

**HB 2151 - H AMD 501**

By Representative Jinkins

**ADOPTED 4/29/2015**

1 Strike everything after the enacting clause and insert the  
2 following:

3 "Sec. 1. RCW 74.60.005 and 2013 2nd sp.s. c 17 s 1 are each  
4 amended to read as follows:

5 (1) The purpose of this chapter is to provide for a safety net  
6 assessment on certain Washington hospitals, which will be used solely  
7 to augment funding from all other sources and thereby support  
8 additional payments to hospitals for medicaid services as specified  
9 in this chapter.

10 (2) The legislature finds that federal health care reform will  
11 result in an expansion of medicaid enrollment in this state and an  
12 increase in federal financial participation. (~~As a result, the~~  
13 ~~hospital safety net assessment and hospital safety net assessment~~  
14 ~~fund created in this chapter will begin phasing down over a four-year~~  
15 ~~period beginning in fiscal year 2016 as federal medicaid expansion is~~  
16 ~~fully implemented. The state will end its reliance on the assessment~~  
17 ~~and the fund by the end of fiscal year 2019.))~~

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

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

22 (b) To generate approximately four hundred (~~forty-six million~~  
23 ~~three hundred thirty-eight thousand~~) eighty-nine million dollars per  
24 state fiscal year (~~in fiscal years 2014 and 2015, and then phasing~~  
25 ~~down in equal increments to zero by the end of fiscal year 2019,)) in  
26 new state and federal funds by disbursing all of that amount to pay  
27 for medicaid hospital services and grants to certified public  
28 expenditure and critical access hospitals, except costs of  
29 administration as specified in this chapter, in the form of  
30 additional payments to hospitals and managed care plans, which may  
31 not be a substitute for payments from other sources;~~

1 (c) To generate (~~one hundred ninety nine million eight hundred~~  
2 ~~thousand~~) two hundred eighty-three million dollars (~~in the~~  
3 ~~2013-2015 biennium, phasing down to zero by the end of the 2017-2019~~  
4 ~~biennium,~~) per biennium during the 2015-2017 and 2017-2019 biennia  
5 in new funds to be used in lieu of state general fund payments for  
6 medicaid hospital services;

7 (d) That the total amount assessed not exceed the amount needed,  
8 in combination with all other available funds, to support the  
9 payments authorized by this chapter; and

10 (e) To condition the assessment on receiving federal approval for  
11 receipt of additional federal financial participation and on  
12 continuation of other funding sufficient to maintain aggregate  
13 payment levels to hospitals for inpatient and outpatient services  
14 covered by medicaid, including fee-for-service and managed care, at  
15 least at the levels the state paid for those services on July 1,  
16 (~~2009~~) 2015, as adjusted for current enrollment and utilization(~~(~~  
17 ~~but without regard to payment increases resulting from chapter 30,~~  
18 ~~Laws of 2010 1st sp. sess))~~).

19 **Sec. 2.** RCW 74.60.020 and 2013 2nd sp.s. c 17 s 3 are each  
20 amended to read as follows:

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

29 (a) Any unexpended balance in the fund at the end of a fiscal  
30 (~~biennium~~) year shall carry over into the following (~~biennium~~)  
31 fiscal year or that fiscal year and the following fiscal year and  
32 shall be applied to reduce the amount of the assessment under RCW  
33 74.60.050(1)(c).

34 (b) Any amounts remaining in the fund after July 1, 2019, shall  
35 be refunded to hospitals, pro rata according to the amount paid by  
36 the hospital since July 1, 2013, subject to the limitations of  
37 federal law.

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

4 (3) Disbursements from the fund are conditioned upon  
5 appropriation and the continued availability of other funds  
6 sufficient to maintain aggregate payment levels to hospitals for  
7 inpatient and outpatient services covered by medicaid, including fee-  
8 for-service and managed care, at least at the levels the state paid  
9 for those services on July 1, ((2009)) 2015, as adjusted for current  
10 enrollment and utilization(~~(, but without regard to payment increases~~  
11 ~~resulting from chapter 30, Laws of 2010 1st sp. sess)~~).

