

# SENATE BILL REPORT

## SB 5758

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As Reported by Senate Committee On:  
Ways & Means, February 24, 2015

**Title:** An act relating to federal medicaid payment reconciliations.

**Brief Description:** Concerning federal medicaid payment reconciliations.

**Sponsors:** Senators Honeyford, Becker, Hargrove, Frockt, Hatfield and Bailey.

**Brief History:**

**Committee Activity:** Ways & Means: 2/18/15, 2/24/15 [DPS].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 5758 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Braun, Vice Chair; Dammeier, Vice Chair; Honeyford, Vice Chair, Capital Budget Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Bailey, Becker, Billig, Brown, Conway, Hasegawa, Hatfield, Hewitt, Kohl-Welles, O'Ban, Padden, Parlette, Rolfes, Schoesler and Warnick.

**Staff:** Sandy Stith (786-7710)

**Background:** Under federal Medicare and Medicaid law, certain primary care clinics and medical practices may apply for designation as federally qualified health centers (FQHCs) or rural health centers (RHCs). FQHCs provide primary care services in underserved urban and rural areas and are nonprofit or public entities. RHCs are provider-based or freestanding facilities located in rural areas that are designated as shortage areas and may be for-profit, nonprofit or public entities. Both FQHCs and RHCs must be primarily engaged in providing outpatient health services and their staff must furnish those diagnostic and therapeutic services and supplies commonly furnished in a physician's office or the entry point into the health delivery system.

FQHCs and RHCs are unique in the methodology by which they are paid, not in the scope of coverage for which they are paid. FQHCs and RHCs are paid for encounters. An encounter is a face-to-face visit between a client and an FQHC or RHC provider exercising independent judgment when providing health care services to the client. For a health care service to be defined as an encounter, it must meet specific criteria. All services must be documented in

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the client's file in order to qualify for an encounter. Encounters are limited to one per client per day, except in the following circumstances:

- the client needs to be seen on the same day by different practitioners with different specialties; and
- the client needs to be seen multiple times on the same day due to unrelated diagnoses.

For clients enrolled in managed care plans, FQHCs and RHCs receive an enhancement payment for Title XIX – Medicaid, and Title XXI – Children's Health Insurance Program, clients in addition to the encounter payment received from the managed care plan. This enhancement is in compliance with federal rules to ensure that payment rates meet cost reimbursement requirements. Total payments are reconciled to ensure that managed care payments combined with the enhancement payments equal the fee-for-service encounter equivalent. If an FQHC or RHC is overpaid, the Health Care Authority (HCA) recoups the appropriate amount. If the FQHC or RHC is underpaid, HCA will pay the difference.

**Summary of Bill:** The bill as referred to committee not considered.

**Summary of Bill (Recommended Substitute):** Beginning with calendar year 2014, HCA must complete annual reconciliation of enhancement payments for FQHCs and RHCs in accordance with the Medicaid State Plan for each calendar year within two years of the calendar year in which payments were made.

If the reconciliation is not complete for each calendar year within two years due to a failure of HCA to complete the reconciliation and an amount is owed to the provider, those amounts will accrue annual interest at the rate of 10 percent beginning January 1 in the year following the year in which the reconciliation should have been completed.

If the reconciliation is not complete for each calendar year in the following calendar year due to a failure of HCA to complete the reconciliation and an amount is owed by the provider, HCA must allow the provider to enter into a reasonable payment plan. No interest is charged on these repayments except as provided under RCW 74.09.210.

**EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute):** Beginning in calendar year 2014, HCA must complete reconciliations for FQHCs and RHCs within two years from the close of the calendar year in which payments were made. If a reconciliation is not completed within two years of the calendar year in which the payment was made due to the failure of HCA and an amount is owed to the provider, interest must accrue at 10 percent. If a reconciliation is not completed within two years of the calendar year in which the payment was made due to the failure of HCA and an amount is due from the provider, HCA must allow these providers to enter into reasonable payment plans with no accrual of interest on the repayment amounts except as provided in RCW 74.09.210.

**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 Proposed Substitute as Heard in Committee:**

**PRO:** RHCs are clinics that focus on primary care in rural areas. We have been working with HCA since 2009 on the reconciliation process since 2009. The amount HCA pays for Medicaid clients is what they deem to be fair and accurate. Years later they come back with a reconciliation and claim they may have paid the clinic incorrectly and want to take back hundreds of thousands of dollars. It was only through the help of the Legislature in 2013 that the 2009 amounts were offset. However, HCA hasn't completed 2010 and hasn't begun 2011 or later years. We urge support of this bill. It is a good law with no fiscal impact and provides incentives for HCA to complete these reconciliations according to the state's Medicaid plan. In the four years since the RHCs have been working on this process, 20 percent have gone out of business. The primary reason RHCs have gone out of business or been sold to hospitals has been HCA's administration of this program. Under current plan and law, reconciliation must be completed in the following year. This is a protection bill for rural providers.

**OTHER:** We agree that the process is broken. The process needs to be fixed. We are not in agreement with the language of the amendment. We don't believe this will help get the process done within the annual timeframe. We are happy to work with staff on language if the bill moves forward. We have interest in working with the parties on the process. We have made improvements and will continue to do so. We agree that the substitute bill has inadvertent consequences. If work proceeds too quickly, it could reduce payments to providers. If payments are unable to be recouped, the act does not absolve HCA of responsibility to pay back the federal share of the payments.

**Persons Testifying:** **PRO:** DJ Wilson, Rural Health Clinic Assn. of WA; Lisa McKay, NW Pediatric Center.

**OTHER:** Len McComb, WA State Hospital Assn.; Dennis Martin, HCA.