HOUSE BILL REPORT
HB 2944

As Reported By House Committee On:
Appropriations

Title: An act relating to affirming and clarifying the legislative authority to treat the initial rate set for refurbished and new nursing facilities as that rate which is established on July 1, 1995, for purposes of applying the eighty-five percent minimum occupancy requirement.

Brief Description: Affirming and clarifying the legislative authority to treat the initial rate set for refurbished and new nursing facilities as that rate which is established on July 1, 1995, for purposes of applying the eighty-five percent minimum occupancy requirement.

Sponsors: Representative Dyer.

Brief History:
Committee Activity:
Appropriations: 2/3/96 [DPS].

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 24 members: Representatives Huff, Chairman; Clements, Vice Chairman; Pelesky, Vice Chairman; Beeksma; Brumsickle; Carlson; Chappell; Cooke; Crouse; Dyer; Foreman; Grant; Hargrove; Hickel; Kessler; Lambert; Linville; McMorris; Poulsen; Reams; Sehlin; Sheahan; Talcott and Wolfe.

Minority Report: Do not pass. Signed by 4 members: Representatives H. Sommers, Ranking Minority Member; Valle, Assistant Ranking Minority Member; Dellwo and Rust.

Staff: Susan Nakagawa (786-7145).

Background: The 1995 Legislature made several changes to the reimbursement methodology for nursing home rates. Nursing home reimbursement for fiscal year (FY) 1996 is based on calendar year 1994 rates, adjusted by the Implicit Price Deflator (IPD). Fiscal year 1997 rates will be determined using FY 1996 rates, and adjusted by the HCFA inflation index.

In addition, the minimum occupancy recognized when calculating a facility's daily payment rate was increased from 85 percent to 90 percent. This meant that if a facility's occupancy for calendar year 1994 was below 90 percent, the department's calculations for FY 1996 rates assumed an occupancy level equal to 90 percent.

An exception was made for facilities undergoing substantial new construction or refurbishing projects (in excess of $1.2 million). In these cases, an alternate minimum occupancy of 85 percent was recognized in establishing the initial rate upon completion of the project. This alternate minimum occupancy rate is to remain a factor in the calculation of the rate until the point at which a facility qualifies for a rate recalculation, based on a minimum six months of cost data from the previous calendar year. Upon this recalculation, rates would be established assuming a minimum occupancy of 90 percent.

Summary of Substitute Bill: Language is amended to state that the minimum occupancy rate for new facilities be set at 85 percent, effective July 1, 1995, and for all subsequent rate adjustments. The 90 percent adjustment for subsequent minimum occupancy standards is amended to be applicable only to property costs and the return on investment (ROI); however, it appears that a drafting error has amended the wrong section to achieve this change.

Substitute Bill Compared to Original Bill: A technical change is made to address the appropriate RCW citation. Corrective language allows entirely new nursing facilities that commenced operation in 1994, but operated for less than a full calendar year, to have their nursing home rates calculated on a minimum occupancy level of 85 percent for fiscal years 1996 and 1997.

Appropriation: None.

Fiscal Note: Requested on January 30, 1996.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: This is an equity issue that affects only one nursing home. There was not sufficient review of the rate setting section of E2SHB 1908 prior to enactment last year, and this is one of the unintended consequences. The owner calculates losses in excess of $200,000.

Testimony Against: The nursing home rate for this particular facility is based on cost data supplied by the nursing home and consistent with the current law. The Attorney General has identified concerns with retroactive rate adjustments. Besides the cost of this measure in the current biennium of $288,000, it will result in a carry-forward of increased rates for future biennia.

Testified: Gerald Reilly, Executive Director Washington Health Care Association (pro); William Chunyk, owner, Linden Grove Nursing Home (pro); and Ralph Smith, Assistant Director, Aging and Adult Services, DSHS (con).