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

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

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

17 (c) For one million dollars per biennium for payment of  
18 administrative expenses incurred by the authority in performing the  
19 activities authorized by this chapter;

20 (d) For ~~((one hundred ninety-nine million eight hundred~~  
21 ~~thousand))~~ two hundred eighty-three million dollars ~~((in the~~  
22 ~~2013-2015))~~ per biennium, ~~((phasing down to zero by the end of the~~  
23 ~~2017-2019 biennium))~~ to be used in lieu of state general fund  
24 payments for medicaid hospital services, provided that if the full  
25 amount of the payments required under RCW 74.60.120 and 74.60.130  
26 cannot be distributed in a given fiscal year, this amount must be  
27 reduced proportionately;

28 (e) To repay the federal government for any excess payments made  
29 to hospitals from the fund if the assessments or payment increases  
30 set forth in this chapter are deemed out of compliance with federal  
31 statutes and regulations in a final determination by a court of  
32 competent jurisdiction with all appeals exhausted. In such a case,  
33 the authority may require hospitals receiving excess payments to  
34 refund the payments in question to the fund. The state in turn shall  
35 return funds to the federal government in the same proportion as the  
36 original financing. If a hospital is unable to refund payments, the  
37 state shall develop either a payment plan, or deduct moneys from  
38 future medicaid payments, or both;

39 (f) Beginning in state fiscal year 2015, to pay an amount  
40 sufficient, when combined with the maximum available amount of

1 federal funds necessary to provide a one percent increase in medicaid  
2 hospital inpatient rates to hospitals eligible for quality  
3 improvement incentives under RCW 74.09.611.

4 **Sec. 3.** RCW 74.60.030 and 2014 c 143 s 1 are each amended to  
5 read as follows:

6 (1)(a) Upon satisfaction of the conditions in RCW 74.60.150(1),  
7 and so long as the conditions in RCW 74.60.150(2) have not occurred,  
8 an assessment is imposed as set forth in this subsection(~~(, effective~~  
9 ~~October 1, 2013))~~). (~~Initial assessment notices must be sent to each~~  
10 ~~hospital not earlier than thirty days after satisfaction of the~~  
11 ~~conditions in RCW 74.60.150(1). Payment is due not sooner than thirty~~  
12 ~~days thereafter. Except for the initial))~~ Assessment(~~(,))~~ notices  
13 must be sent on or about thirty days prior to the end of each quarter  
14 and payment is due thirty days thereafter.

15 (b) Effective (~~October 1, 2013~~) July 1, 2015, and except as  
16 provided in RCW 74.60.050:

17 (i) (~~For fiscal year 2014, an annual assessment for amounts~~  
18 ~~determined as described in (b)(ii) through (iv) of this subsection is~~  
19 ~~imposed for the time period of October 1, 2013, through June 30,~~  
20 ~~2014. The initial assessment notice must cover amounts due from~~  
21 ~~October 1, 2013, through either: (A) The end of the calendar quarter~~  
22 ~~prior to the satisfaction of the conditions in RCW 74.60.150(1) if~~  
23 ~~federal approval is received more than forty five days prior to the~~  
24 ~~end of a quarter; or (B) the end of the calendar quarter after the~~  
25 ~~satisfaction of the conditions in RCW 74.60.150(1) if federal~~  
26 ~~approval is received within forty five days of the end of a quarter.~~  
27 ~~For subsequent assessments during fiscal year 2014, the authority~~  
28 ~~shall calculate the amount due annually and shall issue assessments~~  
29 ~~for the appropriate proportion of the annual amount due from each~~  
30 ~~hospital;~~

31 (~~ii) After the assessments described in (b)(i) of this~~  
32 ~~subsection,~~) Each prospective payment system hospital, except  
33 psychiatric and rehabilitation hospitals, shall pay a quarterly  
34 assessment. Each quarterly assessment shall be no more than one  
35 quarter of three hundred (~~(forty-four))~~ forty-five dollars for each  
36 annual nonmedicare hospital inpatient day, up to a maximum of fifty-  
37 four thousand days per year. For each nonmedicare hospital inpatient  
38 day in excess of fifty-four thousand days, each prospective payment

1 system hospital shall pay an assessment of one quarter of seven  
2 dollars for each such day;

3 ~~((iii) After the assessments described in (b)(i) of this~~  
4 ~~subsection,~~) (ii) Each critical access hospital shall pay a  
5 quarterly assessment of one quarter of ten dollars for each annual  
6 nonmedicare hospital inpatient day;

7 ~~((iv) After the assessments described in (b)(i) of this~~  
8 ~~subsection,~~) (iii) Each psychiatric hospital shall pay a quarterly  
9 assessment of no more than one quarter of ~~((sixty-seven))~~ sixty-eight  
10 dollars for each annual nonmedicare hospital inpatient day; and

11 ~~((v) After the assessments described in (b)(i) of this~~  
12 ~~subsection,~~) (iv) Each rehabilitation hospital shall pay a quarterly  
13 assessment of no more than one quarter of ~~((sixty-seven))~~ sixty-eight  
14 dollars for each annual nonmedicare hospital inpatient day.

