

CHAPTER 1

[House Bill No. 1249]

NURSING HOMES—AUDIT AND COST REIMBURSEMENT SYSTEM—
INFLATION ADJUSTMENT REMOVED

AN ACT Relating to social and health services; amending section 1, chapter 2, Laws of 1981 1st ex. sess. as last amended by section 2, chapter 19, Laws of 1982 1st ex. sess. and RCW 74.09.610; and declaring an emergency.

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

Section 1. Section 1, chapter 2, Laws of 1981 1st ex. sess. as last amended by section 2, chapter 19, Laws of 1982 1st ex. sess. and RCW 74.09.610 are each amended to read as follows:

(1) The nursing home auditing and cost reimbursement system of the department of social and health services shall be governed by this section until implementation of chapter 74.46 RCW. The department shall reimburse nursing homes on the basis of the following cost centers: Patient care, food, administration and operations, and property.

(2) (a) For rate setting purposes for fiscal year 1982, the department shall reimburse the patient care cost center at the January 1, 1981, reimbursement rate, as adjusted for inflation.

(b) For rate setting purposes in fiscal year 1983, this subsection (2)(b) applies.

(i) There shall be established by the department a redistribution pool consisting of overpayments to contractors for 1981 indicated by proposed settlements for 1981, less one million dollars.

(ii) If a contractor's patient care cost center rate for 1981 is greater than or equal to the contractor's desk reviewed 1981 patient care costs, the department shall reimburse the patient care cost center at the desk reviewed 1981 patient care costs plus any patient care funds shifted to other cost centers pursuant to subsection (8) of this section(~~(, as adjusted for inflation)~~).

(iii) If the contractor's 1981 patient cost center rate is less than the contractor's desk reviewed 1981 patient care costs, the department shall reimburse the contractor's patient care cost at the January 1, 1982, reimbursement rate less one and one half percent(~~(, as adjusted for inflation,)~~) plus an allowance from the redistribution pool. The allowance for a contractor shall not exceed the contractor's patient care costs, as adjusted for inflation, and the total of allowances distributed shall not exceed the redistribution pool under subsection (2)(b)(i) of this section. If the funds contained in the redistribution pool exceed or are equal to the total amount by which contractors were underfunded in the patient care cost center, each contractor's allowance will be equal to the amount by which the contractor was underfunded. If the funds contained in the redistribution pool are less

than the total amount by which contractors were underfunded in the patient care cost center, each contractor will receive an allowance which shall be a percentage of the amount by which the contractor was underfunded. The percentage shall be determined by dividing the amount of the pool by the total amount of underfunding.

(c) In addition, the reimbursement shall be enhanced by three million dollars for the first year of the biennium and by one million four hundred thousand dollars for the second year of the biennium. These enhancements shall be apportioned among the nursing homes proportionately based on the patient care cost center for each nursing home.

(d) For the purpose of nursing assistant certification, the department shall reimburse at a rate of thirty cents for each medicaid patient day for the first year of the biennium. This is in addition to the January 1, 1981, reimbursement rate.

(e) Effective July 1, 1982, the patient care cost center reimbursement rate shall be adjusted as follows:

(i) As used in (ii) of this subsection, patient care consultation refers to medical director, patient activities, physical therapy, speech therapy, occupational therapy, and other therapy consultation.

(ii) The department shall determine the average expense weighted by patient days for patient care consultation taken from the most recently completed cost reports.

In determining the patient care cost to be used for rate setting pursuant to subsections (2)(b)(ii) and (iii) of this section, the department shall not include any cost in excess of the average cost determined under (ii) of this subsection.

(3) Reimbursement for the food cost center shall be at the January 1, 1981, reimbursement rate, adjusted for inflation.

(4) The administration and operations cost center consists of two components:

(a) (i) For rate setting purposes for fiscal year 1982, the wages for all employees, other than nursing service personnel and administrators and assistant administrators, shall be reimbursed at the January 1, 1981, rate as adjusted for inflation.

(ii) For rate setting purposes for fiscal year 1983:

(A) If the contractor's administration and operations wage component rate for 1981 is greater than or equal to the contractor's desk reviewed 1981 administration and operations wage costs, the department shall reimburse the contractor's administration and operations wage component at the desk reviewed 1981 administration and operations wage component costs ((~~as adjusted for inflation~~)).

