

(4) In addition to the duties specified in this section and RCW 41.04-.250, the deferred compensation committee shall administer the salary reduction plan established in sections 1 through 10 of this 1987 act.

(5) The deferred compensation committee shall keep or cause to be kept full and adequate accounts and records of the assets, obligations, transactions, and affairs of any deferred compensation plans created under RCW 41.04.250 through 41.04.260.

The deferred compensation committee shall file an annual report of the financial condition, transactions, and affairs of the deferred compensation plans under the committee's jurisdiction. A copy of the annual report shall be filed with the speaker of the house of representatives, the president of the senate, the governor, and the state auditor.

~~((5))~~ (6) Members of the deferred compensation committee shall be deemed to stand in a fiduciary relationship to the employees participating in the deferred compensation plans created under RCW 41.04.250 through 41.04.260 and shall discharge the duties of their respective positions in good faith and with that diligence, care, and skill which ordinary prudent persons would exercise under similar circumstances in like positions.

~~((6))~~ (7) The committee may adopt rules necessary to carry out the purposes of RCW 41.04.250 and 41.04.260.

NEW SECTION. Sec. 12. Sections 1 through 10 of this act are each added to chapter 41.04 RCW.

NEW SECTION. Sec. 13. If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

Passed the House April 22, 1987.

Passed the Senate April 15, 1987.

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## CHAPTER 476

[Engrossed Second Substitute House Bill No. 1006]

### NURSING HOMES—QUALITY OF CARE

AN ACT Relating to quality of care in nursing homes; amending RCW 74.46.180, 74.46.430, 74.46.460, 74.46.470, 74.46.481, 74.46.020, 18.52A.030, 18.51.060, 18.51.091, 18.51.220, 18.51.260, 74.42.580, 74.42.600, 70.38.115, and 74.42.055; adding new sections to chapter 18.51 RCW; adding a new section to chapter 74.46 RCW; creating new sections; and prescribing penalties.

Be it enacted by the Legislature of the State of Washington:

Sec. 1. Section 18, chapter 177, Laws of 1980 as last amended by section 1, chapter 361, Laws of 1985 and RCW 74.46.180 are each amended to read as follows:

(1) The state shall make payment of any underpayments within thirty days after the date the preliminary or final settlement report is submitted to the contractor.

(2) A contractor found to have received either overpayments or erroneous payments under a preliminary or final settlement shall refund such payments to the state within thirty days after the date the preliminary or final settlement report is submitted to the contractor, subject to the provisions of subsections (3), (4), and (7) of this section.

(3) Within the cost centers of nursing services and food, all savings resulting from the respective allowable costs being lower than the respective reimbursement rate paid to the contractor during the report period shall be refunded. In computing a preliminary or final settlement, savings in a cost center may be shifted to cover a deficit in another cost center up to the amount of any savings: **PROVIDED**, That not more than twenty percent of the rate in a cost center may be shifted into that cost center and no shifting may be made into the property cost center: **PROVIDED FURTHER**, That there shall be no shifting out of nursing services, and savings in food shall be shifted only to cover deficits in the nursing services cost center.

(4) Within the cost centers of administration and operations and property, the contractor shall retain at least fifty percent, but not more than seventy-five percent, of any savings resulting from the respective audited allowable costs being lower than the respective reimbursement rates paid to the contractor during the report period multiplied by the number of authorized medical care client days in which said rates were in effect, except that no savings may be retained if reported costs in the property cost center and the administration and operations cost center exceed audited allowable costs by ten cents or more per patient day. The secretary, by rule and regulation, shall establish the basis for the specific percentages of savings to the contractors. Such rules and regulations may provide for differences in the percentages allowed for each cost center to individual facilities based on performance measures related to administrative efficiency.

(5) All allowances provided by RCW 74.46.530 shall be retained by the contractor. Any industrial insurance dividend or premium discount under RCW 51.16.035 shall be retained by the contractor to the extent that such dividend or premium discount is attributable to the contractor's private patients.

(6) In the event the contractor fails to make repayment in the time provided in subsection (2) of this section, the department shall either:

(a) Deduct the amount of refund due plus assessment of interest, as determined by the secretary, from payment amounts due the contractor; or

(b) In the instance the contract has been terminated, (i) deduct the amount of refund due plus an assessment of interest, determined by the secretary, from any payments due; or (ii) assess the amount due plus interest, as determined by the secretary, on the amount due.

(7) Where the facility is pursuing timely-filed judicial or administrative remedies in good faith regarding settlement issues, the contractor need not refund nor shall the department withhold from the facility current payment amounts the department claims to be due from the facility but which are specifically disputed by the contractor. If the judicial or administrative remedy sought by the facility is not granted after all appeals are exhausted or mutually terminated, the facility shall make payment of such amounts due plus interest accrued from the date of filing of the appeal, as payable on judgments, within sixty days of the date such decision is made.

Sec. 2. Section 43, chapter 177, Laws of 1980 as amended by section 19, chapter 67, Laws of 1983 1st ex. sess. and RCW 74.46.430 are each amended to read as follows:

(1) The department, as provided by this chapter, will determine prospective cost-related reimbursement rates for services provided to medical care recipients. Each rate so determined shall represent the contractor's maximum compensation within each cost center for each patient day for such medical care recipient.

(2) As required, the department may modify such maximum per patient day rates pursuant to the administrative review provisions of RCW 74.46.780.

(3) Until the effective date of RCW 74.46.510 and 74.46.530, the maximum prospective reimbursement rates for the administration and operations and the property cost centers shall be established based upon a minimum facility occupancy level of eighty-five percent.

(4) On and after the effective date of RCW 74.46.510 and 74.46.530, the maximum prospective reimbursement rates for the administration and operations and the property cost centers and the return on investment allowance shall be established based upon a minimum facility occupancy level of eighty-five percent.

(5) All contractors shall be required to adjust and maintain wages for all employees to a minimum hourly wage established by the legislature in the biennial appropriations act, if the legislature appropriates moneys to fund prospectively the portion of the minimum wage attributable to services to medicaid patients. Prospective rate revisions to fund any minimum wage increases shall be made only on the dates authorized in the appropriation act. A portion of this legislative appropriation shall be used to enhance nonadministrative wages and benefits above the moneys necessary to fund the minimum wage specified in this section. The department in considering reimbursement for legislatively authorized wage enhancements will take into consideration facility wage history over the past three cost report periods.

Sec. 3. Section 46, chapter 177, Laws of 1980 as last amended by section 15, chapter 361, Laws of 1985 and RCW 74.46.460 are each amended to read as follows:

(1) Each contractor's reimbursement rates will be determined prospectively at least once each calendar year, to be effective July 1st.

(2) Rates may be adjusted as determined by the department to take into account variations (~~(of more than ten percent)~~) in the distribution of patient classifications or changes in patient characteristics from the prior reporting year, program changes required by the department, or changes in staffing levels at a facility required by the department. Rates shall be adjusted by the amount of legislatively authorized enhancements in accordance with RCW 74.46.430(5) and 74.46.470(2). Rates may also be adjusted to cover costs associated with placing a nursing home in receivership which costs are not covered by the rate of the former contractor, including: Compensation of the receiver, reasonable expenses of receivership and transition of control, and costs incurred by the receiver in carrying out court instructions or rectifying deficiencies found. Rates shall be adjusted for any capitalized additions or replacements made as a condition for licensure or certification. Rates shall be adjusted for capitalized improvements done under section 8 of this 1987 act.