15 (2) The authority shall determine each hospital's annual  
16 nonmedicare hospital inpatient days by summing the total reported  
17 nonmedicare hospital inpatient days for each hospital that is not  
18 exempt from the assessment under RCW 74.60.040(~~, taken~~). The  
19 authority shall obtain inpatient data from the hospital's 2552 cost  
20 report data file or successor data file available through the centers  
21 for medicare and medicaid services, as of a date to be determined by  
22 the authority. For state fiscal year ~~((2014))~~ 2016, the authority  
23 shall use cost report data for hospitals' fiscal years ending in  
24 ~~((2010))~~ 2012. For subsequent years, the hospitals' next succeeding  
25 fiscal year cost report data must be used.

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

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

36 **Sec. 4.** RCW 74.60.050 and 2013 2nd sp.s. c 17 s 5 are each  
37 amended to read as follows:

38 (1) The authority, in cooperation with the office of financial  
39 management, shall develop rules for determining the amount to be

1 assessed to individual hospitals, notifying individual hospitals of  
2 the assessed amount, and collecting the amounts due. Such rule making  
3 shall specifically include provision for:

4 (a) Transmittal of notices of assessment by the authority to each  
5 hospital informing the hospital of its nonmedicare hospital inpatient  
6 days and the assessment amount due and payable;

7 (b) Interest on delinquent assessments at the rate specified in  
8 RCW 82.32.050; and

9 (c) Adjustment of the assessment amounts in accordance with  
10 subsection((s)) (2) (~~and (3)~~) of this section.

11 (2) For state fiscal year ((2015)) 2016 and each subsequent state  
12 fiscal year, the assessment amounts established under RCW 74.60.030  
13 must be adjusted as follows:

14 (a) If sufficient other funds, including federal funds, are  
15 available to make the payments required under this chapter and fund  
16 the state portion of the quality incentive payments under RCW  
17 74.09.611 and 74.60.020(4)(f) without utilizing the full assessment  
18 under RCW 74.60.030, the authority shall reduce the amount of the  
19 assessment to the minimum levels necessary to support those payments;

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

29 (c) If the amount of payments to managed care organizations under  
30 RCW 74.60.130 cannot be distributed because of failure to meet  
31 federal actuarial soundness or utilization requirements or other  
32 federal requirements, the authority shall apply the amount that  
33 cannot be distributed to reduce future assessments to the level  
34 necessary to generate additional payments to managed care  
35 organizations that are consistent with federal actuarial soundness or  
36 utilization requirements or other federal requirements;

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

1 (e) If the number of nonmedicare inpatient days applied to the  
2 rates provided in RCW 74.60.030 will not produce sufficient funds to  
3 support the payments required under this chapter and the state  
4 portion of the quality incentive payments under RCW 74.09.611 and  
5 74.60.020(4)(f), the assessment rates provided in RCW 74.60.030 may  
6 be increased proportionately by category of hospital to amounts no  
7 greater than necessary in order to produce the required level of  
8 funds needed to make the payments specified in this chapter and the  
9 state portion of the quality incentive payments under RCW 74.09.611  
10 and 74.60.020(4)(f); and

11 (f) Any actual or estimated surplus remaining in the fund at the  
12 end of the fiscal year must be applied to reduce the assessment  
13 amount for the subsequent fiscal year or that fiscal year and the  
14 following fiscal years prior to and including fiscal year 2019.

