
HOUSE BILL 1316

State of Washington

67th Legislature

2021 Regular Session

By Representatives Cody, Macri, Duerr, Santos, Bateman, and Lekanoff

Read first time 01/20/21. Referred to Committee on Appropriations.

1 AN ACT Relating to the hospital safety net assessment; amending
2 RCW 74.60.005, 74.60.020, 74.60.090, and 74.60.901; providing an
3 effective date; providing an expiration date; and declaring an
4 emergency.

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

6 **Sec. 1.** RCW 74.60.005 and 2019 c 318 s 1 are each amended to
7 read as follows:

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

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

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

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

20 (b) To generate approximately one billion dollars per state
21 fiscal biennium in new state and federal funds by disbursing all of

1 that amount to pay for medicaid hospital services and grants to
2 certified public expenditure and critical access hospitals, except
3 costs of administration as specified in this chapter, in the form of
4 additional payments to hospitals and managed care plans, which may
5 not be a substitute for payments from other sources, but which
6 include quality improvement incentive payments under RCW 74.09.611;

7 (c) To generate two hundred ninety-two million dollars per
8 biennium during the ((2019-2021 and)) 2021-2023 and 2023-2025 biennia
9 in new funds to be used in lieu of state general fund payments for
10 medicaid hospital services;

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

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

21 (f) For each of the two biennia starting with fiscal year
22 ((2020)) 2022 to generate:

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

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

32 **Sec. 2.** RCW 74.60.020 and 2019 c 318 s 3 are each amended to
33 read as follows:

34 (1) A dedicated fund is hereby established within the state
35 treasury to be known as the hospital safety net assessment fund. The
36 purpose and use of the fund shall be to receive and disburse funds,
37 together with accrued interest, in accordance with this chapter.
38 Moneys in the fund, including interest earned, shall not be used or
39 disbursed for any purposes other than those specified in this

1 chapter. Any amounts expended from the fund that are later recouped
2 by the authority on audit or otherwise shall be returned to the fund.

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

7 (b) Any amounts remaining in the fund after July 1, (~~2023~~)
8 2025, shall be refunded to hospitals, pro rata according to the
9 amount paid by the hospital since July 1, 2013, subject to the
10 limitations of federal law.

11 (2) All assessments, interest, and penalties collected by the
12 authority under RCW 74.60.030 and 74.60.050 shall be deposited into
13 the fund.

14 (3) Disbursements from the fund are conditioned upon
15 appropriation and the continued availability of other funds
16 sufficient to maintain aggregate payment levels to hospitals for
17 inpatient and outpatient services covered by medicaid, including fee-
18 for-service and managed care, at least at the levels the state paid
19 for those services on July 1, 2015, as adjusted for current
20 enrollment and utilization.

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

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

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

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

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

34 (e) To repay the federal government for any excess payments made
35 to hospitals from the fund if the assessments or payment increases
36 set forth in this chapter are deemed out of compliance with federal
37 statutes and regulations in a final determination by a court of
38 competent jurisdiction with all appeals exhausted. In such a case,
39 the authority may require hospitals receiving excess payments to
40 refund the payments in question to the fund. The state in turn shall

1 return funds to the federal government in the same proportion as the
2 original financing. If a hospital is unable to refund payments, the
3 state shall develop either a payment plan, or deduct moneys from
4 future medicaid payments, or both;

5 (f) To pay an amount sufficient, when combined with the maximum
6 available amount of federal funds necessary to provide a one percent
7 increase in medicaid hospital inpatient rates to hospitals eligible
8 for quality improvement incentives under RCW 74.09.611. By May 16,
9 2018, and by each May 16 thereafter, the authority, in cooperation
10 with the department of health, must verify that each hospital
11 eligible to receive quality improvement incentives under the terms of
12 this chapter is in substantial compliance with the reporting
13 requirements in RCW 43.70.052 and 70.01.040 for the prior period. For
14 the purposes of this subsection, "substantial compliance" means, in
15 the prior period, the hospital has submitted at least nine of the
16 twelve monthly reports by the due date. The authority must distribute
17 quality improvement incentives to hospitals that have met these
18 requirements beginning July 1 of 2018 and each July 1 thereafter; and