(3) Where the contractor participated in the provisions of prospective cost-related reimbursement in effect prior to July 1, 1983, such contractor's prospective rate effective July 1, 1983, will be determined utilizing the contractor's desk-reviewed allowable costs for calendar year 1982.

(4) All prospective reimbursement rates for 1984 and thereafter shall be determined utilizing the prior year's desk-reviewed cost reports.

Sec. 4. Section 47, chapter 177, Laws of 1980 as amended by section 22, chapter 67, Laws of 1983 1st ex. sess. and RCW 74.46.470 are each amended to read as follows:

(1) A contractor's reimbursement rates for medical care recipients will be determined utilizing desk-reviewed cost report data within the following cost centers:

- ~~((1))~~ (a) Nursing services;
- ~~((2))~~ (b) Food;
- ~~((3))~~ (c) Administration and operations; and
- ~~((4))~~ (d) Property.

(2) There shall be an enhancement cost center established to reimburse contractors for specific legislatively authorized enhancements for nonadministrative wages and benefits to ensure that such enhancements are used exclusively for the legislatively authorized purposes. For purposes of settlement, funds appropriated to this cost center shall only be used for expenditures for which the legislative authorization is granted. Such funds may be used only in the following circumstances:

(a) The contractor has increased expenditures for which legislative authorization is granted to at least the highest level paid in any of the last three cost years, plus, beginning July 1, 1987, any percentage inflation adjustment granted each year under RCW 74.46.495; and

(b) All funds shifted from the enhancement cost center are shown to have been expended for legislatively authorized enhancements.

(3) If the contractor does not spend the amount appropriated to this cost center in the legislatively authorized manner, then the amounts not appropriately spent shall be recouped at preliminary or final settlement pursuant to RCW 74.46.160.

(4) For purposes of this section, "nonadministrative wages and benefits" means wages and payroll taxes paid with respect to, and the employer share of the cost of benefits provided to, employees in job classes specified in an appropriation, which may not include administrators, assistant administrators, or administrators in training.

(5) Amounts expended in the enhancement cost center in excess of the minimum wage established under RCW 74.46.430 are subject to all provisions contained in this chapter.

Sec. 5. Section 24, chapter 67, Laws of 1983 1st ex. sess. and RCW 74.46.481 are each amended to read as follows:

(1) The nursing services cost center shall include all costs related to the direct provision of nursing and related care, including fringe benefits and payroll taxes for the nursing and related care personnel. For rates effective for state fiscal year 1984, the department shall adopt by administrative rule a definition of "related care" which shall incorporate, but not exceed services reimbursable as of June 30, 1983. For rates effective for state fiscal year 1985, the definition of related care shall include ancillary care.

(2) The department shall adopt by administrative rules a method for establishing a nursing services cost center rate consistent with the principles stated in this section.

(3) Utilizing regression or other statistical technique, the department shall determine a reasonable limit on facility nursing staff taking into account facility patient characteristics. For purposes of this section, facility nursing staff refers to registered nurses, licensed practical nurses and nursing assistants employed by the facility or obtained through temporary labor contract arrangements. Effective January 1, 1988, the hours associated with the training of nursing assistants and the supervision of that training for nursing assistants shall not be included in the calculation of facility nursing staff. In selecting a measure of patient characteristics, the department shall take into account:

(a) The correlation between alternative measures and facility nursing staff; and

(b) The cost of collecting information for and computation of a measure.

If regression is used, the limit shall be set at predicted nursing staff plus 1.75 regression standard errors. If another statistical method is utilized, the limit shall be set at a level corresponding to 1.75 standard errors above predicted staffing computed according to a regression procedure.

(4) No facility shall receive reimbursement for nursing staff levels in excess of the limit, except that, if a facility was reimbursed for a nursing staff level in excess of the limit as of June 30, 1983, the facility may choose to continue to receive its June, 1983 nursing services rate plus any adjustments in rates, such as adjustments for economic trends, made available to all facilities. The reasonableness limit established pursuant to this subsection shall remain in effect for the period July 1, 1983 through June 30, 1985. At that time the department may revise the measure of patient characteristics or method used to establish the limit.

(5) The department shall select an index of cost increase relevant to the nursing and related services cost area. In the absence of a more representative index, the department shall use the medical care component index as maintained by the United States bureau of labor statistics.

(6) If a facility's nursing staff level is below the limit specified in subsection (3) of this section, the department shall determine the percentage increase for all items included in the nursing services cost center between the facility's most recent cost reporting period and the next prior cost reporting period.

(a) If the percentage cost increase for a facility is below the increase in the selected index for the same time period, the facility's reimbursement rate in the nursing services cost center shall equal the facility's cost from the most recent cost reporting period plus any allowance for inflation provided by legislative appropriation.

(b) If the percentage cost increase for a facility exceeds the increase in the selected index, the department shall limit the cost used for setting the facility's rate in the nursing services cost area to a level reflecting the increase in the selected index.

(7) If the facility's nursing staff level exceeds the reasonableness limit established in subsection (3) of this section, the department shall determine the increase for all items included in the nursing services cost center between the facility's most recent cost reporting period and the next prior cost reporting period.

(a) If the percentage cost increase for a facility is below the increase in the index selected pursuant to subsection (5) of this section, the facility's reimbursement rate in the nursing cost center shall equal the facility's cost from the most recent cost reporting period adjusted downward to reflect the limit on nursing staff, plus any allowance for inflation provided by legislative appropriation subject to the provisions of subsection (4) of this section.

(b) If the percentage cost increase for a facility exceeds the increase in the selected index, the department shall limit the cost used for setting the facility's rate in the nursing services cost center to a level reflecting the nursing staff limit and the cost increase limit, subject to the provisions of subsection (4) of this section, plus any allowance for inflation provided by legislative appropriation.

(8) The department is authorized to determine on a systematic basis facilities with unmet patient care service needs. The department may increase the nursing services cost center prospective rate for a facility beyond the level determined in accordance with subsection (6) of this section if the facility's actual and reported nursing staffing is one standard error or more below predicted staffing as determined according to the method selected pursuant to subsection (3) of this section and the facility has unmet patient care service needs: PROVIDED, That prospective rate increases authorized by this subsection shall be funded only from legislative appropriations made for this purpose and the increases shall be conditioned on specified improvements in patient care at such facilities.

(9) The department shall establish a method for identifying patients with exceptional care requirements and a method for establishing or negotiating on a consistent basis rates for such patients.

(10) The department, in consultation with interested parties, shall adopt rules to establish the criteria the department will use in reviewing any requests by a contractor for a prospective rate adjustment to be used to increase the number of nursing staff. These rules shall also specify the time period for submission and review of staffing requests: PROVIDED, That a decision on a staffing request shall not take longer than sixty days from the date the department receives such a complete request. In establishing the criteria, the department may consider, but is not limited to, the following:

- (a) Increases in acuity levels of contractors' residents;
- (b) Staffing patterns for similar facilities;
- (c) Physical plant of contractor; and
- (d) Survey, inspection of care, and department consultation results.

Sec. 6. Section 2, chapter 177, Laws of 1980 as last amended by section 16, chapter 361, Laws of 1985 and RCW 74.46.020 are each amended to read as follows:

Unless the context clearly requires otherwise, the definitions in this section apply throughout this chapter.