15 ~~(3) ((For each fiscal year after June 30, 2015, the assessment~~  
16 ~~amounts established under RCW 74.60.030 must be adjusted as follows:~~

17 ~~(a) In order to support the payments required in this chapter,~~  
18 ~~the assessment amounts must be reduced in approximately equal yearly~~  
19 ~~increments each fiscal year by category of hospital until the~~  
20 ~~assessment amount is zero by July 1, 2019;~~

21 ~~(b) If sufficient other funds, including federal funds, are~~  
22 ~~available to make the payments required under this chapter and fund~~  
23 ~~the state portion of the quality incentive payments under RCW~~  
24 ~~74.09.611 and 74.60.020(4)(f) without utilizing the full assessment~~  
25 ~~under RCW 74.60.030, the authority shall reduce the amount of the~~  
26 ~~assessment to the minimum levels necessary to support those payments;~~

27 ~~(c) If in any fiscal year the total amount of inpatient or~~  
28 ~~outpatient supplemental payments under RCW 74.60.120 is in excess of~~  
29 ~~the upper payment limit and the entire excess amount cannot be~~  
30 ~~disbursed by additional payments to managed care organizations under~~  
31 ~~RCW 74.60.130, the authority shall proportionately reduce future~~  
32 ~~assessments on prospective payment hospitals to the level necessary~~  
33 ~~to generate additional payments to hospitals that are consistent with~~  
34 ~~the upper payment limit plus the maximum permissible amount of~~  
35 ~~additional payments to managed care organizations under RCW~~  
36 ~~74.60.130;~~

37 ~~(d) If the amount of payments to managed care organizations under~~  
38 ~~RCW 74.60.130 cannot be distributed because of failure to meet~~  
39 ~~federal actuarial soundness or utilization requirements or other~~  
40 ~~federal requirements, the authority shall apply the amount that~~

1 cannot be distributed to reduce future assessments to the level  
2 necessary to generate additional payments to managed care  
3 organizations that are consistent with federal actuarial soundness or  
4 utilization requirements or other federal requirements;

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

9 (f) If the number of nonmedicare inpatient days applied to the  
10 rates provided in RCW 74.60.030 will not produce sufficient funds to  
11 support the payments required under this chapter and the state  
12 portion of the quality incentive payments under RCW 74.09.611 and  
13 74.60.020(4)(f), the assessment rates provided in RCW 74.60.030 may  
14 be increased proportionately by category of hospital to amounts no  
15 greater than necessary in order to produce the required level of  
16 funds needed to make the payments specified in this chapter and the  
17 state portion of the quality incentive payments under RCW 74.09.611  
18 and 74.60.020(4)(f); and

19 (g) Any actual or estimated surplus remaining in the fund at the  
20 end of the fiscal year must be applied to reduce the assessment  
21 amount for the subsequent fiscal year.

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

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

37 (i) The fund balance;

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

39 (iii) The state share, federal share, and total annual medicaid  
40 fee-for-service payments for inpatient hospital services made to each



1 hospital under RCW 74.60.120, and the data used to calculate the  
2 payments to individual hospitals under that section;

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

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

12 (vi) The data used to calculate annual payments to individual  
13 hospitals under (b)(v) of this subsection; and

14 (vii) The amount of payments made to managed care plans under RCW  
15 74.60.130, including the amount representing additional premium tax,  
16 and the data used to calculate those payments.

17 (c) On a monthly basis, the authority shall provide the  
18 Washington state hospital association the amount of payments made to  
19 managed care plans under RCW 74.60.130, including the amount  
20 representing additional premium tax, and the data used to calculate  
21 those payments.

22 **Sec. 5.** RCW 74.60.090 and 2013 2nd sp.s. c 17 s 8 are each  
23 amended to read as follows:

24 (1) In each fiscal year commencing upon satisfaction of the  
25 applicable conditions in RCW 74.60.150(1), funds must be disbursed  
26 from the fund and the authority shall make grants to certified public  
27 expenditure hospitals, which shall not be considered payments for  
28 hospital services, as follows:

29 (a) University of Washington medical center: (~~Three million~~  
30 ~~three hundred thousand dollars per state fiscal year in fiscal years~~  
31 ~~2014 and 2015, and then reduced in approximately equal increments per~~  
32 ~~fiscal year until the grant amount is zero by July 1,)) Four million  
33 four hundred fifty-five thousand dollars in each state fiscal year  
34 2016 through 2019;~~

35 (b) Harborview medical center: (~~Seven million six hundred~~  
36 ~~thousand dollars per state fiscal year in fiscal years 2014 and 2015,~~  
37 ~~and then reduced in approximately equal increments per fiscal year~~  
38 ~~until the grant amount is zero by July 1,)) Ten million two hundred  
39 sixty thousand dollars in each state fiscal year 2016 through 2019;~~

