FINAL BILL REPORT
SSB 5734

C 318 L 19
Synopsis as Enacted

Brief Description: Concerning the hospital safety net assessment.

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

Senate Committee on Ways & Means
House Committee on Appropriations

Background: 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, respectively, 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.

The Legislature created a Hospital Safety Net Assessment (HSNA) Program pursuant to E2SHB 2956—hospital safety net assessment in 2010; EHB 2069—hospital payments/safety net in 2011; ESSB 5913—hospital payments/quality incentive in 2013; and EHB 2151—extending the hospital safety net assessment in 2015. An assessment on non-Medicare inpatient days is imposed on most hospitals, and proceeds from the assessments are deposited into the HSNA fund.

Money in the HSNA 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 way in which the increases were addressed was changed from a specific percentage of inpatient and outpatient rate increases to an overall

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level of increase. The overall level of increase was split between fee for service and managed care payments.

The sum of $199.8 million in the 2013-15 biennium may be expended from the HSNA fund in lieu of state general fund payments to hospitals. An additional $1 million per biennium may be disbursed from the HSNA fund for administrative expenses incurred by the Health Care Authority (HCA) related to the assessment program.

The HSNA Program was to originally expire on July 1, 2013. Under the 2013 legislation, the program was to expire on July 1, 2017. Upon expiration of the program, hospital rates would either return to the levels in place on June 30, 2009, or to a rate structure specified in the 2013-15 operating budget.

Additionally, under the 2013 legislation, the HSNA program would phase down in equal increments over four years beginning in 2016. The phase down applied to both payments to hospitals and the amounts used in lieu of state general fund payments to hospitals and would phase to zero by the end of fiscal year 2019.

As a condition of these changes under the 2013 legislation, HCA was required to offer to contract with a hospital required to pay the assessment for two-year periods each fiscal biennium. HCA was required to agree to maintain the levels of the assessment, reimbursement rates, and increased payments during that period. In exchange, the hospitals were required to agree not to challenge, administratively or in court, the adequacy of the reduced reimbursement rates in place after the rate restorations. Increases from the current HSNA Program are removed.

The 2015 legislation eliminated the phase down of the program and extended the HSNA Program until July 1, 2019. Upon expiration, rates will return to the level they were on July 1, 2015. This legislation also increased the amount that may be expended from the HSNA fund in lieu of state general fund payments to hospitals from $199.8 million per biennium to $242 million beginning in 2015-2017.

Additionally, funding was provided for increased payments for hospital services and grants to certified public expenditure and critical access hospitals. New funding was provided for family and integrated, evidence-based psychiatry residencies through the University of Washington.

Provisions for contracting between hospitals and HCA were changed to allow extension of existing contracts and to disallow for reductions in aggregate payments based on variations based on budget-neutral rebasing of payment rates.

In 2017, the Legislature extended the program until July 1, 2021. Payment and assessment levels as determined under the 2015 legislation were adjusted.

Summary: The HSNA program is extended. The intent of the Legislature is to extend funds per biennium to be used in lieu of state general fund payments for Medicaid hospital services through the 2023-2025 biennium.

Language is updated to clarify certified public expenditure (CPE) hospital applies to hospitals currently participating in the CPE program.

Provisions for hospitals failing to pay assessments within 90 days of their due date are added to allow HCA to offset amounts due from payments scheduled to be made to the hospital.

Payments to hospitals are specifically changed to the following annual levels.

Grants to CPE hospitals:
- University of Washington—$12,055,000 beginning in fiscal year 2021.

Fee-for-service changes are as follows:
- inpatient prospective payment hospitals other than psychiatric or rehabilitative hospitals—$29,892,500; and
- requires HCA to initiate an outpatient rate increase using safety net assessment funds if managed care capitation payments and the upper payment limit is exceeded by $15 million in any given year.

Votes on Final Passage:

Senate	48	1
House	96	1

Effective: July 1, 2019