

NEW SECTION. Sec. 8. Sections 2 and 4 through 6 of this act are each added to chapter 75.20 RCW.

Passed the House March 8, 1986.

Passed the Senate March 1, 1986.

Approved by the Governor April 1, 1986.

Filed in Office of Secretary of State April 1, 1986.

CHAPTER 174

[Engrossed House Bill No. 1614]

MOTOR VEHICLE REGISTRATION—REVIEW OF MERITS AND COSTS OF PROGRAM REQUIRING DRIVER'S LICENSE AS A PREREQUISITE TO REGISTRATION

AN ACT Relating to prerequisites for the issuance of vehicle licenses; amending section 2, chapter 424, Laws of 1985 (uncodified); creating new sections; and providing an effective date.

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

Sec. 1. Section 2, chapter 424, Laws of 1985 (uncodified) is amended to read as follows:

This act shall take effect on (~~July 1, 1986~~) January 1, 1990.

NEW SECTION. Sec. 2. The legislature recognizes that a program to require a person to possess a valid driver's license as a prerequisite for the registration of motor vehicles can help improve highway safety in the state. The legislature also recognizes that such a program should be carefully analyzed and planned before implementation to ensure that it is as cost effective as possible.

NEW SECTION. Sec. 3. The legislative transportation committee shall review the merits and costs of implementing the program established by chapter 424, Laws of 1985, including data on deaths and injuries caused by unlicensed drivers, and report back to the legislature prior to January 1, 1989.

Passed the House March 12, 1986.

Passed the Senate March 12, 1986.

Approved by the Governor April 1, 1986.

Filed in Office of Secretary of State April 1, 1986.

CHAPTER 175

[House Bill No. 1631]

NURSING HOME COST REIMBURSEMENT

AN ACT Relating to nursing home cost reimbursement; amending RCW 74.46.360 and 74.46.410; and creating a new section.

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

Sec. 1. Section 36, chapter 177, Laws of 1980 and RCW 74.46.360 are each amended to read as follows:

(1) The depreciation base shall be the historical cost of the contractor or lessor, when the assets are leased by the contractor, in acquiring the asset in an arm's-length transaction and preparing it for use, less goodwill, and less accumulated depreciation which has been incurred during periods that the assets have been used in or as a facility by the contractor, such accumulated depreciation to be measured in accordance with subsections (2), (3), and (4) of this section and RCW 74.46.350 and 74.46.370. If the department challenges the historical cost of an asset, or if the contractor cannot or will not provide the historical costs, the department will have the department of general administration, through an appraisal procedure, determine the fair market value of the assets at the time of purchase. The depreciation base of the assets will not exceed such fair market value.

(2) The historical cost of donated assets, or of assets received through testate or intestate distribution, shall be the lesser of:

(a) Fair market value at the date of donation or death; or

(b) The historical cost base of the owner last contracting with the department, if any.

(3) Estimated salvage value of acquired, donated, or inherited assets shall be deducted from historical cost where the straight-line or sum-of-the-years' digits method of depreciation is used.

(4) (a) Where depreciable assets are acquired that were used in the medical care program subsequent to January 1, 1980, the depreciation base of the assets will not exceed the net book value which did exist or would have existed had the assets continued in use under the previous contract with the department; except that depreciation shall not be assumed to accumulate during periods when the assets were not in use in or as a facility.

(b) ~~((Subparagraph (4)))~~ The provisions of (a) of this subsection shall not apply to the most recent arm's-length acquisition if it occurs at least ten years after the ownership of the assets has been previously transferred in an arm's-length transaction nor to the first arm's-length acquisition that occurs after January 1, 1980, for facilities participating in the medical care program prior to January 1, 1980. The new depreciation base for such acquisitions shall not exceed the fair market value of the assets as determined by the department of general administration through an appraisal procedure. A determination by the department of general administration of fair market value shall be final unless the procedure used to make such determination is shown to be arbitrary and capricious. This subsection is inoperative for any transfer of ownership of any asset occurring on or after July 18, 1984, leaving (a) of this subsection to apply alone to such transfers: PROVIDED, HOWEVER, That this subsection shall apply to transfers of ownership of assets occurring prior to January 1, 1985, if the costs of such

assets have never been reimbursed under medicaid cost reimbursement on an owner-operated basis or as a related-party lease.

(c) Where depreciable assets are acquired from a related organization, the contractor's depreciation base shall not exceed the base the related organization had or would have had under a contract with the department.

(d) Where the depreciable asset is a donation or distribution between related organizations, the base shall be the lesser of (i) fair market value, less salvage value, or (ii) the depreciation base the related organization had or would have had for the asset under a contract with the department.

NEW SECTION. Sec. 2. The legislative budget committee shall conduct a study of the changes in the state reimbursement system for nursing homes, RCW 74.46.840, resulting from requirements of the Federal Deficit Reduction Act of 1984, (DEFRA) (P.L. 98-369). The study shall include analysis of the effects of these changes on: (1) Nursing home sales since July 18, 1984, the effective date of DEFRA; (2) capital formation for nursing home purchases and sales; and (3) leased nursing homes. The study shall also review adjustments other states may be making as a result of DEFRA. The legislative budget committee shall report the results of this study, including recommendations for any needed legislation, to the ways and means committees of the senate and house of representatives by December 1, 1986.

