

# HOUSE BILL REPORT

## SSB 5734

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### As Reported by House Committee On: Appropriations

**Title:** An act relating to the hospital safety net assessment.

**Brief Description:** Concerning the hospital safety net assessment.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Cleveland and Becker).

**Brief History:**

**Committee Activity:**

Appropriations: 3/14/19, 4/22/19 [DP].

#### Brief Summary of Substitute Bill

- Extends the Hospital Safety Net Assessment (HSNA) program through July 1, 2023.
- Continues to allow funds from the HSNA program to be used in lieu of State General Fund payments for Medicaid hospital services through the 2021-23 biennium.
- Continues to allow funds from the HSNA program to be used for integrated evidence-based psychiatry and family residency programs through the 2021-23 biennium.
- Allows the Health Care Authority to make offsets to payments to hospitals failing to make assessment payments within 90 days of the due date.

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass. Signed by 33 members: Representatives Ormsby, Chair; Bergquist, 2nd Vice Chair; Robinson, 1st Vice Chair; Stokesbary, Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Rude, Assistant Ranking Minority Member; Caldier, Chandler, Cody, Dolan, Dye, Fitzgibbon, Hansen, Hoff, Hudgins, Jinkins, Kraft, Macri, Mosbrucker, Pettigrew, Pollet, Ryu, Schmick, Senn, Springer, Stanford, Steele, Sullivan, Sutherland, Tarleton, Tharinger, Volz and Ybarra.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Staff:** Catrina Lucero (786-7192).

**Background:**

Provider Assessments.

Health care provider-related charges, such as assessments, fees, or taxes, have been used in some states to help fund the costs of the Medicaid program. Under federal rules, these provider-related charges include any mandatory payment where at least 85 percent of the burden falls on health care providers. States collect funds from health care providers and pay them back as Medicaid payments. States use these provider-related payments to claim federal matching funds.

To conform to federal laws, health care provider-related assessments, fees, and taxes must be broad-based, uniform, and in compliance with hold harmless provisions. To be broad-based and uniform, they must be applied to all providers of the same class and be imposed at the same rate to each provider in that class. If a provider-related assessment, fee, or tax is not broad-based or uniform, these provisions may be waived if the assessment, fee, or tax is generally redistributive. The hold harmless provision may not be waived. Additionally, Medicaid payments for these services cannot exceed Medicare reimbursement levels.

Hospital Safety Net Assessment Program.

The Legislature created a Hospital Safety Net Assessment (HSNA) program in 2010 and has subsequently modified and extended it several times. An assessment on non-Medicare inpatient days is imposed on most hospitals, and proceeds from the assessments are deposited into the HSNA Fund (Fund). Money in the Fund may be used for various increases in hospital payments. In 2010 inpatient and outpatient payment rates were restored to levels in place on June 30, 2009. Beyond that restoration, most hospitals received additional payment rate increases for inpatient and outpatient services. In 2013 the methodology for increases was changed from a specific percentage of inpatient and outpatient rate increases to an overall level of increase. The overall level of increase was split between fee for service and managed care payments.

During the 2017-19 and 2019-21 biennia a total of \$292 million from the Fund may be used in lieu of State General Fund payments to hospitals. An additional sum of \$1 million per biennium may be disbursed from the Fund for payment of administrative expenses incurred by the Health Care Authority (HCA) related to the assessment program. For the 2017-19 and 2019-21 biennia, funds may be used for family medicine and integrated, evidence-based psychiatry residencies through the University of Washington. The HSNA program expires on July 1, 2021. Upon expiration of the program, hospital rates will return to the levels in place on June 30, 2009.

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**Summary of Bill:**

The HSNA program is extended until July 1, 2023. Various dates throughout the bill are moved forward. The act specifies that it is the intent of the Legislature to:

- extend funding to be used in lieu of State General Fund payments for Medicaid hospital services through 2021-23 biennium; and
- continue funding for integrated evidence-based psychiatry and family residency programs through the 2021-23 biennium.

#### Payments.

The HCA may offset payments to hospitals that have failed to make an assessment payment within 90 days of its due date. The offset shall reflect the payments owed by the hospital plus any interest. Payments to hospitals are changed to the following annual levels:

- the amounts paid to the University of Washington medical center are increased from \$10,555,000 to a maximum of \$12,055,000 beginning in fiscal year 2021;
- the amounts paid to all other certified public expenditure hospitals are reduced from \$6,345,000 to \$5,615,000; and
- the amounts paid for fee-for-services inpatient payments are increased from \$29,162,500 to \$29,892,500.

#### Other Provisions.

The HCA is directed to provide the Washington State Hospital Association an upper payment limit analysis every year on January 1. If that analysis indicates that the upper payment limit will be exceeded by at least \$15 million and those funds cannot be paid to hospitals, then the HCA shall initiate an outpatient rate increase effective July 1 of that year.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 2019.

#### **Staff Summary of Public Testimony:**

(In support) Hospitals with low Medicaid volumes may pay a lot in assessment but get little benefit. There are other hospitals who are exempt from the assessment but benefit from the program. It is difficult to maintain the appropriate balance between payers and beneficiaries. However, this program currently supports the State General Fund by deferring costs and supports hospitals by providing additional funding.

(Opposed) None.

**Persons Testifying:** Len McComb, Washington State Hospital Association.

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