1 (c) All other certified public expenditure hospitals: (~~Four~~  
2 ~~million seven hundred thousand dollars per state fiscal year in~~  
3 ~~fiscal years 2014 and 2015, and then reduced in approximately equal~~  
4 ~~increments per fiscal year until the grant amount is zero by July~~  
5 ~~17~~)) Six million three hundred forty-five thousand dollars in each  
6 state fiscal year 2016 through 2019. The amount of payments to  
7 individual hospitals under this subsection must be determined using a  
8 methodology that provides each hospital with a proportional  
9 allocation of the group's total amount of medicaid and state  
10 children's health insurance program payments determined from claims  
11 and encounter data using the same general methodology set forth in  
12 RCW 74.60.120 (3) and (4).

13 (2) Payments must be made quarterly, before the end of each  
14 quarter, taking the total disbursement amount and dividing by four to  
15 calculate the quarterly amount. (~~The initial payment, which must~~  
16 ~~include all amounts due from and after July 1, 2013, to the date of~~  
17 ~~the initial payment, must be made within thirty days after~~  
18 ~~satisfaction of the conditions in RCW 74.60.150(1).~~) The authority  
19 shall provide a quarterly report of such payments to the Washington  
20 state hospital association.

21 **Sec. 6.** RCW 74.60.100 and 2013 2nd sp.s. c 17 s 9 are each  
22 amended to read as follows:

23 In each fiscal year commencing upon satisfaction of the  
24 conditions in RCW 74.60.150(1), the authority shall make access  
25 payments to critical access hospitals that do not qualify for or  
26 receive a small rural disproportionate share hospital payment in a  
27 given fiscal year in the total amount of (~~five hundred twenty~~)  
28 seven hundred two thousand dollars from the fund and to critical  
29 access hospitals that receive disproportionate share payments in the  
30 total amount of one million three hundred thirty-six thousand  
31 dollars. The amount of payments to individual hospitals under this  
32 section must be determined using a methodology that provides each  
33 hospital with a proportional allocation of the group's total amount  
34 of medicaid and state children's health insurance program payments  
35 determined from claims and encounter data using the same general  
36 methodology set forth in RCW 74.60.120 (3) and (4). Payments must be  
37 made after the authority determines a hospital's payments under RCW  
38 74.60.110. These payments shall be in addition to any other amount  
39 payable with respect to services provided by critical access

1 hospitals and shall not reduce any other payments to critical access  
2 hospitals. The authority shall provide a report of such payments to  
3 the Washington state hospital association within thirty days after  
4 payments are made.

5 **Sec. 7.** RCW 74.60.120 and 2014 c 143 s 2 are each amended to  
6 read as follows:

7 (1) (~~Beginning~~) In each state fiscal year (~~2014~~), commencing  
8 (~~thirty days after~~) upon satisfaction of the applicable conditions  
9 in RCW 74.60.150(1), (~~and for the period of state fiscal years 2014~~  
10 ~~through 2019,~~) the authority shall make supplemental payments  
11 directly to Washington hospitals, separately for inpatient and  
12 outpatient fee-for-service medicaid services, as follows:

13 (a) For inpatient fee-for-service payments for prospective  
14 payment hospitals other than psychiatric or rehabilitation hospitals,  
15 twenty-nine million (~~two hundred twenty five thousand~~) one hundred  
16 sixty-two thousand five hundred dollars per state fiscal year (~~in~~  
17 ~~fiscal years 2014 and 2015, and then amounts reduced in equal~~  
18 ~~increments per fiscal year until the supplemental payment amount is~~  
19 ~~zero by July 1, 2019, from the fund,~~) plus federal matching funds;

20 (b) For outpatient fee-for-service payments for prospective  
21 payment hospitals other than psychiatric or rehabilitation hospitals,  
22 thirty million dollars per state fiscal year (~~in fiscal years 2014~~  
23 ~~and 2015, and then amounts reduced in equal increments per fiscal~~  
24 ~~year until the supplemental payment amount is zero by July 1, 2019,~~  
25 ~~from the fund,~~) plus federal matching funds;

