
HOUSE BILL 2692

State of Washington 60th Legislature 2008 Regular Session

By Representatives Cody, Morrell, and Green

Read first time 01/15/08. Referred to Committee on Appropriations.

1 AN ACT Relating to the nursing facility medicaid payment system;
2 adding a new section to chapter 74.46 RCW; creating new sections;
3 repealing RCW 74.46.421, 74.46.431, 74.46.433, 74.46.441, 74.46.445,
4 74.46.475, 74.46.485, 74.46.496, 74.46.501, 74.46.506, 74.46.508,
5 74.46.511, 74.46.521, 74.46.531, 74.46.533, 74.46.435, 74.46.437, and
6 74.46.439; and providing effective dates.

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

8 NEW SECTION. **Sec. 1.** The legislature finds that the current
9 statute governing the nursing facility payment system is overly complex
10 in contrast to Washington state's reimbursement systems for hospitals,
11 doctors, adult family homes, and other vendors. The legislature finds
12 that a simplified framework for the nursing home payment system is
13 needed to improve accountability and make the system more transparent
14 and easier to understand.

15 NEW SECTION. **Sec. 2.** (1) By September 30, 2008, the department of
16 social and health services shall develop a draft proposal for a
17 simplified nursing facility payment system and shall consider

1 stakeholder input in the process of developing the proposal. The
2 proposal must include:

3 (a) A direct care rate component consisting of direct care, therapy
4 care, and support services closely related to care provided directly to
5 nursing facility residents. The new direct care rate component shall
6 continue to utilize the settlement process and shall include a case mix
7 methodology similar to the payment system that was in effect during
8 fiscal year 2008;

9 (b) An indirect care rate component for costs associated with
10 operations and support services that are not related to direct care;

11 (c) The appropriate allocation of costs between the direct care and
12 indirect care rate components;

13 (d) The establishment of fair and reasonable limitations on costs;

14 (e) The potential impact on the operating budget of implementing
15 the new system;

16 (f) The potential impact of the new system on the level and quality
17 of services received by nursing facility residents whose care is paid
18 for by the medical program;

19 (g) Adjustments to minimum occupancy requirements, considering the
20 new direct care and indirect care rates and reducing the likelihood
21 that the state would be responsible for the cost of empty beds;

22 (h) Continued cost rebasing;

23 (i) Recommendations for performance measures and options for
24 linking nursing facility payments to outcomes. National benchmarks for
25 value-based purchasing shall be included as optional performance
26 measures where reasonable. The department shall begin data collection
27 on performance outcomes by July 1, 2009; and

28 (j) Recommendations for programs that could be funded as a
29 supplemental add-on to the base rate. For purposes of this section,
30 "supplemental add-on" means a temporary payment that is paid in
31 addition to the base rate for a specific purpose. Recommended
32 programs:

33 (i) Must not have a cost in excess of the dollar amount
34 appropriated in fiscal year 2009 for the variable return rate
35 component;

36 (ii) Must not include funding for items that create on-going costs,
37 such as cost-of-living adjustments; and

1 (iii) May include, but are not limited to, pay-for-performance
2 mechanisms or programs that provide additional supports to facilities
3 willing to care for residents with substantial mental health or
4 behavioral care needs.

5 (2) On September 30, 2008, the department must provide its draft
6 proposal to the joint legislative task force on long-term care
7 residential facility payment systems.

8 (3) On December 31, 2008, the department must provide a final
9 proposal to the joint legislative task force on long-term care
10 residential facility payment systems. The final proposal must
11 consider:

12 (a) Recommendations of the joint legislative task force on long-
13 term care residential facility payment systems; and

14 (b) Recommendations of the department regarding rules necessary to
15 implement the proposed payment system.

16 (4) As part of development on the final proposal, the department
17 shall review current annual cost-reporting requirements and schedules
18 with stakeholders. Where possible, schedules that are no longer
19 necessary should be identified for potential elimination.
20 Recommendations for revisions to the cost reporting must be cost
21 neutral.

22 NEW SECTION. **Sec. 3.** A new section is added to chapter 74.46 RCW
23 to read as follows:

24 If the legislature neither enacts the proposal made by the
25 department under section 2 of this act, nor enacts another nursing
26 facility medicaid payment system prior to the sine die adjournment of
27 the 2009 regular legislative session, the department shall, in rule,
28 adopt the nursing facility medicaid payment system as proposed in
29 section 2 of this act.

30 NEW SECTION. **Sec. 4.** By July 1, 2009, the department of social
31 and health services must report its findings, based upon its review of
32 the costs and benefits of a fair rental system to reimburse capital
33 expenditures, to the joint legislative task force on long-term care
34 residential facility payment systems.

1 NEW SECTION. **Sec. 5.** (1) A joint legislative task force on long-
2 term care residential facility payment systems is established to review
3 recommendations of the department of social and health services on
4 long-term care residential facility payment systems for the care of
5 medicaid-eligible residents of nursing homes, boarding homes, and adult
6 family homes in Washington state.

