
Appropriations Committee

HB 1476

Brief Description: Delaying the rebasing of the nursing home payment rates to 2028.

Sponsors: Representative Ormsby; by request of Office of Financial Management.

Brief Summary of Bill

- Postpones the rebase originally scheduled for fiscal year (FY) 2027, moving it to FY 2028; the FY 2028 rebase will use the 2025 cost reports.
- Carries forward the FY 2024 direct care rates so that they remain in effect during FYs 2026 and 2027.
- Intends to maintain the current rate structure, including the direct and indirect care components and the onetime rate add-on for the 2025-27 biennium, until the FY 2028 rebase is implemented.

Hearing Date: 2/22/25

Staff: Bryan Way (786-7311).

Background:

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

Medicaid payment rates for SNFs are determined individually for each facility, reflecting the specific care needs of their residents. The calculation methodology is built on four components:

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.

- Direct Care covers expenses directly related to patient care, such as nursing, therapy, food, laundry, and dietary services. This component is adjusted periodically using biannual performance measures to account for the care requirements of residents with higher acuity.
- Indirect Care encompasses administrative expenses, maintenance, and housekeeping services. A minimum occupancy assumption is applied to help stabilize funding despite fluctuations in resident census.
- Capital uses a fair market rental system to determine a per bed rate. This calculation considers factors, such as facility square footage, building age, and any adjustments for significant renovations, taking into account investments in the facility's physical infrastructure.
- Quality Incentive provides an additional payment based on facility quality performance as measured by specific quality indicators.

A key feature of this payment system is the periodic "rebasings" of rates. Rebasings updates the direct and indirect care components using current cost data and inflation adjustments, aligning reimbursement with actual costs. Under the current framework, rates are recalculated in even-numbered years based on historical cost reports. For example, the rates effective for July 1, 2026, are based on the 2024 cost reports, with subsequent adjustments scheduled in other fiscal years (FYs). The overarching goals of this framework are to reduce administrative complexity, maintain cost neutrality, and sustain a system that supports both high-quality resident care and the financial stability of nursing home providers.

Summary of Bill:

The scheduled rebase of nursing home payment rates for FY 2027, effective July 1, 2026, is delayed until FY 2028, effective July 1, 2027. The rebase, originally scheduled for FY 2027, was to use the 2024 cost reports; now, under the bill, these 2025 cost reports will be applied for the FY 2028 rebase. Additionally, the direct care rates set for FY 2024 will be carried into FYs 2026 and 2027, and the existing rate structure, including the direct and indirect care components and the onetime rate add-on for the 2025-27 biennium, will remain in effect until the delayed rebase takes place. This delay provides greater payment stability in the interim and allows for a more measured adjustment process based on updated cost data and inflation trends. However, it may result in FYs 2026 and 2027 rates being lower than those currently established in FY 2025.

Appropriation: None.

Fiscal Note: Available.

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