

# SENATE BILL REPORT

## SB 5874

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As of April 23, 2013

**Title:** An act relating to human services.

**Brief Description:** Relating to human services.

**Sponsors:** Senator Hill.

**Brief History:**

**Committee Activity:** Ways & Means: 4/23/13.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Carma Matti-Jackson (786-7454)

**Background:** The current Washington Medicaid program provides health and long-term care assistance to low-income individuals in skilled nursing facilities (nursing homes) and community settings. Nursing homes are licensed by the Department of Social and Health Services (the Department) and provide 24-hour supervised nursing care, personal care, therapy care, and room and board. Currently, there are over 200 licensed nursing homes throughout the state. Rates paid to nursing homes are specific to each facility and are prospectively calculated according to a methodology detailed in statute, RCW 74.46. The statute includes calculation variables, allowable costs, and accounting and auditing procedures. The payment methodology is generally based on client acuity (case mix), occupancy levels, and a facility's allowable costs. The payment methodology consists of two capital components – property and financing allowance, and four non-capital components – direct care, therapy care, support services, and operations.

Typically, the Department reviews the actual case mix at each facility and makes a rate adjustment twice per year to reflect the acuity and relative needs of the clients served. In the current biennium, a different method was used because of the inability to retrieve data during a federally mandated upgrade to the minimum data-set requirements from the Centers of Medicare and Medicaid Services. In lieu of a rate update based on actual case mix, an automatic increase of 0.5 percent is provided every six months.

Rate calculations for non-capital components are based on facility cost reports and are typically updated in a process known as rebasing. The rebase timeline in statute is every

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odd-numbered year and is currently scheduled for July 1, 2013. The non-capital components were last rebased in 2009.

Current statute imposes a rate ceiling, commonly referred to as the budget dial. The budget dial is a single daily rate amount calculated as the statewide weighted average maximum payment rate for a fiscal year. This amount is specified in the State Omnibus Operating Appropriation Act (operating budget), and the Department must manage all facility specific rates so that the budget dial is not exceeded. If the statewide daily average rate exceeds the budget dial, all individual facility rates are reduced in order to bring the statewide daily average back under the amount funded in the Department's appropriation. The fiscal year 2013 statewide weighted average budget dial is set at \$171.43.

The 2011 Legislature established two temporary rate add-ons to: (1) a comparative analysis, which pays facility-specific rates at a level no less than the June 30, 2010 payment rate; and (2) an acuity add-on, which provides a 10 percent direct care rate add-on for facilities that take on clients who are more acute than the clients they cared for in fiscal year 2010. These rate add-ons expire on June 30, 2013.

**Summary of Bill:** The bill as referred to committee not considered.

**Summary of Bill (Proposed Substitute):** The rebase for non-capital rate components is delayed from July 1, 2013, to July 1, 2015. The automatic 0.5 percent adjustment to case mix is eliminated and future case mix adjustments are frozen at January 1, 2013 levels. Rate add-ons established in 2011 are extended through June 30, 2015. These modifications to the nursing home payment methodology allow the statewide weighted average budget dial to be set in the operating budget at \$171.32 for fiscal year 2014 and at \$171.53 for fiscal year 2015.

**Appropriation:** None

**Fiscal Note:** Not available

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

**Effective Date:** The bill contains an emergency clause and takes effect immediately.