Sec. 3. Section 41, chapter 177, Laws of 1980 as amended by section 17, chapter 67, Laws of 1983 1st ex. sess. and RCW 74.46.410 are each amended to read as follows:

(1) Costs will be unallowable if they are not documented, necessary, ordinary, and related to the provision of care services to authorized patients.

(2) Unallowable costs include, but are not limited to, the following:

(a) Costs of items or services not covered by the medical care program. Costs of such items or services will be unallowable even if they are indirectly reimbursed by the department as the result of an authorized reduction in patient contribution;

(b) Costs of services and items provided to recipients which are covered by the department's medical care program but not included in care services established by the department under this chapter;

(c) Costs associated with a capital expenditure subject to section 1122 approval (part 100, Title 42 C.F.R.) if the department found it was not consistent with applicable standards, criteria, or plans. If the department was not given timely notice of a proposed capital expenditure, all associated costs will be unallowable up to the date they are determined to be reimbursable under applicable federal regulations;

(d) Costs associated with a construction or acquisition project requiring certificate of need approval pursuant to chapter 70.38 RCW if such approval was not obtained;

(e) Interest costs other than those provided by RCW 74.46.290 on and after the effective date of RCW 74.46.530;

(f) Salaries or other compensation of owners, officers, directors, stockholders, and others associated with the contractor or home office, except compensation paid for service related to patient care;

(g) Costs in excess of limits or in violation of principles set forth in this chapter;

(h) Costs resulting from transactions or the application of accounting methods which circumvent the principles of the cost-related reimbursement system set forth in this chapter;

(i) Costs applicable to services, facilities, and supplies furnished by a related organization in excess of the lower of the cost to the related organization or the price of comparable services, facilities, or supplies purchased elsewhere;

(j) Bad debts of non-Title XIX recipients. Bad debts of Title XIX recipients are allowable if the debt is related to covered services, it arises from the recipient's required contribution toward the cost of care, the provider can establish that reasonable collection efforts were made, the debt was actually uncollectible when claimed as worthless, and sound business judgment established that there was no likelihood of recovery at any time in the future;

(k) Charity and courtesy allowances;

(l) Cash, assessments, or other contributions, excluding dues, to charitable organizations, professional organizations, trade associations, or political parties, and costs incurred to improve community or public relations;

(m) Vending machine expenses;

(n) Expenses for barber or beautician services not included in routine care;

(o) Funeral and burial expenses;

(p) Costs of gift shop operations and inventory;

(q) Personal items such as cosmetics, smoking materials, newspapers and magazines, and clothing, except those used in patient activity programs;

(r) Fund-raising expenses, except those directly related to the patient activity program;

(s) Penalties and fines;

(t) Expenses related to telephones, televisions, radios, and similar appliances in patients' private accommodations;

(u) Federal, state, and other income taxes;

(v) Costs of special care services except where authorized by the department;

(w) Expenses of key-man insurance and other insurance or retirement plans not made available to all employees;

(x) Expenses of profit-sharing plans;

(y) Expenses related to the purchase and/or use of private or commercial airplanes which are in excess of what a prudent contractor would expend for the ordinary and economic provision of such a transportation need related to patient care;

(z) Personal expenses and allowances of owners or relatives;

(aa) All expenses of maintaining professional licenses or membership in professional organizations (~~and association dues or that portion of association dues attributable to membership in national organizations~~);

(bb) Costs related to agreements not to compete;

(cc) Amortization of goodwill;

(dd) Expenses related to vehicles which are in excess of what a prudent contractor would expend for the ordinary and economic provision of transportation needs related to patient care;

(ee) Legal and consultant fees in connection with a fair hearing against the department where a decision is rendered in favor of the department or where otherwise the determination of the department stands;

(ff) Legal and consultant fees of a contractor or contractors in connection with a lawsuit against the department;

(gg) Lease acquisition costs and other intangibles not related to patient care;

(hh) All rental or lease costs other than those provided in RCW 74.46.300 on and after the effective date of RCW 74.46.510 and 74.46.530.

Passed the House March 11, 1986.

Passed the Senate March 11, 1986.

Approved by the Governor April 1, 1986.

Filed in Office of Secretary of State April 1, 1986.

CHAPTER 176

[Engrossed House Bill No. 1652]

PUBLIC RETIREMENT DISABILITY BENEFITS

AN ACT Relating to public retirement disability benefits; amending RCW 46.20.041, 41.40.235, 41.26.120, 41.26.125, and 41.26.160; adding new sections to chapter 41.40 RCW; and declaring an emergency.

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

Sec. 1. Section 5, chapter 121, Laws of 1965 ex. scss. as last amended by section 54, chapter 136, Laws of 1979 ex. sess. and RCW 46.20.041 are each amended to read as follows:

(1) The department shall permit any person suffering from any physical or mental disability or disease which may affect that person's ability to drive a motor vehicle, to demonstrate personally that notwithstanding such disability or disease he or she is a proper person to drive a motor vehicle. The department may in addition require such person to obtain a certificate showing his or her condition signed by a licensed physician or other proper