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**SUBSTITUTE SENATE BILL 5734**

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**State of Washington**

**66th Legislature**

**2019 Regular Session**

**By** Senate Ways & Means (originally sponsored by Senators Cleveland and Becker)

READ FIRST TIME 02/22/19.

1 AN ACT Relating to the hospital safety net assessment; amending  
2 RCW 74.60.005, 74.60.010, 74.60.020, 74.60.030, 74.60.050, 74.60.090,  
3 74.60.120, and 74.60.901; providing an effective date; providing an  
4 expiration date; and declaring an emergency.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 74.60.005 and 2017 c 228 s 1 are each amended to  
7 read as follows:

8 (1) The purpose of this chapter is to provide for a safety net  
9 assessment on certain Washington hospitals, which will be used solely  
10 to augment funding from all other sources and thereby support  
11 additional payments to hospitals for medicaid services as specified  
12 in this chapter.

13 (2) The legislature finds that federal health care reform will  
14 result in an expansion of medicaid enrollment in this state and an  
15 increase in federal financial participation.

16 (3) In adopting this chapter, it is the intent of the  
17 legislature:

18 (a) To impose a hospital safety net assessment to be used solely  
19 for the purposes specified in this chapter;

20 (b) To generate approximately one billion dollars per state  
21 fiscal biennium in new state and federal funds by disbursing all of

1 that amount to pay for medicaid hospital services and grants to  
2 certified public expenditure and critical access hospitals, except  
3 costs of administration as specified in this chapter, in the form of  
4 additional payments to hospitals and managed care plans, which may  
5 not be a substitute for payments from other sources, but which  
6 include quality improvement incentive payments under RCW 74.09.611;

7 (c) To generate two hundred ninety-two million dollars per  
8 biennium during the ~~((2017-2019))~~ 2019-2021 and ~~((2019-2021))~~  
9 2021-2023 biennia in new funds to be used in lieu of state general  
10 fund payments for medicaid hospital services;

11 (d) That the total amount assessed not exceed the amount needed,  
12 in combination with all other available funds, to support the  
13 payments authorized by this chapter;

14 (e) To condition the assessment on receiving federal approval for  
15 receipt of additional federal financial participation and on  
16 continuation of other funding sufficient to maintain aggregate  
17 payment levels to hospitals for inpatient and outpatient services  
18 covered by medicaid, including fee-for-service and managed care, at  
19 least at the rates the state paid for those services on July 1, 2015,  
20 as adjusted for current enrollment and utilization; and

21 (f) For each of the two biennia starting with fiscal year  
22 ~~((2018))~~ 2020 to generate:

23 (i) Four million dollars for new integrated evidence-based  
24 psychiatry residency program slots that did not receive state funding  
25 prior to 2016 at the integrated psychiatry residency program at the  
26 University of Washington; and

27 (ii) Eight million two hundred thousand dollars for ~~((new))~~  
28 family medicine residency program slots that did not receive state  
29 funding prior to 2016, as directed through the family medicine  
30 residency network at the University of Washington, for slots where  
31 residents are employed by hospitals.

32 **Sec. 2.** RCW 74.60.010 and 2017 c 228 s 2 are each amended to  
33 read as follows:

34 The definitions in this section apply throughout this chapter  
35 unless the context clearly requires otherwise.

36 (1) "Authority" means the health care authority.

37 (2) "Base year" for medicaid payments for state fiscal year 2017  
38 is state fiscal year 2014. For each following year's calculations,  
39 the base year must be updated to the next following year.

1 (3) "Bordering city hospital" means a hospital as defined in WAC  
2 182-550-1050 and bordering cities as described in WAC 182-501-0175,  
3 or successor rules.

4 (4) "Certified public expenditure hospital" means a hospital  
5 participating in (~~or that at any point from June 30, 2013, to July~~  
6 ~~1, 2019, has participated in~~) the authority's certified public  
7 expenditure payment program as described in WAC 182-550-4650 or  
8 successor rule. (~~For purposes of this chapter any such hospital~~  
9 ~~shall continue to be treated as a certified public expenditure~~  
10 ~~hospital for assessment and payment purposes through the date~~  
11 ~~specified in RCW 74.60.901.~~) The eligibility of such hospitals to  
12 receive grants under RCW 74.60.090 solely from funds generated under  
13 this chapter must remain in effect through the date specified in RCW  
14 74.60.901 and must not be affected by any modification or termination  
15 of the federal certified public expenditure program, or reduced by  
16 the amount of any federal funds no longer available for that purpose.

