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**SUBSTITUTE HOUSE BILL 1748**

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**State of Washington**

**66th Legislature**

**2019 Regular Session**

**By** House Appropriations (originally sponsored by Representatives Jinkins, Schmick, and Cody)

READ FIRST TIME 02/28/19.

1 AN ACT Relating to the hospital safety net assessment; amending  
2 RCW 74.60.005, 74.60.010, 74.60.020, 74.60.030, 74.60.050, 74.60.090,  
3 74.60.120, and 74.60.901; creating new sections; providing an  
4 effective date; providing expiration dates; and declaring an  
5 emergency.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 **Sec. 1.** RCW 74.60.005 and 2017 c 228 s 1 are each amended to  
8 read as follows:

9 (1) The purpose of this chapter is to provide for a safety net  
10 assessment on certain Washington hospitals, which will be used solely  
11 to augment funding from all other sources and thereby support  
12 additional payments to hospitals for medicaid services as specified  
13 in this chapter.

14 (2) The legislature finds that federal health care reform will  
15 result in an expansion of medicaid enrollment in this state and an  
16 increase in federal financial participation.

17 (3) In adopting this chapter, it is the intent of the  
18 legislature:

19 (a) To impose a hospital safety net assessment to be used solely  
20 for the purposes specified in this chapter;

1 (b) To generate approximately one billion dollars per state  
2 fiscal biennium in new state and federal funds by disbursing all of  
3 that amount to pay for medicaid hospital services and grants to  
4 certified public expenditure and critical access hospitals, except  
5 costs of administration as specified in this chapter, in the form of  
6 additional payments to hospitals and managed care plans, which may  
7 not be a substitute for payments from other sources, but which  
8 include quality improvement incentive payments under RCW 74.09.611;

9 (c) To generate two hundred ninety-two million dollars per  
10 biennium during the ~~((2017-2019))~~ 2019-2021 and ~~((2019-2021))~~  
11 2021-2023 biennia in new funds to be used in lieu of state general  
12 fund payments for medicaid hospital services;

13 (d) That the total amount assessed not exceed the amount needed,  
14 in combination with all other available funds, to support the  
15 payments authorized by this chapter;

16 (e) To condition the assessment on receiving federal approval for  
17 receipt of additional federal financial participation and on  
18 continuation of other funding sufficient to maintain aggregate  
19 payment levels to hospitals for inpatient and outpatient services  
20 covered by medicaid, including fee-for-service and managed care, at  
21 least at the rates the state paid for those services on July 1, 2015,  
22 as adjusted for current enrollment and utilization; ~~((and))~~

23 (f) For each of the two biennia starting with fiscal year  
24 ~~((2018))~~ 2020 to generate:

25 (i) Four million dollars for new integrated evidence-based  
26 psychiatry residency program slots that did not receive state funding  
27 prior to 2016 at the integrated psychiatry residency program at the  
28 University of Washington; and

29 (ii) Eight million two hundred thousand dollars for ~~((new))~~  
30 family medicine residency program slots that did not receive state  
31 funding prior to 2016, as directed through the family medicine  
32 residency network at the University of Washington, for slots where  
33 residents are employed by hospitals;

34 (g) For the 2019-2021 biennium, to generate four million four  
35 hundred thousand dollars for the Washington rural health access  
36 preservation pilot established in RCW 74.09.5225(2)(b); and

37 (h) For the 2019-2021 biennium, to generate two million seven  
38 hundred eighty-six thousand dollars plus any available federal match  
39 for additional payments to hospitals meeting the criteria in section  
40 9(1) (a) through (e) of this act.

1       **Sec. 2.** RCW 74.60.010 and 2017 c 228 s 2 are each amended to  
2 read as follows:

3       The definitions in this section apply throughout this chapter  
4 unless the context clearly requires otherwise.

5       (1) "Authority" means the health care authority.

6       (2) "Base year" for medicaid payments for state fiscal year 2017  
7 is state fiscal year 2014. For each following year's calculations,  
8 the base year must be updated to the next following year.

9       (3) "Bordering city hospital" means a hospital as defined in WAC  
10 182-550-1050 and bordering cities as described in WAC 182-501-0175,  
11 or successor rules.

