

# SENATE BILL REPORT

## 2SHB 2359

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As Reported By Senate Committee On:  
Health & Long-Term Care, February 23, 2000

**Title:** An act relating to the nursing facility payment system.

**Brief Description:** Concerning the nursing facility payment rate.

**Sponsors:** House Committee on Appropriations (originally sponsored by Representatives Parlette, Cody, Edmonds, Rockefeller, B. Chandler, Schoesler, Kenney, Conway, McDonald and Van Luven).

**Brief History:**

**Committee Activity:** Health & Long-Term Care: 2/16/2000, 2/23/2000 [DPA-WM].

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### SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

**Majority Report:** Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Thibaudeau, Chair; Wojahn, Vice Chair; Costa, Deccio, Franklin, Johnson and Winsley.

**Staff:** Rhoda Jones (786-7198)

**Background:** The state pays for about two-thirds of all nursing home care delivered in the state's 269 Medicaid certified facilities. This year the average daily rate the state paid for approximately 14,000 Medicaid residents in nursing homes was \$119 per day.

These rates are calculated based on seven different components. The largest is for direct care, which includes the cost of wages and other expenses associated with nursing care. The rate also includes operations, support services, therapy care, property, financing allowance, and variable return.

Current statute directs the Department of Social and Health Services (DSHS) to set most rates based on a previous year's costs, and adjust the rate by an inflation factor established in the current state appropriations act. Some facilities receive a flat 1 percent inflation rate increase each year. Property and financing allowances which are specific to facilities investments are recalculated each year.

In 1998 the Legislature implemented a statewide payment cap called a budget "dial" to ensure that the cost of the system did not exceed the amount budgeted by the Legislature. In 1999, the Legislature modified the budget dial into two separate dials, one for capital and the other for noncapital expenses.

**Summary of Amended Bill:** Nursing facilities are paid an allowance for working capital starting July 1, 2000. The average payment for working capital is approximately \$.55 per patient day. If DSHS invokes an across-the-board rate reduction that exceeds what is

necessary to prevent the statewide weighted average rate from exceeding the amount set in the budget, DSHS must refund that amount.

The rate set in the capital portion of the budget increases from \$10.36 to \$10.85 per patient day in fiscal year 2000, and from \$10.57 to \$12.00 per patient day in fiscal year 2001. The total rate hold harmless provision is discontinued effective March 30, 2000.

A provision of current law which would sunset the existing property payment provisions June 30, 2001, is repealed. By doing so, it makes the property related statutes permanent.

**Amended Bill Compared to Original Bill:** Intent language encourages the Legislature to address poor wages for caregivers in all long-term care settings.

**Appropriation:** None.

**Fiscal Note:** Requested on February 15, 2000.

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

**Testimony For:** The industry needs to have stability in the capital rates in order to maintain current facilities and plan for the future.

**Testimony Against:** The bill does not achieve the department's goal of insuring cost-effectiveness of long-term care services.

**Testified:** PRO: Karen Tines, WAHSA; Jerry Reilly, WHCA; Chuck Hawley, Sisters of Providence; CON: Jim Lochner, DSHS.