

SENATE BILL REPORT

SB 6051

As Reported By Senate Committee On:
Ways & Means, March 6, 1995

Title: An act relating to affirming and clarifying the legislative authority to treat nonmedicaid therapy costs as unallowable, insuring that for medical care recipients, only therapy costs, that are not covered by other payers, may be reimbursed in the per patient day rate.

Brief Description: Clarifying legislative authority to treat, for nursing home reimbursement purposes, nonmedicaid therapy costs as unallowable.

Sponsors: Senators Rinehart, West and Winsley; by request of Department of Social and Health Services.

Brief History:

Committee Activity: Ways & Means: 3/3/95, 3/6/95 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6051 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Cantu, Finkbeiner, Fraser, Gaspard, Hargrove, Hochstatter, Johnson, Long, McDonald, Moyer, Pelz, Roach, Sheldon, Snyder, Spanel, Strannigan, Sutherland, West, Winsley and Wojahn.

Staff: Tim Yowell (786-7715)

Background: The cost of a person's nursing home care is paid by one of three sources: (1) the person's own resources or private insurance; (2) the federally-funded Medicare program, which will pay for up to 60 days of recuperative or rehabilitative care following a hospitalization; or (3) the state- and federally-funded Medicaid program, which pays for people who don't have enough income to cover their cost of care.

Under Washington's Medicaid rate-setting system, nursing homes report all of the costs they incurred in delivering nursing home care during the previous year. The Department of Social and Health Services (DSHS) reviews the cost reports in accordance with standards set forth in statute and by administrative rule. Those costs which are determined to be allowable, necessary, and related to the care of Medicaid patients are inflated and, subject to certain lids and limitations, become the nursing home's Medicaid reimbursement rate for the following two years.

In 1991, DSHS changed cost reporting procedures in order to assure that therapy costs for which a nursing home had been reimbursed by Medicare or another payer were excluded from the cost base used to establish the nursing home's Medicaid rate. DSHS was concerned that leaving such costs in the base would result in the nursing home being paid twice for the same service, first by Medicare, and then by Medicaid in the following year's rate.

A group of nursing homes challenged this change in Thurston County Superior Court. The court ruled that existing law does not give DSHS the authority to exclude such costs from the Medicaid reimbursement base. That ruling is being appealed. If the Appeals Court were to agree that the law does not permit the state to exclude Medicare and private-pay therapy costs from the Medicaid cost base, the state would need to pay nursing homes about \$72 million more next biennium, of which about \$36 million would be from the state general fund.

Summary of Substitute Bill: It is affirmed and clarified that therapy costs that are covered by other payers are not subject to payment in the state Medicaid rate.

Substitute Bill Compared to Original Bill: The substitute bill adds an emergency clause.

Appropriation: None.

Fiscal Note: Requested on March 1, 1995.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: Clarification is needed to avoid a substantial additional expenditure to reimburse nursing homes for expenses for which they have already been paid by Medicare.

Testimony Against: It was unfair the way DSHS implemented the reporting change without advance notice, and that is why providers appealed. Settlement discussions are underway. The statutes should have language which clarifies that it only applies from this date forward.

Testified: Charles Reed, Assistant Secretary, Department of Social and Health Services; Jerry Reilly, Washington Health Care Association.