26 (c) For inpatient fee-for-service payments for psychiatric  
27 hospitals, (~~six hundred twenty five thousand~~) eight hundred  
28 seventy-five thousand dollars per state fiscal year (~~in fiscal years~~  
29 ~~2014 and 2015, and then amounts reduced in equal increments per~~  
30 ~~fiscal year until the supplemental payment amount is zero by July 1,~~  
31 ~~2019, from the fund,~~) plus federal matching funds;

32 (d) For inpatient fee-for-service payments for rehabilitation  
33 hospitals, (~~one hundred fifty thousand~~) two hundred twenty-five  
34 thousand dollars per state fiscal year (~~in fiscal years 2014 and~~  
35 ~~2015, and then amounts reduced in equal increments per fiscal year~~  
36 ~~until the supplemental payment amount is zero by July 1, 2019, from~~  
37 ~~the fund,~~) plus federal matching funds;

38 (e) For inpatient fee-for-service payments for border hospitals,  
39 two hundred fifty thousand dollars per state fiscal year (~~in fiscal~~

1 ~~years 2014 and 2015, and then amounts reduced in equal increments per~~  
2 ~~fiscal year until the supplemental payment amount is zero by July 1,~~  
3 ~~2019, from the fund,)) plus federal matching funds; and~~

4 (f) For outpatient fee-for-service payments for border hospitals,  
5 two hundred fifty thousand dollars per state fiscal year (~~in fiscal~~  
6 ~~years 2014 and 2015, and then amounts reduced in equal increments per~~  
7 ~~fiscal year until the supplemental payment amount is zero by July 1,~~  
8 ~~2019, from the fund,)) plus federal matching funds.~~

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

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

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

26 (b) Applying the medicaid fee-for-service rates in effect on July  
27 1, 2009, without regard to the increases required by chapter 30, Laws  
28 of 2010 1st sp. sess. to all hospitals' inpatient fee-for-services  
29 claims and medicaid managed care encounter data for the base year;  
30 and

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

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

37 (a) Applying the medicaid fee-for-service rates in effect on July  
38 1, 2009, without regard to the increases required by chapter 30, Laws  
39 of 2010 1st sp. sess. to each hospital's outpatient fee-for-services  
40 claims and medicaid managed care encounter data for the base year;

1 (b) 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 all hospitals' outpatient fee-for-services  
4 claims and medicaid managed care encounter data for the base year;  
5 and

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

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

14 (6) Payments must be made in quarterly installments on or about  
15 the last day of every quarter. (~~The initial payment must be made~~  
16 ~~within thirty days after satisfaction of the conditions in RCW~~  
17 ~~74.60.150(1) and must include all amounts due from July 1, 2013, to~~  
18 ~~either: (a) The end of the calendar quarter prior to when the~~  
19 ~~conditions in RCW 70.60.150(1) [74.60.150(1)] are satisfied if~~  
20 ~~approval is received more than forty five days prior to the end of a~~  
21 ~~quarter; or (b) the end of the calendar quarter after the~~  
22 ~~satisfaction of the conditions in RCW 74.60.150(1) if approval is~~  
23 ~~received within forty five days of the end of a quarter.))~~

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

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

30 **Sec. 8.** RCW 74.60.130 and 2014 c 143 s 3 are each amended to  
31 read as follows:

32 (1) For state fiscal year (~~2014~~) 2016 and for each subsequent  
33 fiscal year, commencing within thirty days after satisfaction of the  
34 conditions in RCW 74.60.150(1) and subsection (~~(+6)~~) (5) of this  
35 section, (~~and for the period of state fiscal years 2014 through~~  
36 ~~2019,~~) the authority shall increase capitation payments in a manner  
37 consistent with federal contracting requirements to managed care  
38 organizations by an amount at least equal to the amount available  
39 from the fund after deducting disbursements authorized by RCW

1 74.60.020(4) (c) through (f) and payments required by RCW 74.60.080  
2 through 74.60.120. The capitation payment under this subsection must  
3 be no less than one hundred (~~(fifty-three)~~) million (~~(one-hundred~~  
4 ~~thirty-one-thousand-six-hundred)~~) dollars per state fiscal year (~~(in~~  
5 ~~fiscal years 2014 and 2015, and then the increased capitation payment~~  
6 ~~amounts are reduced in equal increments per fiscal year until the~~  
7 ~~increased capitation payment amount is zero by July 1, 2019,)~~) plus  
8 the maximum available amount of federal matching funds. The initial  
9 payment following satisfaction of the conditions in RCW 74.60.150(1)  
10 must include all amounts due from July 1, (~~(2013)~~) 2015, to the end  
11 of the calendar month during which the conditions in RCW 74.60.150(1)  
12 are satisfied. Subsequent payments shall be made monthly.