(1) "Accrual method of accounting" means a method of accounting in which revenues are reported in the period when they are earned, regardless of when they are collected, and expenses are reported in the period in which they are incurred, regardless of when they are paid.

(2) "Ancillary care" means those services required by the individual, comprehensive plan of care provided by qualified therapists.

(3) "Appraisal" means the process of estimating the fair market value or reconstructing the historical cost of an asset acquired in a past period as performed by a professionally designated real estate appraiser with no pecuniary interest in the property to be appraised. It includes a systematic, analytic determination and the recording and analyzing of property facts, rights, investments, and values based on a personal inspection and inventory of the property.

(4) "Arm's-length transaction" means a transaction resulting from good-faith bargaining between a buyer and seller who are not related organizations and have adverse positions in the market place. Sales or exchanges of nursing home facilities among two or more parties in which all parties subsequently continue to own one or more of the facilities involved in the transactions shall not be considered as arm's-length transactions for purposes of this chapter. Sale of a nursing home facility which is subsequently leased back to the seller within five years of the date of sale shall not be considered as an arm's-length transaction for purposes of this chapter.

(5) "Assets" means economic resources of the contractor, recognized and measured in conformity with generally accepted accounting principles.

(6) "Bad debts" means amounts considered to be uncollectable from accounts and notes receivable.

(7) "Beds" means the number of set-up beds in the facility, not to exceed the number of licensed beds.

(8) "Beneficial owner" means:

(a) Any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares:

(i) Voting power which includes the power to vote, or to direct the voting of such ownership interest; and/or

(ii) Investment power which includes the power to dispose, or to direct the disposition of such ownership interest;

(b) Any person who, directly or indirectly, creates or uses a trust, proxy, power of attorney, pooling arrangement, or any other contract, arrangement, or device with the purpose or effect of divesting himself of beneficial ownership of an ownership interest or preventing the vesting of such beneficial ownership as part of a plan or scheme to evade the reporting requirements of this chapter;

(c) Any person who, subject to subparagraph (b) of this subsection, has the right to acquire beneficial ownership of such ownership interest within sixty days, including but not limited to any right to acquire:

(i) Through the exercise of any option, warrant, or right;

(ii) Through the conversion of an ownership interest;

(iii) Pursuant to the power to revoke a trust, discretionary account, or similar arrangement; or

(iv) Pursuant to the automatic termination of a trust, discretionary account, or similar arrangement;

except that, any person who acquires an ownership interest or power specified in subparagraphs (i), (ii), or (iii) of this subparagraph (c) with the purpose or effect of changing or influencing the control of the contractor, or in connection with or as a participant in any transaction having such purpose or effect, immediately upon such acquisition shall be deemed to be the



beneficial owner of the ownership interest which may be acquired through the exercise or conversion of such ownership interest or power;

(d) Any person who in the ordinary course of business is a pledgee of ownership interest under a written pledge agreement shall not be deemed to be the beneficial owner of such pledged ownership interest until the pledgee has taken all formal steps necessary which are required to declare a default and determines that the power to vote or to direct the vote or to dispose or to direct the disposition of such pledged ownership interest will be exercised; except that:

(i) The pledgee agreement is bona fide and was not entered into with the purpose nor with the effect of changing or influencing the control of the contractor, nor in connection with any transaction having such purpose or effect, including persons meeting the conditions set forth in subparagraph (b) of this subsection; and

(ii) The pledgee agreement, prior to default, does not grant to the pledgee:

(A) The power to vote or to direct the vote of the pledged ownership interest; or

(B) The power to dispose or direct the disposition of the pledged ownership interest, other than the grant of such power(s) pursuant to a pledge agreement under which credit is extended and in which the pledgee is a broker or dealer.

(9) "Capitalization" means the recording of an expenditure as an asset.

(10) "Contractor" means an entity which contracts with the department to provide services to medical care recipients in a facility and which entity is responsible for operational decisions.

(11) "Department" means the department of social and health services (DSHS) and its employees.

(12) "Depreciation" means the systematic distribution of the cost or other basis of tangible assets, less salvage, over the estimated useful life of the assets.

(13) "Direct care supplies" means medical, pharmaceutical, and other supplies required for the direct nursing and ancillary care of medical care recipients.

(14) "Entity" means an individual, partnership, corporation, or any other association of individuals capable of entering enforceable contracts.

(15) "Equity" means the net book value of all tangible and intangible assets less the recorded value of all liabilities, as recognized and measured in conformity with generally accepted accounting principles.

(16) "Facility" means a nursing home licensed in accordance with chapter 18.51 RCW, or that portion of a hospital licensed in accordance with chapter 70.41 RCW which operates as a nursing home.

(17) "Fair market value" means the replacement cost of an asset less observed physical depreciation on the date for which the market value is being determined.

(18) "Financial statements" means statements prepared and presented in conformity with generally accepted accounting principles including, but not limited to, balance sheet, statement of operations, statement of changes in financial position, and related notes.

(19) "Generally accepted accounting principles" means accounting principles approved by the financial accounting standards board (FASB).

(20) "Generally accepted auditing standards" means auditing standards approved by the American institute of certified public accountants (AICPA).

(21) "Goodwill" means the excess of the price paid for a business over the fair market value of all other identifiable, tangible, and intangible assets acquired.

(22) "Historical cost" means the actual cost incurred in acquiring and preparing an asset for use, including feasibility studies, architect's fees, and engineering studies.

(23) "Imprest fund" means a fund which is regularly replenished in exactly the amount expended from it.

(24) "Joint facility costs" means any costs which represent resources which benefit more than one facility, or one facility and any other entity.

(25) "Lease agreement" means a contract between two parties for the possession and use of real or personal property or assets for a specified period of time in exchange for specified periodic payments. Elimination (due to any cause other than death or divorce) or addition of any party to the contract, expiration, or modification of any lease term in effect on January 1, 1980, or termination of the lease by either party by any means shall constitute a termination of the lease agreement. An extension or renewal of a lease agreement, whether or not pursuant to a renewal provision in the lease agreement, shall be considered a new lease agreement. A strictly formal change in the lease agreement which modifies the method, frequency, or manner in which the lease payments are made, but does not increase the total lease payment obligation of the lessee, shall not be considered modification of a lease term.

(26) "Medical care program" means medical assistance provided under RCW 74.09.500 or authorized state medical care services.

(27) "Medical care recipient" or "recipient" means an individual determined eligible by the department for the services provided in chapter 74.09 RCW.

(28) "Net book value" means the historical cost of an asset less accumulated depreciation.

(29) "Net invested funds" means the net book value of tangible fixed assets employed by a contractor to provide services under the medical care

program, including land, buildings, and equipment as recognized and measured in conformity with generally accepted accounting principles, plus an allowance for working capital which shall be five percent of the allowable costs of each contractor for the previous calendar year.

(30) "Operating lease" means a lease under which rental or lease expenses are included in current expenses in accordance with generally accepted accounting principles.

(31) "Owner" means a sole proprietor, general or limited partners, and beneficial interest holders of five percent or more of a corporation's outstanding stock.

(32) "Ownership interest" means all interests beneficially owned by a person, calculated in the aggregate, regardless of the form which such beneficial ownership takes.

(33) "Patient day" or "client day" means a calendar day of care which will include the day of admission and exclude the day of discharge; except that, when admission and discharge occur on the same day, one day of care shall be deemed to exist.

