
HOUSE BILL 2268

State of Washington

55th Legislature

1997 Regular Session

By Representatives H. Sommers and O'Brien; by request of Office of Financial Management

Read first time 03/18/97. Referred to Committee on Appropriations.

1 AN ACT Relating to extending the time frame for revision of the
2 nursing home payment system; amending RCW 74.46.430, 74.46.510, and
3 74.46.595; reenacting and amending RCW 74.46.450; and adding a new
4 section to chapter 74.46 RCW.

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

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 74.46 RCW
7 to read as follows:

8 The total per resident day prospective medicaid payment rate
9 assigned to each nursing facility providing services to medicaid
10 recipients under contract with the department from July 1, 1998,
11 through December 31, 1998, unless revised as authorized in this
12 chapter, shall be the facility's prospective rate existing on June 30,
13 1998, adjusted for economic trends and conditions by a percentage
14 factor to be established by the legislature. The percentage adjustment
15 shall be the same for the nursing services, food, administrative,
16 operational, and property cost center component rates and in the return
17 on investment component rate, both financing allowance and variable
18 return allowance.

1 **Sec. 2.** RCW 74.46.430 and 1995 1st sp.s. c 18 s 100 are each
2 amended to read as follows:

3 (1) The department, as provided by this chapter, will determine
4 prospective payment rates for services provided to medical care
5 recipients. Each rate so determined shall represent the contractor's
6 maximum compensation within each cost center and for return on
7 investment for each resident day for such medical care recipient.

8 (2) The department may modify such maximum per resident day rates,
9 consistent with this chapter, pursuant to the administrative appeals or
10 exception procedure authorized by RCW 74.46.780.

11 (3) For July 1, 1995, and all following rates, the maximum
12 prospective component payment rates for the nursing services, food,
13 administrative, operational, and property cost centers, and the return
14 on investment (ROI) component rate for each nursing facility shall be
15 established based upon a minimum licensed bed facility occupancy level
16 of ninety percent, except for rate adjustments as provided for in RCW
17 74.46.460(6).

18 (4) ~~((The minimum ninety percent facility occupancy shall be used
19 to calculate individual rates, to calculate the median cost limits
20 (MCLs) for the metropolitan statistical area (MSA) and nonmetropolitan
21 statistical area (non MSA) peer groups, and to array facilities by
22 costs in calculating the variable return portion of the return on
23 investment rate component (ROI).~~

24 (5)) All contractors shall be required to adjust and maintain
25 wages for all employees to a minimum hourly wage of four dollars and
26 seventy-six cents per hour beginning January 1, 1988, and five dollars
27 and fifteen cents per hour beginning January 1, 1989.

28 **Sec. 3.** RCW 74.46.450 and 1995 1st sp.s. c 18 s 101 and 1995 1st
29 sp.s. c 18 s 70 are each reenacted and amended to read as follows:

30 (1) Prospective reimbursement rates for a new contractor, as
31 defined by the department in rule, will be established within sixty
32 days following receipt by the department of the properly completed
33 projected budget required by RCW 74.46.670. Such reimbursement rates
34 will become effective as of the effective date of the contract and
35 shall remain in effect until the new contractor's rate in all cost
36 areas can be reset effective July 1st using a cost report of that
37 contractor containing at least six months' data from the prior calendar
38 year, regardless of whether reported costs for other contractors for

1 the prior calendar year in question will be used to rebase their July
2 1st rates.

3 (2) Such reimbursement rates will be based on payment rates of the
4 prior contractor, if any, or of other contractors in comparable
5 circumstances.

6 (3) For nursing facilities receiving original certificate of need
7 approval prior to June 30, 1988, and commencing operations on or after
8 January 1, 1995, the department shall base initial nursing services,
9 food, administrative, and operational rate components on such component
10 rates immediately above the median for facilities in the same county.
11 Property and return on investment rate components shall be established
12 as provided in this chapter.

13 (4) The department will establish a new contractor's initial
14 component rates based on the factors specified in subsections (2) and
15 (5) of this section. These initial rates will remain in effect until
16 adjusted or reset as provided in this chapter.

