

# SENATE BILL REPORT

## SB 5801

---

As Reported By Senate Committee On:  
Health & Long-Term Care, February 28, 2005

**Title:** An act relating to a vendor rate study of home care agencies.

**Brief Description:** Requiring a vendor rate study of home care agencies.

**Sponsors:** Senators Poulsen, Schmidt, Benton, Benson, Zarelli, Keiser, Esser, Pridemore, Thibaudeau and Kohl-Welles.

**Brief History:**

**Committee Activity:** Health & Long-Term Care: 2/21/05, 2/28/05 [DP-WM, w/oRec].

---

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

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

Signed by Senators Keiser, Chair; Thibaudeau, Vice Chair; Benson, Franklin, Kastama, Kline and Poulsen.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Brandland and Parlette.

**Staff:** Sharon Swanson (786-7447)

**Background:** Currently, home care agencies are reimbursed by the state based on a flat hourly rate. There is concern that the current reimbursement system does not reward agencies that pay employees higher rates and give better benefits. Many believe there is a tie between payment rates and quality of care.

Value based reimbursement (VBR) pays for services based on target price, quality, efficiency, and a facility's specific costs. VBR looks at the difference between a facility's rate depending on the efficiency and quality of the facility. The higher the quality or the greater the efficiency, the more the facility is paid. It is the opinion of some that the VBR system provides financial incentives for delivering quality services and achieving good outcomes for residents.

**Summary of Bill:** The Department of Social and Health Services (DSHS) is required to conduct a vendor rate study of home care agencies. The study is to include an analysis of using a value-based reimbursement system.

The Governor must appoint a stakeholder committee, made up of five persons familiar with the operation of home care agencies, to assist the DSHS in conducting the analysis.

The DSHS findings, including a cost analysis of implementing a value-based reimbursement must be presented to the legislature no later than December 15, 2005.

**Appropriation:** None.

**Fiscal Note:** Requested February 18, 2005.

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

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

**Testimony For:** For the past eight years, rates have been adjusted to reflect COLA's but nothing else. It is time for the legislature to look at the way providers are paid. Hopefully, there will be an adjustment to reflect increased business expenses. The current vendor rate payment system provides a disincentive for high quality providers. There is no incentive to go above and beyond as they are only paid a flat rate.

**Testimony Against:** None.

**Who Testified:** PRO: David Rolf, Service Employees Union; Melissa Johnson, ADDUS Healthcare; Nick Federici, Home Care Coalition.