

HOUSE BILL REPORT

SHB 2967

As Passed Legislature

Title: An act relating to medicaid funding of intermediate care facilities.

Brief Description: Expanding federally authorized medicaid taxes and appropriations to IMR facilities.

Sponsor(s): By House Committee on Revenue (originally sponsored by Representatives Wang, Locke, Braddock and Paris).

Brief History:

Reported by House Committee on:
Revenue, February 27, 1992, DPS;
Passed House, March 5, 1992, 67-30;
Amended by Senate;
Passed Legislature.

**HOUSE COMMITTEE ON
REVENUE**

Majority Report: *The substitute bill be substituted therefor and the substitute bill do pass.* Signed by 14 members: Representatives Wang, Chair; Fraser, Vice Chair; Brumsickle, Ranking Minority Member; Wynne, Assistant Ranking Minority Member; Appelwick; Belcher; Carlson; Day; J. Kohl; Leonard; Morris; Morton; Rust; and Silver.

Staff: Rick Peterson (786-7150).

Background: State medicaid spending is financed with both state and federal dollars. Most of the state dollars come from the state's general tax system. The hospital medicaid tax passed in the 1991 special session is an example of a medicaid provider specific tax. The money from this tax is used along with the matching federal dollars to provide additional resources for the medicaid program in hospitals. Many states use similar health care provider specific taxes to help finance their medicaid programs.

Recently, federal law was changed to limit the use of health care provider specific taxes as sources of financing the state's share of medicaid payments. Under current federal law, health care provider specific taxes must meet certain standards, otherwise these state funds will not be matched

with federal funds. The current hospital medicaid tax fails to meet these standards. The tax must stop on September 30, 1992.

Under federal law, health care provider specific taxes may be applied to medical providers within defined classes. These classes include: inpatient hospital services; outpatient hospital services; nursing facility services; services of intermediate care facilities for the mentally retarded; physician's services; home health care services; outpatient prescription drugs; health maintenance organization services; and other classifications established by regulation.

A health care provider specific tax must be broad based. That is, the tax must be imposed on the entire class of providers and with limited exemptions. For example, no exemption is allowed for non-medicaid providers. However, the tax may exclude activities related to medicaid or medicare services.

The tax and any payment system cannot have the effect of holding the providers harmless. The tax and payment system must redistribute money from some providers to others.

Summary of Bill: A new business and occupation tax on intermediate care facilities for the mentally retarded is created. The tax is equal to 15 percent of the gross income from inpatient services.

The tax increase expires on the date federal matching funds become unavailable or are substantially reduced, or on the effective date of a permanent injunction, court order, or final court decision prohibiting the collection of the tax.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect April 1, 1992.

Testimony For: None.

Testimony Against: None.

Witnesses: None.