(34) "Professionally designated real estate appraiser" means an individual who is regularly engaged in the business of providing real estate valuation services for a fee, and who is deemed qualified by a nationally recognized real estate appraisal educational organization on the basis of extensive practical appraisal experience, including the writing of real estate valuation reports as well as the passing of written examinations on valuation practice and theory, and who by virtue of membership in such organization is required to subscribe and adhere to certain standards of professional practice as such organization prescribes.

(35) "Qualified therapist" means:

(a) An activities specialist who has specialized education, training, or experience as specified by the department;

(b) An audiologist who is eligible for a certificate of clinical competence in audiology or who has the equivalent education and clinical experience;

(c) A mental health professional as defined by chapter 71.05 RCW;

(d) A mental retardation professional who is either a qualified therapist or a therapist approved by the department who has had specialized training or one year's experience in treating or working with the mentally retarded or developmentally disabled;

(e) A social worker who is a graduate of a school of social work;

(f) A speech pathologist who is eligible for a certificate of clinical competence in speech pathology or who has the equivalent education and clinical experience;

(g) A physical therapist as defined by chapter 18.74 RCW; and

(h) An occupational therapist who is a graduate of a program in occupational therapy, or who has the equivalent of such education or training.

(36) "Questioned costs" means those costs which have been determined in accordance with generally accepted accounting principles but which may constitute disallowed costs or departures from the provisions of this chapter or rules and regulations adopted by the department.

(37) "Records" means those data supporting all financial statements and cost reports including, but not limited to, all general and subsidiary ledgers, books of original entry, and transaction documentation, however such data are maintained.

(38) "Related organization" means an entity which is under common ownership and/or control with, or has control of, or is controlled by, the contractor.

(a) "Common ownership" exists when an entity is the beneficial owner of five percent or more ownership interest in the contractor and any other entity.

(b) "Control" exists where an entity has the power, directly or indirectly, significantly to influence or direct the actions or policies of an organization or institution, whether or not it is legally enforceable and however it is exercisable or exercised.

(39) "Restricted fund" means those funds the principal and/or income of which is limited by agreement with or direction of the donor to a specific purpose.

(40) "Secretary" means the secretary of the department of social and health services.

(41) "Title XIX" or "Medicaid" means the 1965 amendments to the social security act, P.L. 89-07, as amended.

(42) "Physical plant capital improvement" means a capitalized improvement that is limited to an improvement to the building or the related physical plant.

Sec. 7. Section 3, chapter 114, Laws of 1979 as amended by section 6, chapter 284, Laws of 1985 and RCW 18.52A.030 are each amended to read as follows:

(1) Any nursing assistant employed by a nursing home, who has satisfactorily completed a nursing assistant training program under this chapter, shall, upon application, be issued a certificate of completion.

(2) All nursing assistants employed by a nursing home shall be required to show evidence of satisfactory completion of a nursing assistant training program, or that they are enrolled in and are progressing satisfactorily towards completion of a training program under standards promulgated by the board, which program must be completed within six months of employment. A nursing home may employ a person not currently enrolled if the employer within twenty days enrolls the person in an approved training program: PROVIDED, That a nursing home shall not assign an assistant to provide resident care until the assistant has demonstrated skills necessary to

perform assigned duties and responsibilities competently. All persons enrolled in a training program must satisfactorily complete the program within six months from the date of initial employment.

(3) All nursing assistants who, on June 7, 1979, are employed in nursing homes shall be given the opportunity to obtain a certificate of completion by passing a written and/or practical examination developed by the board and conducted by a school or nursing home, or by providing evidence of sufficient practical experience. The board shall adopt rules specifying the amount of practical experience to be required for the issuance of a certificate under this section.

(4) Compliance with this section shall be a condition of licensure of nursing homes under chapter 18.51 RCW. Beginning January 1, 1986, compliance with this section shall be a condition of licensure of hospitals licensed under chapter 70.41 RCW with a wing certified to provide nursing home care under Title XVIII or Title XIX of the social security act. Any health provider of skilled nursing facility care or intermediate care facility care shall meet the requirements of this section.

NEW SECTION. Sec. 8. A new section is added to chapter 74.46 RCW to read as follows:

(1) The department, in consultation with interested parties, shall adopt rules to establish criteria the department will use in reviewing any request by a contractor for a prospective rate adjustment for a physical plant capital improvement. The rules shall also specify the time periods for submission and review of proposed physical plant capital improvements. In establishing the criteria, the department may consider, but is not limited to, the following:

(a) The remaining functional life of the facility and the length of time since the facility's last significant improvement;

(b) The amount and scope of renovation or remodel to the facility and whether the facility will be able to serve better the needs of its residents;

(c) Whether the proposed improvement improves the quality of the living conditions of the residents;

(d) Whether the proposed improvement might eliminate life safety, building code, or construction standard waivers;

(e) The percentage of public-pay residents in the facility.

(2) Rate adjustments under this section may be provided only if funds are appropriated for this purpose.

NEW SECTION. Sec. 9. The legislature finds that the closure of a nursing home can have devastating effects on residents and, under certain circumstances, courts should consider placing nursing homes in receivership. As receivership has long existed as a remedy to preserve assets subject to

litigation and to reorganize troubled affairs, the legislature finds that receivership is to be used to correct problems associated with either the disregard of residents' health, safety, or welfare or with the possible closure of the nursing home for any reason.

**NEW SECTION.** Sec. 10. A petition to establish a receivership shall allege that one or more of the following conditions exist and that the current operator has demonstrated an inability or unwillingness to take actions necessary to correct the conditions alleged:

(1) The facility is operating without a license;

(2) The facility has not given the department prior written notice of its intent to close and has not made arrangements within thirty days before closure for the orderly transfer of its residents: **PROVIDED**, That if the facility has given the department prior written notice but the department has not acted with all deliberate speed to transfer the facility's residents, this shall bar the filing of a petition under this section;

(3) An emergency exists that specifically demonstrates an immediate and serious threat of harm to the health, security, or welfare of the facility's residents, including, but not limited to, abandonment of the facility by the owner;

(4) A condition exists in the facility in violation of a licensing statute or regulation that specifically demonstrates an immediate and serious threat of harm to the health, safety, or welfare of the residents of the facility;

(5) The facility demonstrates a pattern and practice of violating chapter 18.51 or 74.42 RCW, or other statutes or regulations adopted by the department designed to safeguard the health, security, or welfare of residents such that the facility has demonstrated a repeated inability to maintain minimum patient care standards; or

(6) The facility demonstrates a pattern or practice of violating a condition level as defined by the federal government under the authority of Title XIX of the social security act.

The department may file a petition in the superior court in the county in which the nursing home is located or in the superior court of Thurston county. The current or former operator or licensee and the owner of the nursing home, if different than the operator or licensee, shall be made a party to the action. The court shall grant the petition if it finds, by a preponderance of the evidence, that one or more of the conditions listed in subsections (1) through (6) of this section exists and, subject to section 11 of this act, that the current operator is unable or unwilling to take actions necessary to correct the conditions.

**NEW SECTION.** Sec. 11. It shall be a defense to the petition to establish a receivership that the conditions alleged do not in fact exist. It shall not be a defense to the petition to allege that the respondent did not possess knowledge of the alleged condition or could not have been reasonably expected to know about the alleged condition. In a petition that alleges that

the health, safety, or welfare of the residents of the facility is at issue, it shall not be a defense to the petition that the respondent had not been afforded a reasonable opportunity to correct the alleged condition.

