

# HOUSE BILL REPORT

## SB 5595

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### As Reported by House Committee On: Appropriations

**Title:** An act relating to maintaining the quarterly average census method for calculating state hospital reimbursements.

**Brief Description:** Concerning maintaining the quarterly average census method for calculating state hospital reimbursements.

**Sponsors:** Senators Billig, O'Ban, Darneille and Padden.

#### **Brief History:**

##### **Committee Activity:**

Appropriations: 3/13/17, 3/23/17 [DP].

#### **Brief Summary of Bill**

- Bases the reimbursement required by contractors that use more state hospital patient days of care than allocated on the average number of days used in excess of the contractor's bed allocation for the quarter.

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass. Signed by 32 members: Representatives Ormsby, Chair; Robinson, Vice Chair; Chandler, Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Stokesbary, Assistant Ranking Minority Member; Bergquist, Buys, Caldier, Cody, Condotta, Fitzgibbon, Haler, Hansen, Harris, Hudgins, Jinkins, Kagi, Lytton, Manweller, Nealey, Pettigrew, Pollet, Sawyer, Schmick, Senn, Springer, Stanford, Taylor, Tharinger, Vick, Volz and Wilcox.

**Staff:** Andy Toulon (786-7178).

#### **Background:**

The Department of Social and Health Services (Department) contracts with Behavioral Health Organizations (BHOs) to oversee the delivery of behavioral health services for adults and children who suffer from mental illness or substance use disorders. A BHO may be a

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county, group of counties, or a nonprofit or for-profit entity. Upon request of all of the county authorities in a region, the Department and the Health Care Authority (HCA) may alternatively purchase behavioral health services through an integrated medical and behavioral health services contract. Currently there are nine BHOs and one Fully Integrated Managed Care (FIMC) region. In the FIMC region, the HCA contracts with two private Managed Care Organizations (MCOs) and one Administrative Services Organization (ASO) for integrated medical and behavioral health services.

Medicaid funding for behavioral health services is paid by the state in risk-based contracts on a capitation basis, and funding is adjusted based on caseload. Funding for services not covered under the Medicaid program is provided in a state grant within available resources. Services not covered under the Medicaid program include services to individuals who are not Medicaid-eligible and services that are not covered under the state Medicaid plan. The BHOs and the FIMC contractors subcontract with local providers for an array of behavioral health services at the local level.

The BHOs and the FIMC contractors are also responsible for local administration of the Involuntary Treatment Act (ITA), which governs the commitment of persons for involuntary mental health treatment if they pose a likelihood of serious harm or are gravely ill due to a mental disorder. Detentions and short-term commitments under the ITA are provided in community settings and paid through the BHOs and the FIMC contractors. Long-term inpatient commitments for 90 or 180 days of treatment take place at one of two state hospitals operated by the Department.

Long-term inpatient care beds at the state hospitals are divided among all of the BHOs and the FIMC contractors with a specific allocation based on patient days of care. If one of the BHOs exceeds its allocation of patient days of care at the state hospitals, it must reimburse the Department for the excess days. If the FIMC region exceeds its allocation of patient days of care at the state hospitals, the FIMC contractors must reimburse the Department for the excess days. The rate of reimbursement is calculated as the state hospital's budget for long-term inpatient care divided by the total patient days of care assumed in calculating that budget. Half of the reimbursements received are for the Department to use to support the cost of operating the state hospital. The other half is distributed to the entities that have used less than their allocated bed days.

In calculating charges for exceeding patient days of care at the state hospitals, the Department has used two different methodologies over the years. The initial methodology was to calculate the charges on a daily basis. More recently, the Department uses a methodology that calculates these charges on a quarterly basis. Under the quarterly methodology, the BHOs and the FIMC region are only required to reimburse for the net days that exceed their allocation of patient days of care.

Throughout the 2015-17 fiscal biennium, the Department has used the quarterly methodology. The Department sent a contract amendment that was supposed to be effective in January 2017 to change to the daily methodology for calculating charges for excess patient days of care at the state hospitals. The Department has recently notified contractors that it is postponing this change until July 2017, when it intends to switch to the daily method for calculating charges.

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**Summary of Bill:**

The reimbursement that a BHO or FIMC contractor must pay for using more state hospital patient days of care than allocated must be calculated using quarterly average census data to determine the average number of days used in excess of the bed allocation for the quarter.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) If penalties for overutilization of the state hospitals are going to be part of the system, they should be implemented in a way in which the BHOs can actually have some control. The Department is considering changing the current methodology, which will be difficult for BHOs who require time to make adjustments. The bill maintains the status quo for a system that is currently fair and maintains stability at the local level for purposes of budgeting. The bill will also help ensure that some critical non-Medicaid funds remain available to provide community services. As an example, under a daily rather than quarterly system, one BHO probably would incur an additional \$2 million in penalties that would not be available for treatment and other needs.

(Opposed) None.

**Persons Testifying:** Senator Billig, prime sponsor; and Brad Banks, County Behavioral Health Organizations.

**Persons Signed In To Testify But Not Testifying:** None.