

SENATE BILL REPORT

SB 5836

As of February 18, 2019

Title: An act relating to inflation adjustments in nursing home payment rate setting.

Brief Description: Concerning inflation adjustments in nursing home payment rate setting.

Sponsors: Senators Van De Wege, Rivers, Hasegawa, Hunt, King, Hobbs, Takko, Liias, Conway, Kuderer and Palumbo.

Brief History:

Committee Activity: Ways & Means: 2/18/19.

Brief Summary of Bill

- Changes the rate rebase of the direct care and indirect care components of the nursing home payment methodology from even-numbered calendar years to annually, beginning on July 1, 2019.
- Requires the base year cost report be adjusted for inflation for the 24-month period between the midpoint of the base year cost report and the beginning of the rate year.
- Requires direct care and indirect care components be adjusted separately for inflation based on the annual rate of inflation determined by the Consumer Price Index For All Urban Consumers published by the U.S. Labor Bureau of Labor Statistics.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Michele Alishahi (786-7433)

Background: The Washington State Medicaid Program includes long-term care assistance and services provided to low-income individuals. It is administered by the state in compliance with federal laws and regulations and is jointly financed by the federal and state government. The federal funds are matching funds, and are referred to as the Federal Financial Participation, or the Federal Medical Assistance Percentage (FMAP). The FMAP is calculated based on average per capital income and is usually between 50 and 51 percent for Washington. Typically, the state pays the remainder using the state general fund. Clients

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may be served in their own homes, in community residential settings, and in skilled nursing facilities.

Nursing Facilities. There are approximately 200 skilled nursing facilities licensed in Washington to serve about 10,000 Medicaid-eligible clients. Skilled nursing facilities are licensed by the Department of Social and Health Services (DSHS) and provide 24-hour supervised nursing care, personal care, therapies, nutrition management, organized activities, social services, laundry services, and room and board to three or more residents. The Medicaid nursing home payment system is administered by DSHS. Medicaid rates in Washington are unique to each facility and are generally based on the facility's allowable costs, occupancy rate, and client acuity—sometimes called the case mix. The biennial appropriations act sets a statewide weighted average Medicaid payment rate, sometimes referred to as the budget dial. If the actual statewide nursing facility payments exceed the budget dial, DSHS is required to proportionally adjust downward all nursing facility payment rates to meet the budget dial.

Nursing Home Payment Methodology. In 2015, the Legislature established a new payment methodology for nursing facilities, effective July 1, 2016. The new methodology was based primarily on industry-wide costs and had three main rate components: direct care, indirect care, and capital.

Direct Care Component. The direct care component reflects costs associated with direct care, therapy care, food, laundry, and dietary services. Direct care is paid at a fixed rate, based on 100 percent or greater of statewide case-mix neutral median costs. The component is regionally adjusted using county-wide wage index information available through the U.S. Bureau of Labor Statistics.

Indirect Care Component. The indirect care component includes administrative costs, maintenance costs, and housekeeping services. Indirect care is paid at a fixed rate based on 90 percent or greater of statewide median costs.

Rate Rebase. Direct care and indirect care rates are rebased in even-numbered calendar years, beginning with rates paid on July 1, 2016, which are rebased on the 2014 calendar year cost report. After rebasing, DSHS must confirm the rates have increased at least as much as the average rate of inflation, as determined by the Centers for Medicare and Medicaid Services (CMS) skilled nursing facility market basket index. If after rebasing, the percentage increase to the statewide rates is less than the average rate of inflation, DSHS is to increase rates by the difference between the percentage increase after rebasing and the rate of inflation.

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

Summary of Bill (Proposed Substitute): Annual Rebase. The requirement that direct care and indirect care components must be rebased in even-numbered calendar years is removed. Direct care and indirect care rates are rebased annually, beginning with rates paid on July 1, 2019. Rates paid on July 1, 2019, are based on the 2017 calendar year cost report.

Inflation Adjustment. The requirement that DSHS must confirm direct care and indirect care rates have increased at least as much as the average rate of inflation, as determined by the CMS skilled nursing facility market basket index is removed. The cost report used for rate setting is known as the base year cost report. The base year cost report is to be adjusted for inflation for the 24-month period between the midpoint of the base year cost report and the actual rate year. Direct care and indirect care rates are adjusted separately for inflation, as determined by the most recent 12 month Consumer Price Index For All Urban Consumers published by the U.S. Bureau of Labor Statistics.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: Current nursing home rates are based on 2016 costs with no adjustment for inflation. Rebase is not scheduled until July 1, 2020. Today's rates lag behind costs by 26 months. Current rates fall short for accounting for minimum wage increases. The Medicaid rates paid to our nursing homes is insufficient to keep up with increases wage pressures and stiff competition we are facing with hospital for quality nursing staff. Many nursing homes have resorted to using agency staff. Others have chosen to reduce bed capacity or close units. Annual rebasing and inflation adjustments will help ensure that nursing home rates more closely reflect current costs and help skilled nursing facilities recruit and retain high quality staff.

Persons Testifying: PRO: Senator Kevin Van De Wege, Prime Sponsor; Robin Dale, Washington Health Care Association; Scott Sigman, Leading Age Washington; Jeff Cohen, Kline Galland Home; Bill Miller, EmpRes Healthcare Management; Dan Porter, Regency Pacific Management Company; Terry Robertson, Josephine Caring Community SNF; Nick Federici, SEIU 775.

Persons Signed In To Testify But Not Testifying: No one.