SENATE BILL REPORT
SB 5152

As Reported by Senate Committee On:
Health Care, February 9, 2015

Title: An act relating to implementing a value-based system for nursing home rates.

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

Sponsors: Senators Parlette, Keiser and Becker.

Brief History:
Committee Activity: Health Care: 2/03/15, 2/09/15 [DPS-WM].

SENATE COMMITTEE ON HEALTH CARE

Majority Report: That Substitute Senate Bill No. 5152 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Becker, Chair; Dammeier, Vice Chair; Frockt, Ranking Minority Member; Angel, Bailey, Brown, Cleveland, Conway, Jayapal, Keiser, Parlette and Rivers.

Staff: Kathleen Buchli (786-7488)

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, 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 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 –

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sometimes called the case mix. In the biennial appropriations act, the Legislature 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, DSHS must 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 (RCW 74.46). The rates are based on calculations for six different components: direct care, therapy care, support services, operations, property, and a financing allowance. Rate calculation for the noncapital components – direct care, 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 and regulations, 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 can 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 of Bill (Recommended Substitute): DSHS must submit a report to the Legislature by January 2, 2016, outlining the projected benefits and costs from a simplified nursing facility payment system. The report must include a timeline for a July 1, 2017, implementation date for the new system. The new system must be geographically based, acuity adjusted, and must include several core components – direct care, indirect care, capital, and a quality enhancement of up to 5 percent of the total rate. Payments to nursing homes for services provided after June 30, 2017, must be based on the new system. Under the new system, the Medicaid payment rate of each facility must not fall below the rate in effect June 30, 2017. The statute for the current nursing facility payment system is repealed.

EFFECT OF CHANGES MADE BY HEALTH CARE COMMITTEE (Recommended Substitute): In addition to the nursing facilities, DSHS must consult with nursing facility employees and consumers in developing the nursing facility payment system.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: PRO: This language is largely agreed upon and this is an effort to simplify the very complex system that we have. On any given day, 10,000 Medicaid residents receive services in nursing facilities. The current system is broken and a rebase would hurt more than it would help. The bill lays out ways to simplify the nursing facility payment system. We ask that the scheduled rebase not take place. We want to make sure the resources we are provided with are used efficiently and to provide quality service. DSHS supports the bill; it will include a simpler system, be value-based, and provide incentives for facilities to provide a high level of care and to work with DSHS. We recommend that consumers be added to the stakeholder group. The nursing facility payment system needs simplification. The Legislature and the public should have assurances of quality and more accountability. We should include a requirement for quality outcomes and staffing requirements. Nursing home residents, their families, and consumers should be added to the workgroup.

OTHER: Consumers need to be involved. We need immediate rate relief now and we cannot wait for two years. Freezing the rates will not promote quality care. The new system could be costly. Do not sunset the current system until the new system is in place.

Persons Testifying: PRO: Senator Parlette, prime sponsor; Robin Dale, WA Health Care Assn.; Dale Patterson, EmpRes Healthcare Management; Bill Moss, DSHS; Walt Bowen, President, Senior Lobby.

OTHER: Hilke Faber, Founder, Advocacy Coordinator Resident Councils of WA; Scott Sigmon, Leading Age WA; Nick Federici, Service Employees International Union 775.