**NEW SECTION.** Sec. 12. A petition for receivership shall include the name of the candidate for receiver. The department shall maintain a list of qualified persons to act as receivers, however, no person may be considered to be qualified to be a receiver who:

- (1) Is the owner, licensee, or administrator of the facility;
- (2) Is affiliated with the facility;
- (3) Has a financial interest in the facility; or
- (4) Has owned or operated a nursing home that has been ordered into receivership.

If a receiver is appointed, he or she may be drawn from the list but need not be, but an appointee shall have experience in providing long-term health care and a history of satisfactory operation of a nursing home. Preference may be granted to persons expressing an interest in permanent operation of the facility.

**NEW SECTION.** Sec. 13. Upon receipt of a petition for receivership, the court shall hear the matter within fourteen days. Temporary relief may be obtained under chapter 7.40 RCW and other applicable laws. In all actions arising under sections 10 through 22 of this act, the posting of a certified copy of the summons and petition in a conspicuous place in the nursing home shall constitute service of those documents upon the respondent.

In considering the petition, the court shall consider the following factors, among others:

- (1) The history of the provider, including any prior history of deficiencies and corrective action taken; and
- (2) Whether the circumstances alleged in the petition occurred for reasons that were beyond the control of the facility's current or former operator, licensee, or owner.

**NEW SECTION.** Sec. 14. Upon agreement of the candidate for receiver to the terms of the receivership and any special instructions of the court, the court may appoint that person as receiver of the nursing home if the court determines it is likely that a permanent operator will be found or conditions will be corrected without undue risk of harm to the patients. Appointment of a receiver may be in lieu of or in addition to temporary removal of some or all of the patients in the interests of their health, security, or welfare. A receiver shall be appointed for a term not to exceed six months, but a term may be extended for good cause shown.

**NEW SECTION.** Sec. 15. The receivership shall terminate:

- (1) At the end of the appointed term;
- (2) When all residents have been transferred and the facility closed;

(3) When all deficiencies have been eliminated and the facility has been sold or returned to its former owner: PROVIDED, That when a rehabilitated facility is returned to its former owner, the court may impose conditions to assure the continued compliance with chapters 18.51 and 74.42 RCW, and other applicable laws and regulations; or

(4) Upon possession and control of the nursing home by a licensed replacement operator.

**NEW SECTION.** Sec. 16. The receiver shall render to the court an accounting of acts performed and expenditures made during the receivership. Nothing in this section relieves a court-appointed receiver from the responsibility of making all reports and certifications to the department required by law and regulation relating to the receiver's operation of the nursing home, the care of its residents, and participation in the medicaid program, if any.

**NEW SECTION.** Sec. 17. If a receiver is appointed, the court shall set reasonable compensation for the receiver to be paid from operating revenues of the nursing home. The receiver shall be liable in his or her personal capacity only for negligent acts, intentional acts, or a breach of a fiduciary duty to either the residents of the facility or the current or former licensee or owner of the facility.

The department may revise the nursing home's medicaid reimbursement rate, consistent with reimbursement principles in chapter 74.46 RCW and rules adopted under that chapter, if revision is necessary to cover the receiver's compensation and other reasonable costs associated with the receivership and transition of control. Rate revision may also be granted if necessary to cover start-up costs and costs of repairs, replacements, and additional staff needed for patient health, security, or welfare. The property return on investment components of the medicaid rate shall be established for the receiver consistent with reimbursement principles in chapter 74.46 RCW. The department may also expedite the issuance of necessary licenses, contracts, and certifications, temporary or otherwise, necessary to carry out the purposes of receivership.

**NEW SECTION.** Sec. 18. Upon appointment of a receiver, the current or former licensee or operator and managing agent, if any, shall be divested of possession and control of the nursing home in favor of the receiver who shall have full responsibility and authority to continue operation of the home and the care of the residents. The receiver may perform all acts reasonably necessary to carry out the purposes of receivership, including, but not limited to:

- (1) Protecting the health, security, and welfare of the residents;
- (2) Remedying violations of state and federal law and regulations governing the operation of the home;



(3) Hiring, directing, managing, and discharging all consultants and employees for just cause; discharging the administrator of the nursing home; recognizing collective bargaining agreements; and settling labor disputes;

(4) Receiving and expending in a prudent manner all revenues and financial resources of the home; and

(5) Making all repairs and replacements needed for patient health, security, and welfare: PROVIDED, That expenditures for repairs or replacements in excess of five thousand dollars shall require approval of the court which shall expedite approval or disapproval for such expenditure.

Upon order of the court, a receiver may not be required to honor leases, mortgages, secured transactions, or contracts if the rent, price, or rate of interest was not a reasonable rent, price, or rate of interest at the time the contract was entered into or if a material provision of the contract is unreasonable.

NEW SECTION. Sec. 19. Upon order of the court, the department shall provide emergency or transitional financial assistance to a receiver not to exceed thirty thousand dollars. The receiver shall file with the court an accounting for any money expended. Any emergency or transitional expenditure shall be recovered from revenue generated by the facility which revenue is not obligated to the operation of the facility. If such funds are not fully recovered at the termination of the receivership, an action to recover such sums may be filed by the department against the former licensee or owner. In lieu of filing an action, the department may file a lien on the facility or on the proceeds of the sale of the facility. Such a lien shall take priority over all other liens except for liens for wages to employees. The owner of the facility shall be entitled to the proceeds of the facility or the sale of the facility to the extent that these exceed the liabilities of the facility, including liabilities to the state, receiver, employees, and contractors, at the termination of the receivership.

Revenues relating to services provided by the current or former licensee, operator, or owner and available operating funds belonging to such licensee, operator, or owner shall be under the control of the receiver. The receiver shall consult the court in cases of extraordinary or questionable debts incurred prior to his or her appointment and shall not have the power to close the home or sell any assets of the home without prior court approval.

Priority shall be given to debts and expenditures directly related to providing care and meeting the needs of patients. Any payment made to the receiver shall discharge the obligation of the payor to the owner of the facility.

NEW SECTION. Sec. 20. If the nursing home is providing care to recipients of state medical assistance, the receiver shall become the medic-aid contractor for the duration of the receivership period and shall assume

all reporting and other responsibilities required by applicable laws and regulations. The receiver shall be responsible for the refund of medicaid rate payments in excess of costs during the period of the receivership.

NEW SECTION. Sec. 21. No seizure, foreclosure, or interference with nursing home revenues, supplies, real property, improvements, or equipment may be allowed for the duration of the receivership without prior court approval.

NEW SECTION. Sec. 22. At least sixty days before the effective date of any change of ownership, change of operating entity, or change of management of a nursing home, the current operating entity shall notify separately and in writing, each resident of the home or the resident's guardian of the proposed change. The notice shall include the identity of the proposed new owner, operating entity, or managing entity and the names, addresses, and telephone numbers of departmental personnel to whom comments regarding the change may be directed. If the proposed new owner, operating entity, or managing entity is a corporation, the notice shall include the names of all officers and the registered agent in the state of Washington. If the proposed new owner, operating entity, or managing entity is a partnership, the notice shall include the names of all general partners. This section shall apply regardless of whether the current operating entity holds a medicaid provider contract with the department and whether the operating entity intends to enter such a contract.

