

SSB 6163 - S AMD 516
By Senator Keiser

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** (1) The legislature intends that the
4 nursing facility medicaid payment system be structured to promote
5 quality care provided by economically and efficiently operated nursing
6 facilities and quality of life for residents. The legislature also
7 intends that the nursing facility medicaid payment system is efficient
8 to administer, accountable to the public and to the legislature, and
9 transparent to taxpayers and providers. The legislature finds that the
10 current statute governing the nursing facility medicaid payment system
11 is overly complex in contrast to Washington state's statutes governing
12 reimbursement systems for hospitals, physicians, boarding homes, and
13 other vendors, and that this complexity has made it difficult to focus
14 on systemic improvements in the nursing facility medicaid payment
15 system and in other long-term care policies.

16 (2) The legislature intends to simplify the existing nursing
17 facility medicaid payment system so that it is fair, predictable,
18 transparent, and accountable. The legislature further intends that,
19 effective July 1, 2011, the essential structure of this simplified
20 nursing facility medicaid payment system must be described in statute,
21 and the details of the system must be described in rules adopted by the
22 department of social and health services.

23 NEW SECTION. **Sec. 2.** A new section is added to chapter 74.46 RCW
24 to read as follows:

25 The nursing facility medicaid payment system shall have the
26 following structure:

27 (1) Nursing facility medicaid payment rate allocations must be
28 cost-based and facility-specific and have at least four components:
29 Direct care, including therapy; support services; indirect care; and

1 capital costs. Additional noncapital components may be considered if
2 the entire nursing facility medicaid payment system does not result in
3 a statewide weighted average payment rate that exceeds the
4 appropriations level in the biennial appropriations act.

5 (2) The direct care component shall use a case mix system.

6 (3) Noncapital components shall be subject to limits based upon a
7 determination of the median of facilities' costs with respect to a
8 particular component.

9 (4) Noncapital rates must be determined from annual cost reports
10 filed by facilities, with costs rebased every two years. The capital
11 rate component shall be determined July 1st of each year, based on cost
12 reports filed by facilities for the preceding year.

13 (5) Facilities must be separated into peer groups, based on
14 location.

15 (6) Payments must be subject to a settlement procedure that
16 compares costs to rates received and recovers unspent moneys as
17 appropriate.

18 (7) An occupancy adjustment must be applied to the indirect and
19 capital cost centers.

20 (8) A statewide weighted average payment rate and adjustments to
21 medicaid rate components for economic trends and conditions shall be
22 specified in the biennial appropriations act and may adjust payments if
23 necessary to ensure compliance. Any economic trends and conditions
24 factor or factors defined in any earlier biennial appropriations act
25 shall not be applied solely nor compounded to the medicaid rate
26 components.

27 (9) The department of social and health services must ensure that
28 nursing facility medicaid payment rates, in the aggregate for all
29 participating nursing facilities, comply with the biennial
30 appropriations act.

31 (10) Capital spending on nursing facilities subject to the
32 requirement of a certificate of capital authorization must be limited
33 by annual authorization amounts specified by the legislature pursuant
34 to RCW 74.46.807.

35 (11) The department is authorized within funds appropriated in the
36 biennial appropriations act to establish payments linked to performance
37 measures.

1 NEW SECTION. **Sec. 3.** A new section is added to chapter 74.46 RCW
2 to read as follows:

3 The economic trends and conditions factor or factors defined in the
4 biennial appropriations act shall not be compounded with the economic
5 trends and conditions factor or factors defined in any other biennial
6 appropriations acts before applying it to the component rate
7 allocations established in accordance with this chapter. When no
8 economic trends and conditions factor for either fiscal year is defined
9 in a biennial appropriations act, no economic trends and conditions
10 factor or factors defined in any earlier biennial appropriations act
11 shall be applied solely or compounded to the component rate allocations
12 established in accordance with this chapter.

13 NEW SECTION. **Sec. 4.** A new section is added to chapter 74.46 RCW
14 to read as follows:

15 The department shall implement minimum data set 3.0 under the
16 authority of this section. The department will notify nursing home
17 contractors twenty-eight days in advance of the date of implementation
18 of minimum data set 3.0. In the notification, the department must
19 identify for all quarterly rate settings following the date of minimum
20 data set 3.0 implementation a previously established quarterly case mix
21 adjustment established for the quarterly rate settings to be used for
22 quarterly case mix calculations in direct care until minimum data set
23 3.0 is fully implemented. After the department has fully implemented
24 minimum data set 3.0, it will adjust any quarter in which it used the
25 previously established quarterly case mix adjustment using the new
26 minimum data set 3.0 data.

27 **Sec. 5.** RCW 74.46.421 and 2008 c 263 s 1 are each amended to read
28 as follows:

29 ~~(1) ((The purpose of part E of this chapter is to determine nursing
30 facility—medicaid—payment—rates—that,—in—the—aggregate—for—all
31 participating nursing facilities, are in accordance with the biennial
32 appropriations act.~~

33 ~~(2))~~(a) The department shall use the nursing facility medicaid
34 payment rate methodologies described in this chapter and in rules
35 adopted by the department to determine initial component rate
36 allocations for each medicaid nursing facility.

