

# HOUSE BILL REPORT

## SSB 5802

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**As Reported by House Committee On:**  
Appropriations

**Title:** An act relating to providing flexibility in calculation of nursing rates for the purposes of implementing new centers for medicare and medicaid services data.

**Brief Description:** Providing flexibility in calculation of nursing rates.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Muzzall, Hasegawa, Lovelett, Nobles, Rivers and Robinson; by request of Department of Social and Health Services).

**Brief History:**

**Committee Activity:**

Appropriations: 2/15/24, 2/26/24 [DPA].

**Brief Summary of Substitute Bill**  
**(As Amended by Committee)**

- Requires the Department of Social and Health Services (DSHS), subject to appropriations, to employ a method for applying case mix adjustments to the direct care component of the Medicaid Skilled Nursing Facility rate.
- Directs the DSHS to implement a new case mix method starting July 1, 2024, based on the Centers for Medicare and Medicaid Services data for adjusting facility rates.

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass as amended. Signed by 29 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Corry, Ranking Minority Member; Chambers, Assistant Ranking Minority Member; Connors, Assistant Ranking Minority Member; Couture, Assistant Ranking Minority Member; Berg, Callan,

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

Chopp, Davis, Fitzgibbon, Harris, Lekanoff, Pollet, Riccelli, Rude, Ryu, Sandlin, Schmick, Senn, Simmons, Slatter, Springer, Stokesbary, Stonier, Tharinger and Wilcox.

**Staff:** Bryan Way (786-7311).

**Background:**

Medicaid recipients can choose to receive long-term care services in a variety of settings, including at home, in adult day centers, adult family homes, assisted living facilities, or skilled nursing facilities (SNFs). Skilled nursing facilities are regulated by the Department of Social and Health Services (DSHS) and provide a range of services such as 24-hour nursing care, personal care, therapy, nutrition management, and more for residents requiring significant medical and personal attention.

The Medicaid payment rates for SNFs in Washington are determined by the DSHS on an individual facility basis, reflecting the care needs of the facility's residents. The methodology for calculating these rates includes components for direct care, indirect care, capital costs, and a quality incentive. Notably, the direct care component, which covers nursing and related services, is updated biannually to ensure it aligns with the care requirements of residents with more complex health conditions.

A key factor in setting these payment rates is the case mix system, which assesses the care intensity needed by each resident. This system categorizes residents based on their health conditions and care requirements, influencing the adjustment of direct care payment rates for facilities to match the diversity in resident needs.

Until recently, the Resource Utilization Group (RUG) scores from the Centers for Medicare and Medicaid Services (CMS) were used by the State of Washington and the DSHS for determining nursing facility rates. These scores were based on the amount of therapy and services provided to residents.

In 2019 the CMS began transitioning to the Patient-Driven Payment Model (PDPM), a different approach that considers the individual characteristics and needs of residents rather than the volume of services they receive. This model was fully implemented by September 30, 2023, marking a shift from RUG scores to the PDPM for calculating nursing facility payments. The transition reflects a change in methodology with the intention of aligning payment more closely with resident needs, although it represents a significant adjustment in how care requirements are assessed and funded.

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**Summary of Amended Bill:**

Starting July 1, 2024, the DSHS must implement a new case mix method informed by CMS data to adjust facility rates. A new case mix adjustment method will be created upon

discontinuation of Resource Utilization Group scores, using the patient-driven payment model. Preliminary and final reports are due by December 1, 2024, and December 1, 2026, respectively, to outline the implementation plan and assess impact. Case weights will be based on finalized case mix weights published by the CMS.

**Amended Bill Compared to Substitute Bill:**

The amended bill requires the DSHS to collaborate with stakeholders on developing a new case mix adjustment method using the patient-driven payment model, with preliminary and final reports due by December 1, 2024, and December 1, 2026, respectively.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) It is important to implement the Patient-Driven Payment Model (PDPM) this year. The state needs to shift its policy towards reimbursing based on the severity of patients' conditions and aligning with updates from the federal government. There is a need for flexibility in the statute to set nursing facility rates by July 1, 2024. This would require seeking authority again next year to move away from outdated Resource Utilization Group (RUG) data. The implications of the striking amendment on future budgets are unknown.

(Opposed) None.

**Persons Testifying:** Peter Graham, Department of Social and Health Services Aging and Long-Term Support Administration; and Jeff Gombosky, Washington Health Care Association.

**Persons Signed In To Testify But Not Testifying:** None.