

# HOUSE BILL REPORT

## HB 2791

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As Passed House  
February 12, 1994

**Title:** An act relating to nursing home cost reports and audits.

**Brief Description:** Revising provisions relating to nursing home cost reports and audits.

**Sponsors:** Representatives R. Johnson, Dyer, L. Thomas, B. Thomas, Foreman, Forner and Silver.

**Brief History:**

Reported by House Committee on:  
Health Care, February 4, 1994, DP;  
Appropriations, February 7, 1994, DP;  
Passed House, February 12, 1994, 94-0.

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### HOUSE COMMITTEE ON HEALTH CARE

**Majority Report:** Do pass. Signed by 15 members:  
Representatives Dellwo, Chair; L. Johnson, Vice Chair; Dyer, Ranking Minority Member; Ballasiotes, Assistant Ranking Minority Member; Backlund; Conway; Cooke; Flemming; R. Johnson; Lemmon; Lisk; Mastin; Morris; Thibaudeau and Veloria.

**Staff:** Antonio Sanchez (786-7383).

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass. Signed by 24 members:  
Representatives Sommers, Chair; Valle, Vice Chair; Carlson, Assistant Ranking Minority Member; Appelwick; Ballasiotes; Cooke; Dellwo; Dorn; Dunshee; G. Fisher; Foreman; Jacobsen; Lemmon; Linville; H. Myers; Peery; Rust; Sehlin; Sheahan; Stevens; Talcott; Wang; Wineberry and Wolfe.

**Minority Report:** Do not pass. Signed by 1 member:  
Representative Basich.

**Staff:** John Woolley (786-7154).

**Background:** There are approximately 280 nursing homes in Washington, with a total of about 28,000 beds. Medicaid, a

state/federal funded program, pays for about two-thirds of the occupied nursing home beds, while private pay clients represent about 28 percent of the payment, and Medicare pays for about 2 percent. Medicaid nursing home expenditures were expected to total \$1 billion in state and federal funds in 1993-1995, an approximately \$150 million increase from the 1991-1993 biennium.

#### NURSING FACILITY AUDIT ADJUSTMENT

Current nursing home statutes require that nursing home facilities must be audited at least once in every three-year period. These audits review the costs reported by a nursing home facility to determine if the costs are allowable for reimbursement purposes. Patient trust funds are audited and the patient days that have been billed to Medicaid are reconciled. A settlement is calculated to determine if any overpayments were made to the facility, and the facility is billed for these overpayments. Currently, only a small portion of audits result in repayments of funds to the Department of Social and Health Services (DSHS). The department has limited resources to devote to the audits of hospitals and nursing home facilities. In addition, nursing homes must dedicate a large amount of administrative time to meeting the demands of a formal audit procedure.

#### COST ADJUSTMENT EXTENSION

Currently, any bill that has not been paid within 120 days cannot be counted as an allowable cost toward reimbursement. Consequently, some expenditures for otherwise allowable costs are never recognized.

#### PUBLIC DISCLOSURE EXEMPTION

DSHS is prohibited from disclosing certain portions of cost reports filed by facilities. The information that is prohibited from public disclosure is: that showing information on rental or lease of assets, the facility or corporate balance sheet, the schedule of changes in financial position, and the statement of changes in equity fund balances.

#### **Summary of Bill:**

#### NURSING FACILITY AUDIT ADJUSTMENT

The amount of time permitted between DSHS nursing home audits is extended from every three years to every five years.

#### COST ADJUSTMENT EXTENSION

Costs not paid within six months of the end of the reporting year are allowed in the year in which they are paid.

**PUBLIC DISCLOSURE EXEMPTION**

The following cost reports are not prohibited from public disclosure: those showing information on rental or lease of assets, the facility or corporate balance sheet, the schedule of changes in financial position, and the statement of changes in equity fund balances.

**Fiscal Note:** Not requested.

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

**Testimony For:** (Health Care) This bill is necessary for nursing homes to get a full financial picture. In addition, it allows them to be reimbursed for valid expenses. Cost savings would be generated from the revised audit procedures.

(Appropriations) The bill is supported as it now will allow costs to be recognized that may have been delayed for valid reasons; it is a question of fairness. Five years is a sufficient time for audit cycles. Full disclosure of information by everybody using information coming from cost reports is needed. As the nursing home industry is becoming similar to a public utility, the same information should be available as that available for public utilities.

**Testimony Against:** (Health Care) Even though section 2 is desired, the other two sections involve bad policy. The Department of Social and Health Services is opposed to this bill. This bill is unnecessary and unwanted by many of the nursing facility operators. To meet the request demands that would be generated by passage of this bill would result in greater administrative costs to the department.

(Appropriations) None.

**Witnesses:** (Health Care) Jerry Reilly, Washington Health Care Association (pro); and Paul Montgomery, Department of Social and Health Services (con).

(Appropriations) Jerry Reilly, Washington Health Care Authority.