

# Context & Summary for:

## Senate Bill 6567

*Creating a new nursing facility Medicaid payment system.*

Senate Ways and Means Staff Presentation  
January 28, 2008

# Today we'll *briefly* cover:

1. State-funded provider payments in general.
2. Long-term care payment systems.
3. Nursing home payment system.
4. How this bill came about.
5. Summary of bill.

# What is the significance of this discussion?

- 29% of the state operating budget = payments to contracted providers or “vendors”.
- Total nursing home payments = over \$1 Billion per biennium (total funds).
- The Legislature is frequently asked to make changes to nursing home payment.
  - Changes via separate legislation.
  - Vendor rate increases via the budget.

# Payment systems for providers of state-funded services vary.

## Based on Reported Costs:

- Hospitals

### *Details in Statute:*

- **Nursing homes**

## Based on Price:

- Physicians & Drugs
- Managed Care
- Assisted Living
- Substance abuse treatment
- Most DD services.

# DSHS has authority over many rate systems.

The Legislature can make changes through the budget process, except for nursing homes and collectively bargained rates.\*

## Based on Reported Costs:

- Hospitals

### *Details in Statute:*

- **Nursing homes**

## Based on Price:

- Physicians & Drugs
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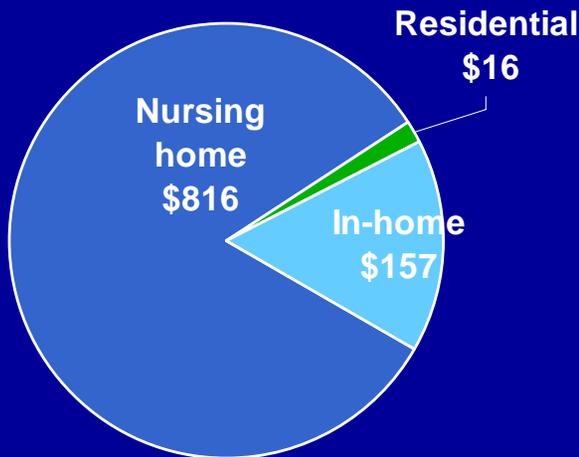
## Based On Collective Bargaining Agreements:

- In-Home long-term care
- Child care (in home)
- Adult Family Home provider rates (in future--election pending)

\*The budget CAN do additional vendor rate increases without changing statute or violating collective bargaining.

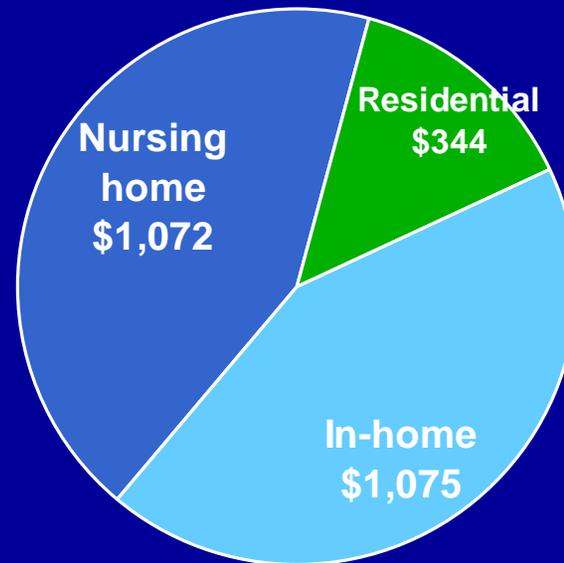
# Long-term care caseloads and expenditures have shifted toward the community and in-home care.