Sec. 23. Section 7, chapter 117, Laws of 1951 as last amended by section 18, chapter 2, Laws of 1981 1st ex. sess. and RCW 18.51.060 are each amended to read as follows:

(1) The department is authorized to deny, suspend, or revoke a license or, in lieu thereof or in addition thereto, assess monetary penalties of a civil nature not to exceed ~~((one))~~ three thousand dollars per violation in any case in which it finds that the applicant, or licensee, or any partner, officer, director, owner of five percent or more of the assets of the nursing home, or managing employee:

~~((1))~~ (a) Failed or refused to comply with the requirements of this chapter or of chapter 74.42 RCW, or the standards, rules and regulations established ~~((hereunder))~~ under them; or

~~((2))~~ ~~Was the holder of a license issued pursuant to this chapter, which was revoked for cause and never reissued by the department, or which license was suspended for cause and the terms of the suspension have not been fulfilled)~~ (b) Operated a nursing home without a license or under a revoked or suspended license; or

~~((3))~~ (c) Has knowingly or with reason to know made a false statement of a material fact in his application for license or any data attached thereto, or in any matter under investigation by the department; or

~~((4))~~ (d) Refused to allow representatives or agents of the department to inspect all books, records, and files required to be maintained or any portion of the premises of the nursing home; or

~~((5))~~ (e) Wilfully prevented, interfered with, or attempted to impede in any way the work of any duly authorized representative of the department and the lawful enforcement of any provision of this chapter or of chapter 74.42 RCW; or

~~((6))~~ (f) Wilfully prevented or interfered with any representative of the department in the preservation of evidence of any violation of any of the provisions of this chapter or of chapter 74.42 RCW or the standards, rules, and regulations ~~((promulgated hereunder))~~ adopted under them; or

~~((7))~~ (g) Failed to report patient abuse or neglect in violation of chapter 70.124 RCW; or

~~((8))~~ (h) Fails to pay any civil monetary penalty assessed by the department pursuant to this chapter within ten days after such assessment becomes final: PROVIDED, That in no event shall the department assess a civil monetary penalty authorized pursuant to this section or post the said premises as provided in RCW 18.51.260 or include in the report required pursuant to RCW 18.51.270 during any period in which it has not reasonably implemented and funded its cost-related reimbursement system for public patients.

(2) A contractor subject to civil penalty under subsection (1)(a) of this section shall have a reasonable opportunity, not to exceed sixty days from notification of the violation, to correct the violation before being assessed a civil monetary penalty under this section. However, if the department determines that the violation resulted in serious harm to or death of a patient, constitutes a serious threat to patient life, health, or safety, or substantially limits the nursing home's capacity to render adequate care, the violator shall be so notified and a penalty may be assessed without prior opportunity to correct. Each day the violation continues may constitute a separate violation subject to assessment of a separate penalty.

The correction of a standard or condition level deficiency, as defined by the authority of Title XVIII of the social security act and 42 C.F.R. 405-110 subpart K, shall be maintained for a period of at least one year. Failure to maintain such correction shall constitute a separate violation for each day the deficiency is not corrected and may be subject to the assessment of a separate penalty not to exceed three thousand dollars without a prior opportunity to correct the violation.

(3) A person subject to civil penalty under subsection (1)(b) through (h) of this section shall not have a prior opportunity to correct the violation before being assessed a civil monetary penalty under this section.

Following the notification of a violation of subsection (1)(b) through (h) of this section, each day upon which the same or a substantially similar

action occurs shall constitute a separate violation subject to the assessment of a separate penalty.

(4) Any civil penalty assessed under this section or chapter 74.46 RCW shall bear a reasonable rate of interest from the date of notification of the violation. The department may administer civil fines under this section or chapter 74.46 RCW by:

(a) Requiring payment in full; or

(b) Permitting installment payments; or

(c) Requiring that the full amount or a portion of the assessed civil penalty be expended to ameliorate the violation or to improve nonadministrative services within the facility; or

(d) Defer the penalty or a portion thereof until one year after corrective action has been completed to assure maintenance of such action: PROVIDED, That the penalty may be reduced all or in part at the end of such year: PROVIDED FURTHER, That the penalty may be trebled if such corrective action is not maintained for one year.

(5) Any civil penalty assessed under this section or chapter 74.46 RCW shall be a nonreimbursable item under chapter 74.46 RCW.

Sec. 24. Section 63, chapter 211, Laws of 1979 ex. sess. as last amended by section 2, chapter 236, Laws of 1983 and RCW 18.51.091 are each amended to read as follows:

The department shall make or cause to be made at least one inspection of each nursing home prior to license renewal and shall inspect community-based services as part of the licensing renewal survey. The inspection shall be made without providing advance notice of it. Every inspection may include an inspection of every part of the premises and an examination of all records, methods of administration, the general and special dietary and the stores and methods of supply. Those nursing homes that provide community-based care shall establish and maintain separate and distinct accounting and other essential records for the purpose of appropriately allocating costs of the providing of such care: PROVIDED, That such costs shall not be considered allowable costs for reimbursement purposes under chapter 74.46 RCW. Following such inspection or inspections, written notice of any violation of this law or the rules and regulations promulgated hereunder, shall be given the applicant or licensee and the department. The notice shall describe the reasons for the facility's noncompliance. ~~((The notice shall inform the facility that it must comply with a plan of correction within a specified time, not to exceed sixty days from the date the plan of correction is approved by the department. The penalties in RCW 18.51.060 may be imposed if, after the specified period, the department determines that the facility has not complied. In life-threatening situations or situations which substantially limit the provider's capacity to render adequate care, the department may require immediate correction or proceed immediately under RCW 18.51.060:))~~ The department may prescribe by regulations that any licensee or

applicant desiring to make specified types of alterations or additions to its facilities or to construct new facilities shall, before commencing such alteration, addition or new construction, submit its plans and specifications therefor to the department for preliminary inspection and approval or recommendations with respect to compliance with the regulations and standards herein authorized.

Sec. 25. Section 7, chapter 99, Laws of 1975 1st ex. sess. and RCW 18.51.220 are each amended to read as follows:

(1) No licensee shall discriminate or retaliate in any manner against a patient or employee in its nursing home on the basis or for the reason that such patient or employee or any other person has initiated or participated in any proceeding specified in this chapter. A licensee who violates this section is subject to a civil penalty of not more than ~~((five hundred))~~ three thousand dollars.

(2) Any attempt to expel a patient from a nursing home, or any type of discriminatory treatment of a patient by whom, or upon whose behalf, a complaint has been submitted to the department or any proceeding instituted under or related to this chapter within one year of the filing of the complaint or the institution of such action, shall raise a rebuttable presumption that such action was taken by the licensee in retaliation for the filing of the complaint.

Sec. 26. Section 13, chapter 99, Laws of 1975 1st ex. sess. and RCW 18.51.260 are each amended to read as follows:

Each citation for a violation specified in ~~((subsections (1) through (7) of))~~ RCW 18.51.060 which is issued pursuant to this section and which has become final, or a copy or copies thereof, shall be prominently posted, as prescribed in regulations issued by the director, until the violation is corrected to the satisfaction of the department up to a maximum of one hundred twenty days. The citation or copy shall be posted in a place or places in plain view of the patients in the nursing home, persons visiting those patients, and persons who inquire about placement in the facility.

