
Appropriations Committee

HB 2398

Brief Description: Rebasing direct care, therapy care, support services, and operations component rate allocations under the nursing facility medicaid payment system based upon calendar year 2005 cost report data, excluding costs related to the quality maintenance fee repealed by chapter 241, Laws of 2006.

Sponsors: Representatives Cody, Sommers, Moeller and Kenney.

Brief Summary of Bill
<ul style="list-style-type: none">• Modifies the nursing facility Medicaid payment system by rebasing direct care, therapy care, support services, and operations component rate allocations based upon calendar year 2005 cost reports.• Makes costs associated with the repealed quality maintenance fee unallowable under the Medicaid nursing facility payment system.

Hearing Date:

Staff: Bernard Dean (786-7130).

Background:

There are about 234 Medicaid-certified nursing home facilities in Washington providing long-term care services to approximately 11,500 Medicaid clients. The payment system for these nursing homes is established in statute and is administered by the Department of Social and Health Services (DSHS).

The rates paid to nursing facilities are based on seven different components. These components include rates paid for direct care, therapy care, support services, operations, property, financing allowance, and variable return.

The direct care rate component includes payments for the wages and benefits of nursing staff, non-prescription medications, and medical supplies. This rate component is most directly related to patient care and comprises roughly 55 percent of the total nursing facility rate. The direct care

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rate component is based upon "case mix," or the relative care needs of the residents that it serves. The higher the care needs of the clients, the higher the direct care rate. Facilities whose direct care costs are above 112 percent of median costs are paid at the 112 percent of the median.

Two other components relate to patient care. The therapy care rate component includes payments for physical therapy, occupational therapy, and speech therapy. The support services rate component includes payments for food, food preparation, laundry, and other housekeeping needs. Support services component rates are lidded at 110 percent of the industry median.

The operations rate component pays for administrative costs, office supplies, utilities, accounting costs, minor building maintenance, and equipment repairs. Operations component rates are lidded at 100 percent of the industry median.

The property and financing allowance rate components relate to the capital cost of a nursing facility. The property rate is a payment made to reflect the depreciation of a facility and other capital assets. Property depreciation periods vary, with most new facilities depreciating over 40 years.

The financing allowance is paid and calculated by multiplying an interest rate by the value of the assets. The applicable interest rate is 10 percent for construction proposed prior to May 17, 1999, and 8.5 percent for construction proposed after that date.

The variable return rate component does not reimburse nursing facilities for a specific cost. Rather, nursing facilities that serve residents at the lowest cost per resident day receive an efficiency incentive of 1 to 4 percent of the total direct care, therapy care, support services, and operations rate components based on the facilities relative efficiency when measured in comparison with the same costs in other facilities throughout the state. Variable return component rates are currently frozen at the their June 30, 2006 level.

The property and financing allowance components of nursing facility rates are rebased annually to reflect actual costs. All other rate components have been rebased at periodic intervals specified in statute. The last full rebasing of nursing facility payment rates occurred on July 1, 2001, when all component rates were recalculated to reflect calendar year 1999 costs. Component rate allocations for direct care and operations are based upon 2003 cost reports and component rate allocations for therapy care and support services rate allocations are based upon 1999 cost reports. During the years between rebasings, rates have been adjusted for economic trends and conditions (i.e., vendor rate increases) as specified in the biennial appropriations act.

Summary of Bill:

Nursing facility component rate allocations for direct care, therapy care, support services, and operations are rebased to calendar year 2005 cost report data.

Effective July 1, 2007, costs associated with the repealed quality maintenance fee are unallowable under the Medicaid nursing facility payment system.

Appropriation: None.

Fiscal Note: Requested on March 28, 2007.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2007.