17 (5) "Critical access hospital" means a hospital as described in  
18 RCW 74.09.5225.

19 (6) "Director" means the director of the health care authority.

20 (7) "Eligible new prospective payment hospital" means a  
21 prospective payment hospital opened after January 1, 2009, for which  
22 a full year of cost report data as described in RCW 74.60.030(2) and  
23 a full year of medicaid base year data required for the calculations  
24 in RCW 74.60.120(3) are available.

25 (8) "Fund" means the hospital safety net assessment fund  
26 established under RCW 74.60.020.

27 (9) "Hospital" means a facility licensed under chapter 70.41 RCW.

28 (10) "Long-term acute care hospital" means a hospital which has  
29 an average inpatient length of stay of greater than twenty-five days  
30 as determined by the department of health.

31 (11) "Managed care organization" means an organization having a  
32 certificate of authority or certificate of registration from the  
33 office of the insurance commissioner that contracts with the  
34 authority under a comprehensive risk contract to provide prepaid  
35 health care services to eligible clients under the authority's  
36 medicaid managed care programs, including the healthy options  
37 program.

38 (12) "Medicaid" means the medical assistance program as  
39 established in Title XIX of the social security act and as  
40 administered in the state of Washington by the authority.

1 (13) "Medicare cost report" means the medicare cost report, form  
2 2552, or successor document.

3 (14) "Nonmedicare hospital inpatient day" means total hospital  
4 inpatient days less medicare inpatient days, including medicare days  
5 reported for medicare managed care plans, as reported on the medicare  
6 cost report, form 2552, or successor forms, excluding all skilled and  
7 nonskilled nursing facility days, skilled and nonskilled swing bed  
8 days, nursery days, observation bed days, hospice days, home health  
9 agency days, and other days not typically associated with an acute  
10 care inpatient hospital stay.

11 (15) "Outpatient" means services provided classified as  
12 ambulatory payment classification services or successor payment  
13 methodologies as defined in WAC 182-550-7050 or successor rule and  
14 applies to fee-for-service payments and managed care encounter data.

15 (16) "Prospective payment system hospital" means a hospital  
16 reimbursed for inpatient and outpatient services provided to medicaid  
17 beneficiaries under the inpatient prospective payment system and the  
18 outpatient prospective payment system as defined in WAC 182-550-1050  
19 or successor rule. For purposes of this chapter, prospective payment  
20 system hospital does not include a hospital participating in the  
21 certified public expenditure program or a bordering city hospital  
22 located outside of the state of Washington and in one of the  
23 bordering cities listed in WAC 182-501-0175 or successor rule.

24 (17) "Psychiatric hospital" means a hospital facility licensed as  
25 a psychiatric hospital under chapter 71.12 RCW.

26 (18) "Rehabilitation hospital" means a medicare-certified  
27 freestanding inpatient rehabilitation facility.

28 (19) "Small rural disproportionate share hospital payment" means  
29 a payment made in accordance with WAC 182-550-5200 or successor rule.

30 (20) "Upper payment limit" means the aggregate federal upper  
31 payment limit on the amount of the medicaid payment for which federal  
32 financial participation is available for a class of service and a  
33 class of health care providers, as specified in 42 C.F.R. Part 47, as  
34 separately determined for inpatient and outpatient hospital services.

35 **Sec. 3.** RCW 74.60.020 and 2017 c 228 s 3 are each amended to  
36 read as follows:

37 (1) A dedicated fund is hereby established within the state  
38 treasury to be known as the hospital safety net assessment fund. The  
39 purpose and use of the fund shall be to receive and disburse funds,

1 together with accrued interest, in accordance with this chapter.  
2 Moneys in the fund, including interest earned, shall not be used or  
3 disbursed for any purposes other than those specified in this  
4 chapter. Any amounts expended from the fund that are later recouped  
5 by the authority on audit or otherwise shall be returned to the fund.