12       (4) "Certified public expenditure hospital" means a hospital  
13 participating in (~~or that at any point from June 30, 2013, to July~~  
14 ~~1, 2019, has participated in~~) the authority's certified public  
15 expenditure payment program as described in WAC 182-550-4650 or  
16 successor rule. (~~For purposes of this chapter any such hospital~~  
17 ~~shall continue to be treated as a certified public expenditure~~  
18 ~~hospital for assessment and payment purposes through the date~~  
19 ~~specified in RCW 74.60.901.~~) The eligibility of such hospitals to  
20 receive grants under RCW 74.60.090 solely from funds generated under  
21 this chapter must remain in effect through the date specified in RCW  
22 74.60.901 and must not be affected by any modification or termination  
23 of the federal certified public expenditure program, or reduced by  
24 the amount of any federal funds no longer available for that purpose.

25       (5) "Critical access hospital" means a hospital as described in  
26 RCW 74.09.5225.

27       (6) "Director" means the director of the health care authority.

28       (7) "Eligible new prospective payment hospital" means a  
29 prospective payment hospital opened after January 1, 2009, for which  
30 a full year of cost report data as described in RCW 74.60.030(2) and  
31 a full year of medicaid base year data required for the calculations  
32 in RCW 74.60.120(3) are available.

33       (8) "Fund" means the hospital safety net assessment fund  
34 established under RCW 74.60.020.

35       (9) "Hospital" means a facility licensed under chapter 70.41 RCW.

36       (10) "Long-term acute care hospital" means a hospital which has  
37 an average inpatient length of stay of greater than twenty-five days  
38 as determined by the department of health.

39       (11) "Managed care organization" means an organization having a  
40 certificate of authority or certificate of registration from the

1 office of the insurance commissioner that contracts with the  
2 authority under a comprehensive risk contract to provide prepaid  
3 health care services to eligible clients under the authority's  
4 medicaid managed care programs, including the healthy options  
5 program.

6 (12) "Medicaid" means the medical assistance program as  
7 established in Title XIX of the social security act and as  
8 administered in the state of Washington by the authority.

9 (13) "Medicare cost report" means the medicare cost report, form  
10 2552, or successor document.

11 (14) "Nonmedicare hospital inpatient day" means total hospital  
12 inpatient days less medicare inpatient days, including medicare days  
13 reported for medicare managed care plans, as reported on the medicare  
14 cost report, form 2552, or successor forms, excluding all skilled and  
15 nonskilled nursing facility days, skilled and nonskilled swing bed  
16 days, nursery days, observation bed days, hospice days, home health  
17 agency days, and other days not typically associated with an acute  
18 care inpatient hospital stay.

19 (15) "Outpatient" means services provided classified as  
20 ambulatory payment classification services or successor payment  
21 methodologies as defined in WAC 182-550-7050 or successor rule and  
22 applies to fee-for-service payments and managed care encounter data.

23 (16) "Prospective payment system hospital" means a hospital  
24 reimbursed for inpatient and outpatient services provided to medicaid  
25 beneficiaries under the inpatient prospective payment system and the  
26 outpatient prospective payment system as defined in WAC 182-550-1050  
27 or successor rule. For purposes of this chapter, prospective payment  
28 system hospital does not include a hospital participating in the  
29 certified public expenditure program or a bordering city hospital  
30 located outside of the state of Washington and in one of the  
31 bordering cities listed in WAC 182-501-0175 or successor rule.

32 (17) "Psychiatric hospital" means a hospital facility licensed as  
33 a psychiatric hospital under chapter 71.12 RCW.

34 (18) "Rehabilitation hospital" means a medicare-certified  
35 freestanding inpatient rehabilitation facility.

36 (19) "Small rural disproportionate share hospital payment" means  
37 a payment made in accordance with WAC 182-550-5200 or successor rule.

38 (20) "Upper payment limit" means the aggregate federal upper  
39 payment limit on the amount of the medicaid payment for which federal  
40 financial participation is available for a class of service and a

1 class of health care providers, as specified in 42 C.F.R. Part 47, as  
2 separately determined for inpatient and outpatient hospital services.