1 (b) The initial component rate allocations shall be subject to
2 adjustment as provided in this section in order to assure that the
3 statewide weighted average payment rate to nursing facilities is less
4 than or equal to the statewide weighted average payment rate specified
5 in the biennial appropriations act.

6 ((+3)) (2) Nothing in this chapter shall be construed as creating
7 a legal right or entitlement to any payment that (a) has not been
8 adjusted under this section or (b) would cause the statewide weighted
9 average payment rate to exceed the statewide weighted average payment
10 rate specified in the biennial appropriations act.

11 ((+4)) (3)(a) The statewide weighted average payment rate for any
12 state fiscal year under the nursing facility medicaid payment system,
13 weighted by patient days, shall not exceed the annual statewide
14 weighted average nursing facility payment rate identified for that
15 fiscal year in the biennial appropriations act.

16 (b) If the department determines that the weighted average nursing
17 facility payment rate calculated in accordance with this chapter is
18 likely to exceed the weighted average nursing facility payment rate
19 identified in the biennial appropriations act, then the department
20 shall adjust all nursing facility payment rates proportional to the
21 amount by which the weighted average rate allocations would otherwise
22 exceed the budgeted rate amount. Any such adjustments for the current
23 fiscal year shall only be made prospectively, not retrospectively, and
24 shall be applied proportionately to each component rate allocation for
25 each facility.

26 (c) If any final order or final judgment, including a final order
27 or final judgment resulting from an adjudicative proceeding or judicial
28 review permitted by chapter 34.05 RCW, would result in an increase to
29 a nursing facility's payment rate for a prior fiscal year or years, the
30 department shall consider whether the increased rate for that facility
31 would result in the statewide weighted average payment rate for all
32 facilities for such fiscal year or years to be exceeded. If the
33 increased rate would result in the statewide weighted average payment
34 rate for such year or years being exceeded, the department shall
35 increase that nursing facility's payment rate to meet the final order
36 or judgment only to the extent that it does not result in an increase
37 to the statewide weighted average payment rate for all facilities.

1 **Sec. 6.** RCW 74.46.800 and 1998 c 322 s 42 are each amended to read
2 as follows:

3 (1) Consistent with the principles and provisions described in
4 section 2 of this act, the department shall have authority to adopt,
5 amend, and rescind such administrative rules and definitions as it
6 deems necessary to carry out the policies and purposes of this chapter,
7 to administer the nursing facility medicaid payment system, to audit
8 nursing facilities, and to resolve issues and develop procedures that
9 it deems necessary to implement, update, and improve the case mix
10 elements of the nursing facility medicaid payment system. In adopting
11 rules, the department may consider the potential impact of the payment
12 system on the level and quality of services received by nursing
13 facility residents; the efficient and economical operation of nursing
14 facilities; the anticipated impact of the system on private pay clients
15 and on populations in other parts of the long-term care system; and the
16 special circumstances presented by changes of ownership of nursing
17 facilities, bed banking, exceptional care needs of residents, addition
18 or deletion of licensed beds, facilities located in nonurban areas,
19 closure of facilities, and facilities with low-occupancy levels, as
20 well as other concerns.

21 (2) Nothing in this chapter shall be construed to require the
22 department to adopt or employ any calculations, steps, tests,
23 methodologies, alternate methodologies, indexes, formulas, mathematical
24 or statistical models, concepts, or procedures for medicaid rate
25 setting or payment that are not expressly called for in this chapter.

26 (3) The department shall adopt comprehensive rules to describe and
27 administer the nursing facility medicaid payment system, to be
28 effective July 1, 2011. The rules shall result in a statewide weighted
29 average payment rate that does not exceed the appropriations level in
30 the biennial appropriations act.

31 **Sec. 7.** RCW 74.46.431 and 2008 c 263 s 2 are each amended to read
32 as follows:

33 (1) Effective July 1, 1999, nursing facility medicaid payment rate
34 allocations shall be facility-specific and shall have seven components:
35 Direct care, therapy care, support services, operations, property,
36 financing allowance, and variable return. The department shall

1 establish and adjust each of these components, as provided in this
2 section and elsewhere in this chapter, for each medicaid nursing
3 facility in this state.

4 (2) Component rate allocations in therapy care, support services,
5 variable return, operations, property, and financing allowance for
6 essential community providers as defined in this chapter shall be based
7 upon a minimum facility occupancy of eighty-five percent of licensed
8 beds, regardless of how many beds are set up or in use. For all
9 facilities other than essential community providers, effective July 1,
10 2001, component rate allocations in direct care, therapy care, support
11 services, and variable return shall be based upon a minimum facility
12 occupancy of eighty-five percent of licensed beds. For all facilities
13 other than essential community providers, effective July 1, 2002, the
14 component rate allocations in operations, property, and financing
15 allowance shall be based upon a minimum facility occupancy of ninety
16 percent of licensed beds, regardless of how many beds are set up or in
17 use. For all facilities, effective July 1, 2006, the component rate
18 allocation in direct care shall be based upon actual facility
19 occupancy. The median cost limits used to set component rate
20 allocations shall be based on the applicable minimum occupancy
21 percentage. In determining each facility's therapy care component rate
22 allocation under RCW 74.46.511, the department shall apply the
23 applicable minimum facility occupancy adjustment before creating the
24 array of facilities' adjusted therapy costs per adjusted resident day.
25 In determining each facility's support services component rate
26 allocation under RCW 74.46.515(3), the department shall apply the
27 applicable minimum facility occupancy adjustment before creating the
28 array of facilities' adjusted support services costs per adjusted
29 resident day. In determining each facility's operations component rate
30 allocation under RCW 74.46.521(3), the department shall apply the
31 minimum facility occupancy adjustment before creating the array of
32 facilities' adjusted general operations costs per adjusted resident
33 day.