6 (a) Any unexpended balance in the fund at the end of a fiscal  
7 year shall carry over into the following fiscal year or that fiscal  
8 year and the following fiscal year and shall be applied to reduce the  
9 amount of the assessment under RCW 74.60.050(1)(c).

10 (b) Any amounts remaining in the fund after July 1, (~~2021~~)  
11 2023, shall be refunded to hospitals, pro rata according to the  
12 amount paid by the hospital since July 1, 2013, subject to the  
13 limitations of federal law.

14 (2) All assessments, interest, and penalties collected by the  
15 authority under RCW 74.60.030 and 74.60.050 shall be deposited into  
16 the fund.

17 (3) Disbursements from the fund are conditioned upon  
18 appropriation and the continued availability of other funds  
19 sufficient to maintain aggregate payment levels to hospitals for  
20 inpatient and outpatient services covered by medicaid, including fee-  
21 for-service and managed care, at least at the levels the state paid  
22 for those services on July 1, 2015, as adjusted for current  
23 enrollment and utilization.

24 (4) Disbursements from the fund may be made only:

25 (a) To make payments to hospitals and managed care plans as  
26 specified in this chapter;

27 (b) To refund erroneous or excessive payments made by hospitals  
28 pursuant to this chapter;

29 (c) For one million dollars per biennium for payment of  
30 administrative expenses incurred by the authority in performing the  
31 activities authorized by this chapter;

32 (d) For two hundred ninety-two million dollars per biennium, to  
33 be used in lieu of state general fund payments for medicaid hospital  
34 services, provided that if the full amount of the payments required  
35 under RCW 74.60.120 and 74.60.130 cannot be distributed in a given  
36 fiscal year, this amount must be reduced proportionately;

37 (e) To repay the federal government for any excess payments made  
38 to hospitals from the fund if the assessments or payment increases  
39 set forth in this chapter are deemed out of compliance with federal  
40 statutes and regulations in a final determination by a court of

1 competent jurisdiction with all appeals exhausted. In such a case,  
2 the authority may require hospitals receiving excess payments to  
3 refund the payments in question to the fund. The state in turn shall  
4 return funds to the federal government in the same proportion as the  
5 original financing. If a hospital is unable to refund payments, the  
6 state shall develop either a payment plan, or deduct moneys from  
7 future medicaid payments, or both;

8 (f) To pay an amount sufficient, when combined with the maximum  
9 available amount of federal funds necessary to provide a one percent  
10 increase in medicaid hospital inpatient rates to hospitals eligible  
11 for quality improvement incentives under RCW 74.09.611. By May 16,  
12 2018(~~(+)~~), and by each May 16 thereafter, the authority, in  
13 cooperation with the department of health, must verify that each  
14 hospital eligible to receive quality improvement incentives under the  
15 terms of this chapter is in substantial compliance with the reporting  
16 requirements in RCW 43.70.052 and 70.01.040 for the prior period. For  
17 the purposes of this subsection, "substantial compliance" means, in  
18 the prior period, the hospital has submitted at least nine of the  
19 twelve monthly reports by the due date. The authority must distribute  
20 quality improvement incentives to hospitals that have met these  
21 requirements beginning July 1 of 2018 and each July 1 thereafter; and

22 (g) For each state fiscal year (~~(2018)~~) 2020 through (~~(2021)~~)  
23 2023 to generate:

24 (i) Two million dollars for (~~(new)~~) integrated evidence-based  
25 psychiatry residency program slots that did not receive state funding  
26 prior to 2016 at the integrated psychiatry residency program at the  
27 University of Washington; and

28 (ii) Four million one hundred thousand dollars for (~~(new)~~) family  
29 medicine residency program slots that did not receive state funding  
30 prior to 2016, as directed through the family medicine residency  
31 network at the University of Washington, for slots where residents  
32 are employed by hospitals.

33 **Sec. 4.** RCW 74.60.030 and 2017 c 228 s 4 are each amended to  
34 read as follows:

35 (1)(a) Upon satisfaction of the conditions in RCW 74.60.150(1),  
36 and so long as the conditions in RCW 74.60.150(2) have not occurred,  
37 an assessment is imposed as set forth in this subsection. Assessment  
38 notices must be sent on or about thirty days prior to the end of each  
39 quarter and payment is due thirty days thereafter.

