~(ii) Outpatient services: Thirty six and eighty three one~~
29 ~~hundredths percent.~~
30 ~~(d) Psychiatric hospitals:~~
31 ~~(i) Inpatient psychiatric services: Thirteen percent;~~
32 ~~(ii) Inpatient services: Thirteen percent.~~
33 ~~(3) For claims processed for services rendered on or after February~~
34 ~~1, 2010, but prior to satisfaction of the applicable conditions~~
35 ~~specified in RCW 74.60.150(1), the department shall, within sixty~~
36 ~~calendar days after satisfaction of those conditions, calculate the~~
37 ~~amount payable to hospitals in accordance with this section and remit~~

1 ~~the difference to each hospital that has submitted an otherwise~~
2 ~~allowable claim for payment for such services.~~

3 ~~(4) By December 1, 2012, the department will submit a study to the~~
4 ~~legislature with recommendations on the amount of the assessments~~
5 ~~necessary to continue to support hospital payments for the 2013-2015~~
6 ~~biennium. The evaluation will assess medicaid hospital payments~~
7 ~~relative to medicaid hospital costs. The study should address current~~
8 ~~federal law, including any changes on scope of medicaid coverage,~~
9 ~~provisions related to provider taxes, and impacts of federal health~~
10 ~~care reform legislation. The study should also address the state's~~
11 ~~economic forecast. Based on the forecast, the department should~~
12 ~~recommend the amount of assessment needed to support future hospital~~
13 ~~payments and the departmental administrative expenses. Recommendations~~
14 ~~should be developed with the fiscal committees of the legislature,~~
15 ~~office of financial management, and the Washington state hospital~~
16 ~~association.) In each fiscal year commencing upon satisfaction of the~~
17 ~~applicable conditions set forth in RCW 74.60.150(1), funds must be~~
18 ~~disbursed from the fund and the authority shall make grants to~~
19 ~~certified public expenditure hospitals, which may not be considered~~
20 ~~payments for hospital services, as follows:~~

21 ~~(a) University of Washington medical center: Three million three~~
22 ~~hundred thousand dollars per fiscal year;~~

23 ~~(b) Harborview medical center: Seven million six hundred thousand~~
24 ~~dollars per fiscal year;~~

25 ~~(c) All other certified public expenditure hospitals: Four million~~
26 ~~seven hundred thousand dollars per fiscal year. The amount of payments~~
27 ~~to individual hospitals under this subsection must be determined using~~
28 ~~the methodology set forth in RCW 74.60.130 (3) and (4).~~

29 ~~(2) Payments must be made monthly, taking the total disbursement~~
30 ~~amount and dividing by twelve to calculate the monthly amount. The~~
31 ~~initial payment, which must include all amounts due from and after July~~
32 ~~1, 2013, to the date of the initial payment, must be made within thirty~~
33 ~~days after satisfaction of the conditions set forth in RCW~~
34 ~~74.60.150(1). The authority shall provide a monthly report of such~~
35 ~~payments to the Washington state hospital association.~~

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

1 (~~Upon satisfaction of the applicable conditions set forth in RCW
2 74.60.150(1), the department shall pay critical access hospitals that
3 do not qualify for or receive a small rural disproportionate share
4 payment in the subject state fiscal year an access payment of fifty
5 dollars for each medicaid inpatient day, exclusive of days on which a
6 swing bed is used for subacute care, from and after July 1, 2009.
7 Initial payments to hospitals, covering the period from July 1, 2009,
8 to the date when the applicable conditions under RCW 74.60.150(1) are
9 satisfied, shall be made within sixty calendar days after such
10 conditions are satisfied. Subsequent payments shall be made to
11 critical access hospitals on an annual basis at the time that
12 disproportionate share eligibility and payment for the state fiscal
13 year are established. These payments shall be in addition to any other
14 amount payable with respect to services provided by critical access
15 hospitals and shall not reduce any other payments to critical access
16 hospitals.)) In each fiscal year commencing upon satisfaction of the
17 conditions set forth in RCW 74.60.150(1), the authority shall make
18 access payments to critical access hospitals that do not qualify in a
19 given fiscal year for disproportionate share funds in the total amount
20 of five hundred twenty thousand dollars. The amount of payments to
21 individual hospitals under this subsection must be determined using the
22 methodology set forth in RCW 74.60.120 (3) and (4). Payments must be
23 made after the authority determines a hospital's eligibility for
24 payments under RCW 74.06.110. The authority shall provide a report of
25 such payments to the Washington state hospital association within
26 thirty days after payments are made.~~