3 **Sec. 3.** RCW 74.60.020 and 2017 c 228 s 3 are each amended to  
4 read as follows:

5 (1) A dedicated fund is hereby established within the state  
6 treasury to be known as the hospital safety net assessment fund. The  
7 purpose and use of the fund shall be to receive and disburse funds,  
8 together with accrued interest, in accordance with this chapter.  
9 Moneys in the fund, including interest earned, shall not be used or  
10 disbursed for any purposes other than those specified in this  
11 chapter. Any amounts expended from the fund that are later recouped  
12 by the authority on audit or otherwise shall be returned to the fund.

13 (a) Any unexpended balance in the fund at the end of a fiscal  
14 year shall carry over into the following fiscal year or that fiscal  
15 year and the following fiscal year and shall be applied to reduce the  
16 amount of the assessment under RCW 74.60.050(1)(c).

17 (b) Any amounts remaining in the fund after July 1, (~~2021~~)  
18 2023, shall be refunded to hospitals, pro rata according to the  
19 amount paid by the hospital since July 1, 2013, subject to the  
20 limitations of federal law.

21 (2) All assessments, interest, and penalties collected by the  
22 authority under RCW 74.60.030 and 74.60.050 shall be deposited into  
23 the fund.

24 (3) Disbursements from the fund are conditioned upon  
25 appropriation and the continued availability of other funds  
26 sufficient to maintain aggregate payment levels to hospitals for  
27 inpatient and outpatient services covered by medicaid, including fee-  
28 for-service and managed care, at least at the levels the state paid  
29 for those services on July 1, 2015, as adjusted for current  
30 enrollment and utilization.

31 (4) Disbursements from the fund may be made only:

32 (a) To make payments to hospitals and managed care plans as  
33 specified in this chapter;

34 (b) To refund erroneous or excessive payments made by hospitals  
35 pursuant to this chapter;

36 (c) For one million dollars per biennium for payment of  
37 administrative expenses incurred by the authority in performing the  
38 activities authorized by this chapter;

1 (d) For two hundred ninety-two million dollars per biennium, to  
2 be used in lieu of state general fund payments for medicaid hospital  
3 services, provided that if the full amount of the payments required  
4 under RCW 74.60.120 and 74.60.130 cannot be distributed in a given  
5 fiscal year, this amount must be reduced proportionately;

6 (e) To repay the federal government for any excess payments made  
7 to hospitals from the fund if the assessments or payment increases  
8 set forth in this chapter are deemed out of compliance with federal  
9 statutes and regulations in a final determination by a court of  
10 competent jurisdiction with all appeals exhausted. In such a case,  
11 the authority may require hospitals receiving excess payments to  
12 refund the payments in question to the fund. The state in turn shall  
13 return funds to the federal government in the same proportion as the  
14 original financing. If a hospital is unable to refund payments, the  
15 state shall develop either a payment plan, or deduct moneys from  
16 future medicaid payments, or both;

17 (f) To pay an amount sufficient, when combined with the maximum  
18 available amount of federal funds necessary to provide a one percent  
19 increase in medicaid hospital inpatient rates to hospitals eligible  
20 for quality improvement incentives under RCW 74.09.611. By May 16,  
21 2018~~((+))~~, and by each May 16 thereafter, the authority, in  
22 cooperation with the department of health, must verify that each  
23 hospital eligible to receive quality improvement incentives under the  
24 terms of this chapter is in substantial compliance with the reporting  
25 requirements in RCW 43.70.052 and 70.01.040 for the prior period. For  
26 the purposes of this subsection, "substantial compliance" means, in  
27 the prior period, the hospital has submitted at least nine of the  
28 twelve monthly reports by the due date. The authority must distribute  
29 quality improvement incentives to hospitals that have met these  
30 requirements beginning July 1 of 2018 and each July 1 thereafter;  
31 ~~((and))~~

32 (g) For each state fiscal year ~~((2018))~~ 2020 through ~~((2021))~~  
33 2023 to generate:

34 (i) Two million dollars for ~~((new))~~ integrated evidence-based  
35 psychiatry residency program slots that did not receive state funding  
36 prior to 2016 at the integrated psychiatry residency program at the  
37 University of Washington; and