34 (3) Information and data sources used in determining medicaid
35 payment rate allocations, including formulas, procedures, cost report
36 periods, resident assessment instrument formats, resident assessment
37 methodologies, and resident classification and case mix weighting

1 methodologies, may be substituted or altered from time to time as
2 determined by the department.

3 (4)(a) Direct care component rate allocations shall be established
4 using adjusted cost report data covering at least six months. Adjusted
5 cost report data from 1996 will be used for October 1, 1998, through
6 June 30, 2001, direct care component rate allocations; adjusted cost
7 report data from 1999 will be used for July 1, 2001, through June 30,
8 2006, direct care component rate allocations. Adjusted cost report
9 data from 2003 will be used for July 1, 2006, through June 30, 2007,
10 direct care component rate allocations. Adjusted cost report data from
11 2005 will be used for July 1, 2007, through June 30, 2009, direct care
12 component rate allocations. Effective July 1, 2009, the direct care
13 component rate allocation shall be rebased biennially, and thereafter
14 for each odd-numbered year beginning July 1st, using the adjusted cost
15 report data for the calendar year two years immediately preceding the
16 rate rebase period, so that adjusted cost report data for calendar year
17 2007 is used for July 1, 2009, through June 30, 2011, and so forth.

18 (b) Direct care component rate allocations based on 1996 cost
19 report data shall be adjusted annually for economic trends and
20 conditions by a factor or factors defined in the biennial
21 appropriations act. A different economic trends and conditions
22 adjustment factor or factors may be defined in the biennial
23 appropriations act for facilities whose direct care component rate is
24 set equal to their adjusted June 30, 1998, rate, as provided in RCW
25 74.46.506(5)(i).

26 (c) Direct care component rate allocations based on 1999 cost
27 report data shall be adjusted annually for economic trends and
28 conditions by a factor or factors defined in the biennial
29 appropriations act. A different economic trends and conditions
30 adjustment factor or factors may be defined in the biennial
31 appropriations act for facilities whose direct care component rate is
32 set equal to their adjusted June 30, 1998, rate, as provided in RCW
33 74.46.506(5)(i).

34 (d) Direct care component rate allocations based on 2003 cost
35 report data shall be adjusted annually for economic trends and
36 conditions by a factor or factors defined in the biennial
37 appropriations act. A different economic trends and conditions
38 adjustment factor or factors may be defined in the biennial

1 appropriations act for facilities whose direct care component rate is
2 set equal to their adjusted June 30, 2006, rate, as provided in RCW
3 74.46.506(5)(i).

4 (e) Direct care component rate allocations established in
5 accordance with this chapter shall be adjusted annually for economic
6 trends and conditions by a factor or factors defined in the biennial
7 appropriations act. The economic trends and conditions factor or
8 factors defined in the biennial appropriations act shall not be
9 compounded with the economic trends and conditions factor or factors
10 defined in any other biennial appropriations acts before applying it to
11 the direct care component rate allocation established in accordance
12 with this chapter. When no economic trends and conditions factor or
13 factors for either fiscal year are defined in a biennial appropriations
14 act, no economic trends and conditions factor or factors defined in any
15 earlier biennial appropriations act shall be applied solely or
16 compounded to the direct care component rate allocation established in
17 accordance with this chapter.

18 (5)(a) Therapy care component rate allocations shall be established
19 using adjusted cost report data covering at least six months. Adjusted
20 cost report data from 1996 will be used for October 1, 1998, through
21 June 30, 2001, therapy care component rate allocations; adjusted cost
22 report data from 1999 will be used for July 1, 2001, through June 30,
23 2005, therapy care component rate allocations. Adjusted cost report
24 data from 1999 will continue to be used for July 1, 2005, through June
25 30, 2007, therapy care component rate allocations. Adjusted cost
26 report data from 2005 will be used for July 1, 2007, through June 30,
27 2009, therapy care component rate allocations. Effective July 1, 2009,
28 and thereafter for each odd-numbered year beginning July 1st, the
29 therapy care component rate allocation shall be cost rebased
30 biennially, using the adjusted cost report data for the calendar year
31 two years immediately preceding the rate rebase period, so that
32 adjusted cost report data for calendar year 2007 is used for July 1,
33 2009, through June 30, 2011, and so forth.