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

29 (~~Upon satisfaction of the applicable conditions set forth in RCW
30 74.60.150(1), small rural disproportionate share payments shall be
31 increased to one hundred twenty percent of the level in effect as of
32 June 30, 2009, for the period from and after July 1, 2009, until July
33 1, 2013. Initial payments, covering the period from July 1, 2009, to
34 the date when the applicable conditions under RCW 74.60.150(1) are
35 satisfied, shall be made within sixty calendar days after those
36 conditions are satisfied. Subsequent payments shall be made directly
37 to hospitals by the department on a periodic basis.)) In each fiscal~~

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

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

12 ~~((Subject to the applicable conditions set forth in RCW~~
13 ~~74.60.150(1), the department shall:~~

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

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

18 ~~(a) Upon satisfaction of the applicable conditions under RCW~~
19 ~~74.60.150(1), increase payments to managed care organizations and~~
20 ~~regional support networks as necessary to ensure that hospitals are~~
21 ~~reimbursed in accordance with RCW 74.60.080(1) for services rendered~~
22 ~~from and after the date when applicable conditions under RCW~~
23 ~~74.60.150(1) have been satisfied, and pay an additional amount equal to~~
24 ~~the estimated amount of additional state taxes on managed care~~
25 ~~organizations or regional support networks due as a result of the~~
26 ~~payments under this section, and require managed care organizations and~~
27 ~~regional support networks to make payments to each hospital in~~
28 ~~accordance with RCW 74.60.080. The increased payments made to~~
29 ~~hospitals pursuant to this subsection shall be in addition to any other~~
30 ~~amounts payable to hospitals by managed care organizations or regional~~
31 ~~support networks and shall not affect any other payments to hospitals;~~

32 ~~(b) Within sixty calendar days after satisfaction of the applicable~~
33 ~~conditions under RCW 74.60.150(1), calculate the additional amount due~~
34 ~~to each hospital to pay claims submitted for inpatient and outpatient~~
35 ~~medicaid-covered services rendered from and after July 1, 2009, through~~
36 ~~the date when the applicable conditions under RCW 74.60.150(1) have~~
37 ~~been satisfied, based on the rates required by RCW 74.60.080(2), make~~

1 ~~payments to managed care organizations and regional support networks in~~
2 ~~amounts sufficient to pay the additional amounts due to each hospital~~
3 ~~plus an additional amount equal to the estimated amount of additional~~
4 ~~state taxes on managed care organizations or regional support networks~~
5 ~~due as a result of the payments under this subsection, and require~~
6 ~~managed care organizations and regional support networks to make~~
7 ~~payments to each hospital in accordance with the department's~~
8 ~~calculations within forty five calendar days after the department~~
9 ~~disburses funds for those purposes;~~

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

12 ~~(a) Upon satisfaction of the applicable conditions under RCW~~
13 ~~74.60.150(1), increase payments to managed care organizations and~~
14 ~~regional support networks as necessary to ensure that hospitals are~~
15 ~~reimbursed in accordance with RCW 74.60.090, and pay an additional~~
16 ~~amount equal to the estimated amount of additional state taxes on~~
17 ~~managed care organizations or regional support networks due as a result~~
18 ~~of the payments under this section;~~

19 ~~(b) Require managed care organizations and regional support~~
20 ~~networks to reimburse hospitals for hospital inpatient and outpatient~~
21 ~~services rendered after the date that the applicable conditions under~~
22 ~~RCW 74.60.150(1) are satisfied at rates no lower than the combined~~
23 ~~rates established by RCW 74.60.080 and 74.60.090;~~

