

# HOUSE BILL REPORT

## HB 2592

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**As Reported by House Committee On:**  
Appropriations

**Title:** An act relating to vendor overpayments.

**Brief Description:** Modifying vendor overpayment provisions.

**Sponsors:** Representatives Morrell and VanDeWege.

**Brief History:**

**Committee Activity:**

Appropriations: 2/11/08 [DPS].

**Brief Summary of Substitute Bill**

- Limits the accrual period for which interest may be collected, with respect to overpayments by the Department of Social and Health Services (Department) to vendors, to the period that begins 30 days after the Department notifies the vendor of overpayment.

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 32 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Haler, Assistant Ranking Minority Member; Anderson, Chandler, Cody, Conway, Darneille, Ericks, Fromhold, Grant, Green, Haigh, Hinkle, Hunt, Kagi, Kenney, Kessler, Kretz, Linville, McIntire, Morrell, Pettigrew, Priest, Ross, Schmick, Schual-Berke, Seaquist, Sullivan and Walsh.

**Staff:** Mark Matteson (786-7145).

**Background:**

Vendors of the Department of Social and Health Services (Department) to which the Department has made overpayments for services rendered must repay the amounts overpaid with interest. The amount of interest is calculated at 1 percent per month. The accrual period

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begins 30 days following the date when the Department first sends notice of overpayment to the vendor, or 90 days after the date of overpayment to the vendor, whichever occurs first. The Department Secretary may secure overpayments and the interest thereon through a lien against the vendor's real and personal property, through seizure of assets, or other methods available to the Department for the satisfaction of debts.

In June 2007 representatives of the Washington State Pharmacy Association (WSPA) met with Department staff concerning pharmacy audits. In a letter to legislators issued July 3, 2007, the Department provided context on recent discussions with WSPA. The Department explained that the discussions yielded agreement about steps to take to address concerns about the Department audits, including investigating how to modify overpayment interest accrual periods.

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**Summary of Substitute Bill:**

Interest on overpayments to a vendor may not begin to accrue earlier than 30 days following notification by the Department that overpayment has occurred.

**Substitute Bill Compared to Original Bill:**

A null and void clause was added, making the bill null and void unless funded in the budget.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed. However, the bill is null and void unless funded in the budget.

**Staff Summary of Public Testimony:**

(In support) This bill is the result of a June 2007 meeting between Doug Porter, the DSHS Assistant Secretary for the Health and Recovery Services Administration, and the National Association of Chain Drug Stores. When the Department audits pharmacies on Medicaid claims, their look-back period is wide open. We have businesses that have had audit look-back periods of up to eight years. When an audit occurs and overpayment is discovered, our members face interest payment periods beginning 30 days after the audit period or 90 days after the overpayment occurrence, whichever occurs first. This bill standardizes the period to 30 days after the audit, which Mr. Porter agreed was a fair approach. The Department indicated a statutory change was needed, and this bill addresses that.

(Opposed) None.

**Persons Testifying:** Dedi Hitchens, Washington State Pharmacy Association.

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