

# SENATE BILL REPORT

## SB 5802

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As of February 19, 2015

**Title:** An act relating to assisted living payment rates.

**Brief Description:** Concerning assisted living payment rates.

**Sponsors:** Senators Becker and Keiser.

**Brief History:**

**Committee Activity:** Ways & Means:

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Mark Eliason (786-7454)

**Background:** Assisted living facilities are community-based residences that provide housing and basic services to seven or more residents and are licensed by the Department of Social and Health Services (Department). Assisted living facilities allow residents to live an independent lifestyle in a community setting while receiving necessary services from assisted living staff. Approximately 74 percent of all assisted living residents pay for their care privately; where the remaining 26 percent of assisted living residents are eligible for Medicaid services. There are approximately 540 assisted living facilities in Washington State with approximately 30,200 licensed beds. Of those, approximately 350 assisted living facilities have 20,300 licensed beds for clients who are enrolled on Medicaid. Assisted Living facilities can enter into a contract with the Department to provide care to Medicaid residents, but that contract does not require that they accept all Medicaid-eligible residents, even if they have available beds. Assisted living facilities can refuse to accept Medicaid residents at their discretion, even if they are a Medicaid-contracted provider.

The Legislature allocates funds each year for the provision of assisted living services. Since reimbursement of these services is influenced by the level of funds allocated, the Department evaluates the budget and determines the reimbursement rates for assisted living services annually. The Department developed a methodology in the early 2000s to establish daily reimbursement rates for assisted living services on a client-by-client basis based on each client's assignment to one of twelve unique CARE Classifications. These CARE Classifications are reflective of different levels of resources that are required to care for residents with individual needs.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

In July 2008 the methodology was expanded to include 17 unique classification groups. During the same legislative session when the CARE Classifications were expanded, the Department also made updates to the benchmark and other proxies for the rate-setting methodology used at that time. The benchmark components were updated to include the cost of labor, payroll taxed and fringe benefits, operations costs, and capital-related costs. Based on the funds allocated by the Legislature for assisted living services, the Department determines the daily reimbursement rates for each CARE Classification and each geographic area.

Federal law requires that Medicaid providers are reimbursed at levels consistent with efficiency, economy, and quality of care, and that the level of reimbursement is sufficient to attract enough providers to provide services to the population. Washington's Medicaid State Plan, which describes the Department's methods for determining payments for assisted living services, has been approved by the federal government.

**Summary of Bill:** In addition to the current rules that align assisted living payments rates to client acuity, the Department must publish the principles and procedures used to establish assisted living provider payment rates in rule. Payment rates must support cost-effective care and must be consistent with the efficiency, economy, and quality of care in accordance with federal requirements for methods of payment for Medicaid services.

Rate Components. Data Factors that must be considered in the calculation and modeling of the assisted living payment rates system include salary and wage cost data, payroll taxes and fringe benefit costs, operational costs, and staff service hours. To the extent that funds are appropriated for this purpose, the Department must establish a Medicaid access incentive payment that is not less than the July 1, 2005, capital add-on rate for those contracted assisted living facilities that have a Medicaid occupancy percentage of 60 percent or greater. The Medicaid occupancy percentage established beginning July 1, 2006, and for each July 1 thereafter, must be used to determine whether an assisted living facility qualifies for this incentive payment in their rate.

Time Study. The Department will use the results of a 2001-02 time study as the benchmark for determining staff services hours. Beginning July 1, 2015, and at least once every ten years thereafter, the Department will conduct a new time study that will be used to establish a new benchmark for determining staff service hours. By December 15, 2015, the Department must provide the Legislature, Office of Financial Management, Washington Health Care Association, and Leading Age Washington with a progress report and summary of data collected for the 2015 time study. A final report must be completed and provided to these groups on or before July 1, 2016.

Rebase and Geographical Requirements. Effective July 1, 2017, assisted living payment rates must be rebased biennially every odd-numbered year using data from two years prior to the rebase period. Staff service hours will be based on the 2015 time study and payment rates must be established each fiscal year and calculated based on the median of the data factors according to geographical peer groups and allocated based on medical, cognitive, behavioral, and personal care needs.

**Appropriation:** None.

**Fiscal Note:** Requested on February 14, 2015.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** July 1, 2015.