17 (5) The department is authorized to develop policies and procedures
18 in rule that comply with the policies and purposes of this chapter to
19 establish factors by which a new contractor's rate will be set, for
20 example, occupancy level (~~or proration of rate adjustments for~~
21 ~~economic trends and conditions as authorized in RCW 74.46.420.~~
22 ~~However, a new contractor, whose medicaid contract was effective in~~
23 ~~calendar year 1994; and whose nursing facility occupancy during~~
24 ~~calendar year 1994 increased by at least five percent over that of the~~
25 ~~prior owner, shall have its July 1995 rate for nursing services, food,~~
26 ~~administrative, operational, and property cost centers, and the return~~
27 ~~on investment (ROI) based upon a minimum facility occupancy of eighty-~~
28 ~~five percent)).~~

29 **Sec. 4.** RCW 74.46.510 and 1995 1st sp.s. c 18 s 108 are each
30 amended to read as follows:

31 (~~(1) The property cost center rate for each facility shall be~~
32 ~~determined by dividing the sum of the reported allowable prior period~~
33 ~~actual depreciation, subject to RCW 74.46.310 through 74.46.380,~~
34 ~~adjusted for any capitalized additions or replacements approved by the~~
35 ~~department, and the retained savings from such cost center, as provided~~
36 ~~in RCW 74.46.180, by the greater of a facility's total resident days~~
37 ~~for the facility in the prior period or resident days as calculated on~~
38 ~~ninety or eighty five percent facility occupancy as applicable. If a~~

1 capitalized addition or retirement of an asset will result in a
2 different licensed bed capacity during the ensuing period, the prior
3 period total resident days used in computing the property cost center
4 rate shall be adjusted to anticipated resident day level.

5 (2) A nursing facility's property rate shall be rebased annually,
6 effective July 1, in accordance with this section and this chapter.

7 (3)) When a certificate of need for a new facility is requested,
8 the department, in reaching its decision, shall take into consideration
9 per-bed land and building construction costs for the facility which
10 shall not exceed a maximum to be established by the secretary.

11 **Sec. 5.** RCW 74.46.595 and 1995 1st sp.s. c 18 s 98 are each
12 amended to read as follows:

13 The legislature intends to adopt a new system for establishing
14 nursing home payment rates no later than ((July 1, 1998)) January 1,
15 1999. Any payments to nursing homes for services provided after ((June
16 30)) December 31, 1998, shall be based on the new system. The system
17 shall include case-mix reimbursement methods for paying for nursing
18 services and shall match payments to patient care needs, while
19 providing incentives for cost control and efficiency. To that end:

20 (1) In consultation with nursing facility provider associations,
21 consumer groups, and the ((legislative budget committee)) joint
22 legislative audit and review committee, the department of social and
23 health services shall design and develop alternative methods for
24 matching nursing facility payments to patient care needs, while
25 providing incentives for cost control and efficiency.

26 (2) The department shall report to the fiscal and health care
27 policy committees of the legislature on the projected benefits and
28 costs of these alternative methods by October 15th of 1995, 1996, and
29 1997. The October 1996 report shall additionally include a recommended
30 time line for implementing the new payment system no later than July 1,
31 1998; however, the new system shall not take effect before January 1,
32 1999.

33 (3) The following acts or parts of acts, as now existing or
34 hereafter amended, are each repealed, effective June 30, 1998:

35 (a) RCW 74.46.420 and 1993 sp.s. c 13 s 7, 1985 c 361 s 18, 1983
36 1st ex.s. c 67 s 18, & 1980 c 177 s 42;

37 (b) ((RCW 74.46.430 and 1993 sp.s. c 13 s 8, 1987 2nd ex.s. c 1 s
38 2, 1987 c 476 s 2, 1983 1st ex.s. c 67 s 19, & 1980 c 177 s 43;

