

# SENATE BILL REPORT

## SB 5802

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As of January 15, 2024

**Title:** An act relating to providing flexibility in calculation of nursing rates for the purposes of implementing new centers for medicare and medicaid services data.

**Brief Description:** Providing flexibility in calculation of nursing rates.

**Sponsors:** Senators Muzzall, Hasegawa, Lovelett, Nobles, Rivers and Robinson; by request of Department of Social and Health Services.

**Brief History:**

**Committee Activity:** Health & Long Term Care: 1/16/24.

**Brief Summary of Bill**

- Requires Department of Social and Health Services to employ a method for applying case mix adjustments to the direct care component of the Medicaid Skilled Nursing Facility rate.
- Removes provisions on the Resource Utilization Group (RUG) and how the RUG scores data is used for calculating the case mix adjustments.

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### SENATE COMMITTEE ON HEALTH & LONG TERM CARE

**Staff:** Julie Tran (786-7283)

**Background:** Individuals receiving Medicaid funded long-term services and supports may choose to receive services in their home, in an adult day center, in an adult family home, in an assisted living facility, or in a skilled nursing facility (SNF). The licensed SNFs in Washington serve about 7600 Medicaid clients per month. SNFs 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.

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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 part of the legislation nor does it constitute a statement of legislative intent.*

Skilled Nursing Facility Medicaid Rate Methodology. The Medicaid SNF payment methodology is administered by DSHS. The Medicaid rates in Washington are unique to each facility and reflect the client acuity of each SNF's residents. The methodology for SNF payment rates consists of four primary components: direct care, indirect care, capital, and quality incentive. The direct care component includes nursing and related care provided to residents, such as food, laundry, and dietary services.

Currently, the rate's direct care component is adjusted every six months to ensure the direct care rates reflect the high-acuity residents for whom the facilities are providing services.

Case Mix for Washington State Medicaid Nursing Home Payment. Case mix describes differences in residents within a population in terms of their physical and mental conditions and the resources used in their care. Case mix reimbursement systems measure the intensity of care and services required for each resident and translate those measures into groupings. Those groupings are used in the calculation of facility payment to adjust the direct care rates. Washington State and DSHS received the data from federal Centers for Medicare and Medicaid Services (CMS) through Resource Utilization Group (RUG) scores. Current state law requires DSHS use RUG to calculate the nursing facility rates.

In 2019 CMS transitioned to a new case-mix classification data model called the Patient Driven Payment Model (PDPM) but continued to support the RUG data model. PDPM data focuses on characteristics, needs, and goals of the residents whereas the RUG data model focuses on the volume of therapy provided.

On September 30, 2023, CMS discontinued support for RUG categorization for nursing facility residents and fully transitioned to PDPM.

**Summary of Bill:** DSHS is required to employ a method for applying case mix to the direct care component of the Medicaid SNF rate which should be informed by a minimum data set data collected by CMS. DSHS is required to develop and implement rules to outline what data is used and how it is implemented in the calculation of the direct care component of the Medicaid SNF rate. The case mix is required to be based on the finalized case mix weights as published by CMS in the federal register.

References to resource utilization groups are removed from statute. This includes language associated with RUGs and provisions that specify how RUG scores are used for the calculations in the case mix adjustments.

**Appropriation:** None.

**Fiscal Note:** Requested on January 9, 2024.

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

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