1 (b) Effective July 1, 2015, and except as provided in RCW  
2 74.60.050:

3 (i) Each prospective payment system hospital, except psychiatric  
4 and rehabilitation hospitals, shall pay a quarterly assessment. Each  
5 quarterly assessment shall be no more than one quarter of three  
6 hundred eighty dollars for each annual nonmedicare hospital inpatient  
7 day, up to a maximum of fifty-four thousand days per year. For each  
8 nonmedicare hospital inpatient day in excess of fifty-four thousand  
9 days, each prospective payment system hospital shall pay a quarterly  
10 assessment of one quarter of seven dollars for each such day, unless  
11 such assessment amount or threshold needs to be modified to comply  
12 with applicable federal regulations;

13 (ii) Each critical access hospital shall pay a quarterly  
14 assessment of one quarter of ten dollars for each annual nonmedicare  
15 hospital inpatient day;

16 (iii) Each psychiatric hospital shall pay a quarterly assessment  
17 of no more than one quarter of seventy-four dollars for each annual  
18 nonmedicare hospital inpatient day; and

19 (iv) Each rehabilitation hospital shall pay a quarterly  
20 assessment of no more than one quarter of seventy-four dollars for  
21 each annual nonmedicare hospital inpatient day.

22 (2) The authority shall determine each hospital's annual  
23 nonmedicare hospital inpatient days by summing the total reported  
24 nonmedicare hospital inpatient days for each hospital that is not  
25 exempt from the assessment under RCW 74.60.040. The authority shall  
26 obtain inpatient data from the hospital's 2552 cost report data file  
27 or successor data file available through the centers for medicare and  
28 medicaid services, as of a date to be determined by the authority.  
29 For state fiscal year ((2017)) 2021, the authority shall use cost  
30 report data for hospitals' fiscal years ending in ((2013)) 2017. For  
31 subsequent years, the hospitals' next succeeding fiscal year cost  
32 report data must be used.

33 (a) With the exception of a prospective payment system hospital  
34 commencing operations after January 1, 2009, for any hospital without  
35 a cost report for the relevant fiscal year, the authority shall work  
36 with the affected hospital to identify appropriate supplemental  
37 information that may be used to determine annual nonmedicare hospital  
38 inpatient days.

39 (b) A prospective payment system hospital commencing operations  
40 after January 1, 2009, must be assessed in accordance with this

1 section after becoming an eligible new prospective payment system  
2 hospital as defined in RCW 74.60.010.

3 **Sec. 5.** RCW 74.60.050 and 2017 c 228 s 5 are each amended to  
4 read as follows:

5 (1) The authority, in cooperation with the office of financial  
6 management, shall develop rules for determining the amount to be  
7 assessed to individual hospitals, notifying individual hospitals of  
8 the assessed amount, and collecting the amounts due. Such rule making  
9 shall specifically include provision for:

10 (a) Transmittal of notices of assessment by the authority to each  
11 hospital informing the hospital of its nonmedicare hospital inpatient  
12 days and the assessment amount due and payable;

13 (b) Interest on delinquent assessments at the rate specified in  
14 RCW 82.32.050; and

15 (c) Adjustment of the assessment amounts in accordance with  
16 subsection (~~((2))~~) (3) of this section.

17 (2) For any hospital failing to make an assessment payment within  
18 ninety days of its due date, the authority may offset an amount from  
19 payments scheduled to be made by the authority to the hospital,  
20 reflecting the assessment payments owed by the hospital plus any  
21 interest. The authority shall deposit these offset funds into the  
22 dedicated hospital safety net assessment fund.

23 (3) For each state fiscal year, the assessment amounts  
24 established under RCW 74.60.030 must be adjusted as follows:

25 (a) If sufficient other funds, including federal funds, are  
26 available to make the payments required under this chapter and fund  
27 the state portion of the quality incentive payments under RCW  
28 74.09.611 and 74.60.020(4)(f) without utilizing the full assessment  
29 under RCW 74.60.030, the authority shall reduce the amount of the  
30 assessment to the minimum levels necessary to support those payments;