13 (2) (~~In fiscal years 2015, 2016, and 2017, the authority shall~~  
14 ~~use any additional federal matching funds for the increased managed~~  
15 ~~care capitation payments under subsection (1) of this section~~  
16 ~~available from medicaid expansion under the federal patient~~  
17 ~~protection and affordable care act to substitute for assessment funds~~  
18 ~~which otherwise would have been used to pay managed care plans under~~  
19 ~~this section.~~

20 (~~3~~) Payments to individual managed care organizations shall be  
21 determined by the authority based on each organization's or network's  
22 enrollment relative to the anticipated total enrollment in each  
23 program for the fiscal year in question, the anticipated utilization  
24 of hospital services by an organization's or network's medicaid  
25 enrollees, and such other factors as are reasonable and appropriate  
26 to ensure that purposes of this chapter are met.

27 (~~(4)~~) (3) If the federal government determines that total  
28 payments to managed care organizations under this section exceed what  
29 is permitted under applicable medicaid laws and regulations, payments  
30 must be reduced to levels that meet such requirements, and the  
31 balance remaining must be applied as provided in RCW 74.60.050.  
32 Further, in the event a managed care organization is legally  
33 obligated to repay amounts distributed to hospitals under this  
34 section to the state or federal government, a managed care  
35 organization may recoup the amount it is obligated to repay under the  
36 medicaid program from individual hospitals by not more than the  
37 amount of overpayment each hospital received from that managed care  
38 organization.

39 (~~(5)~~) (4) Payments under this section do not reduce the amounts  
40 that otherwise would be paid to managed care organizations: PROVIDED,

1 That such payments are consistent with actuarial soundness  
2 certification and enrollment.

3 ~~((6))~~ (5) Before making such payments, the authority shall  
4 require medicaid managed care organizations to comply with the  
5 following requirements:

6 (a) All payments to managed care organizations under this chapter  
7 must be expended for hospital services provided by Washington  
8 hospitals, which for purposes of this section includes psychiatric  
9 and rehabilitation hospitals, in a manner consistent with the  
10 purposes and provisions of this chapter, and must be equal to all  
11 increased capitation payments under this section received by the  
12 organization or network, consistent with actuarial certification and  
13 enrollment, less an allowance for any estimated premium taxes the  
14 organization is required to pay under Title 48 RCW associated with  
15 the payments under this chapter;

16 (b) Managed care organizations shall expend the increased  
17 capitation payments under this section in a manner consistent with  
18 the purposes of this chapter, with the initial expenditures to  
19 hospitals to be made within thirty days of receipt of payment from  
20 the authority. Subsequent expenditures by the managed care plans are  
21 to be made before the end of the quarter in which funds are received  
22 from the authority;

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

27 ~~((7))~~ (6) No hospital or managed care organizations may use the  
28 payments under this section to gain advantage in negotiations.

29 ~~((8))~~ (7) No hospital has a claim or cause of action against a  
30 managed care organization for monetary compensation based on the  
31 amount of payments under subsection ~~((6))~~ (5) of this section.

32 ~~((9))~~ (8) If funds cannot be used to pay for services in  
33 accordance with this chapter the managed care organization or network  
34 must return the funds to the authority which shall return them to the  
35 hospital safety net assessment fund.

36 **Sec. 9.** RCW 74.60.150 and 2013 2nd sp.s. c 17 s 15 are each  
37 amended to read as follows:

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

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

7 (b) To the extent necessary, amendment of contracts between the  
8 authority and managed care organizations in order to implement this  
9 chapter; and

10 (c) Certification by the office of financial management that  
11 appropriations have been adopted that fully support the rates  
12 established in this chapter for the upcoming fiscal year.

