

HOUSE BILL REPORT

2SSB 5341

As Reported by House Committee On:
Appropriations

Title: An act relating to a quality maintenance fee levied on nursing facilities.

Brief Description: Establishing a quality maintenance fee on nursing facilities.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Winsley, Kline, Thibaudeau, Carlson, Parlette and Kohl-Welles).

Brief History:

Committee Activity:

Appropriations: 4/22/03 [DPA].

**Brief Summary of Second Substitute Bill
(As Amended by House Committee)**

- Imposes a quality maintenance fee of \$6.00 per patient day on most nursing homes.
- Directs the Department of Social and Health Services to submit a waiver exempting certain nursing facilities from the tax to the federal government.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended. Signed by 22 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Sehlin, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Alexander, Buck, Clements, Cody, Conway, DeBolt, Dunshee, Grant, Hunter, Kagi, Kenney, Kessler, McIntire, Miloscia, Pflug, Ruderman, Schual-Berke and Talcott.

Minority Report: Do not pass. Signed by 5 members: Representatives Boldt, Cox, Linville, McDonald and Sump.

Staff: Bernard Dean (786-7130).

Background:

State Medicaid programs have used a variety of mechanisms such as provider taxes,

provider donations, and intergovernmental transfers to increase federal Medicaid revenues.

The federal government has placed restrictions on these mechanisms in order to limit the extent to which states may use federal funds to cover the state's share of Medicaid costs. These restrictions include requirements that provider taxes be broad-based, which means the tax must apply to all providers of the same class, regardless of whether the provider participates in Medicaid or not. Provider taxes must also be imposed at a uniform rate, and they may not include any direct or indirect "hold harmless" provisions which guarantee repayment of the tax to all providers.

Summary of Amended Bill:

A quality maintenance fee is imposed on nursing homes. All non-exempt nursing homes must pay a fee of \$6.00 multiplied by each facility's total number of patient days (excluding Medicare days).

The Department of Social and Health Services (DSHS) shall request a waiver of federal rules in order to exempt state-operated facilities, public hospital districts, and nursing homes with no or low rates of Medicaid occupancy from the fee. No fee is due from the facilities named in the waiver request pending a final federal decision. If the waiver request is not approved, the fee is payable in full. The quality maintenance fee is terminated if it is disallowed under the federal Medicaid program.

Amended Bill Compared to Second Substitute Bill:

The amended bill reduces the nursing home quality maintenance fee from \$6.50 per patient day to \$6.00 per patient day. In addition, a number of technical changes are specified.

Appropriation: None.

Fiscal Note: Available on original bill.

Effective Date of Amended Bill: The bill contains an emergency clause and takes effect on July 1, 2003, except Section 4 which takes effect June 1, 2003.

Testimony For: (In support) This is a creative measure that will generate additional revenue. Nursing facilities will receive a 5 percent annual increase in their rates. However, some of the additional excess revenue should fund enhancements to the community residential facility payment system. Under the House long-term care budget, only \$42 million of the \$77 million in revenues is being expended. That differential of

\$34 million should stay within long-term care. Adult family homes and boarding homes should get increases. As a result of the DSHS's new rate system, these facilities will lose \$6 million.

(With concerns) It is hard to discuss this bill on its own, given that there are a package of bills, including HB 2256 and the budget bill, that interlock and make changes to the nursing home payment system. While this is part of the long-term care budget package and some nursing facilities would gain funding while others would lose, it is not good policy to tax private pay residents to subsidize the state's Medicaid costs. However, this proposal backfills the Governor's nursing home cuts. All of the revenues should go to nursing facilities. There is support for exempting high Medicaid and low or no Medicaid facilities. There also needs to be an emphasis on supporting direct care. The Legislature should rebase nursing facility costs for 2001 or 2002. This could be paid for by increasing the fee to \$6.50 as in the Senate budget.

Providence will receive \$200,000 less in funding under the Governor's budget and under the House and Senate budgets. We should dispel the notion that anyone is getting rich under this proposal.

Testimony Against: None.

Testified: (In support) Laurie St. Ours, Northwest Assisted Living Facilities Association; and Terry Kohl, Washington State Residential Care Council.

(With concerns) Nick Federici, Washington Association of Housing and Services for the Aging; and Linda Hull, Providence Health System.