38 (ii) Four million one hundred thousand dollars for ~~((new))~~ family  
39 medicine residency program slots that did not receive state funding  
40 prior to 2016, as directed through the family medicine residency

1 network at the University of Washington, for slots where residents  
2 are employed by hospitals;

3 (h) For each state fiscal year 2019 through 2020, to generate two  
4 million two hundred thousand dollars for the Washington rural health  
5 access preservation pilot established in RCW 74.09.5225(2) (b); and

6 (i) For each state fiscal year 2019 through 2020, to generate one  
7 million three hundred ninety-three thousand dollars plus any  
8 available federal match for additional payments to hospitals meeting  
9 the criteria in section 9(1) (a) through (e) of this act.

10 **Sec. 4.** RCW 74.60.030 and 2017 c 228 s 4 are each amended to  
11 read as follows:

12 (1)(a) Upon satisfaction of the conditions in RCW 74.60.150(1),  
13 and so long as the conditions in RCW 74.60.150(2) have not occurred,  
14 an assessment is imposed as set forth in this subsection. Assessment  
15 notices must be sent on or about thirty days prior to the end of each  
16 quarter and payment is due thirty days thereafter.

17 (b) Effective July 1, 2015, and except as provided in RCW  
18 74.60.050:

19 (i) Each prospective payment system hospital, except psychiatric  
20 and rehabilitation hospitals, shall pay a quarterly assessment. Each  
21 quarterly assessment shall be no more than one quarter of three  
22 hundred eighty dollars for each annual nonmedicare hospital inpatient  
23 day, up to a maximum of fifty-four thousand days per year. For each  
24 nonmedicare hospital inpatient day in excess of fifty-four thousand  
25 days, each prospective payment system hospital shall pay a quarterly  
26 assessment of one quarter of seven dollars for each such day, unless  
27 such assessment amount or threshold needs to be modified to comply  
28 with applicable federal regulations;

29 (ii) Each critical access hospital shall pay a quarterly  
30 assessment of one quarter of ten dollars for each annual nonmedicare  
31 hospital inpatient day;

32 (iii) Each psychiatric hospital shall pay a quarterly assessment  
33 of no more than one quarter of seventy-four dollars for each annual  
34 nonmedicare hospital inpatient day; and

35 (iv) Each rehabilitation hospital shall pay a quarterly  
36 assessment of no more than one quarter of seventy-four dollars for  
37 each annual nonmedicare hospital inpatient day.

38 (2) The authority shall determine each hospital's annual  
39 nonmedicare hospital inpatient days by summing the total reported

1 nonmedicare hospital inpatient days for each hospital that is not  
2 exempt from the assessment under RCW 74.60.040. The authority shall  
3 obtain inpatient data from the hospital's 2552 cost report data file  
4 or successor data file available through the centers for medicare and  
5 medicaid services, as of a date to be determined by the authority.  
6 For state fiscal year (~~(2017)~~) 2021, the authority shall use cost  
7 report data for hospitals' fiscal years ending in (~~(2013)~~) 2017. For  
8 subsequent years, the hospitals' next succeeding fiscal year cost  
9 report data must be used.

10 (a) With the exception of a prospective payment system hospital  
11 commencing operations after January 1, 2009, for any hospital without  
12 a cost report for the relevant fiscal year, the authority shall work  
13 with the affected hospital to identify appropriate supplemental  
14 information that may be used to determine annual nonmedicare hospital  
15 inpatient days.

16 (b) A prospective payment system hospital commencing operations  
17 after January 1, 2009, must be assessed in accordance with this  
18 section after becoming an eligible new prospective payment system  
19 hospital as defined in RCW 74.60.010.