34 (b) Therapy care component rate allocations established in
35 accordance with this chapter shall be adjusted annually for economic
36 trends and conditions by a factor or factors defined in the biennial
37 appropriations act. The economic trends and conditions factor or
38 factors defined in the biennial appropriations act shall not be

1 compounded with the economic trends and conditions factor or factors
2 defined in any other biennial appropriations acts before applying it to
3 the therapy care component rate allocation established in accordance
4 with this chapter. When no economic trends and conditions factor or
5 factors for either fiscal year are defined in a biennial appropriations
6 act, no economic trends and conditions factor or factors defined in any
7 earlier biennial appropriations act shall be applied solely or
8 compounded to the therapy care component rate allocation established in
9 accordance with this chapter.

10 (6)(a) Support services component rate allocations shall be
11 established using adjusted cost report data covering at least six
12 months. Adjusted cost report data from 1996 shall be used for October
13 1, 1998, through June 30, 2001, support services component rate
14 allocations; adjusted cost report data from 1999 shall be used for July
15 1, 2001, through June 30, 2005, support services component rate
16 allocations. Adjusted cost report data from 1999 will continue to be
17 used for July 1, 2005, through June 30, 2007, support services
18 component rate allocations. Adjusted cost report data from 2005 will
19 be used for July 1, 2007, through June 30, 2009, support services
20 component rate allocations. Effective July 1, 2009, and thereafter for
21 each odd-numbered year beginning July 1st, the support services
22 component rate allocation shall be cost rebased biennially, using the
23 adjusted cost report data for the calendar year two years immediately
24 preceding the rate rebase period, so that adjusted cost report data for
25 calendar year 2007 is used for July 1, 2009, through June 30, 2011, and
26 so forth.

27 (b) Support services component rate allocations established in
28 accordance with this chapter shall be adjusted annually for economic
29 trends and conditions by a factor or factors defined in the biennial
30 appropriations act. The economic trends and conditions factor or
31 factors defined in the biennial appropriations act shall not be
32 compounded with the economic trends and conditions factor or factors
33 defined in any other biennial appropriations acts before applying it to
34 the support services component rate allocation established in
35 accordance with this chapter. When no economic trends and conditions
36 factor or factors for either fiscal year are defined in a biennial
37 appropriations act, no economic trends and conditions factor or factors

1 defined in any earlier biennial appropriations act shall be applied
2 solely or compounded to the support services component rate allocation
3 established in accordance with this chapter.

4 (7)(a) Operations component rate allocations shall be established
5 using adjusted cost report data covering at least six months. Adjusted
6 cost report data from 1996 shall be used for October 1, 1998, through
7 June 30, 2001, operations component rate allocations; adjusted cost
8 report data from 1999 shall be used for July 1, 2001, through June 30,
9 2006, operations component rate allocations. Adjusted cost report data
10 from 2003 will be used for July 1, 2006, through June 30, 2007,
11 operations component rate allocations. Adjusted cost report data from
12 2005 will be used for July 1, 2007, through June 30, 2009, operations
13 component rate allocations. Effective July 1, 2009, and thereafter for
14 each odd-numbered year beginning July 1st, the operations component
15 rate allocation shall be cost rebased biennially, using the adjusted
16 cost report data for the calendar year two years immediately preceding
17 the rate rebase period, so that adjusted cost report data for calendar
18 year 2007 is used for July 1, 2009, through June 30, 2011, and so
19 forth.

20 (b) Operations component rate allocations established in accordance
21 with this chapter shall be adjusted annually for economic trends and
22 conditions by a factor or factors defined in the biennial
23 appropriations act. The economic trends and conditions factor or
24 factors defined in the biennial appropriations act shall not be
25 compounded with the economic trends and conditions factor or factors
26 defined in any other biennial appropriations acts before applying it to
27 the operations component rate allocation established in accordance with
28 this chapter. When no economic trends and conditions factor or factors
29 for either fiscal year are defined in a biennial appropriations act, no
30 economic trends and conditions factor or factors defined in any earlier
31 biennial appropriations act shall be applied solely or compounded to
32 the operations component rate allocation established in accordance with
33 this chapter. A different economic trends and conditions adjustment
34 factor or factors may be defined in the biennial appropriations act for
35 facilities whose operations component rate is set equal to their
36 adjusted June 30, 2006, rate, as provided in RCW 74.46.521(4).

37 (8) For July 1, 1998, through September 30, 1998, a facility's
38 property and return on investment component rates shall be the

1 facility's June 30, 1998, property and return on investment component
2 rates, without increase. For October 1, 1998, through June 30, 1999,
3 a facility's property and return on investment component rates shall be
4 rebased utilizing 1997 adjusted cost report data covering at least six
5 months of data.

6 (9) Total payment rates under the nursing facility medicaid payment
7 system shall not exceed facility rates charged to the general public
8 for comparable services.

9 (10) Medicaid contractors shall pay to all facility staff a minimum
10 wage of the greater of the state minimum wage or the federal minimum
11 wage.

12 (11) The department shall establish in rule procedures, principles,
13 and conditions for determining component rate allocations for
14 facilities in circumstances not directly addressed by this chapter,
15 including but not limited to: The need to prorate inflation for
16 partial-period cost report data, newly constructed facilities, existing
17 facilities entering the medicaid program for the first time or after a
18 period of absence from the program, existing facilities with expanded
19 new bed capacity, existing medicaid facilities following a change of
20 ownership of the nursing facility business, facilities banking beds or
21 converting beds back into service, facilities temporarily reducing the
22 number of set-up beds during a remodel, facilities having less than six
23 months of either resident assessment, cost report data, or both, under
24 the current contractor prior to rate setting, and other circumstances.

