

# HOUSE BILL REPORT

## HB 1316

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### As Passed Legislature

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

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

**Sponsors:** Representatives Cody, Macri, Duerr, Santos, Bateman and Lekanoff.

### Brief History:

#### Committee Activity:

Appropriations: 2/1/21, 2/4/21 [DP].

#### Floor Activity:

Passed House: 4/6/21, 90-8.

Senate Amended.

Passed Senate: 4/19/21, 47-2.

House Concurred.

Passed House: 4/22/21, 90-7.

Passed Legislature.

### Brief Summary of Bill

- Extends the Hospital Safety Net Assessment (HSNA) program through July 1, 2025.
- Continues to allow revenues from the HSNA program to be used in lieu of State General Fund payments for Medicaid hospital services through the 2023-25 biennium.
- Continues to allow revenues from the HSNA program to be used for integrated evidence-based psychiatry and family residency programs through the 2023-25 biennium.

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### HOUSE COMMITTEE ON APPROPRIATIONS

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**Majority Report:** Do pass. Signed by 33 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Stokesbary, Ranking Minority Member; Chambers, Assistant Ranking Minority Member; Corry, Assistant Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Boehnke, Caldier, Chandler, Chopp, Cody, Dolan, Dye, Fitzgibbon, Frame, Hansen, Harris, Hoff, Jacobsen, Johnson, J., Lekanoff, Pollet, Rude, Ryu, Schmick, Senn, Springer, Steele, Stonier, Sullivan and Tharinger.

**Staff:** Meghan Morris (786-7119).

**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 Medicaid 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 2019-21 and 2021-23 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 (HCA) related to the assessment program. For the 2019-21 and 2021-23 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, 2023. Upon expiration of the program, Medicaid hospital rates return to the levels in place on June 30, 2009.

**Summary of Bill:**

The HSNA program is extended through fiscal year 2025. Various dates throughout the program are moved forward to reflect the extension. 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 2023-25 biennium; and
- continue funding for integrated evidence-based psychiatry and family residency programs through the 2023-25 biennium.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) The HSNA program will continue to save general funds and provide Medicaid reimbursements to hospitals. A portion of the funds contributed by hospital assessments returns to hospitals, but not back to the exact hospitals that provided the funds. To comply with federal provisions the tax must be redistributive, meaning some hospitals pay more into the HSNA Fund than they get back. The assessment is on non-Medicare days, which includes Medicaid days and private-pay days. The distribution back to the hospitals is primarily on Medicaid expenditures, so a hospital with a higher proportion of private-pay days will pay more in the tax than they get back through additional Medicaid funds.

This bill extends the HSNA program for only two years because the Centers for Medicare and Medicaid Services (CMS) has instituted a phase down of allowable pass-through payments. This is capped at the 2016 level and declines over 10 years through calendar year 2025. By 2026 the state will have to restructure the HSNA program to provide the same level of funding generated for the general fund and Medicaid payments.

(Opposed) None.

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

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