20 **Sec. 5.** RCW 74.60.050 and 2017 c 228 s 5 are each amended to  
21 read as follows:

22 (1) The authority, in cooperation with the office of financial  
23 management, shall develop rules for determining the amount to be  
24 assessed to individual hospitals, notifying individual hospitals of  
25 the assessed amount, and collecting the amounts due. Such rule making  
26 shall specifically include provision for:

27 (a) Transmittal of notices of assessment by the authority to each  
28 hospital informing the hospital of its nonmedicare hospital inpatient  
29 days and the assessment amount due and payable;

30 (b) Interest on delinquent assessments at the rate specified in  
31 RCW 82.32.050; and

32 (c) Adjustment of the assessment amounts in accordance with  
33 subsection (~~((+2))~~) (3) of this section.

34 (2) For any hospital failing to make an assessment payment within  
35 ninety days of its due date, the authority may offset an amount from  
36 payments scheduled to be made by the authority to the hospital,  
37 reflecting the assessment payments owed by the hospital plus any  
38 interest. The authority shall deposit these offset funds into the  
39 dedicated hospital safety net assessment fund.



1       (3) For each state fiscal year, the assessment amounts  
2 established under RCW 74.60.030 must be adjusted as follows:

3       (a) If sufficient other funds, including federal funds, are  
4 available to make the payments required under this chapter and fund  
5 the state portion of the quality incentive payments under RCW  
6 74.09.611 and 74.60.020(4)(f) without utilizing the full assessment  
7 under RCW 74.60.030, the authority shall reduce the amount of the  
8 assessment to the minimum levels necessary to support those payments;

9       (b) If the total amount of inpatient and outpatient supplemental  
10 payments under RCW 74.60.120 is in excess of the upper payment limits  
11 and the entire excess amount cannot be disbursed by additional  
12 payments to managed care organizations under RCW 74.60.130, the  
13 authority shall proportionately reduce future assessments on  
14 prospective payment hospitals to the level necessary to generate  
15 additional payments to hospitals that are consistent with the upper  
16 payment limit plus the maximum permissible amount of additional  
17 payments to managed care organizations under RCW 74.60.130;

18       (c) If the amount of payments to managed care organizations under  
19 RCW 74.60.130 cannot be distributed because of failure to meet  
20 federal actuarial soundness or utilization requirements or other  
21 federal requirements, the authority shall apply the amount that  
22 cannot be distributed to reduce future assessments to the level  
23 necessary to generate additional payments to managed care  
24 organizations that are consistent with federal actuarial soundness or  
25 utilization requirements or other federal requirements;

26       (d) If required in order to obtain federal matching funds, the  
27 maximum number of nonmedicare inpatient days at the higher rate  
28 provided under RCW 74.60.030(1)(b)(i) may be adjusted in order to  
29 comply with federal requirements;

30       (e) If the number of nonmedicare inpatient days applied to the  
31 rates provided in RCW 74.60.030 will not produce sufficient funds to  
32 support the payments required under this chapter and the state  
33 portion of the quality incentive payments under RCW 74.09.611 and  
34 74.60.020(4)(f), the assessment rates provided in RCW 74.60.030 may  
35 be increased proportionately by category of hospital to amounts no  
36 greater than necessary in order to produce the required level of  
37 funds needed to make the payments specified in this chapter and the  
38 state portion of the quality incentive payments under RCW 74.09.611  
39 and 74.60.020(4)(f); and

1 (f) Any actual or estimated surplus remaining in the fund at the  
2 end of the fiscal year must be applied to reduce the assessment  
3 amount for the subsequent fiscal year or that fiscal year and the  
4 following fiscal years prior to and including fiscal year (~~2021~~)  
5 2023.

6 (~~(3)~~) (4)(a) Any adjustment to the assessment amounts pursuant  
7 to this section, and the data supporting such adjustment, including,  
8 but not limited to, relevant data listed in (b) of this subsection,  
9 must be submitted to the Washington state hospital association for  
10 review and comment at least sixty calendar days prior to  
11 implementation of such adjusted assessment amounts. Any review and  
12 comment provided by the Washington state hospital association does  
13 not limit the ability of the Washington state hospital association or  
14 its members to challenge an adjustment or other action by the  
15 authority that is not made in accordance with this chapter.