25 (12) The department shall establish in rule procedures, principles,
26 and conditions, including necessary threshold costs, for adjusting
27 rates to reflect capital improvements or new requirements imposed by
28 the department or the federal government. Any such rate adjustments
29 are subject to the provisions of RCW 74.46.421.

30 (13) Effective July 1, 2001, medicaid rates shall continue to be
31 revised downward in all components, in accordance with department
32 rules, for facilities converting banked beds to active service under
33 chapter 70.38 RCW, by using the facility's increased licensed bed
34 capacity to recalculate minimum occupancy for rate setting. However,
35 for facilities other than essential community providers which bank beds
36 under chapter 70.38 RCW, after May 25, 2001, medicaid rates shall be
37 revised upward, in accordance with department rules, in direct care,
38 therapy care, support services, and variable return components only, by

1 using the facility's decreased licensed bed capacity to recalculate
2 minimum occupancy for rate setting, but no upward revision shall be
3 made to operations, property, or financing allowance component rates.
4 The direct care component rate allocation shall be adjusted, without
5 using the minimum occupancy assumption, for facilities that convert
6 banked beds to active service, under chapter 70.38 RCW, beginning on
7 July 1, 2006. Effective July 1, 2007, component rate allocations for
8 direct care shall be based on actual patient days regardless of whether
9 a facility has converted banked beds to active service.

10 (14) Facilities obtaining a certificate of need or a certificate of
11 need exemption under chapter 70.38 RCW after June 30, 2001, must have
12 a certificate of capital authorization in order for (a) the
13 depreciation resulting from the capitalized addition to be included in
14 calculation of the facility's property component rate allocation; and
15 (b) the net invested funds associated with the capitalized addition to
16 be included in calculation of the facility's financing allowance rate
17 allocation.

18 **Sec. 8.** RCW 74.46.485 and 1998 c 322 s 22 are each amended to read
19 as follows:

20 (1) The department shall:

21 (a) Employ the resource utilization group III case mix
22 classification methodology. The department shall use the forty-four
23 group index maximizing model for the resource utilization group III
24 grouper version 5.10, but the department may revise or update the
25 classification methodology to reflect advances or refinements in
26 resident assessment or classification, subject to federal requirements;
27 and

28 (b) Implement minimum data set 3.0 under the authority of this
29 section and RCW 74.46.431(3). The department must notify nursing home
30 contractors twenty-eight days in advance the date of implementation of
31 the minimum data set 3.0. In the notification, the department must
32 identify for all quarterly rate settings following the date of minimum
33 data set 3.0 implementation a previously established quarterly case mix
34 adjustment established for the quarterly rate settings that will be
35 used for quarterly case mix calculations in direct care until minimum
36 data set 3.0 is fully implemented. After the department has fully

1 implemented minimum data set 3.0, it must adjust any quarter in which
2 it used the previously established quarterly case mix adjustment using
3 the new minimum data set 3.0 data.

4 (2) A default case mix group shall be established for cases in
5 which the resident dies or is discharged for any purpose prior to
6 completion of the resident's initial assessment. The default case mix
7 group and case mix weight for these cases shall be designated by the
8 department.

9 (3) A default case mix group may also be established for cases in
10 which there is an untimely assessment for the resident. The default
11 case mix group and case mix weight for these cases shall be designated
12 by the department.

13 NEW SECTION. Sec. 9. The following acts or parts of acts, as now
14 existing or hereafter amended, are each repealed:

15 (1) RCW 74.46.010 (Short title--Purpose) and 1998 c 322 s 1 & 1980
16 c 177 s 1;

17 (2) RCW 74.46.020 (Definitions) and 2007 c 508 s 7, 2006 c 258 s 1,
18 2001 1st sp.s. c 8 s 1, 1999 c 353 s 1, 1998 c 322 s 2, 1995 1st sp.s.
19 c 18 s 90, 1993 sp.s. c 13 s 1, 1991 sp.s. c 8 s 11, 1989 c 372 s 17,
20 1987 c 476 s 6, 1985 c 361 s 16, 1982 c 117 s 1, & 1980 c 177 s 2;

21 (3) RCW 74.46.030 (Principles of reporting requirements) and 1980
22 c 177 s 3;

23 (4) RCW 74.46.040 (Due dates for cost reports) and 1998 c 322 s 3,
24 1985 c 361 s 4, 1983 1st ex.s. c 67 s 1, & 1980 c 177 s 4;

25 (5) RCW 74.46.050 (Improperly completed or late cost report--
26 Fines--Adverse rate actions--Rules) and 1998 c 322 s 4, 1985 c 361 s 5,
27 & 1980 c 177 s 5;

28 (6) RCW 74.46.060 (Completing cost reports and maintaining records)
29 and 1998 c 322 s 5, 1985 c 361 s 6, 1983 1st ex.s. c 67 s 2, & 1980 c
30 177 s 6;

