

SENATE BILL REPORT

2ESSB 5905

As Amended by House, March 11, 2008

Title: An act relating to certificate of capital authorization.

Brief Description: Concerning certificate of capital authorization.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Franklin, Pflug, Keiser, Tom, Zarelli, Marr and Carrell).

Brief History:

Committee Activity: Ways & Means: 3/05/07, 3/05/07 [DPS].

Passed Senate: 4/02/07, 46-0; 2/15/08, 49-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5905 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Staff: Chelsea Buchanan (786-7446)

Background: Since 2001, skilled nursing facilities (nursing homes) seeking to have major construction funded in whole or part by Medicaid must first obtain a "certificate of capital authorization" (CCA) issued by the Department of Social and Health Services (DSHS). Having a CCA allows a nursing home to include the depreciation and investment associated with their capital project as part of their Medicaid reimbursement rate allocation. Medicaid reimbursement rates to nursing homes are paid by the operating budget.

Statute requires that the total dollar value of capital authorizations that may be issued during a biennium is specified in the biennial appropriations act, or operating budget. For fiscal years 2004 and 2005, maximum capital authorizations were set at \$32 million per fiscal year. For fiscal years 2006 to 2008, capital authorizations have been set at \$16 million per fiscal year.

Within the total amount authorized by the operating budget, CCAs are approved on a first-come, first-serve basis. Projects not approved in one appropriation period have priority in the subsequent period. DSHS has the authority to give priority to a project necessitated by an emergency situation, as determined by DSHS rules.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

DSHS also has the authority to establish deadlines for construction progress and to withdraw a CCA if deadlines are not met in a good faith manner.

Summary of Engrossed Substitute Bill: DSHS is required to establish rules for issuing CCAs, changing it from first-come/first-serve to a prioritized system. The rules must address that priority be given to construction or major renovation of existing or replacement facilities. First priority is given to facilities with the longest amount of time since their last major renovation. CCAs for new facilities are last priority and done on a first-come/first-serve basis. To the extent that the annual capital authorization level is not reached through priority assignment, subsequent applications for CCAs must be approved on a first-come/first-serve basis. DSHS is required to establish new rules for the period of time for which applications for CCAs will be accepted, and the length of time for which a CCA is valid.

DSHS has the authority to give first priority to CCAs for projects necessitated by emergency. Emergency situations are defined as when the project is needed to: (1) retain a facility's license or certification; (2) protect the health or safety of the facilities' residents; or (3) avoid closure.

Directions in statute to the Legislature regarding how to set the capital authorization level are removed. The level of capital authorization available remains at the level specified in the biennial appropriations act.

Appropriation: None.

Fiscal Note: Available on House companion (HB 2063).

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: PRO: It's time to establish a public policy on capital authorization other than first-come, first-serve. The policy is based on the need for renovations. Emergency needs are specified. The for-profit and non-profit nursing home associations both support the bill.

OTHER: DSHS cannot advocate for the bill because the cost for the bill is not in the Governor's budget. If the bill proceeds DSHS suggests some technical amendments.

Persons Testifying: PRO: Gary Weeks, Washington State Health Care Association; Deb Murphy, Washington Association of Housing and Services for the Aging.

OTHER: Kathy Marshall, Department of Social and Health Services Aging and Disability Services Administration.

House Amendment(s): First priority is given to replacement and renovations that incorporate innovative building designs. After that, the priorities are based on the length of time since the last major renovation or construction, as in the Senate bill.