24 ~~(c) Within sixty calendar days after satisfaction of the applicable~~
25 ~~conditions under RCW 74.60.150(1), calculate the additional amount due~~
26 ~~to each hospital to pay claims submitted for inpatient and outpatient~~
27 ~~medicaid-covered services rendered from and after February 1, 2010,~~
28 ~~through the date when the applicable conditions under RCW 74.60.150(1)~~
29 ~~are satisfied based on the rates required by RCW 74.60.090, make~~
30 ~~payments to managed care organizations and regional support networks in~~
31 ~~amounts sufficient to pay the additional amounts due to each hospital~~
32 ~~plus an additional amount equal to the estimated amount of additional~~
33 ~~state taxes on managed care organizations or regional support networks,~~
34 ~~and require managed care organizations and regional support networks to~~
35 ~~make payments to each hospital in accordance with the department's~~
36 ~~calculations within forty five calendar days after the department~~
37 ~~disburses funds for those purposes;~~

1 ~~(d) Require managed care organizations that contract with health~~
2 ~~care organizations that provide, directly or by contract, health care~~
3 ~~services on a prepaid or capitated basis to make payments to health~~
4 ~~care organizations for any of the hospital payments that the managed~~
5 ~~care organizations would have been required to pay to hospitals under~~
6 ~~this section if the managed care organizations did not contract with~~
7 ~~those health care organizations, and require the managed care~~
8 ~~organizations to require those health care organizations to make~~
9 ~~equivalent payments to the hospitals that would have received payments~~
10 ~~under this section if the managed care organizations did not contract~~
11 ~~with the health care organizations;~~

12 ~~(4) The department shall ensure that the increases to the medicaid~~
13 ~~fee schedules as described in RCW 74.60.090 are included in the~~
14 ~~development of healthy options premiums.~~

15 ~~(5) The department may require managed care organizations and~~
16 ~~regional support networks to demonstrate compliance with this~~
17 ~~section.))~~ (1) Beginning in state fiscal year 2014, commencing thirty
18 days after satisfaction of the applicable conditions set forth in RCW
19 74.60.150(1), and for the period of state fiscal years 2014 through
20 2017, the authority shall make supplemental payments directly to
21 Washington hospitals, separately for inpatient and outpatient fee-for-
22 service medicaid services, as follows:

23 (a) For inpatient fee-for-service payments for prospective payment
24 hospitals other than psychiatric or rehabilitation hospitals, twenty
25 million four hundred ninety thousand dollars from the fund, plus
26 federal matching funds;

27 (b) For outpatient fee-for-service payments for prospective payment
28 hospitals other than psychiatric or rehabilitation hospitals, ten
29 million seven hundred fifty thousand dollars in state assessment funds,
30 plus federal matching funds;

31 (c) For inpatient fee-for-service payments for psychiatric
32 hospitals, six hundred twenty-five thousand dollars in state assessment
33 funds, plus federal matching funds;

34 (d) For inpatient fee-for-service payments for rehabilitation
35 hospitals, one hundred fifty thousand dollars in state assessment
36 funds, plus federal matching funds;

37 (e) For inpatient fee-for-service payments for border hospitals,

1 two hundred fifty thousand dollars in state assessment funds, plus
2 federal matching funds; and

3 (f) For outpatient fee-for-service payments for border hospitals,
4 two hundred fifty thousand dollars in state assessment funds, plus
5 federal matching funds.

6 (2) If the amount of inpatient or outpatient payments under
7 subsection (1) of this section, when combined with federal matching
8 funds, exceeds the upper payment limit, payments to each category of
9 hospital must be reduced proportionately to a level where the total
10 payment amount is consistent with the upper payment limit. Funds under
11 this chapter unable to be paid to hospitals under this section because
12 of the upper payment limit must be paid to managed care organizations
13 under RCW 74.60.130, subject to the limitations set forth in this
14 chapter.