31 (b) If the total amount of inpatient and outpatient supplemental  
32 payments under RCW 74.60.120 is in excess of the upper payment limits  
33 and the entire excess amount cannot be disbursed by additional  
34 payments to managed care organizations under RCW 74.60.130, the  
35 authority shall proportionately reduce future assessments on  
36 prospective payment hospitals to the level necessary to generate  
37 additional payments to hospitals that are consistent with the upper  
38 payment limit plus the maximum permissible amount of additional  
39 payments to managed care organizations under RCW 74.60.130;



1 (c) If the amount of payments to managed care organizations under  
2 RCW 74.60.130 cannot be distributed because of failure to meet  
3 federal actuarial soundness or utilization requirements or other  
4 federal requirements, the authority shall apply the amount that  
5 cannot be distributed to reduce future assessments to the level  
6 necessary to generate additional payments to managed care  
7 organizations that are consistent with federal actuarial soundness or  
8 utilization requirements or other federal requirements;

9 (d) If required in order to obtain federal matching funds, the  
10 maximum number of nonmedicare inpatient days at the higher rate  
11 provided under RCW 74.60.030(1)(b)(i) may be adjusted in order to  
12 comply with federal requirements;

13 (e) If the number of nonmedicare inpatient days applied to the  
14 rates provided in RCW 74.60.030 will not produce sufficient funds to  
15 support the payments required under this chapter and the state  
16 portion of the quality incentive payments under RCW 74.09.611 and  
17 74.60.020(4)(f), the assessment rates provided in RCW 74.60.030 may  
18 be increased proportionately by category of hospital to amounts no  
19 greater than necessary in order to produce the required level of  
20 funds needed to make the payments specified in this chapter and the  
21 state portion of the quality incentive payments under RCW 74.09.611  
22 and 74.60.020(4)(f); and

23 (f) Any actual or estimated surplus remaining in the fund at the  
24 end of the fiscal year must be applied to reduce the assessment  
25 amount for the subsequent fiscal year or that fiscal year and the  
26 following fiscal years prior to and including fiscal year (~~2021~~)  
27 2023.

28 (~~(3)~~) (4)(a) Any adjustment to the assessment amounts pursuant  
29 to this section, and the data supporting such adjustment, including,  
30 but not limited to, relevant data listed in (b) of this subsection,  
31 must be submitted to the Washington state hospital association for  
32 review and comment at least sixty calendar days prior to  
33 implementation of such adjusted assessment amounts. Any review and  
34 comment provided by the Washington state hospital association does  
35 not limit the ability of the Washington state hospital association or  
36 its members to challenge an adjustment or other action by the  
37 authority that is not made in accordance with this chapter.

38 (b) The authority shall provide the following data to the  
39 Washington state hospital association sixty days before implementing  
40 any revised assessment levels, detailed by fiscal year, beginning

1 with fiscal year 2011 and extending to the most recent fiscal year,  
2 except in connection with the initial assessment under this chapter:

3 (i) The fund balance;

4 (ii) The amount of assessment paid by each hospital;

5 (iii) The state share, federal share, and total annual medicaid  
6 fee-for-service payments for inpatient hospital services made to each  
7 hospital under RCW 74.60.120, and the data used to calculate the  
8 payments to individual hospitals under that section;

9 (iv) The state share, federal share, and total annual medicaid  
10 fee-for-service payments for outpatient hospital services made to  
11 each hospital under RCW 74.60.120, and the data used to calculate  
12 annual payments to individual hospitals under that section;

13 (v) The annual state share, federal share, and total payments  
14 made to each hospital under each of the following programs: Grants to  
15 certified public expenditure hospitals under RCW 74.60.090, for  
16 critical access hospital payments under RCW 74.60.100; and  
17 disproportionate share programs under RCW 74.60.110;

18 (vi) The data used to calculate annual payments to individual  
19 hospitals under (b) (v) of this subsection; and

20 (vii) The amount of payments made to managed care plans under RCW  
21 74.60.130, including the amount representing additional premium tax,  
22 and the data used to calculate those payments.

23 (c) On a monthly basis, the authority shall provide the  
24 Washington state hospital association the amount of payments made to  
25 managed care plans under RCW 74.60.130, including the amount  
26 representing additional premium tax, and the data used to calculate  
27 those payments.