16 (b) The authority shall provide the following data to the  
17 Washington state hospital association sixty days before implementing  
18 any revised assessment levels, detailed by fiscal year, beginning  
19 with fiscal year 2011 and extending to the most recent fiscal year,  
20 except in connection with the initial assessment under this chapter:

21 (i) The fund balance;

22 (ii) The amount of assessment paid by each hospital;

23 (iii) The state share, federal share, and total annual medicaid  
24 fee-for-service payments for inpatient hospital services made to each  
25 hospital under RCW 74.60.120, and the data used to calculate the  
26 payments to individual hospitals under that section;

27 (iv) The state share, federal share, and total annual medicaid  
28 fee-for-service payments for outpatient hospital services made to  
29 each hospital under RCW 74.60.120, and the data used to calculate  
30 annual payments to individual hospitals under that section;

31 (v) The annual state share, federal share, and total payments  
32 made to each hospital under each of the following programs: Grants to  
33 certified public expenditure hospitals under RCW 74.60.090, for  
34 critical access hospital payments under RCW 74.60.100; and  
35 disproportionate share programs under RCW 74.60.110;

36 (vi) The data used to calculate annual payments to individual  
37 hospitals under (b) (v) of this subsection; and

38 (vii) The amount of payments made to managed care plans under RCW  
39 74.60.130, including the amount representing additional premium tax,  
40 and the data used to calculate those payments.

1 (c) On a monthly basis, the authority shall provide the  
2 Washington state hospital association the amount of payments made to  
3 managed care plans under RCW 74.60.130, including the amount  
4 representing additional premium tax, and the data used to calculate  
5 those payments.

6 **Sec. 6.** RCW 74.60.090 and 2017 c 228 s 6 are each amended to  
7 read as follows:

8 (1) In each fiscal year commencing upon satisfaction of the  
9 applicable conditions in RCW 74.60.150(1), funds must be disbursed  
10 from the fund and the authority shall make grants to certified public  
11 expenditure hospitals, which shall not be considered payments for  
12 hospital services, as follows:

13 (a) University of Washington medical center: Ten million five  
14 hundred fifty-five thousand dollars in ~~((each))~~ state fiscal year  
15 ~~((2018))~~ 2020 and up to twelve million fifty-five thousand dollars in  
16 state fiscal year 2021 through ~~((2021))~~ 2023 paid as follows, except  
17 if the full amount of the payments required under RCW 74.60.120(1)  
18 and 74.60.130 cannot be distributed in a given fiscal year, the  
19 amounts in this subsection must be reduced proportionately:

20 (i) Four million four hundred fifty-five thousand dollars in  
21 state fiscal years 2020 through 2023, except that from state fiscal  
22 year 2021 through 2023, if northwest hospital is ineligible to  
23 participate in this chapter as a prospective payment hospital, the  
24 amount per state fiscal year must be five million nine hundred fifty-  
25 five thousand dollars;

26 (ii) Two million dollars to ~~((new))~~ integrated, evidence-based  
27 psychiatry residency program slots that did not receive state funding  
28 prior to 2016, at the integrated psychiatry residency program at the  
29 University of Washington; and

30 (iii) Four million one hundred thousand dollars to ~~((new))~~ family  
31 medicine residency program slots that did not receive state funding  
32 prior to 2016, as directed through the family medicine residency  
33 network at the University of Washington, for slots where residents  
34 are employed by hospitals;

35 (b) Harborview medical center: ~~((Ten))~~ Seventeen million two  
36 hundred sixty thousand dollars in each state fiscal year ~~((2018))~~  
37 2020 through ~~((2021))~~ 2023, except if the full amount of the payments  
38 required under RCW 74.60.120(1) and 74.60.130 cannot be distributed

1 in a given fiscal year, the amounts in this subsection must be  
2 reduced proportionately;

3 (c) All other certified public expenditure hospitals: (~~Six~~  
4 ~~million three hundred forty-five~~) Five million six hundred fifteen  
5 thousand dollars in each state fiscal year (~~(2018)~~) 2020 through  
6 (~~(2021)~~) 2023, except if the full amount of the payments required  
7 under RCW 74.60.120(1) and 74.60.130 cannot be distributed in a given  
8 fiscal year, the amounts in this subsection must be reduced  
9 proportionately. The amount of payments to individual hospitals under  
10 this subsection must be determined using a methodology that provides  
11 each hospital with a proportional allocation of the group's total  
12 amount of medicaid and state children's health insurance program  
13 payments determined from claims and encounter data using the same  
14 general methodology set forth in RCW 74.60.120 (3) and (4).