(B) If the contractor's administration and operations wage component rate for 1981 is less than the contractor's desk reviewed 1981 administration and operations wage costs, the department shall reimburse the contractor's

administration and operations wage component at the January 1, 1981, reimbursement rate (~~(as adjusted for inflation;)~~) except that, after distribution of the redistribution pool to contractors underfunded in the patient care cost center pursuant to subsection (2)(b)(iii) of this section, any funds remaining will be distributed to contractors with rates below cost in proportion to the underfunding in this component. This distribution shall not exceed the total of underfunded cost in this component.

(b) Reimbursement for administration and operations, including all items not specified in subsections (2), (3), (4)(a), (5), and (6) of this section, shall not exceed the eighty-fifth percentile of the costs of all reporting facilities, not including any funds shifted pursuant to subsection (8) of this section(~~(, as adjusted for inflation;)~~) except that the nursing home facilities may be grouped by factors, other than ownership or legal organizational characteristics, which could reasonably influence cost requirements for administration and operations. Effective July 1, 1982, the administration and operations cost center reimbursement rate shall be adjusted as follows:

(i) As used in (ii) and (iii) of this subsection, administration and operations consultation expense refers to dietary and medical record consultant fees.

(ii) The department shall determine the average expense weighted by patient days for administration and operations consultation expense taken from the most recent completed cost report.

(iii) Reimbursement for administration and operations consultation shall be the lesser of the average expense as determined under (ii) of this subsection or the individual facility's costs for administration and operations consultation expenses taken from the most recent completed cost report(~~(, as adjusted for inflation;)~~). This adjustment applies only to the July 1, 1982, through July 1, 1983, reimbursement period.

(5) The return on net invested equity for each facility shall be determined by utilizing medicare rules and regulations.

(6) Property cost center reimbursement for both leased and owner-operated facilities shall not exceed the predicted cost plus one standard deviation of the necessary and ordinary costs of depreciation, and interest, of owner-operated facilities utilizing a multiple regression formula developed by the department of social and health services, recognizing factors which may be significant, including location, age, and type of facility. Rental costs of leased facilities other than those operating as intermediate care facilities for the mentally retarded, and depreciation and interest costs of owner-operated facilities, for leases or mortgages entered into prior to July 1, 1979, shall be reimbursed to the extent they do not exceed the reimbursement rate payable for the property cost center as of June 30, 1979, or July 1, 1979, whichever is higher, adjusted to meet any discrepancies as determined by the federal government between the reimbursements made and the approved state medicaid plan, and adjusted for any approved capitalized additions or

replacements, except that any leased facility which has operated as an intermediate care facility for the mentally retarded prior to July 1, 1979, shall be reimbursed to the extent that the property costs exceed the upper limit of the multiple regression formula.

(7) The patient personal needs allowance limitation shall be thirty-three dollars and fifty cents.

(8) For settlement purposes only, for calendar years 1981, 1982, and 1983, a nursing home may shift among cost centers an amount not greater than twenty percent of the reimbursement rate of the cost center into which the shift is being made. Shifts may be made among the cost centers. However, shifts may not be made into the property cost center. The department shall monitor on a random basis the extent and patterns of shifting between cost centers authorized by this section. The department shall report to the legislature on its findings required by this section prior to July 15th of each year.

(9) Audits shall be conducted by the department and settlements shall be calculated by cost center only.

(10) The department may adjust reimbursement rates to reflect required increases in staffing levels and capital improvements.

(11) Any reference in this section to a January 1, 1981, reimbursement rate includes any adjustment resulting from a rate appeal and its final resolution, but shall not include any adjustment resulting from litigation on reimbursement rates prior to June 30, 1981, or the procedures by which they were established.

(12) References in this section to adjustments for inflation mean adjustments of 5.0 percent for rates effective July 1, 1981, through December 31, 1981((;)), and 4.25 percent for rates effective January 1, 1982, through June 30, 1982(~~(; 1.625 percent for rates effective July 1, 1982, through December 31, 1982, and 1.625 percent for rates effective January 1, 1983, through June 30, 1983)~~).

NEW SECTION. Sec. 2. This act is necessary for the immediate preservation of the public peace, health, and safety, the support of the state government and its existing public institutions, and shall take effect immediately.

Passed the House June 27, 1982.

Passed the Senate June 27, 1982.

Approved by the Governor June 30, 1982.

Filed in Office of Secretary of State June 30, 1982.