1 ~~(c) RCW 74.46.440 and 1989 c 372 s 16 & 1980 c 177 s 44;~~
2 ~~(d) RCW 74.46.450 and 1993 sp.s. c 13 s 9, 1983 1st ex.s. c 67 s~~
3 ~~20, & 1980 c 177 s 45;~~
4 ~~(e) RCW 74.46.460 and 1993 sp.s. c 13 s 10, 1987 c 476 s 3, 1985 c~~
5 ~~361 s 15, 1983 1st ex.s. c 67 s 21, 1981 1st ex.s. c 2 s 5, & 1980 c~~
6 ~~177 s 46;~~
7 ~~(f) RCW 74.46.465 and 1987 c 476 s 8;~~
8 ~~(g) RCW 74.46.470 and 1993 sp.s. c 13 s 11, 1987 c 476 s 4, 1983~~
9 ~~1st ex.s. c 67 s 22, & 1980 c 177 s 47;~~
10 ~~(h)) RCW 74.46.481 and 1993 sp.s. c 13 s 12, 1991 sp.s. c 8 s 16,~~
11 ~~1990 c 207 s 1, 1987 c 476 s 5, & 1983 1st ex.s. c 67 s 24;~~
12 ~~((i)) (c) RCW 74.46.490 and 1993 sp.s. c 13 s 13, 1983 1st ex.s.~~
13 ~~c 67 s 25, 1981 1st ex.s. c 2 s 6, & 1980 c 177 s 49;~~
14 ~~((j)) (d) RCW 74.46.500 and 1993 sp.s. c 13 s 14, 1992 c 182 s 1,~~
15 ~~& 1980 c 177 s 50;~~
16 ~~((k)) (e) RCW 74.46.505 and 1993 sp.s. c 13 s 15;~~
17 ~~((l) RCW 74.46.510 and 1993 sp.s. c 13 s 16 & 1980 c 177 s 51;~~
18 ~~(m)) (f) RCW 74.46.530 and 1993 sp.s. c 13 s 17, 1991 sp.s. c 8 s~~
19 ~~17, 1985 c 361 s 17, 1983 1st ex.s. c 67 s 28, 1981 1st ex.s. c 2 s 7,~~
20 ~~& 1980 c 177 s 53(;~~
21 ~~(n) RCW 74.46.540 and 1980 c 177 s 54;~~
22 ~~(o) RCW 74.46.550 and 1983 1st ex.s. c 67 s 29 & 1980 c 177 s 55;~~
23 ~~(p) RCW 74.46.560 and 1983 1st ex.s. c 67 s 30 & 1980 c 177 s 56;~~
24 ~~(q) RCW 74.46.570 and 1983 1st ex.s. c 67 s 31 & 1980 c 177 s 57;~~
25 ~~(r) RCW 74.46.580 and 1983 1st ex.s. c 67 s 32 & 1980 c 177 s 58;~~
26 and
27 ~~(s) RCW 74.46.590 and 1980 c 177 s 59)).~~
28 (4) The following acts or parts of acts, as now existing or
29 hereafter amended, are each repealed effective December 31, 1998:
30 (a) RCW 74.46.430 and 1997 c . . . s 2 (section 2 of this act),
31 1993 sp.s. c 13 s 8, 1987 2nd ex.s. c 1 s 2, 1987 c 476 s 2, 1983 1st
32 ex.s. c 67 s 19, & 1980 c 177 s 43;
33 (b) RCW 74.46.440 and 1989 c 372 s 16 & 1980 c 177 s 44;
34 (c) RCW 74.46.450 and 1997 c . . . s 3 (section 3 of this act),
35 1993 sp.s. c 13 s 9, 1983 1st ex.s. c 67 s 20, & 1980 c 177 s 45;
36 (d) RCW 74.46.460 and 1993 sp.s. c 13 s 10, 1987 c 476 s 3, 1985 c
37 361 s 15, 1983 1st ex.s. c 67 s 21, 1981 1st ex.s. c 2 s 5, & 1980 c
38 177 s 46;
39 (e) RCW 74.46.465 and 1987 c 476 s 8;

1 (f) RCW 74.46.470 and 1993 sp.s. c 13 s 11, 1987 c 476 s 4, 1983
2 1st ex.s. c 67 s 22, & 1980 c 177 s 47;
3 (g) RCW 74.46.510 and 1997 c . . . s 4 (section 4 of this act),
4 1993 sp.s. c 13 s 16 & 1980 c 177 s 51;
5 (h) RCW 74.46.540 and 1980 c 177 s 54;
6 (i) RCW 74.46.550 and 1983 1st ex.s. c 67 s 29 & 1980 c 177 s 55;
7 (j) RCW 74.46.560 and 1983 1st ex.s. c 67 s 30 & 1980 c 177 s 56;
8 (k) RCW 74.46.570 and 1983 1st ex.s. c 67 s 31 & 1980 c 177 s 57;
9 (l) RCW 74.46.580 and 1983 1st ex.s. c 67 s 32 & 1980 c 177 s 58;
10 and
11 (m) RCW 74.46.590 and 1980 c 177 s 59.

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