15 (2) Payments must be made quarterly, before the end of each  
16 quarter, taking the total disbursement amount and dividing by four to  
17 calculate the quarterly amount. The authority shall provide a  
18 quarterly report of such payments to the Washington state hospital  
19 association.

20 **Sec. 7.** RCW 74.60.120 and 2017 c 228 s 8 are each amended to  
21 read as follows:

22 (1) In each state fiscal year, commencing upon satisfaction of  
23 the applicable conditions in RCW 74.60.150(1), the authority shall  
24 make supplemental payments directly to Washington hospitals,  
25 separately for inpatient and outpatient fee-for-service medicaid  
26 services, as follows unless there are federal restrictions on doing  
27 so. If there are federal restrictions, to the extent allowed, funds  
28 that cannot be paid under (a) of this subsection, should be paid  
29 under (b) of this subsection, and funds that cannot be paid under (b)  
30 of this subsection, shall be paid under (a) of this subsection:

31 (a) For inpatient fee-for-service payments for prospective  
32 payment hospitals other than psychiatric or rehabilitation hospitals,  
33 twenty-nine million (~~(one hundred sixty-two)~~) eight hundred ninety-  
34 two thousand five hundred dollars per state fiscal year plus federal  
35 matching funds;

36 (b) For outpatient fee-for-service payments for prospective  
37 payment hospitals other than psychiatric or rehabilitation hospitals,  
38 thirty million dollars per state fiscal year plus federal matching  
39 funds;

1 (c) For inpatient fee-for-service payments for psychiatric  
2 hospitals, eight hundred seventy-five thousand dollars per state  
3 fiscal year plus federal matching funds;

4 (d) For inpatient fee-for-service payments for rehabilitation  
5 hospitals, two hundred twenty-five thousand dollars per state fiscal  
6 year plus federal matching funds;

7 (e) For inpatient fee-for-service payments for border hospitals,  
8 two hundred fifty thousand dollars per state fiscal year plus federal  
9 matching funds; and

10 (f) For outpatient fee-for-service payments for border hospitals,  
11 two hundred fifty thousand dollars per state fiscal year plus federal  
12 matching funds.

13 (2) If the amount of inpatient or outpatient payments under  
14 subsection (1) of this section, when combined with federal matching  
15 funds, exceeds the upper payment limit, payments to each category of  
16 hospital in subsection (1)(a) through (f) of this section must be  
17 reduced proportionately to a level where the total payment amount is  
18 consistent with the upper payment limit. (~~Funds under this chapter~~  
19 ~~unable to be paid to hospitals under this section because of the~~  
20 ~~upper payment limit must be paid to managed care organizations under~~  
21 ~~RCW 74.60.130, subject to the limitations in this chapter.~~) If funds  
22 in excess of the upper payment limit cannot be paid under RCW  
23 74.60.130 and if the payment amount in excess of the upper payment  
24 limit exceeds fifteen million dollars, the authority shall increase  
25 the prospective payment system hospital outpatient hospital payment  
26 rate, for hospitals using the safety net funding and federal matching  
27 funds that would otherwise have been used to fund the payments under  
28 subsection (1) of this section that exceed the upper payment limit.  
29 By January 1st of each year, the authority shall provide to the  
30 Washington state hospital association an upper payment limit analysis  
31 using the latest available claims data for the historic periods in  
32 the calculation. If the analysis shows the payments are projected to  
33 exceed the upper payment limit by at least fifteen million dollars,  
34 the authority shall initiate an outpatient rate increase effective  
35 July 1st of that year.

36 (3) The amount of such fee-for-service inpatient payments to  
37 individual hospitals within each of the categories identified in  
38 subsection (1)(a), (c), (d), and (e) of this section must be  
39 determined by:

1 (a) Totaling the inpatient fee-for-service claims payments and  
2 inpatient managed care encounter rate payments for each hospital  
3 during the base year;

4 (b) Totaling the inpatient fee-for-service claims payments and  
5 inpatient managed care encounter rate payments for all hospitals  
6 during the base year; and

7 (c) Using the amounts calculated under (a) and (b) of this  
8 subsection to determine an individual hospital's percentage of the  
9 total amount to be distributed to each category of hospital.