7 (2) Membership of the task force shall consist of eight
8 legislators. The president of the senate shall appoint two members
9 from each of the two largest caucuses of the senate. The speaker of
10 the house of representatives shall appoint two members of each of the
11 two largest caucuses of the house of representatives. Each body shall
12 select representatives from committees with jurisdiction over health
13 and long-term care and fiscal matters. The task force expires January
14 1, 2010.

15 (a) The task force will review and provide comments on department
16 recommendations for a new payment system and report to the legislature
17 by January 1, 2009.

18 (b) The task force will provide recommendations on capital rate
19 components to the legislature by December 30, 2009.

20 (c) Staff support for the task force shall be provided by senate
21 committee services and the house of representatives office of program
22 research.

23 (d) Legislative members of the task force shall be reimbursed for
24 travel expenses in accordance with RCW 44.04.120.

25 (e) The expenses of the task force shall be paid jointly by the
26 senate and the house of representatives. Task force expenditures are
27 subject to approval by the senate facilities and operations committee
28 and the house of representatives executive rules committee, or their
29 successor committees.

30 NEW SECTION. **Sec. 6.** The following acts or parts of acts are each
31 repealed:

32 (1) RCW 74.46.421 (Purpose of part E--Nursing facility medicaid
33 payment rates) and 2001 1st sp.s. c 8 s 4, 1999 c 353 s 3, & 1998 c 322
34 s 18;

35 (2) RCW 74.46.431 (Nursing facility medicaid payment rate
36 allocations--Components--Minimum wage--Rules) and 2007 c 508 s 2, 2006

1 c 258 s 2, 2005 c 518 s 944, 2004 c 276 s 913, 2001 1st sp.s. c 8 s 5,
2 1999 c 353 s 4, & 1998 c 322 s 19;

3 (3) RCW 74.46.433 (Variable return component rate allocation) and
4 2006 c 258 s 3, 2001 1st sp.s. c 8 s 6, & 1999 c 353 s 9;

5 (4) RCW 74.46.441 (Public disclosure of rate-setting information)
6 and 1998 c 322 s 20;

7 (5) RCW 74.46.445 (Contractors--Rate adjustments) and 1999 c 353 s
8 15;

9 (6) RCW 74.46.475 (Submitted cost report--Analysis and adjustment
10 by department) and 1998 c 322 s 21, 1985 c 361 s 13, & 1983 1st ex.s.
11 c 67 s 23;

12 (7) RCW 74.46.485 (Case mix classification methodology) and 1998 c
13 322 s 22;

14 (8) RCW 74.46.496 (Case mix weights--Determination--Revisions) and
15 2006 c 258 s 4 & 1998 c 322 s 23;

16 (9) RCW 74.46.501 (Average case mix indexes determined quarterly--
17 Facility average case mix index--Medicaid average case mix index) and
18 2006 c 258 s 5, 2001 1st sp.s. c 8 s 9, & 1998 c 322 s 24;

19 (10) RCW 74.46.506 (Direct care component rate allocations--
20 Determination--Quarterly updates--Fines) and 2007 c 508 s 3, 2006 c 258
21 s 6, & 2001 1st sp.s. c 8 s 10;

22 (11) RCW 74.46.508 (Direct care component rate allocation--
23 Increases--Rules) and 2003 1st sp.s. c 6 s 1 & 1999 c 181 s 2;

24 (12) RCW 74.46.511 (Therapy care component rate allocation--
25 Determination) and 2007 c 508 s 4 & 2001 1st sp.s. c 8 s 11;

26 (13) RCW 74.46.521 (Operations component rate allocation--
27 Determination) and 2007 c 508 s 5, 2006 c 258 s 7, 2001 1st sp.s. c 8
28 s 13, 1999 c 353 s 8, & 1998 c 322 s 28;

29 (14) RCW 74.46.531 (Department may adjust component rates--
30 Contractor may request--Errors or omissions) and 1998 c 322 s 31; and

31 (15) RCW 74.46.533 (Combined and estimated rebased rates--
32 Determination--Hold harmless provision) and 2007 c 508 s 6.

33 NEW SECTION. **Sec. 7.** The following acts or parts of acts are each
34 repealed:

35 (1) RCW 74.46.435 (Property component rate allocation) and 2001 1st
36 sp.s. c 8 s 7, 1999 c 353 s 10, & 1998 c 322 s 29;

1 (2) RCW 74.46.437 (Financing allowance component rate allocation)
2 and 2001 1st sp.s. c 8 s 8 & 1999 c 353 s 11; and

3 (3) RCW 74.46.439 (Facilities leased in arm's-length agreements--
4 Recomputation of financing allowance--Reimbursement for annualized
5 lease payments--Rate adjustment) and 1999 c 353 s 12.

6 NEW SECTION. **Sec. 8.** If specific funding for the purposes of
7 section 4 of this act, referencing section 4 of this act by bill or
8 chapter number and section number, is not provided by June 30, 2008, in
9 the omnibus appropriations act, section 4 of this act is null and void.

10 NEW SECTION. **Sec. 9.** Section 6 of this act takes effect July 1,
11 2009.

12 NEW SECTION. **Sec. 10.** Section 7 of this act takes effect July 1,
13 2010.

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