Sec. 27. Section 58, chapter 211, Laws of 1979 ex. sess. as amended by section 15, chapter 184, Laws of 1980 and RCW 74.42.580 are each amended to read as follows:

The department may deny, suspend, or revoke a license or provisional license or, in lieu thereof or in addition thereto, assess monetary penalties of a civil nature ~~((pursuant to the provisions of chapter 34.04 RCW not to exceed one thousand dollars for such violations when the department finds that the licensee, or any partner, officer, director, owner of five percent or more of the assets of the facility, or managing employee:~~

~~(1) Failed or refused to comply with the requirements of RCW 74.42.010 through 74.42.570 or the standards and rules established by the department under RCW 74.42.010 through 74.42.570;~~

~~(2) Was the holder of a license issued under chapter 18.51 RCW, which was revoked for cause and never reissued by the department, or which license was suspended for cause and the terms of the suspension have not been fulfilled;~~

~~(3) Has knowingly or with reason to know made a false statement of a material fact in any records required under RCW 74.42.010 through 74.42.570;~~

~~(4) Refused to allow representatives or agents of the department to inspect all books, records, and files required to be maintained under RCW 74.42.010 through 74.42.570 or any portion of the premises of the facility;~~

~~(5) Wilfully prevented, interfered with, or attempted to impede in any way the work of any authorized representative of the department and the lawful enforcement of any provision of RCW 74.42.010 through 74.42.570; or~~

~~(6) Wilfully prevented or interfered with any representative of the department in the preservation of evidence of any violation of any of the provisions of RCW 74.42.010 through 74.42.570 or the standards and rules adopted pursuant to RCW 74.42.010 through 74.42.570.~~

~~The department shall adopt rules to implement and administer this section not later than January 15, 1981)) as provided in RCW 18.51.060 for violations of requirements of this chapter. Chapter 34.04 RCW shall apply to any such actions.~~

Sec. 28. Section 60, chapter 211, Laws of 1979 ex. sess. as last amended by section 3, chapter 120, Laws of 1982 and RCW 74.42.600 are each amended to read as follows:

(1) In addition to the inspection required by chapter 18.51 RCW, the department shall inspect the facility for compliance with resident rights and direct care standards of this chapter. The department may inspect any and all other provisions randomly, by exception profiles, or during complaint investigations.

(2) If the facility has not complied with ~~((any of the standards in RCW 74.42.010 through 74.42.570))~~ all the requirements of this chapter, the department shall notify the facility in writing that the facility is in non-compliance and describe the reasons for the facility's noncompliance and the department may impose penalties in accordance with RCW 18.51.060. ~~((The notice shall inform the facility that, except for life-threatening situations or situations which substantially limit the provider's capacity to render adequate care which may be for a shorter period of time, the facility shall comply within a specified time, not to exceed sixty days from the date the plan of correction is approved by the department. The penalties in RCW 74.42.580 may be imposed if, upon inspection after the specified period, the department determines that the facility has not complied:))~~

**\*Sec. 29. Section 11, chapter 161, Laws of 1979 ex. sess. as last amended by section 22, chapter 288, Laws of 1984 and RCW 70.38.115 are each amended to read as follows:**

**(1) Certificates of need shall be issued, denied, suspended, or revoked by the designee of the secretary of the department in accord with the provisions of this chapter and rules of the department which establish review procedures and criteria for the certificate of need program.**

**(2) Criteria for the review of certificate of need applications, except as provided in subsection (3) of this section for health maintenance organizations, shall include but not be limited to consideration of the following:**

**(a) The relationship of the health services being reviewed to the applicable health plans;**

**(b) The need that the population served or to be served by such services has for such services;**

**(c) The availability of less costly or more effective alternative methods of providing such services;**

**(d) The financial feasibility and the probable impact of the proposal on the cost of and charges for providing health services in the community to be served, including findings and recommendations of the Washington state hospital commission in the case of applications submitted by hospitals. An application by a hospital shall be denied if the state hospital commission does not recommend approval, unless the secretary provides the commission with a written statement setting forth the reason or reasons, and citing the applicable subsection or subsections of this section, for approving an application that the commission has determined to be not feasible;**

**(e) In the case of health services to be provided, (i) the availability of alternative uses of project resources for the provision of other health services, (ii) the extent to which such proposed services will be accessible to all residents of the area to be served, and (iii) the need for and the availability in the community of services and facilities for osteopathic and allopathic physicians and their patients. The department shall consider the application in terms of its impact on existing and proposed institutional training programs for doctors of osteopathy and medicine at the student, internship, and residency training levels;**

**(f) In the case of a construction project, the costs and methods of the proposed construction, including the cost and methods of energy provision, and the probable impact of the construction project reviewed (i) on the cost of providing health services by the person proposing such construction project and (ii) on the cost and charges to the public of providing health services by other persons;**

**(g) The special needs and circumstances of osteopathic hospitals, nonallopathic services and children's hospitals;**

*(h) Improvements or innovations in the financing and delivery of health services which foster cost containment and serve to promote quality assurance and cost-effectiveness;*

*(i) In the case of health services proposed to be provided, the efficiency and appropriateness of the use of existing services and facilities similar to those proposed;*

*(j) In the case of existing services or facilities, the quality of care provided by such services or facilities in the past; and*

*(k) In the case of hospital certificate of need applications, whether the hospital meets or exceeds the regional average level of charity care, as determined by the hospital commission.*

*(3) A certificate of need application of a health maintenance organization or a health care facility which is controlled, directly or indirectly, by a health maintenance organization, shall be approved by the department if the department finds:*

*(a) Approval of such application is required to meet the needs of the members of the health maintenance organization and of the new members which such organization can reasonably be expected to enroll; and*

*(b) The health maintenance organization is unable to provide, through services or facilities which can reasonably be expected to be available to the organization, its institutional health services in a reasonable and cost-effective manner which is consistent with the basic method of operation of the organization and which makes such services available on a long-term basis through physicians and other health professionals associated with it.*

*A health care facility (or any part thereof) or medical equipment with respect to which a certificate of need was issued under this subsection may not be sold or leased and a controlling interest in such facility or equipment or in a lease of such facility or equipment may not be acquired unless the department issues a certificate of need approving the sale, acquisition, or lease.*

*(4) The decision of the department on a certificate of need application shall be consistent with the state health plan in effect, except in emergency circumstances which pose a threat to the public health. The department in making its final decision may issue a conditional certificate of need if it finds that the project is justified only under specific circumstances. The conditions shall directly relate to the project being reviewed. The conditions may be released if it can be substantiated that the conditions are no longer valid and the release of such conditions would be consistent with the purposes of this chapter.*

*(5) The decisions of the department on nursing home certificate of need applications, including applications for use of space within hospitals and other health care facilities as nursing homes, shall be consistent with state-wide and area need for nursing home beds, to be determined biennially by the legislature and the department in the following manner:*



(a) By September 30 of each even-numbered year, the state health coordinating council shall report to the legislature on the total need for nursing home beds in the state as of December 30 of the third year following;

(b) After considering the recommendation of the state health coordinating council pursuant to (a) of this subsection, the legislature shall, during its session in each odd-numbered year, in the state operating and appropriations act, determine the total need for nursing home beds in the state as of December 30 of the second year following: PROVIDED, That if the legislature does not make the determination the recommendation of the state health coordinating council shall have the same effect as a legislative determination;

(c) By no later than December 30 of each odd-numbered year, the department shall allocate the total need for nursing home beds, as determined under (b) of this subsection, among planning areas, to be specified in the state health plan, in keeping with a nursing home bed allocation method to be specified in the state health plan;

(d) Decisions of the department on nursing home certificate of need applications including applications for use of space within hospitals and other health care facilities as nursing homes, shall be consistent with the area bed allocations developed by the department pursuant to (c) and (e) of this subsection;

(e) The department may at any time reallocate beds among planning areas, in keeping with the bed allocation method to be specified in the state health plan, provided that such reallocations do not have the effect of permitting approval of nursing care bed certificate of need applications in excess of the state-wide need for nursing care beds as last determined under (b) of this subsection.