10 (4) The amount of such fee-for-service outpatient payments to  
11 individual hospitals within each of the categories identified in  
12 subsection (1)(b) and (f) of this section must be determined by:

13 (a) Totaling the outpatient fee-for-service claims payments and  
14 outpatient managed care encounter rate payments for each hospital  
15 during the base year;

16 (b) Totaling the outpatient fee-for-service claims payments and  
17 outpatient managed care encounter rate payments for all hospitals  
18 during the base year; and

19 (c) Using the amounts calculated under (a) and (b) of this  
20 subsection to determine an individual hospital's percentage of the  
21 total amount to be distributed to each category of hospital.

22 (5) Sixty days before the first payment in each subsequent fiscal  
23 year, the authority shall provide each hospital and the Washington  
24 state hospital association with an explanation of how the amounts due  
25 to each hospital under this section were calculated.

26 (6) Payments must be made in quarterly installments on or about  
27 the last day of every quarter.

28 (7) A prospective payment system hospital commencing operations  
29 after January 1, 2009, is eligible to receive payments in accordance  
30 with this section after becoming an eligible new prospective payment  
31 system hospital as defined in RCW 74.60.010.

32 (8) Payments under this section are supplemental to all other  
33 payments and do not reduce any other payments to hospitals.

34 **Sec. 8.** RCW 74.60.901 and 2017 c 228 s 12 are each amended to  
35 read as follows:

36 This chapter expires July 1, (~~2021~~) 2023.

37 NEW SECTION. **Sec. 9.** (1) For each state fiscal year 2019  
38 through 2020, commencing upon satisfaction of the applicable

1 conditions in RCW 74.60.150(1), the health care authority shall make  
2 supplemental payments to hospitals that meet the criteria in (a)  
3 through (e) of this subsection. One million three hundred ninety-  
4 three thousand dollars must be distributed from the fund and, with  
5 available federal matching funds, used to increase payments for  
6 medical assistance program services provided by the hospital,  
7 regardless of the beneficiary's managed care enrollment status, to  
8 one hundred fifty percent of the hospital's fee-for-service rates.  
9 Hospitals qualifying for this rate increase must:

10 (a) Be certified by the centers for medicare and medicaid  
11 services as sole community hospitals as of January 1, 2013;

12 (b) Have had less than one hundred fifty acute care licensed beds  
13 in fiscal year 2011;

14 (c) Have a level III adult trauma service designation from the  
15 department of health as of January 1, 2014;

16 (d) Be owned and operated by the state or a political  
17 subdivision; and

18 (e) Be willing and able to provide timely and appropriate mental  
19 health treatment services under a single bed certification under RCW  
20 71.05.745 to individuals with mental disorders for whom an evaluation  
21 and treatment bed is not available.

22 (2) This section expires June 30, 2021.

23 NEW SECTION. **Sec. 10.** (1) For each state fiscal year 2019  
24 through 2020, commencing upon satisfaction of the applicable  
25 conditions in RCW 74.60.150(1), the health care authority shall make  
26 supplemental payments to hospitals participating in the Washington  
27 rural health preservation pilot established in 74.09.5225(2)(b). Two  
28 million two hundred thousand dollars must be distributed from the  
29 account for this purpose. The amount of payments to individual  
30 hospitals under this section must be determined in consultation with  
31 the Washington state hospital association. These payments shall be in  
32 addition to any other amount payable with respect to services  
33 provided by Washington rural health access preservation pilot  
34 hospitals and shall not reduce any other payments to these hospitals.  
35 The authority shall provide a report of such payments to the  
36 Washington state hospital association within thirty days after  
37 payments are made.

38 (2) This section expires June 30, 2021.

1        NEW SECTION.    **Sec. 11.**    This act is necessary for the immediate  
2    preservation of the public peace, health, or safety, or support of  
3    the state government and its existing public institutions, and takes  
4    effect July 1, 2019.

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