FINAL BILL REPORT
SHB 1274

C 2 L 15 E2
Synopsis as Enacted

Brief Description: Implementing a value-based system for nursing home rates.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Cody, Jinkins, Johnson, Harris and Tharinger).

House Committee on Appropriations

Background:

The Washington State Medicaid (Medicaid) program includes long-term care assistance and services provided to low-income individuals. It is administered by the state in compliance with federal laws and regulations and is jointly financed by the federal and state government. The federal funds are matching funds, and are referred to as the Federal Financial Participation (FFP), or the Federal Medical Assistance Percentage (FMAP). The FMAP is calculated based on average per capita income and is usually between 50 and 51 percent for Washington. Typically, the state pays the remainder using the State General Fund. Clients may be served in their own homes, in community residential settings, and in skilled nursing facilities.

There are approximately 240 skilled nursing facilities licensed in Washington to serve about 10,000 Medicaid-eligible clients. Skilled nursing facilities are licensed by the Department of Social and Health Services (DSHS) and provide 24-hour supervised nursing care, personal care, therapies, nutrition management, organized activities, social services, laundry services, and room and board to three or more residents. The Medicaid nursing home payment system is administered by the DSHS. The Medicaid rates in Washington are unique to each facility and are generally based on the facility's allowable costs, occupancy rate, and client acuity (sometimes called the case mix). The biennial appropriations act sets a statewide weighted average Medicaid payment rate, sometimes referred to as the budget dial. If the actual statewide nursing facility payments exceed the budget dial, the DSHS is required to proportionally adjust downward all nursing facility payment rates to meet the budget dial.

The nursing home rate methodology, including formula variables, allowable costs, and accounting/auditing procedures, is specified in statute. The rates are based on calculations for six different components: direct care, therapy care, support services, operations, property, and a financing allowance. Rate calculations for the noncapital components (direct care,

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therapy care, support services, and operations) are based on actual facility cost reports and are typically updated biennially in a process known as rebasing. The capital components (property and financing allowance) are also based on actual facility cost reports, but are rebased annually. All rate components, with the exception of direct care, are subject to minimum occupancy adjustments. If a facility does not meet the minimum occupancy requirements, the rates are adjusted downward. Also, the nursing facility payment system periodically includes add-on rate adjustments.

Under federal law, states have the ability to use provider-specific revenue to fund a portion of their state share of Medicaid program costs. This is sometimes referred to as a Medicaid provider assessment or sometimes as a provider tax or provider fee. States may use the proceeds from the assessment to make Medicaid provider payments and claim the federal matching share of those payments. Essentially, states use the proceeds from the provider tax to offset a portion of the state funds that would have been required to fund the Medicaid program. Federal regulations define the rules for the Medicaid provider assessment.

Summary:

The existing payment methodology for nursing facilities is repealed, effective June 30, 2016. A new payment methodology for nursing facilities is established, effective July 1, 2016. A minimum staffing standard for nursing facilities is established, effective July 1, 2016. The rebase of non-capital rate components is delayed from July 1, 2015, to July 1, 2016. The DSHS is directed to facilitate a workgroup that will recommend modifications to the new payment methodology in a report to the Legislature, due December 1, 2015. A separate nursing facility quality enhancement account is created in the custody of the State Treasurer. Funds received through the reconciliation and settlement process must be placed into the new account, effective July 1, 2015. Funds received from penalties when facilities are out of compliance with the minimum staffing standard must be placed into the new account, effective July 1, 2016. The Secretary of the DSHS may authorize expenditures from the new account for technical assistance for nursing facilities, specialized training for nursing facilities, or to increase quality enhancement payments.

Votes on Final Passage:

Second Special Session

House	95	2
Senate	44	0

Effective: July 1, 2015