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

17 (a) The federal department of health and human services and a  
18 court of competent jurisdiction makes a final determination, with all  
19 appeals exhausted, that any element of this chapter, other than RCW  
20 74.60.100, cannot be validly implemented;

21 (b) Funds generated by the assessment for payments to prospective  
22 payment hospitals or managed care organizations are determined to be  
23 not eligible for federal match;

24 (c) Other funding sufficient to maintain aggregate payment levels  
25 to hospitals for inpatient and outpatient services covered by  
26 medicaid, including fee-for-service and managed care, at least at the  
27 levels the state paid for those services on July 1, ((2009)) 2015, as  
28 adjusted for current enrollment and utilization(~~(, but without regard~~  
29 ~~to payment increases resulting from chapter 30, Laws of 2010 1st sp.~~  
30 ~~sess. 7)~~) is not appropriated or available;

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

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

37 **Sec. 10.** RCW 74.60.160 and 2013 2nd sp.s. c 17 s 17 are each  
38 amended to read as follows:



1 (1) The legislature intends to provide the hospitals with an  
2 opportunity to contract with the authority each fiscal biennium to  
3 protect the hospitals from future legislative action during the  
4 biennium that could result in hospitals receiving less from  
5 supplemental payments, increased managed care payments,  
6 disproportionate share hospital payments, or access payments than the  
7 hospitals expected to receive in return for the assessment based on  
8 the biennial appropriations and assessment legislation.

9 (2) Each odd-numbered year after enactment of the biennial  
10 omnibus operating appropriations act, the authority shall offer to  
11 enter into a contract or to extend an existing contract for the  
12 period of the fiscal biennium beginning July 1st with a hospital that  
13 is required to pay the assessment under this chapter. The contract  
14 must include the following terms:

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

16 (i) Increase the assessment from the level set by the authority  
17 pursuant to this chapter on the first day of the contract period for  
18 reasons other than those allowed under RCW 74.60.050(~~(+3)~~) (2)(e);

19 (ii) Reduce aggregate payment levels to hospitals for inpatient  
20 and outpatient services covered by medicaid, including fee-for-  
21 service and managed care, (~~allowing for variations due to budget-~~  
22 ~~neutral rebasing and~~) adjusting for changes in enrollment and  
23 utilization, from the levels the state paid for those services on the  
24 first day of the contract period;

25 (iii) For critical access hospitals only, reduce the levels of  
26 disproportionate share hospital payments under RCW 74.60.110 or  
27 access payments under RCW 74.60.100 for all critical access hospitals  
28 below the levels specified in those sections on the first day of the  
29 contract period;

30 (iv) For prospective payment system, psychiatric, and  
31 rehabilitation hospitals only, reduce the levels of supplemental  
32 payments under RCW 74.60.120 for all prospective payment system  
33 hospitals below the levels specified in that section on the first day  
34 of the contract period unless the supplemental payments are reduced  
35 under RCW 74.60.120(2);

36 (v) For prospective payment system, psychiatric, and  
37 rehabilitation hospitals only, reduce the increased capitation  
38 payments to managed care organizations under RCW 74.60.130 below the  
39 levels specified in that section on the first day of the contract

1 period unless the managed care payments are reduced under RCW  
2 74.60.130(~~((4))~~) (3); or

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

6 (b) As long as payment levels are maintained as required under  
7 this chapter, the hospital must agree not to challenge the  
8 authority's reduction of hospital reimbursement rates to July 1,  
9 2009, levels, which results from the elimination of assessment  
10 supported rate restorations and increases, under 42 U.S.C. Sec.  
11 1396a(a)(30)(a) either through administrative appeals or in court  
12 during the period of the contract.

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

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

18 (b) May discontinue supplemental payments, increased managed care  
19 payments, disproportionate share hospital payments, and access  
20 payments made subsequent to the breach for the hospital that are  
21 required under this chapter.

22 (4) The remedies provided in this section are not exclusive of  
23 any other remedies and rights that may be available to the hospital  
24 whether provided in this chapter or otherwise in law, equity, or  
25 statute.

26 **Sec. 11.** RCW 74.60.901 and 2013 2nd sp.s. c 17 s 19 are each  
27 amended to read as follows:

28 This chapter expires July 1, (~~(2017)~~) 2019.

29 NEW SECTION. **Sec. 12.** This act is necessary for the immediate  
30 preservation of the public peace, health, or safety, or support of  
31 the state government and its existing public institutions, and takes  
32 effect immediately."

33 Correct the title.

EFFECT: Specifies that assessments on psychiatric and  
rehabilitation hospitals are no more than, instead of exactly, \$68.

Allows the Health Care Authority to use a surplus in the fund to reduce assessments in the following years until FY 2019.

--- END ---