(6) Criteria adopted for review in accordance with subsection (2) of this section may vary according to the purpose for which the particular review is being conducted or the type of health service reviewed.

~~((6))~~ (7) The department shall specify information to be required for certificate of need applications. Within fifteen days of receipt of the application, the department shall request additional information considered necessary to the application or start the review process. Applicants may decline to submit requested information through written notice to the department, in which case review starts on the date of receipt of the notice. Applications may be denied or limited because of failure to submit required and necessary information.

~~((7))~~ (8) Concurrent review is for the purpose of comparative analysis and evaluation of competing or similar projects in order to determine which of the projects may best meet identified needs. Categories of projects subject to concurrent review include at least new health care facilities, new services, and expansion of existing health care facilities. The department shall specify time periods for the submission of applications for certificates of need subject

*to concurrent review, which shall not exceed ninety days. Review of concurrent applications shall start fifteen days after the conclusion of the time period for submission of applications subject to concurrent review. Concurrent review periods shall be limited to one hundred fifty days, except as provided for in rules adopted by the department authorizing and limiting amendment during the course of the review, or for an unresolved pivotal issue declared by the department.*

~~((8))~~ (9) *Review periods for certificate of need applications other than those subject to concurrent review shall be limited to ninety days. Review periods may be extended up to thirty days if needed by a review agency, and for unresolved pivotal issues the department may extend up to an additional thirty days. A review may be extended in any case if the applicant agrees to the extension.*

~~((9))~~ (10) *The department or a designated regional health council shall conduct a public hearing on a certificate of need application if requested unless the review is expedited or subject to emergency review. The department by rule shall specify the period of time within which a public hearing must be requested and requirements related to public notice of the hearing, procedures, recordkeeping and related matters.*

~~((10))~~ (11) *Any applicant denied a certificate of need or whose certificate of need has been suspended or revoked shall be afforded an opportunity for administrative review in accordance with chapter 34.04 RCW and a hearing shall be held within one hundred twenty days of a request therefor. An administrative law judge shall review the decision of the secretary's designee and render a proposed decision for consideration by the secretary in accordance with chapter 34.12 RCW or remand the matter to the secretary's designee for further consideration. The secretary's final decision is subject to review by the superior court as provided in chapter 34.04 RCW.*

~~((11))~~ (12) *The department may establish procedures and criteria for reconsideration of decisions.*

~~((12))~~ (13) *An amended certificate of need shall be required for the following modifications of an approved project:*

- (a) A new service;*
- (b) An expansion of a service beyond that originally approved;*
- (c) An increase in bed capacity;*
- (d) A significant reduction in the scope of a project without a commensurate reduction in the cost of the project, or a cost increase (as represented in bids on a construction project or final cost estimates acceptable to the person to whom the certificate of need was issued) if the total of such increases exceeds twelve percent or fifty thousand dollars, whichever is greater, over the maximum capital expenditure approved. The review of reductions or cost increases shall be restricted to the continued conformance of the project with the review criteria pertaining to financial feasibility and cost containment.*

~~((13))~~ **(14)** *An application for a certificate of need for a capital expenditure which is determined by the department to be required to eliminate or prevent imminent safety hazards or correct violations of applicable licensure and accreditation standards shall be approved.*

Sec. 29 was vetoed, see message at end of chapter.

Sec. 30. Section 3, chapter 284, Laws of 1985 and RCW 74.42.055 are each amended to read as follows:

(1) The purpose of this section is to prohibit discrimination against medicaid recipients by nursing homes which have contracted with the department to provide skilled or intermediate nursing care services to medicaid recipients.

(2) It shall be unlawful for any nursing home which has a medicaid contract with the department:

(a) To require, as a condition of admission, assurance from the patient or any other person that the patient is not eligible for or will not apply for medicaid;

(b) To deny or delay admission or readmission of a person to a nursing home because of his or her status as a medicaid recipient;

(c) To transfer a patient, except from a private room to another room within the nursing home, because of his or her status as a medicaid recipient;

(d) To transfer a patient to another nursing home because of his or her status as a medicaid recipient;

(e) To discharge a patient from a nursing home because of his or her status as a medicaid recipient; or

(f) To charge any amounts in excess of the medicaid rate from the date of eligibility, except for any supplementation permitted by the department pursuant to RCW 18.51.070.

(3) Any nursing home which has a medicaid contract with the department shall maintain one list of names of persons seeking admission to the facility, which is ordered by the date of request for admission. This information shall be retained for one year from the month admission was requested.

(4) The department may assess monetary penalties of a civil nature, not to exceed ~~((one))~~ three thousand dollars for each violation of this section.

(5) Because it is a matter of great public importance to protect senior citizens who need medicaid services from discriminatory treatment in obtaining long-term health care, any violation of this section shall be construed for purposes of the application of the consumer protection act, chapter 19.86 RCW, to constitute an unfair or deceptive act or practice or unfair method of competition in the conduct of trade or commerce.

(6) It is not an act of discrimination under this chapter to refuse to admit a patient if admitting that patient would prevent the needs of the other patients residing in that facility from being met at that facility.

NEW SECTION. Sec. 31. The department shall report by December 31, 1987, to the appropriate standing committee of the legislature and the nursing home advisory council on the circumstances and amount of fines imposed under the authority granted in chapter 18.51 RCW.

NEW SECTION. Sec. 32. (1) The house committee on health care, with input from affected groups, shall collect and analyze information regarding levels of staffing for licensed and unlicensed personnel on a per shift basis and levels of staff as related to levels of acuity in nursing homes in Washington and compare their findings to staffing levels and ratios as existing and as required in other states. The committee shall review the existing requirements for education and training of nursing assistants in light of severe problems in recruitment. The committee recommendations shall be made to the legislature prior to the 1988 legislative session.

(2) This section shall expire January 1, 1989.

NEW SECTION. Sec. 33. Sections 10 through 22 of this act are each added to chapter 18.51 RCW.

Passed the House April 23, 1987.

Passed the Senate April 10, 1987.

Approved by the Governor May 19, 1987, with the exception of certain items which were vetoed.

Filed in Office of Secretary of State May 19, 1987.

Note: Governor's explanation of partial veto is as follows:

"I am returning herewith, without my approval as to section 29, Engrossed Second Substitute House Bill No. 1006, entitled:

"AN ACT Relating to quality of care in nursing homes."

Section 29 of this bill would require additional legislative review of determinations of need for nursing home beds. This determination is already a long and complex process that involves participants from a variety of organizations, including the Legislature, with support and technical expertise provided by the State Health Coordinating Council.

This interim, the executive branch will be looking at a number of issues in the area of long-term care, including factors related to growth in the nursing home budget. The process of determining need for nursing home beds is an integral aspect of the nursing home budget, as well as the state's overall long-term care policy. It should be considered in the context of this broader review.

In the meantime, the Legislature is represented on the State Health Coordinating Council, which provides an opportunity for input and review.

With the exception of section 29, Engrossed Second Substitute House Bill No. 1006 is approved."