31 (7) RCW 74.46.080 (Requirements for retention of records by the
32 contractor) and 1998 c 322 s 6, 1985 c 361 s 7, 1983 1st ex.s. c 67 s
33 3, & 1980 c 177 s 8;

34 (8) RCW 74.46.090 (Retention of cost reports and resident
35 assessment information by the department) and 1998 c 322 s 7, 1985 c
36 361 s 8, & 1980 c 177 s 9;

1 (9) RCW 74.46.100 (Purposes of department audits--Examination--
2 Incomplete or incorrect reports--Contractor's duties--Access to
3 facility--Fines--Adverse rate actions) and 1998 c 322 s 8, 1985 c 361
4 s 9, 1983 1st ex.s. c 67 s 4, & 1980 c 177 s 10;
5 (10) RCW 74.46.155 (Reconciliation of medicaid resident days to
6 billed days and medicaid payments--Payments due--Accrued interest--
7 Withholding funds) and 1998 c 322 s 9;
8 (11) RCW 74.46.165 (Proposed settlement report--Payment refunds--
9 Overpayments--Determination of unused rate funds--Total and component
10 payment rates) and 2001 1st sp.s. c 8 s 2 & 1998 c 322 s 10;
11 (12) RCW 74.46.190 (Principles of allowable costs) and 1998 c 322
12 s 11, 1995 1st sp.s. c 18 s 96, 1983 1st ex.s. c 67 s 12, & 1980 c 177
13 s 19;
14 (13) RCW 74.46.200 (Offset of miscellaneous revenues) and 1980 c
15 177 s 20;
16 (14) RCW 74.46.220 (Payments to related organizations--Limits--
17 Documentation) and 1998 c 322 s 12 & 1980 c 177 s 22;
18 (15) RCW 74.46.230 (Initial cost of operation) and 1998 c 322 s 13,
19 1993 sp.s. c 13 s 3, & 1980 c 177 s 23;
20 (16) RCW 74.46.240 (Education and training) and 1980 c 177 s 24;
21 (17) RCW 74.46.250 (Owner or relative--Compensation) and 1980 c 177
22 s 25;
23 (18) RCW 74.46.270 (Disclosure and approval or rejection of cost
24 allocation) and 1998 c 322 s 14, 1983 1st ex.s. c 67 s 13, & 1980 c 177
25 s 27;
26 (19) RCW 74.46.280 (Management fees, agreements--Limitation on
27 scope of services) and 1998 c 322 s 15, 1993 sp.s. c 13 s 4, & 1980 c
28 177 s 28;
29 (20) RCW 74.46.290 (Expense for construction interest) and 1980 c
30 177 s 29;
31 (21) RCW 74.46.300 (Operating leases of office equipment--Rules)
32 and 1998 c 322 s 16 & 1980 c 177 s 30;
33 (22) RCW 74.46.310 (Capitalization) and 1983 1st ex.s. c 67 s 16 &
34 1980 c 177 s 31;
35 (23) RCW 74.46.320 (Depreciation expense) and 1980 c 177 s 32;
36 (24) RCW 74.46.330 (Depreciable assets) and 1980 c 177 s 33;
37 (25) RCW 74.46.340 (Land, improvements--Depreciation) and 1980 c
38 177 s 34;

1 (26) RCW 74.46.350 (Methods of depreciation) and 1999 c 353 s 13 &
2 1980 c 177 s 35;

3 (27) RCW 74.46.360 (Cost basis of land and depreciation base of
4 depreciable assets) and 1999 c 353 s 2, 1997 c 277 s 1, 1991 sp.s. c 8
5 s 18, & 1989 c 372 s 14;

6 (28) RCW 74.46.370 (Lives of assets) and 1999 c 353 s 14, 1997 c
7 277 s 2, & 1980 c 177 s 37;

8 (29) RCW 74.46.380 (Depreciable assets) and 1993 sp.s. c 13 s 5,
9 1991 sp.s. c 8 s 12, & 1980 c 177 s 38;

10 (30) RCW 74.46.390 (Gains and losses upon replacement of
11 depreciable assets) and 1980 c 177 s 39;

12 (31) RCW 74.46.410 (Unallowable costs) and 2007 c 508 s 1, 2001 1st
13 sp.s. c 8 s 3, 1998 c 322 s 17, 1995 1st sp.s. c 18 s 97, 1993 sp.s. c
14 13 s 6, 1991 sp.s. c 8 s 15, 1989 c 372 s 2, 1986 c 175 s 3, 1983 1st
15 ex.s. c 67 s 17, & 1980 c 177 s 41;

16 (32) RCW 74.46.431 (Nursing facility medicaid payment rate
17 allocations--Components--Minimum wage--Rules) and 2008 c 263 s 2, 2007
18 c 508 s 2, 2006 c 258 s 2, 2005 c 518 s 944, 2004 c 276 s 913, 2001 1st
19 sp.s. c 8 s 5, 1999 c 353 s 4, & 1998 c 322 s 19;

20 (33) RCW 74.46.433 (Variable return component rate allocation) and
21 2006 c 258 s 3, 2001 1st sp.s. c 8 s 6, & 1999 c 353 s 9;

22 (34) RCW 74.46.435 (Property component rate allocation) and 2001
23 1st sp.s. c 8 s 7, 1999 c 353 s 10, & 1998 c 322 s 29;