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

19 (a) 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 each hospital's inpatient fee-for-services
22 claims and medicaid managed care encounter data for the base year;

23 (b) Applying the medicaid fee-for-service rates in effect on July
24 1, 2009, without regard to the increases required by chapter 30, Laws
25 of 2010 1st sp. sess. to all hospitals' inpatient fee-for-services
26 claims and medicaid managed care encounter data for the base year; and

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

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

33 (a) Applying the medicaid fee-for-service rates in effect on July
34 1, 2009, without regard to the increases required by chapter 30, Laws
35 of 2010 1st sp. sess. to each hospital's outpatient fee-for-services
36 claims and medicaid managed care encounter data for the base year;

37 (b) Applying the medicaid fee-for-service rates in effect on July

1 1, 2009, without regard to the increases required by chapter 30, Laws
2 of 2010 1st sp. sess. to all hospitals' outpatient fee-for-services
3 claims and medicaid managed care encounter data for the base year; and

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

7 (5) Thirty days before the initial payments and thirty days before
8 the first payment in each subsequent fiscal year, the authority shall
9 provide each hospital and the Washington state hospital association
10 with an explanation of how the amounts due to each hospital under this
11 section were calculated.

12 (6) Payments must be made in monthly installments on or about the
13 first of every month, except that the initial payment must be made
14 within thirty days after satisfaction of the conditions set forth in
15 RCW 74.60.150(1) and must include all amounts due from July 1, 2013, to
16 the date of the initial payment.

17 (7) A prospective payment system hospital commencing operations
18 after January 1, 2009, is eligible to receive payments in accordance
19 with this section after becoming an eligible new prospective payment
20 system hospital as defined in RCW 74.60.010.

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

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

25 ~~(1) ((The department, in collaboration with the health care~~
26 ~~authority, the department of health, the department of labor and~~
27 ~~industries, the Washington state hospital association, the Puget Sound~~
28 ~~health alliance, and the forum, a collaboration of health carriers,~~
29 ~~physicians, and hospitals in Washington state, shall design a system of~~
30 ~~hospital quality incentive payments. The design of the system shall be~~
31 ~~submitted to the relevant policy and fiscal committees of the~~
32 ~~legislature by December 15, 2010. The system shall be based upon the~~
33 ~~following principles:~~

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

36 ~~(b) Effective purchasing strategies to improve the quality of~~
37 ~~health care services should involve the use of common quality~~

1 improvement measures by public and private health care purchasers,
2 while recognizing that some measures may not be appropriate for
3 application to specialty pediatric, psychiatric, or rehabilitation
4 hospitals;

5 (c) Quality measures chosen for the system should be consistent
6 with the standards that have been developed by national quality
7 improvement organizations, such as the national quality forum, the
8 federal centers for medicare and medicaid services, or the federal
9 agency for healthcare research and quality. New reporting burdens to
10 hospitals should be minimized by giving priority to measures hospitals
11 are currently required to report to governmental agencies, such as the
12 hospital compare measures collected by the federal centers for medicare
13 and medicaid services;

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

18 (e) Hospital performance and incentive payments should be designed
19 in a manner such that all noncritical access hospitals in Washington
20 are able to receive the incentive payments if performance is at or
21 above the benchmark score set in the system established under this
22 section.

23 (2) Upon satisfaction of the applicable conditions set forth in RCW
24 74.60.150(1), and for state fiscal year 2013 and each fiscal year
25 thereafter, assessments may be increased to support an additional one
26 percent increase in inpatient hospital rates for noncritical access
27 hospitals that meet the quality incentive benchmarks established under
28 this section.)) For state fiscal year 2014, commencing within thirty
29 days after satisfaction of the conditions set forth in RCW 74.60.150(1)
30 and subsection (6) of this section, and for the period of state fiscal
31 years 2014 through 2017, the authority shall increase capitation
32 payments to managed care organizations by an amount at least equal to
33 the amount available from the fund after deducting disbursements
34 authorized by RCW 74.60.020(4) (c) through (f) and payments required by
35 RCW 74.60.080 through 74.60.120, which must be no less than one hundred
36 twenty-eight million dollars, plus the maximum available amount of
37 federal matching funds. The initial payment following satisfaction of

1 the conditions set forth in RCW 74.60.150(1) must include all amounts
2 due from July 1, 2013.

