

HOUSE BILL REPORT

HB 2898

As Reported by House Committee On:
Health & Human Services Appropriations

Title: An act relating to maintaining the current medicaid nursing facility payment methodology through simplification of the nursing facility medicaid payment system statute.

Brief Description: Simplifying medicaid payment for nursing facilities.

Sponsors: Representatives Morrell, Pettigrew, Cody, Bailey, Kenney and Johnson; by request of Department of Social and Health Services.

Brief History:

Committee Activity:

Health & Human Services Appropriations: 2/4/10 [DP].

Brief Summary of Bill

- Repeals provision related to reporting, auditing, settlement, allowable costs, billing/payment, administration, patient trust funds, appeals, and public disclosure in the current nursing home payment statute and directs the Department of Social and Health Services (DSHS) to establish these in rule.
- Provides eleven principles to be used by the DSHS when re-establishing the repealed provisions in rule.
- Retains the specific rate setting methodology in statute, commonly referred to as Part E, and the Auto-Immune Deficiency Syndrome pilot nursing facility (also known as the Bailey-Boushay House in Seattle).
- Removes historical language, dates, and references from statute that have been superseded by subsequent legislative changes.

HOUSE COMMITTEE ON HEALTH & HUMAN SERVICES APPROPRIATIONS

Majority Report: Do pass. Signed by 15 members: Representatives Pettigrew, Chair; Seaquist, Vice Chair; Schmick, Ranking Minority Member; Alexander, Assistant Ranking Minority Member; Appleton, Cody, Dickerson, Fagan, Johnson, Miloscia, Morrell, O'Brien, Roberts, Walsh and Wood.

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.

Staff: Carma Matti-Jackson (786-7140).

Background:

Clients receiving long-term care services under Medicaid are served in their own homes, in community residential settings, and in nursing homes.

There are just over 250 skilled nursing facilities licensed in Washington that provide 24-hour long-term care services for approximately 10,900 Medicaid eligible clients. The Medicaid rates are unique to each facility and are generally based on the facility's costs, occupancy rate, and client acuity (sometimes called the "case mix").

The Medicaid nursing home payment system is administered by the Department of Social and Health Services (DSHS) and consists of seven rate components: direct care, therapy care, support services, operations, property, financing allowance, and variable return.

Per-client rates are generally calculated daily by dividing allowable costs for a given period by the number of clients. All rate components, except for direct care, are subject to minimum occupancy adjustments that adjusts rates downward for facilities that do not maintain a minimum level of Medicaid clients within their licensed bed capacity. Facilities can reduce the effects of minimum occupancy through "bed banking" (temporarily reducing the number of patient beds for which they are licensed). Beds can be banked for up to eight years before the facility has to decide whether to renew the Medicaid license on them, sell them, or relinquish them. Case mix adjustments are made on a quarterly basis. The rate components for direct care, therapy care, support services, and operations are rebased every two years. The components for property and finance are rebased annually and the variable return component is frozen at the June 30, 2006 level.

The current nursing facility payment system was first enacted into statute in 1980 and includes the detailed rate methodology with specific formula variables, instructions for payment calculations, and procedures for accounting and payment auditing. Since its enactment, the nursing facility payment statute has been amended 14 times. In 2007 the Joint Legislative Task Force on Long-Term Care Residential Facility Payment Systems was established to review and consider recommendations on changes to simplify the nursing home payment system. Majority recommendations included removing the payment system from statute and establishing the system in the DSHS rule. After the 2009 legislative session, the DSHS formed a workgroup to review the statute in its entirety and to make joint recommendations on simplifications.

Summary of Bill:

Terms and definitions that are no longer relevant or already addressed in Washington Administrative Code are removed from statute. Provisions related to reporting, auditing, settlement, allowable costs, billing/payment, administration, patient trust funds, appeals, and public disclosure in the current nursing home payment statute are repealed and the DSHS is

directed to establish these in rule. Eleven principles are retained from repealed statute and the DSHS is instructed to use these principles when re-establishing these items in rule.

Historical language, dates, and references that have been superseded by subsequent legislative changes are removed. Rate setting is retained in statute and no substantial changes are made to the payment methodology or calculations, commonly referred to as Part E. The Auto-Immune Deficiency Syndrome pilot nursing facility, also known as the Bailey-Boushay House in Seattle, is retained in statute.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) For several years there has been an interest in trying to collapse the statute and move items from it into rule. The wholesale movement of the statute into rule has been resisted. This is the result of a collaborative effort that has taken almost two years. The rate methodology will remain in statute, but the statute itself will be much shorter than it currently is. It will be administratively easier for all interested parties. A commitment was made to the Legislature that given the chance, agreement could be reached. This is the result of that effort and was achieved by going through the statute and removing as much as possible that was reasonable to move from statute to rule. There was a lot of give and take in the process and the workgroup walked through the statute section-by-section to come to what we have today.

(Opposed) None.

Persons Testifying: (In support) Gary Weeks, Washington Health Care Association; Kathy Marshal, Department of Social and Health Services; and Scott Sigmon, Aging Services of Washington.

Persons Signed In To Testify But Not Testifying: None.