24 (35) RCW 74.46.437 (Financing allowance component rate allocation)
25 and 2001 1st sp.s. c 8 s 8 & 1999 c 353 s 11;

26 (36) RCW 74.46.439 (Facilities leased in arm's-length agreements--
27 Recomputation of financing allowance--Reimbursement for annualized
28 lease payments--Rate adjustment) and 1999 c 353 s 12;

29 (37) RCW 74.46.441 (Public disclosure of rate-setting information)
30 and 1998 c 322 s 20;

31 (38) RCW 74.46.445 (Contractors--Rate adjustments) and 1999 c 353
32 s 15;

33 (39) RCW 74.46.475 (Submitted cost report--Analysis and adjustment
34 by department) and 1998 c 322 s 21, 1985 c 361 s 13, & 1983 1st ex.s.
35 c 67 s 23;

36 (40) RCW 74.46.485 (Case mix classification methodology) and 1998
37 c 322 s 22;

1 (41) RCW 74.46.496 (Case mix weights--Determination--Revisions) and
2 2006 c 258 s 4 & 1998 c 322 s 23;

3 (42) RCW 74.46.501 (Average case mix indexes determined quarterly--
4 Facility average case mix index--Medicaid average case mix index) and
5 2006 c 258 s 5, 2001 1st sp.s. c 8 s 9, & 1998 c 322 s 24;

6 (43) RCW 74.46.506 (Direct care component rate allocations--
7 Determination--Quarterly updates--Fines) and 2007 c 508 s 3, 2006 c 258
8 s 6, & 2001 1st sp.s. c 8 s 10;

9 (44) RCW 74.46.508 (Direct care component rate allocation--
10 Increases--Rules) and 2003 1st sp.s. c 6 s 1 & 1999 c 181 s 2;

11 (45) RCW 74.46.511 (Therapy care component rate allocation--
12 Determination) and 2008 c 263 s 3, 2007 c 508 s 4, & 2001 1st sp.s. c
13 8 s 11;

14 (46) RCW 74.46.515 (Support services component rate allocation--
15 Determination--Emergency situations) and 2008 c 263 s 4, 2001 1st sp.s.
16 c 8 s 12, 1999 c 353 s 7, & 1998 c 322 s 27;

17 (47) RCW 74.46.521 (Operations component rate allocation--
18 Determination) and 2007 c 508 s 5, 2006 c 258 s 7, 2001 1st sp.s. c 8
19 s 13, 1999 c 353 s 8, & 1998 c 322 s 28;

20 (48) RCW 74.46.531 (Department may adjust component rates--
21 Contractor may request--Errors or omissions) and 1998 c 322 s 31;

22 (49) RCW 74.46.533 (Combined and estimated rebased rates--
23 Determination--Hold harmless provision) and 2007 c 508 s 6;

24 (50) RCW 74.46.600 (Billing period) and 1980 c 177 s 60;

25 (51) RCW 74.46.610 (Billing procedure--Rules) and 1998 c 322 s 32,
26 1983 1st ex.s. c 67 s 33, & 1980 c 177 s 61;

27 (52) RCW 74.46.620 (Payment) and 1998 c 322 s 33 & 1980 c 177 s 62;

28 (53) RCW 74.46.625 (Supplemental payments) and 1999 c 392 s 1;

29 (54) RCW 74.46.630 (Charges to patients) and 1998 c 322 s 34 & 1980
30 c 177 s 63;

31 (55) RCW 74.46.640 (Suspension of payments) and 1998 c 322 s 35,
32 1995 1st sp.s. c 18 s 112, 1983 1st ex.s. c 67 s 34, & 1980 c 177 s 64;

33 (56) RCW 74.46.650 (Termination of payments) and 1998 c 322 s 36 &
34 1980 c 177 s 65;

35 (57) RCW 74.46.660 (Conditions of participation) and 1998 c 322 s
36 37, 1992 c 215 s 1, 1991 sp.s. c 8 s 13, & 1980 c 177 s 66;

37 (58) RCW 74.46.680 (Change of ownership--Assignment of department's
38 contract) and 1998 c 322 s 38, 1985 c 361 s 2, & 1980 c 177 s 68;

1 (59) RCW 74.46.690 (Change of ownership--Final reports--Settlement)
2 and 1998 c 322 s 39, 1995 1st sp.s. c 18 s 113, 1985 c 361 s 3, 1983
3 1st ex.s. c 67 s 36, & 1980 c 177 s 69;

4 (60) RCW 74.46.700 (Resident personal funds--Records--Rules) and
5 1991 sp.s. c 8 s 19 & 1980 c 177 s 70;

6 (61) RCW 74.46.711 (Resident personal funds--Conveyance upon death
7 of resident) and 2001 1st sp.s. c 8 s 14 & 1995 1st sp.s. c 18 s 69;

8 (62) RCW 74.46.770 (Contractor appeals--Challenges of laws, rules,
9 or contract provisions--Challenge based on federal law) and 1998 c 322
10 s 40, 1995 1st sp.s. c 18 s 114, 1983 1st ex.s. c 67 s 39, & 1980 c 177
11 s 77;

