# HOUSE BILL REPORT
# SSB 5815

**As Reported by House Committee On:**
Appropriations

**Title**: An act relating to the hospital safety net assessment.

**Brief Description**: Concerning the hospital safety net assessment.

**Sponsors**: Senate Committee on Ways & Means (originally sponsored by Senators Rivers, Cleveland, Becker and Ranker).

**Brief History:**
**Committee Activity:**
Appropriations: 4/14/17 [DPA].

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

- Extends the Hospital Safety Net Assessment (HSNA) program through July 1, 2021, resulting in increased payments to hospitals of approximately $1 billion per fiscal biennia in state and federal funds.
- Continues to allow funds from the HSNA program to be used in lieu of State General Fund payments for Medicaid hospital services through the 2019-21 biennium.
- Continues to allow funds from the HSNA program to be used for integrated evidence-based psychiatry and family residency programs through the 2019-21 biennium.
- Requires the Health Care Authority, in cooperation with the Department of Health, to certify that hospitals have met certain reporting requirements before distributing quality improvement incentives.

## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report**: Do pass as amended. Signed by 27 members: Representatives Ormsby, Chair; Robinson, Vice Chair; Chandler, Ranking Minority Member; Stokesbary, Assistant Ranking Minority Member; Bergquist, Buys, Cody, Fitzgibbon, Haler, Hansen, Harris,

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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.*

Hudgins, Kagi, Lytton, Manweller, Nealey, Pettigrew, Sawyer, Schmick, Senn, Springer, Stanford, Sullivan, Tharinger, Vick, Volz and Wilcox.

**Minority Report**: Do not pass. Signed by 2 members: Representatives Condotta and Taylor.

**Staff**: Catrina Lucero (786-7192).

**Background**:

*Provider Assessments.*
Health care provider-related charges, such as assessments, fees, or taxes, have been used in some states to help fund the costs of the Medicaid program. Under federal rules, these provider-related charges include any mandatory payment where at least 85 percent of the burden falls on health care providers. States collect funds from health care providers and pay them back as Medicaid payments. States use these provider-related payments to claim federal matching funds.

To conform to federal laws, health care provider-related assessments, fees, and taxes must be broad-based, uniform, and in compliance with hold harmless provisions. To be broad-based and uniform, they must be applied to all providers of the same class and be imposed at the same rate to each provider in that class. If a provider-related assessment, fee, or tax is not broad-based or uniform, these provisions may be waived if the assessment, fee, or tax is generally redistributive. The hold harmless provision may not be waived. Additionally, Medicaid payments for these services cannot exceed Medicare reimbursement levels.

*Hospital Safety Net Assessment Program*.
The Legislature created a Hospital Safety Net Assessment (HSNA) program in 2010 and has subsequently modified and extended it several times. An assessment on non-Medicare inpatient days is imposed on most hospitals, and proceeds from the assessments are deposited into the HSNA Fund (Fund).

Money in the Fund may be used for various increases in hospital payments. In 2010 inpatient and outpatient payment rates were restored to levels in place on June 30, 2009. Beyond that restoration, most hospitals received additional payment rate increases for inpatient and outpatient services. In 2013 the methodology for increases was changed from a specific percentage of inpatient and outpatient rate increases to an overall level of increase. The overall level of increase was split between fee-for-service and managed care payments.

During the 2015-17 biennium a total of $292 million from the Fund may be used lieu of State General Fund payments to hospitals. An additional sum of $1 million per biennium may be disbursed from the Fund for payment of administrative expenses incurred by the Health Care Authority (HCA) related to the assessment program. For the 2015-17 and 2017-19 biennia, funds may be used for family medicine and integrated, evidence-based psychiatry residencies through the University of Washington. The HSNA program expires on July 1, 2020. Upon expiration of the program, hospital rates return to the levels in place on June 30, 2009.

**Summary of Amended Bill**:

The HSNA program is extended.
The act specifies that it is the intent of the Legislature to:

- increase payments to hospitals to approximately $1 billion per fiscal biennia in state and federal funds to pay for Medicaid hospital services and grants to Certified Public Expenditure and Critical Access Hospitals (CAHs);
- extend funding per biennium to be used in lieu of State General Fund payments for Medicaid hospital services through the 2019-21 biennium; and
- continue funding for integrated evidence-based psychiatry and family residency programs through the 2019-21 biennium.

*Assessments.*
Hospitals are assessed based on their non-Medicare inpatient bed days. Assessments are billed on a quarterly basis. The amount of annual assessments per non-Medicare bed day paid by hospitals are revised to the following amounts:

- Prospective Payment System hospitals must be no more than $380—up to a maximum of 54,000 bed days per year;
- psychiatric hospitals must be no more than $74; and
- rehabilitation hospitals must be no more than $74.

Other assessment amounts remain unchanged.

*Payments*.
Hospitals receive payments through the HSNA program under both fee-for-service and managed care. Fee-for-service payments are made quarterly, before the end of each quarter. Managed care payments are made through the managed care plans. Payments to hospitals are specifically changed to the following annual levels.

The changes to fee-for-service payments are as follows:

- CAHs that do not receive Disproportionate Share Hospital (DSH) payments—$2,038,000; and
- CAHs that do receive DSH payments—$0.

The change to managed care payments is as follows:

- at least $360 million, including federal matching funds.

Most payment amounts remain unchanged.

The HCA, in cooperation with the Department of Health (DOH), must certify that hospitals have met certain reporting requirements before distributing quality improvement incentives.

*Other Provisions*.
Provisions for contracting between hospitals and the HCA are changed to require the HCA to offer to contract with hospitals not previously party to a contract, but subject to the assessment or whose contract had expired.

The state must cease imposing the assessment if Medicaid matching funds are replaced with a block grant.

The Office of Financial Management must equalize the net financial benefit between the state and hospitals if the net financial benefit to the hospitals is anticipated to fall below $130 million in any given fiscal year.

The expiration of the HSNA program is extended from July 1, 2019, to July 1, 2021. Upon expiration, rates return to a funding level as if the 4 percent Medicaid inpatient and outpatient rate reduction did not occur on July 1, 2009, or as otherwise specified in the 2019-21 State Omnibus Operating Appropriations Act.

**Amended Bill Compared to Substitute Bill**:

The HCA, in cooperation with the DOH, must certify that hospitals have met certain reporting requirements before distributing quality improvement incentives.

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**Appropriation**: None.

**Fiscal Note**: Available.

**Effective Date of Amended Bill**: The bill contains an emergency clause and takes effect on July 1, 2017.

**Staff Summary of Public Testimony**:

(In support) Hospitals have been committed to the HSNA program and remain committed. Maintaining this commitment can be challenging. Federal law requires that provider assessments be broad-based and uniform. This means that some hospitals pay more than they receive back from the HSNA program. There are concerns about federal action that might change the current Medicaid program. The bill contains some protections for these possibilities. Continuing to allow funds to be used for family medicine and psychiatric residency programs is a positive revision.

(Opposed) None.

**Persons Testifying**: Len McComb, Washington State Hospital Association.

**Persons Signed In To Testify But Not Testifying**: None.