3 (2) In fiscal years 2015, 2016, and 2017, the authority shall use
4 any additional federal matching funds available from medicaid expansion
5 under the federal patient protection and affordable care act to
6 substitute for assessment funds which otherwise would have been used to
7 pay managed care plans under this section.

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

15 (4) In the event that total payments to managed care organizations
16 under this section exceed what is permitted under applicable medicaid
17 laws and regulations, payments must be reduced to levels that meet such
18 requirements, and the balance remaining must be applied as provided in
19 RCW 74.60.050.

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

24 (6) Before making such payments, the authority shall require
25 medicaid managed care organizations to comply with the following
26 requirements:

27 (a) All payments to managed care organizations under this chapter
28 must be expended for hospital services provided by Washington hospitals
29 in a manner consistent with the purposes and provisions of this
30 chapter, and must be equal to all increased capitation payments under
31 this section received by the organization or network, consistent with
32 actuarial certification and enrollment, less an allowance for any
33 estimated premium taxes the organization is required to pay under Title
34 48 RCW associated with the payments under this chapter. Payments under
35 this section are exempt from RCW 74.09.522;

36 (b) Within thirty days after receipt, managed care organizations
37 shall expend the increased capitation payments under this section in a
38 manner consistent with the purposes of this chapter;

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

5 (d) Providing that such organizations will submit such
6 documentation as the authority may reasonably require in order to
7 determine their compliance with this section, including monthly reports
8 showing distribution of amounts received under this section to
9 hospitals.

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

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

15 (9) If funds cannot be used to pay for services in accordance with
16 this chapter the managed care organization or network must return the
17 funds to the hospital safety net assessment fund.

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

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

25 (2) Notwithstanding any other provision of this chapter, if a
26 hospital subject to the assessment imposed under this chapter ceases to
27 conduct hospital operations throughout a state fiscal year, the
28 assessment for the quarter in which the cessation occurs shall be
29 adjusted by multiplying the assessment computed under RCW 74.60.030
30 (~~((1) and (3))~~) by a fraction, the numerator of which is the number of
31 days during the year which the hospital conducts, operates, or
32 maintains the hospital and the denominator of which is three hundred
33 sixty-five. Immediately prior to ceasing to conduct, operate, or
34 maintain a hospital, the hospital shall pay the adjusted assessment for
35 the fiscal year to the extent not previously paid.

36 ~~(3) ((Notwithstanding any other provision of this chapter, in the~~
37 ~~case of a hospital that commences conducting, operating, or maintaining~~

1 a hospital that is not exempt from payment of the assessment under RCW
2 74.60.040 and that did not conduct, operate, or maintain such hospital
3 throughout the cost reporting year used to determine the assessment
4 amount, the assessment for that hospital shall be computed on the basis
5 of the actual number of nonmedicare inpatient days reported to the
6 department by the hospital on a quarterly basis. The hospital shall be
7 eligible to receive increased payments under this chapter beginning on
8 the date it commences hospital operations.

9 (4)) Notwithstanding any other provision of this chapter, if a
10 hospital previously subject to assessment is sold or transferred to
11 another entity and remains subject to assessment, the assessment for
12 that hospital shall be computed based upon the cost report data
13 previously submitted by that hospital. The assessment shall be
14 allocated between the transferor and transferee based on the number of
15 days within the assessment period that each owned, operated, or
16 maintained the hospital.

