

# FINAL BILL REPORT

## EHB 1890

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*C 8 L 91 E1*  
*Synopsis As Enacted*

**Brief Description:** Revising provisions for the regulation of nursing homes.

By Representative Braddock; by request of Office of Financial Management and Department of Social and Health Services.

House Committee on Health Care  
House Committee on Appropriations

***Background:*** The state's nursing home program provides residential health care to eligible persons who are no longer capable of independent living and require nursing services. Nursing homes receive reimbursement for services from three major sources: private payment, Medicare and Medicaid. Approximately 66 percent of the total nursing home population is Medicaid eligible. The Department of Social and Health Services (DSHS) contracts with nursing homes to provide care for Medicaid patients and establishes the Medicaid reimbursement rates. Medicaid rates are set prospectively on a per patient, per day basis. The Legislature adjusts rates through appropriation. Rates for each facility can be further adjusted due to changes of more than 10 percent in patient classifications, program changes, staffing levels, or capital additions required by licensure.

**Cost center lids:** Currently, the Medicaid reimbursement system defines allowable costs as all those costs related to care of recipients. Allowable costs are divided into four "cost centers" for calculating reimbursement costs to contractors. These four cost centers are: nursing services; food; administration and operations; and property. These cost centers are subject to a cost growth index lid for each fiscal year.

**Licensing fees:** DSHS establishes licensing fees for each Medicaid certified nursing home. A yearly licensing inspection and one follow-up inspection must also be conducted by the department. The licensing inspection fee is currently \$12 per bed. This amount does not reflect the total cost associated with the licensure process.

**Medicare certification:** Two hundred seventy-five nursing homes currently participate in the Medicaid program. One

hundred five of these facilities are certified to care for private and Medicare eligible residents. The number of Medicare clients is rising rapidly. The federal government pays 100 percent of the reimbursement costs for Medicare nursing home residents.

Facility depreciation: Nursing homes receive reimbursement for facility depreciation as part of their Medicaid daily rate. When a nursing home is sold, the seller keeps all funds paid, without liability to repay the department for unrealized depreciation.

Limit on nursing pool reimbursement: Currently the cost of temporary nursing labor, provided by a nursing pool, is a reimbursable expense for Medicaid patients. The nursing home can include the expense in its daily Medicaid rate. Nursing pools are entrepreneurial organizations that contract with nursing homes and other health facilities to provide temporary nursing services. Registered Nurses, Licensed Practical Nurses, and, Nursing Assistants are furnished by these "agencies" or "pools" on an as-needed basis. The rates that nursing pools charge health care facilities are not currently regulated.

Financing allowance: The financing allowance is the percent of return on the net book value of the assets used in the provision of a patient's care. Currently the allowance is 11 percent.

***Summary:***

Cost center lids: The nursing services cost lid is lifted for fiscal year 1992.

Licensing fees: The nursing home licensure fee is raised to an amount adequate to reimburse the department for the costs of the nursing home licensing process. The new fee is \$133 per bed.

Medicare certification: All nursing homes must become Medicare certified for no less than 15 percent of each facility's total licensed beds.

Facility depreciation: DSHS is allowed to recover previously paid funds when a sale of a nursing home results in a profit. The purchaser of a nursing home is required to pay the department the amount of accumulated depreciation paid to the prior operator, and the sale price of the facility must reflect the amount of the accumulated depreciation.

Limit on nursing pool reimbursement: A limit is placed on Medicaid reimbursement for nursing pools costs to an amount equal to that of the wages paid in facilities within Washington's Medicaid program.

Financing allowance: The amount reimbursed to nursing homes for financing costs is reduced from 11 percent to 10 percent.

Other policy issues: Current statutory language in the nursing home reimbursement chapter is amended to prohibit an increase in reimbursement as a result of a sale of land. Land is not recognized as an appreciable asset retroactively or in the future.

All statutory references to "skilled nursing facilities" and "intermediate care facilities" are eliminated and replaced with "nursing facility." Existing language regarding resident needs assessments is eliminated. DSHS is given the authority to design an assessment system that is in compliance with federal requirements. In addition, the department is allowed to develop regulations for handling nursing home resident personal funds as directed by the federal government.

***Votes on Final Passage:***

First Special Session

House	59	38
Senate	25	21

***Effective:*** September 28, 1991