SENATE BILL REPORT
SB 5311

As of February 1, 2021

Title: An act relating to adjusting the skilled nursing medicaid rate methodology to provide an annual inflationary adjustment.

Brief Description: Adjusting the skilled nursing medicaid rate methodology.

Sponsors: Senators Rivers, Conway, Muzzall and Van De Wege.

Brief History:
Committee Activity: Health & Long Term Care: 2/01/21.

Brief Summary of Bill

- Requires a one-time inflationary adjustment for skilled nursing facility (SNF) Medicaid rates for fiscal year 2022, using the 24-month consumer-price index in the medical expenditure category of nursing homes and adult day services.
- Requires an on-going inflationary adjustment for SNF Medicaid rates beginning in fiscal year 2023, using the 24-month consumer-price index for all urban consumers.

SENATE COMMITTEE ON HEALTH & LONG TERM CARE

Staff: LeighBeth Merrick (786-7445)

Background: Individuals receiving Medicaid funded long-term services and supports may choose to receive services in their home, in an adult day center, in an adult family home, in an assisted living facility, or in a skilled nursing facility (SNF). There are approximately 179 licensed SNFs in Washington to serve about 8400 Medicaid clients per month. SNFs are licensed by the Department of Social and Health Services (DSHS) and provide 24-hour supervised nursing care, personal care, therapies, nutrition management, organized

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activities, social services, laundry services, and room and board to three or more residents.

The Medicaid SNF payment methodology is administered by DSHS. The Medicaid rates in Washington are unique to each facility and reflect the client acuity of each SNF's residents. In 2015, the Legislature established a new methodology for SNF payment rates. The methodology consists of three primary components: direct care, indirect care, and capital. The direct care component includes nursing and related care provided to residents, such as food, laundry, and dietary services. The indirect care rate component includes administrative expenses, maintenance costs, tax reimbursements, and housekeeping services.

Rates are based on cost reports submitted by SNFs to DSHS at the end of each calendar year. The direct and indirect care rate components are rebased in odd-numbered state fiscal years using cost reports submitted by nursing facilities for the period two calendar years previous. For example, rates were rebased in fiscal year (FY) 2021 using calendar year 2018 cost reports. These rates will remain in effect through FY 2022 until rates are rebased again in FY 2023 using calendar year 2020 cost reports.

If, after rebasing, the percentage increase in the statewide average daily rate is less than the average rate of inflation, as determined by the skilled nursing facility market basket index published by the Centers for Medicare and Medicaid Services (CMS), DSHS is authorized to further increase rates to match the average rate of inflation. For example, if DSHS saw a 2 percent growth in direct and indirect care costs, but a 4.8 percent rate of inflation, it would be authorized to increase the rate by an additional 2.8 percent. DSHS has never had to exercise this authority. While this allows DSHS to ensure that rates at least match the current rate of inflation, the methodology does not include a step of bringing costs from the cost report year up to the current year's dollars.

In 2020, the Legislature enacted a budget proviso that authorized a one-time inflationary adjustment of SNF reported calendar year costs using the 24-month consumer price index for all urban consumers, as published by the United States Bureau of Labor Statistics (BLS), beginning May 1, 2020, through June 30, 2021. The budget proviso expressed intent that a facility-specific rate add-on equal to the inflation adjustment that facilities received solely in fiscal year 2021, must be added to the rate starting in fiscal year 2022. Additionally, the budget proviso directed DSHS to submit a report to the Legislature for determining the need for regular inflationary adjustments by comparing rates paid to SNF reported costs for fiscal years 2017-2019. DSHS released the report to the Legislature in December 2020 which identified the gap between rates paid and SNF reported costs ranging from -$112.9 million to -$117.0 million per year during the 2017-2019 period. The report recommends that an annual rebase and periodic inflation adjustments be added to the nursing facility rate methodology in statute, but notes that these two methodology changes alone will not completely close the gap between reported costs and rates paid.

Summary of Bill: The methodology for calculating the fiscal year 2022 SNF Medicaid rates is modified by requiring the SNF calendar year costs be adjusted for inflation by a 24-month average consumer price index, based on the most recently available monthly index for all urban consumers in the medical expenditure category of nursing homes and adult day services, as published by the bureau of labor statistics.

Beginning with fiscal year 2023 SNF Medicaid rates, the SNF calendar year costs must be adjusted for inflation by a 24-month average consumer price index, based on the most recently available monthly index for all urban consumers as published by the bureau of labor statistics.

DSHS is no longer authorized to further increase rates to match the average rate of inflation in instances where after rebasing, the percentage increase in the statewide average daily rate is less than the average rate of inflation, as determined by the skilled nursing facility market basket index published by CMS.

Appropriation: None.

Fiscal Note: Requested on January 25, 2021.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: SNFs have been hit hard with COVID and there costs have continued to increase. The CPI-U SNF adjustment will give them a boost in reimbursement and then providing the ongoing CPI-U adjustment will continue to provide them with funding so they can hire staff and provide excellent care. I am aware annual rebasing will help streamline the process so would like to include this moving forward.

OTHER: In 2019, there was a $117 million gap between reimbursement and costs. We appreciate the inflationary adjustment and like the CPI-U SNF factor, but we also need annual rebasing to help close the gap. Annual rebasing and inflationary adjustments will still not close the gap. More needs to be done. The rates have been underfunded since day one. Twenty-five SNFs have closed over the last few years and we need to do more to ensure our aging population has access to SNFs. We would also suggest an increase to the direct care rate. An annual inflationary adjustment will give SNFs the predictability they need. The costs for SNFs to provide care are some of the highest in the nation. The vast majority of SNFs are operating in the red. Many of direct care staff are non-white foreign born and it is important the state invests in these rates to help support the workers and ensure quality care is provided to the residents.

Persons Testifying: PRO: Senator Ann Rivers, Prime Sponsor

OTHER: Jeff Gombosky, Washington Health Care Association; Scott Sigmon, LeadingAge Washington; Nick Federici, SEIU 775.

Persons Signed In To Testify But Not Testifying: No one.