

HOUSE BILL REPORT

HB 2804

As Reported by House Committee On:
Appropriations

Title: An act relating to the calculation of median costs for peer groups under the nursing facility medicaid payment system.

Brief Description: Requiring the department of social and health services to review cost adjustments to calculate median costs for the nursing facility medicaid payment system.

Sponsors: Representatives Lisk, Cody, Skinner, Conway, Campbell, Darneille, Linville, Schual-Berke, Benson, Edwards, Clements, McMorris and Casada.

Brief History:

Committee Activity:

Appropriations: 2/7/02, 2/9/02 [DPS].

Brief Summary of Substitute Bill

- The Department of Social and Health Services will recalculate median cost limits based upon October adjusted cost information, which will apply retroactively to the prior July rates, regardless of whether the adjustments are contested or subject to pending reviews or rulings.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 25 members: Representatives Sommers, Chair; Doumit, 1st Vice Chair; Fromhold, 2nd Vice Chair; Sehlin, Ranking Minority Member; Alexander, Boldt, Buck, Clements, Cody, Cox, Dunshee, Grant, Kagi, Kenney, Kessler, Linville, Lisk, Mastin, McIntire, Pearson, Pflug, Ruderman, Schual-Berke, Talcott and Tokuda.

Staff: Bernard Dean (786-7130).

Background:

There are 255 Medicaid-certified nursing home facilities in Washington providing long-term care services to approximately 13,000 Medicaid clients. The payment system for these nursing homes is established in statute and is administered by the Aging and

Adult Services Administration within the Department of Social and Health Services.

Portions of the nursing facility rate are based, in part, upon median allowable costs for services in three peer groups. The peer groups include: rural counties; urban counties; and urban counties in which direct care costs are at least 10 percent greater than in other urban counties.

The current nursing home payment system which was established in 1998, does not direct the department to recalculate medians to account for successfully appealed costs that were originally excluded by the department.

Summary of Substitute Bill:

Median costs for peer groups are calculated for July 1 rate setting using the most recent adjusted cost report information, regardless of whether the adjustments are contested or subject to pending administrative or judicial review.

Following initial July 1 rate setting, the Department of Social and Health Services will recalculate median cost limits based upon October 31 adjusted cost information, which will apply retroactively to the prior July 1 rates, regardless of whether the adjustments are contested or subject to pending administrative or judicial review or rulings, whether final or not.

Substitute Bill Compared to Original Bill:

The substitute bill specifies a number of technical changes. Additionally, the requirement to recalculate the medians on a quarterly basis if successfully contested appeals amount to over \$1 million is removed. Following initial July 1 rate setting, the Department of Social and Health Services will recalculate median cost limits based upon October 31 adjusted cost information, which will apply retroactively to the prior July 1 rates, regardless of whether the adjustments are contested or subject to pending administrative or judicial review or rulings, whether final or not.

Appropriation: None.

Fiscal Note: Requested on January 29, 2002.

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

Testimony For: This bill is about basic fairness and accuracy. Currently, the Department of Social and Health Services doesn't have the ability to recalculate medians

when rates are successfully appealed. In July 2001, when the medians were set, there were nearly \$40 million in costs that were denied by the department. Providers appealed these disallowances. Initially, the department stated that they did not have the authority to recalculate the medians. Thanks to the persuasive power of Representative Cody and Representative Lisk, the department recalculated the medians on a one-time basis through an emergency WAC. The need to recalculate medians will diminish over time. Nursing facilities just want the medians to be correctly calculated the first time. This bill will not impact the state nursing home appropriation. The department already has much of the data needed to recalculate the medians, so the department's estimated impact is questionable.

Testimony Against: The Department of Social and Health Services has some fiscal concerns with the bill. It is very staff intensive for the department to recalculate the medians. It would be helpful to have a time limit for how long the department would need to look back at costs to recalculate the medians. Nursing home rate setting can be litigious and oftentimes it can be years before an appeal is settled in court. The department would not want to continually recalculate rates from years ago. It would also be helpful to clarify that the department is to recalculate medians.

Testified: (In support) Harry Steinmetz, Washington Association of Housing and Services for the Aging.

(Opposed) Denise Gaither, Aging and Adult Services Administration, Department of Social and Health Services