28 **Sec. 6.** RCW 74.60.090 and 2017 c 228 s 6 are each amended to  
29 read as follows:

30 (1) In each fiscal year commencing upon satisfaction of the  
31 applicable conditions in RCW 74.60.150(1), funds must be disbursed  
32 from the fund and the authority shall make grants to certified public  
33 expenditure hospitals, which shall not be considered payments for  
34 hospital services, as follows:

35 (a) University of Washington medical center: Ten million five  
36 hundred fifty-five thousand dollars in ~~((each))~~ state fiscal year  
37 ~~((2018))~~ 2020 and up to twelve million fifty-five thousand dollars in  
38 state fiscal year 2021 through ~~((2021))~~ 2023 paid as follows, except  
39 if the full amount of the payments required under RCW 74.60.120(1)

1 and 74.60.130 cannot be distributed in a given fiscal year, the  
2 amounts in this subsection must be reduced proportionately:

3 (i) Four million four hundred fifty-five thousand dollars in  
4 state fiscal years 2020 through 2023, except that from state fiscal  
5 year 2021 through 2023, if northwest hospital is ineligible to  
6 participate in this chapter as a prospective payment hospital, the  
7 amount per state fiscal year must be five million nine hundred fifty-  
8 five thousand dollars;

9 (ii) Two million dollars to ((new)) integrated, evidence-based  
10 psychiatry residency program slots that did not receive state funding  
11 prior to 2016, at the integrated psychiatry residency program at the  
12 University of Washington; and

13 (iii) Four million one hundred thousand dollars to ((new)) family  
14 medicine residency program slots that did not receive state funding  
15 prior to 2016, as directed through the family medicine residency  
16 network at the University of Washington, for slots where residents  
17 are employed by hospitals;

18 (b) Harborview medical center: Ten million two hundred sixty  
19 thousand dollars in each state fiscal year ((2018 through 2021)) 2020  
20 through 2023, except if the full amount of the payments required  
21 under RCW 74.60.120(1) and 74.60.130 cannot be distributed in a given  
22 fiscal year, the amounts in this subsection must be reduced  
23 proportionately;

24 (c) All other certified public expenditure hospitals: ((Six  
25 million three hundred forty-five)) Five million six hundred fifteen  
26 thousand dollars in each state fiscal year ((2018 through 2021)) 2020  
27 through 2023, except if the full amount of the payments required  
28 under RCW 74.60.120(1) and 74.60.130 cannot be distributed in a given  
29 fiscal year, the amounts in this subsection must be reduced  
30 proportionately. The amount of payments to individual hospitals under  
31 this subsection must be determined using a methodology that provides  
32 each hospital with a proportional allocation of the group's total  
33 amount of medicaid and state children's health insurance program  
34 payments determined from claims and encounter data using the same  
35 general methodology set forth in RCW 74.60.120 (3) and (4).

36 (2) Payments must be made quarterly, before the end of each  
37 quarter, taking the total disbursement amount and dividing by four to  
38 calculate the quarterly amount. The authority shall provide a  
39 quarterly report of such payments to the Washington state hospital  
40 association.

1       **Sec. 7.** RCW 74.60.120 and 2017 c 228 s 8 are each amended to  
2 read as follows:

3       (1) In each state fiscal year, commencing upon satisfaction of  
4 the applicable conditions in RCW 74.60.150(1), the authority shall  
5 make supplemental payments directly to Washington hospitals,  
6 separately for inpatient and outpatient fee-for-service medicaid  
7 services, as follows unless there are federal restrictions on doing  
8 so. If there are federal restrictions, to the extent allowed, funds  
9 that cannot be paid under (a) of this subsection, should be paid  
10 under (b) of this subsection, and funds that cannot be paid under (b)  
11 of this subsection, shall be paid under (a) of this subsection:

12       (a) For inpatient fee-for-service payments for prospective  
13 payment hospitals other than psychiatric or rehabilitation hospitals,  
14 twenty-nine million (~~one hundred sixty-two~~) eight hundred ninety-  
15 two thousand five hundred dollars per state fiscal year plus federal  
16 matching funds;

17       (b) For outpatient fee-for-service payments for prospective  
18 payment hospitals other than psychiatric or rehabilitation hospitals,  
19 thirty million dollars per state fiscal year plus federal matching  
20 funds;

21       (c) For inpatient fee-for-service payments for psychiatric  
22 hospitals, eight hundred seventy-five thousand dollars per state  
23 fiscal year plus federal matching funds;

24       (d) For inpatient fee-for-service payments for rehabilitation  
25 hospitals, two hundred twenty-five thousand dollars per state fiscal  
26 year plus federal matching funds;

27       (e) For inpatient fee-for-service payments for border hospitals,  
28 two hundred fifty thousand dollars per state fiscal year plus federal  
29 matching funds; and

30       (f) For outpatient fee-for-service payments for border hospitals,  
31 two hundred fifty thousand dollars per state fiscal year plus federal  
32 matching funds.