19 (g) For each state fiscal year ((2020)) 2022 through ((2023))
20 2025 to generate:

21 (i) Two million dollars for integrated evidence-based psychiatry
22 residency program slots that did not receive state funding prior to
23 2016 at the integrated psychiatry residency program at the University
24 of Washington; and

25 (ii) Four million one hundred thousand dollars for family
26 medicine residency program slots that did not receive state funding
27 prior to 2016, as directed through the family medicine residency
28 network at the University of Washington, for slots where residents
29 are employed by hospitals.

30 **Sec. 3.** RCW 74.60.090 and 2019 c 318 s 6 are each amended to
31 read as follows:

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

37 (a) University of Washington medical center: ((Ten million five
38 hundred fifty-five thousand dollars in state fiscal year 2020 and
39 up)) Up to twelve million fifty-five thousand dollars in state fiscal

1 year ((2021)) 2022 through ((2023)) 2025 paid as follows, except if
2 the full amount of the payments required under RCW 74.60.120(1) and
3 74.60.130 cannot be distributed in a given fiscal year, the amounts
4 in this subsection must be reduced proportionately:

5 (i) ((Four)) Five million ((four)) nine hundred fifty-five
6 thousand dollars in state fiscal years ((2020)) 2022 through ((2023,
7 ~~except that from state fiscal year 2021 through 2023, if northwest~~
8 ~~hospital is ineligible to participate in this chapter as a~~
9 ~~prospective payment hospital, the amount per state fiscal year must~~
10 ~~be five million nine hundred fifty-five thousand dollars)) 2025;~~

11 (ii) Two million dollars to integrated, evidence-based psychiatry
12 residency program slots that did not receive state funding prior to
13 2016, at the integrated psychiatry residency program at the
14 University of Washington; and

15 (iii) Four million one hundred thousand dollars to family
16 medicine residency program slots that did not receive state funding
17 prior to 2016, as directed through the family medicine residency
18 network at the University of Washington, for slots where residents
19 are employed by hospitals;

20 (b) Harborview medical center: Ten million two hundred sixty
21 thousand dollars in each state fiscal year ((2020)) 2022 through
22 ((2023)) 2025, except if the full amount of the payments required
23 under RCW 74.60.120(1) and 74.60.130 cannot be distributed in a given
24 fiscal year, the amounts in this subsection must be reduced
25 proportionately;

26 (c) All other certified public expenditure hospitals: Five
27 million six hundred fifteen thousand dollars in each state fiscal
28 year ((2020)) 2022 through ((2023)) 2025, except if the full amount
29 of the payments required under RCW 74.60.120(1) and 74.60.130 cannot
30 be distributed in a given fiscal year, the amounts in this subsection
31 must be reduced proportionately. The amount of payments to individual
32 hospitals under this subsection must be determined using a
33 methodology that provides each hospital with a proportional
34 allocation of the group's total amount of medicaid and state
35 children's health insurance program payments determined from claims
36 and encounter data using the same general methodology set forth in
37 RCW 74.60.120 (3) and (4).

38 (2) Payments must be made quarterly, before the end of each
39 quarter, taking the total disbursement amount and dividing by four to
40 calculate the quarterly amount. The authority shall provide a

1 quarterly report of such payments to the Washington state hospital
2 association.

3 **Sec. 4.** RCW 74.60.901 and 2019 c 318 s 8 are each amended to
4 read as follows:

5 This chapter expires July 1, (~~2023~~) 2025.

6 NEW SECTION. **Sec. 5.** This act is necessary for the immediate
7 preservation of the public peace, health, or safety, or support of
8 the state government and its existing public institutions, and takes
9 effect July 1, 2021.

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