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

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

21 (a) ~~((Withdrawal of those aspects of any pending state plan
22 amendments previously submitted to the centers for medicare and
23 medicaid services that are inconsistent with this chapter, specifically
24 any pending state plan amendment related to the four percent rate
25 reductions for inpatient and outpatient hospital rates and elimination
26 of the small rural disproportionate share hospital payment program as
27 implemented July 1, 2009;~~

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

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

1 **(b)** To the extent necessary, amendment of contracts between the
2 (~~department~~) authority and managed care organizations in order to
3 implement this chapter; and

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

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

11 (a) An appellate court or the centers for medicare and medicaid
12 services makes a final determination that any element of this chapter,
13 other than RCW 74.60.100, cannot be validly implemented;

14 (b) (~~Medicaid inpatient or outpatient reimbursement rates for~~
15 ~~hospitals are reduced below the combined rates established by RCW~~
16 ~~74.60.080 and 74.60.090;~~

17 (c) ~~Except for payments to the University of Washington medical~~
18 ~~center and harborview medical center, payments to hospitals required~~
19 ~~under RCW 74.60.080, 74.60.090, 74.60.110, and 74.60.120 are not~~
20 ~~eligible for federal matching funds;~~

21 (d) ~~Other funding available for the medicaid program is not~~
22 ~~sufficient to maintain medicaid inpatient and outpatient reimbursement~~
23 ~~rates at the levels set in RCW 74.60.080, 74.60.090, and 74.60.110))~~
24 Funds generated by the assessment for payments to prospective payment
25 hospitals or managed care organizations are determined to be not
26 eligible for federal match;

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

34 (d) Payments required by this chapter are reduced or not timely
35 made; or

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

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

3 (1) The provisions of this chapter are not severable: If the
4 conditions set forth in RCW 74.60.150(1) are not satisfied or if any of
5 the circumstances set forth in RCW 74.60.150(2) should occur, this
6 entire chapter shall have no effect from that point forward(~~(, except~~
7 ~~that if the payment under RCW 74.60.100, or the application thereof to~~
8 ~~any hospital or circumstances does not receive approval by the centers~~
9 ~~for medicare and medicaid services as described in RCW 74.60.150(1)(b)~~
10 ~~or is determined to be unconstitutional or otherwise invalid, the other~~
11 ~~provisions of this chapter or its application to hospitals or~~
12 ~~circumstances other than those to which it is held invalid shall not be~~
13 ~~affected thereby)).~~

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

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

24 NEW SECTION. **Sec. 16.** A new section is added to chapter 74.09 RCW
25 to read as follows:

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

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

33 (b) Effective purchasing strategies to improve the quality of
34 health care services should involve the use of common quality
35 improvement measures by public and private health care purchasers,
36 while recognizing that some measures may not be appropriate for

1 application to specialty pediatric, psychiatric, or rehabilitation
2 hospitals;

3 (c) Quality measures chosen for the system should be consistent
4 with the standards that have been developed by national quality
5 improvement organizations, such as the national quality forum, the
6 federal centers for medicare and medicaid services, or the federal
7 agency for healthcare research and quality. New reporting burdens to
8 hospitals should be minimized by giving priority to measures hospitals
9 are currently required to report to governmental agencies, such as the
10 hospital compare measures collected by the federal centers for medicare
11 and medicaid services;

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

16 (e) Hospital performance and incentive payments should be designed
17 in a manner such that all prospective payment system hospitals,
18 psychiatric hospitals, and rehabilitation hospitals, as defined in RCW
19 74.60.010 are able to receive the incentive payments if performance is
20 at or above the benchmark score set in the system established under
21 this section.

22 (2) If hospital safety net assessment funds described in RCW
23 74.60.020 are made available, such funds must be used to support an
24 additional one percent increase in inpatient hospital rates for
25 prospective payment system hospitals, psychiatric hospitals, and
26 rehabilitation hospitals, as defined in RCW 74.60.010 that meet the
27 quality incentive benchmarks established under this section. Funds
28 directed from any other lawful source may also be used to support the
29 purposes of this section.

30 **Sec. 17.** RCW 74.60.901 and 2010 1st sp.s. c 30 s 21 are each
31 amended to read as follows:

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

33 NEW SECTION. **Sec. 18.** This act is necessary for the immediate
34 preservation of the public peace, health, or safety, or support of the

1 state government and its existing public institutions, and takes effect
2 immediately.

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