

# HOUSE BILL REPORT

## HB 1748

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### 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:** Representatives Jinkins, Schmick and Cody.

**Brief History:**

**Committee Activity:**

Appropriations: 2/18/19, 2/25/19 [DPS].

#### Brief Summary of Substitute Bill

- Extends the Hospital Safety Net Assessment (HSNA) program through July 1, 2023.
- Continues to allow funds from the HSNA program to be used in lieu of State General Fund payments for Medicaid hospital services through the 2021-23 biennium.
- Continues to allow funds from the HSNA program to be used for integrated, evidence-based psychiatry and family residency programs through the 2021-23 biennium.
- Provides \$2.2 million per year for hospitals participating in the Washington Rural Health Access Preservation Pilot for the 2019-21 biennium.
- Provides \$1.39 million, plus any available federal funding, to continue rate increases for hospitals that meet certain criteria.
- Increases the assessment payments to Harborview Medical Center from \$10.26 million to \$17.26 million.

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass.  
Signed by 19 members: Representatives Ormsby, Chair; Bergquist, 2nd Vice Chair;

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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.*

Robinson, 1st Vice Chair; Cody, Dolan, Fitzgibbon, Hansen, Hudgins, Jinkins, Macri, Pettigrew, Pollet, Ryu, Senn, Springer, Stanford, Sullivan, Tarleton and Tharinger.

**Minority Report:** Do not pass. Signed by 13 members: Representatives Stokesbary, Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Rude, Assistant Ranking Minority Member; Caldier, Chandler, Dye, Hoff, Kraft, Schmick, Steele, Sutherland, Volz and Ybarra.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Mosbrucker.

**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 2017-19 and 2019-21 biennia a total of \$292 million from the Fund may be used in 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 related to the assessment program. For the 2017-19 and 2019-21 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, 2021. Upon expiration of the program, hospital rates return to the levels in place on June 30, 2009.

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

The Hospital Safety Net Assessment (HSNA) program is extended through fiscal year (FY) 2023. Various dates throughout the bill are moved forward. The act specifies that it is the intent of the Legislature to:

- extend funding to be used in lieu of State General Fund payments for Medicaid hospital services through the 2021-23 biennium;
- continue funding for integrated evidence-based psychiatry and family residency programs through the 2021-23 biennium;
- use \$4.4 million of the HSNA Fund (Fund) for the Washington Rural Health Access Preservation (WRHAP) Pilot during the 2019-21 biennium; and
- use \$2.783 million of the Fund, plus any available federal match, for a rate increase for hospitals that meet certain criteria during the 2019-21 biennium.

### Payments.

The authority may offset payments to hospitals that have failed to make an assessment payment within 90 days of its due date. The offset shall reflect the payments owed by the hospital plus any interest. For the 2019-21 biennium the allowable uses of the Fund include payments to WRHAP hospitals and a rate increase for hospitals that meet the criteria in section 9(a) through (e). Two new temporary funding pools are created. The first directs \$2.2 million per year for hospitals participating in the WRHAP Pilot. The specific allocation is to be made in consultation with the Washington State Hospital Association. The second directs \$1.39 million per year, and any available federal funding, for a rate increase for hospitals that meet the criteria in section 9(a) through (e). Both pools expire at the end of the 2019-21 biennium. Payments to hospitals are changed to the following annual levels:

- the amounts paid to the University of Washington Medical Center are increased from \$10.555 million to a maximum \$12.055 million beginning in FY 2021;
- the amounts paid to Harborview Medical Center are increased from \$10.26 million to \$17.2 million;
- the amounts paid to all other certified public expenditure hospitals are reduced from \$6.345 million to \$5.615 million; and
- the amounts paid for fee-for-services inpatient payments are increased from \$29.1625 million to \$29.8925 million.

### Other Provisions.

The authority is directed to provide the Washington State Hospital Association an upper payment limit analysis every year on January 1. If that analysis indicates that the upper

payment limit will be exceeded by at least \$15 and those funds cannot be paid to hospitals, then the authority shall initiate an outpatient rate increase effective July 1 of that year.

**Substitute Bill Compared to Original Bill:**

The substitute bill changes the program expiration date from July 1, 2025, to July 1, 2023. It also adjusts several dates through the bill to align with the updated expiration date. It adds that it is the intent of the Legislature to use \$4.4 million of the Hospital Safety Net Assessment Fund (Fund) for the Washington Rural Health Access Preservation (WRHAP) Pilot and \$2.783 million of the Fund, plus any available federal match, for a rate increase for hospitals that meet certain criteria during the 2019-21 biennium. For the 2019-21 biennium the allowable uses of the Fund are changed to include payments to WRHAP hospitals to provide funding for a rate increase for hospitals that meet the criteria in section 9(a) through (e). Assessment payments for Harborview Medical Center are increased from \$10.26 million to \$17.26 million. Two new temporary funding pools are created. The first directs \$2.2 million per year for hospitals participating in the WRHAP Pilot. The specific allocation is to be made in consultation with the Washington State Hospital Association. The second directs \$1.39 million per year, and any available federal funding, for a rate increase for hospitals that meet the criteria in section 9(a) through (e). Both pools expire at the end of the 2019-21 biennium.

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**Appropriation:** None.

**Fiscal Note:** Requested on January 29, 2019.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect on July 1, 2019.

**Staff Summary of Public Testimony:**

(In support) This bill will bring money into the state and ensure that hospitals are able to provide the level of care that we need them to. The Hospital Safety Net Assessment (HSNA) program was originally started in 2010 to help off-set the costs of a \$400 million cut to Medicaid hospital reimbursements. The HSNA program is fairly simple. Hospitals pay into the HSNA Fund which is then used to draw down federal match. These funds support State General Fund payments to hospitals and additional Medicaid payments. Extending the HSNA program will benefit the state and hospitals.

(Opposed) None.

**Persons Testifying:** Representative Jinkins, prime sponsor; and Len McComb, Washington State Hospital Association.

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