

# HOUSE BILL REPORT

## SHB 1123

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*As of House Second Reading  
March 20, 1991*

**Title:** An act relating to compliance with federal requirements concerning land, depreciable assets, and resident finances.

**Brief Description:** Concerning nursing home auditing and cost reimbursement.

**Sponsor(s):** By House Committee on Health Care (originally sponsored by Representatives Braddock, Franklin and Orr; by request of Department of Social and Health Services).

**Brief History:**

Reported by House Committee on:  
Health Care, March 6, 1991, DPS;  
Appropriations, March 10, 1991, DP(w/osubHC);  
House Second Reading, March 20, 1991.

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**HOUSE COMMITTEE ON  
HEALTH CARE**

**Majority Report:** *That Substitute House Bill No. 1123 be substituted therefor, and the substitute bill do pass.*  
Signed by 11 members: Representatives Braddock, Chair; Day, Vice Chair; Moyer, Ranking Minority Member; Casada, Assistant Ranking Minority Member; Cantwell; Edmondson; Franklin; Morris; Paris; Prentice; and Sprenkle.

**Staff:** Antonio Sanchez (786-7383).

**Background:** **NURSING HOME LAND VALUATION.** The federal government has established limits on the amount of reimbursement given to a medicaid certified nursing home as a result of a change of ownership of land. Current departmental rules, the state health plan, and state law must be consistent with each other and with the federal nursing home land valuation policy. Currently the state health plan and statute are inconsistent regarding the ability of the state to limit increases in nursing home reimbursement for land as a result of change in ownership. A recent administrative law judge decision indicated that the law does not clearly exempt increases in land cost due to ownership changes. As a result, nursing facilities are entitled to reimbursement for the increased value of land

from July 17, 1984 through July 1, 1991. The court recommended that The Department of Social and Health Services clarify, either in the State Health Plan or in statute, the method used for considering current, past, and future land valuations. The federal government requires that the State adopt one of two language options for clarifying land valuation. One language option is the federal language enacted in 1984 in the Deficit Reduction Act (DEFRA). This option would not require the State to recognize land as an appreciable asset for any nursing home transactions conducted from July 1984 onward. Another less restrictive option is also available. This option uses federal language contained in the 1985 Consolidated Omnibus Budget Reconciliation Act (COBRA) provisions. The language contained in the COBRA provisions allow the medicaid reimbursement system to recognize, for sales occurring after July 1, 1984, an increased value for land and improvements. The appreciation in land and improvements are taken at the lesser of one-half the Dodge Index, or one-half the Consumer Price Index. The Dodge Index is an index used in the construction industry for determining the cost of constructing new health facilities.

**NURSING HOME RESIDENTS ASSETS.** Nursing homes residents can choose to maintain their own cash accounts or deposit their personal funds with the nursing home for safekeeping and to be used as needed. However, it is not the responsibility of the nursing home to insure that interest funds generated by those accounts go to the residents for whom those accounts are established for.

***Summary of Substitute Bill:*** Land, like all nursing home assets, are subject to an increase in reimbursement as a result of a change of ownership occurring on or before July 17, 1984 to July 1, 1991. The Medicaid reimbursement system will also recognize, for sales after July 1, 1991, an increased value for land and improvements consistent with federal provisions. These provisions allow for appreciation in land and improvements at the lesser of one-half the Dodge Index or one-half the Consumer Price Index.

***Substitute Bill Compared to Original Bill:*** The substitute bill adopts federal COBRA language and allows land, like all nursing home assets, to be subject to an increase in reimbursement as a result of a change of ownership. Land valuation is retroactive to July 17, 1984. The original bill uses DEFRA federal language and does not recognize land as an appreciable asset retroactively or in the future.

The authority granted to the Department of Social and Health Services to promulgate rules and regulations regarding

handling of patient personal funds that comply with federal requirements is removed.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect July 1, 1991.

**Testimony For:** (Original bill): The State needs to adopt language consistent with federal guidelines if we are to continue to receive federal medicaid reimbursement. The DEFRA language proposed by the state is consistent with the federal governments requirement for limiting land as a reimbursable asset.

**Testimony Against:** (Original bill): The language used by the department is overly restrictive and is not mandatory federal language. The State can resolve this problem several ways. One way is to adopt federal COBRA provisions. These provisions allow for appreciation in land and improvements at the lesser of one-half the Dodge Index, or one-half the Consumer Price Index and, if adopted, are consistent with federal medicaid requirements.

**Witnesses:** Ralph Smith, Department of Social and Health Services (pro); and Jerry Reilly, Washington Health Care Association (con on original bill).

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**HOUSE COMMITTEE ON  
APPROPRIATIONS**

**Majority Report:** *Do pass and do not pass the substitute bill by Committee on Health Care.* Signed by 18 members: Representatives Locke, Chair; Inslee, Vice Chair; Spanel, Vice Chair; Appelwick; Belcher; Braddock; Brekke; Dorn; Ebersole; Hine; Peery; Pruitt; Rust; H. Sommers; Sprenkle; Valle; Wang; and Wineberry.

**Minority Report:** *Do not pass.* Signed by 8 members: Representatives Silver, Ranking Minority Member; Morton, Assistant Ranking Minority Member; Bowman; Ferguson; Fuhrman; Lisk; McLean; and Nealey.

**Staff:** John Woolley (786-7154).

**Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Health Care:**  
The Appropriations Committee passed the original rather than the substitute bill. The original bill specifically added land in the depreciation base of depreciable assets and

included the promulgation of rules to meet federal standards on the handling of the personal funds of clients.

**Fiscal Note:** Available.

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

**Testimony For:** Speaking to the substitute bill: the COBRA provision for the definition of land and recognizing increases in the value of the home at sale is a more sensible approach and would put the nursing home industry on a sound base to meet the future.

**Testimony Against:** The Department of Social and Health Services supports the original bill but not the substitute bill.

**Witnesses:** Jerry Riley, Washington Health Care Association; and Charlie Reed and Ralph Smith, Department of Social and Health Services.