33       (2) If the amount of inpatient or outpatient payments under  
34 subsection (1) of this section, when combined with federal matching  
35 funds, exceeds the upper payment limit, payments to each category of  
36 hospital in subsection (1)(a) through (f) of this section must be  
37 reduced proportionately to a level where the total payment amount is  
38 consistent with the upper payment limit. (~~Funds under this chapter~~  
39 ~~unable to be paid to hospitals under this section because of the~~  
40 ~~upper payment limit must be paid to managed care organizations under~~

1 ~~RCW 74.60.130, subject to the limitations in this chapter.)~~ If funds  
2 in excess of the upper payment limit cannot be paid under RCW  
3 74.60.130 and if the payment amount in excess of the upper payment  
4 limit exceeds fifteen million dollars, the authority shall increase  
5 the prospective payment system hospital outpatient hospital payment  
6 rate, for hospitals using the safety net funding and federal matching  
7 funds that would otherwise have been used to fund the payments under  
8 subsection (1) of this section that exceed the upper payment limit.  
9 By January 1st of each year, the authority shall provide to the  
10 Washington state hospital association an upper payment limit analysis  
11 using the latest available claims data for the historic periods in  
12 the calculation. If the analysis shows the payments are projected to  
13 exceed the upper payment limit by at least fifteen million dollars,  
14 the authority shall initiate an outpatient rate increase effective  
15 July 1st of that year.

16 (3) The amount of such fee-for-service inpatient payments to  
17 individual hospitals within each of the categories identified in  
18 subsection (1)(a), (c), (d), and (e) of this section must be  
19 determined by:

20 (a) Totaling the inpatient fee-for-service claims payments and  
21 inpatient managed care encounter rate payments for each hospital  
22 during the base year;

23 (b) Totaling the inpatient fee-for-service claims payments and  
24 inpatient managed care encounter rate payments for all hospitals  
25 during the base year; and

26 (c) Using the amounts calculated under (a) and (b) of this  
27 subsection to determine an individual hospital's percentage of the  
28 total amount to be distributed to each category of hospital.

29 (4) The amount of such fee-for-service outpatient payments to  
30 individual hospitals within each of the categories identified in  
31 subsection (1)(b) and (f) of this section must be determined by:

32 (a) Totaling the outpatient fee-for-service claims payments and  
33 outpatient managed care encounter rate payments for each hospital  
34 during the base year;

35 (b) Totaling the outpatient fee-for-service claims payments and  
36 outpatient managed care encounter rate payments for all hospitals  
37 during the base year; and

38 (c) Using the amounts calculated under (a) and (b) of this  
39 subsection to determine an individual hospital's percentage of the  
40 total amount to be distributed to each category of hospital.

1 (5) Sixty days before the first payment in each subsequent fiscal  
2 year, the authority shall provide each hospital and the Washington  
3 state hospital association with an explanation of how the amounts due  
4 to each hospital under this section were calculated.

5 (6) Payments must be made in quarterly installments on or about  
6 the last day of every quarter.

7 (7) A prospective payment system hospital commencing operations  
8 after January 1, 2009, is eligible to receive payments in accordance  
9 with this section after becoming an eligible new prospective payment  
10 system hospital as defined in RCW 74.60.010.

11 (8) Payments under this section are supplemental to all other  
12 payments and do not reduce any other payments to hospitals.

13 **Sec. 8.** RCW 74.60.901 and 2017 c 228 s 12 are each amended to  
14 read as follows:

15 This chapter expires July 1, (~~2021~~) 2023.

16 NEW SECTION. **Sec. 9.** This act is necessary for the immediate  
17 preservation of the public peace, health, or safety, or support of  
18 the state government and its existing public institutions, and takes  
19 effect July 1, 2019.

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