12 (63) RCW 74.46.780 (Appeals or exception procedure) and 1998 c 322
13 s 41, 1995 1st sp.s. c 18 s 115, 1989 c 175 s 159, 1983 1st ex.s. c 67
14 s 40, & 1980 c 177 s 78;

15 (64) RCW 74.46.790 (Denial, suspension, or revocation of license or
16 provisional license--Penalties) and 1980 c 177 s 79;

17 (65) RCW 74.46.820 (Public disclosure) and 2005 c 274 s 356, 1998
18 c 322 s 43, 1985 c 361 s 14, 1983 1st ex.s. c 67 s 41, & 1980 c 177 s
19 82;

20 (66) RCW 74.46.835 (AIDS pilot nursing facility--Payment for direct
21 care) and 1998 c 322 s 46;

22 (67) RCW 74.46.900 (Severability--1980 c 177) and 1980 c 177 s 93;

23 (68) RCW 74.46.901 (Effective dates--1983 1st ex.s. c 67; 1980 c
24 177) and 1983 1st ex.s. c 67 s 49, 1981 1st ex.s. c 2 s 10, & 1980 c
25 177 s 94;

26 (69) RCW 74.46.902 (Section captions--1980 c 177) and 1980 c 177 s
27 89;

28 (70) RCW 74.46.905 (Severability--1983 1st ex.s. c 67) and 1983 1st
29 ex.s. c 67 s 43;

30 (71) RCW 74.46.906 (Effective date--1998 c 322 §§ 1-37, 40-49, and
31 52-54) and 1998 c 322 s 55; and

32 (72) RCW 74.46.907 (Severability--1998 c 322) and 1998 c 322 s 56.

33 NEW SECTION. **Sec. 10.** A new section is added to chapter 74.46 RCW
34 to read as follows:

35 Rates under the nursing facility medicaid payment system for care
36 provided during the period before July 1, 2011, shall continue to be

1 calculated and settled on the basis of the statutes and rules in effect
2 during that period.

3 **Sec. 11.** RCW 74.46.835 and 1998 c 322 s 46 are each amended to
4 read as follows:

5 (1) Payment for direct care at the pilot nursing facility in King
6 county designed to meet the service needs of residents living with
7 AIDS, as defined in RCW 70.24.017, and as specifically authorized for
8 this purpose under chapter 9, Laws of 1989 1st ex. sess., shall be
9 exempt from case mix methods of rate determination set forth in this
10 chapter and shall be exempt from ~~((the))~~ a direct care metropolitan
11 statistical area peer group cost limitation ~~((set forth in this
12 chapter))~~.

13 (2) Direct care component rates at the AIDS pilot facility shall be
14 based on direct care reported costs at the pilot facility, ~~((utilizing
15 the same three year, rate setting cycle prescribed for other nursing
16 facilities, and))~~ as supported by a staffing benchmark based upon a
17 department-approved acuity measurement system.

18 (3) The provisions of RCW 74.46.421 and all other rate-setting
19 principles, cost lids, and limits, including settlement ~~((as provided
20 in RCW 74.46.165))~~, shall apply to the AIDS pilot facility.

21 (4) This section applies only to the AIDS pilot nursing facility.

22 NEW SECTION. **Sec. 12.** Sections 2 through 4 and 9 of this act take
23 effect July 1, 2011.

24 NEW SECTION. **Sec. 13.** Sections 5 through 8, 10, and 11 of this
25 act are necessary for the immediate preservation of the public peace,
26 health, or safety, or support of the state government and its existing
27 public institutions, and take effect July 1, 2009."

1 On page 1, line 1 of the title, after "system;" strike the
2 remainder of the title and insert "amending RCW 74.46.421, 74.46.800,
3 74.46.431, 74.46.485, and 74.46.835; adding new sections to chapter
4 74.46 RCW; creating a new section; repealing RCW 74.46.010, 74.46.020,
5 74.46.030, 74.46.040, 74.46.050, 74.46.060, 74.46.080, 74.46.090,
6 74.46.100, 74.46.155, 74.46.165, 74.46.190, 74.46.200, 74.46.220,
7 74.46.230, 74.46.240, 74.46.250, 74.46.270, 74.46.280, 74.46.290,
8 74.46.300, 74.46.310, 74.46.320, 74.46.330, 74.46.340, 74.46.350,
9 74.46.360, 74.46.370, 74.46.380, 74.46.390, 74.46.410, 74.46.431,
10 74.46.433, 74.46.435, 74.46.437, 74.46.439, 74.46.441, 74.46.445,
11 74.46.475, 74.46.485, 74.46.496, 74.46.501, 74.46.506, 74.46.508,
12 74.46.511, 74.46.515, 74.46.521, 74.46.531, 74.46.533, 74.46.600,
13 74.46.610, 74.46.620, 74.46.625, 74.46.630, 74.46.640, 74.46.650,
14 74.46.660, 74.46.680, 74.46.690, 74.46.700, 74.46.711, 74.46.770,
15 74.46.780, 74.46.790, 74.46.820, 74.46.835, 74.46.900, 74.46.901,
16 74.46.902, 74.46.905, 74.46.906, and 74.46.907; providing effective
17 dates; and declaring an emergency."

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