## 1991-1993 Biennium



Community Caseload = 20,000  
Nursing Home Caseload = 17,500

## 2007-2009 Biennium

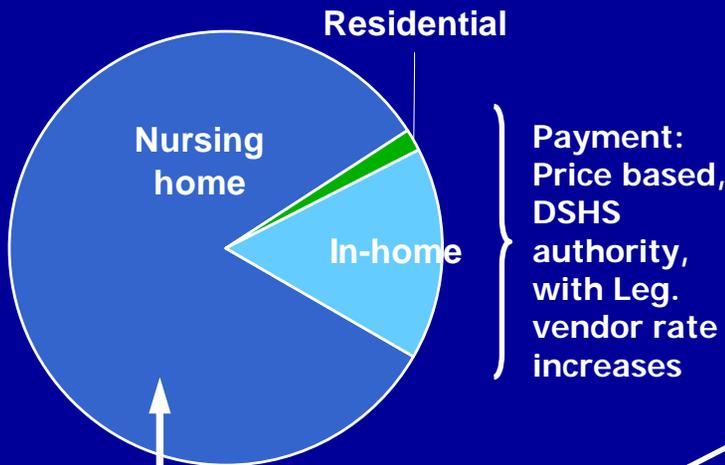


Community caseload = 37,000  
Nursing Home Caseload = 11,000

LTC budget, total funds, \$ in Millions

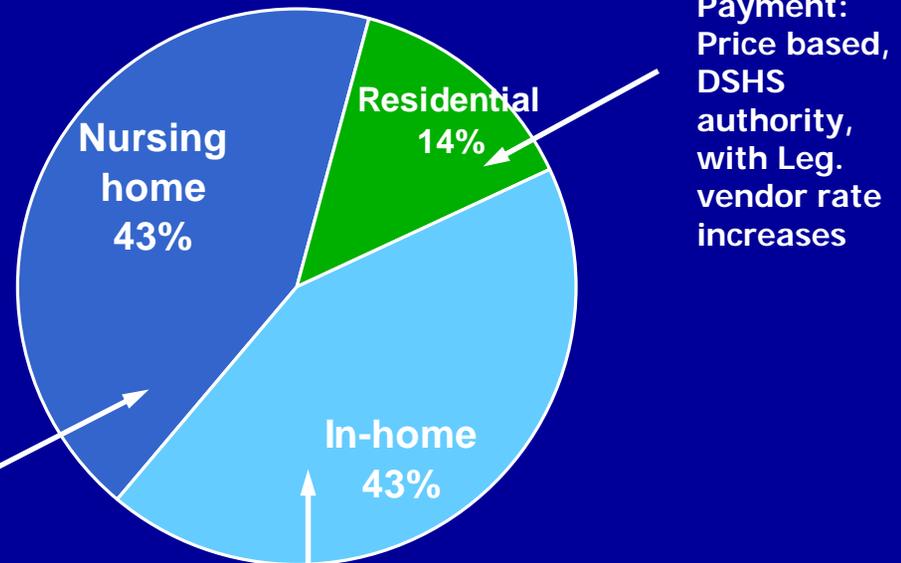
# At the same time, less of the overall funding is governed by statute.

## 1991-1993 Biennium



Payment:  
Cost-based, in Statute

## 2007-2009 Biennium



Payment: Price Based, as Determined by  
Collective Bargaining

Payment:  
Price based,  
DSHS  
authority,  
with Leg.  
vendor rate  
increases

LTC budget, total funds, \$ in Millions

# Current Nursing Home Payment System: The Basics

Statute in oval:

Reports of Actual Allowable Costs from a Prior Year

## Operating

<b>1. DIRECT CARE</b> case mix - yes min. occ. - no	<b>2. THERAPY CARE</b> case mix - no min. occ. - yes	<b>3. SUPPORT SERVICES</b> case mix - no min. occ. - yes	<b>4. OPERATIONS</b> case mix - no min. occ. - yes
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## Capital

<b>5. PROPERTY</b> case mix - no min. occ. - yes	<b>6. FINANCING ALLOWANCE</b> case mix - no min. occ. - yes	<b>7. VARIABLE RETURN</b> case mix - no min. occ. - yes
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+ Various cost limits and lids by region relative to peers, etc.

## + Budget Action:

Adds any specified vendor rate increases.  
Limits on total average daily rate--  
the "budget dial".

# The origin of SB 6567: the short version.

- Perennial concerns from providers over adequacy and method of payment.
- Concerns that the “system is too complex.”
- Since the 1980s, over a dozen changes to the statute.
- During the 2007 session, some stakeholders requested legislation to change the structure of the rate system.



## ***The 2007 Task Force was born...***

***(Joint Leg. Task Force on Long-Term Care Residential Facility Payment Systems)***

**<http://leg.wa.gov/Joint/Committees/LTCRFPS/>**

## **SB 6567 sets out the Task Force's major recommendation on nursing home payment.\***

1. Continue the Task Force through 2009.
2. Sunset the current nursing home statute effective the end of the current biennium.
3. Replace the detailed statute with a general ***framework*** for reimbursement, and delegate authority for details to DSHS.
4. Require DSHS to consider stakeholder input and present a new proposal by September, 2008, including costs and any affect on clients.
5. The DSHS proposal would become effective July 1, 2009.

\*A Task Force minority report objected to 2 above, pending results of the DSHS proposal.

## SB 6567's framework for the new nursing facility payment system

1. Combine the four existing operating budget components into two components—direct care and indirect care.
2. Continue the use of a settlement process and case mix adjustment.
3. Continue regular rebasing of costs.
4. Eliminate variable return.
5. No changes specified to current capital rate components.

\*A Task Force minority report objected to 4 above.

## SB 6567's delegation to DSHS

Details to be determined considering stakeholder and Task Force input:

1. Establishment of “fair and reasonable” limitations on costs, i.e. cost “lids” or caps.
2. Which specific costs are to be included in direct care and therefore subject to case-mix adjustment.
3. What kind of minimum occupancy adjustments, if any, to reduce the likelihood of “paying for empty beds.”

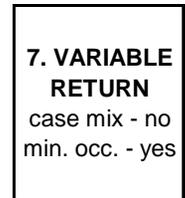
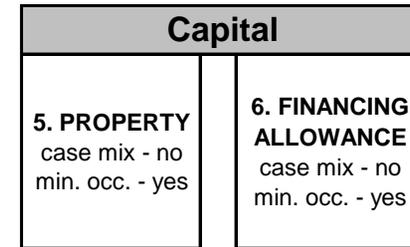
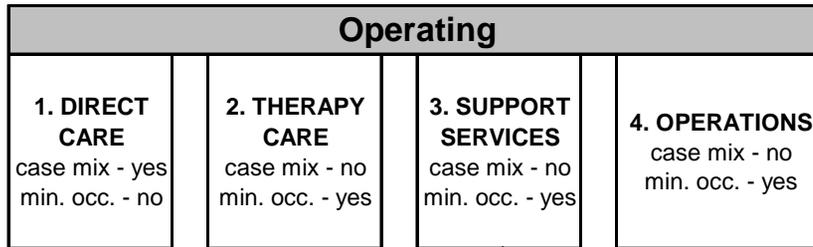
# SB 6567's "Items for Further Investigation"

potential items to incorporate in the system in the future

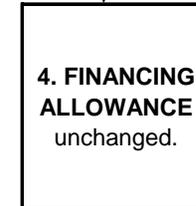
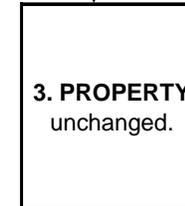
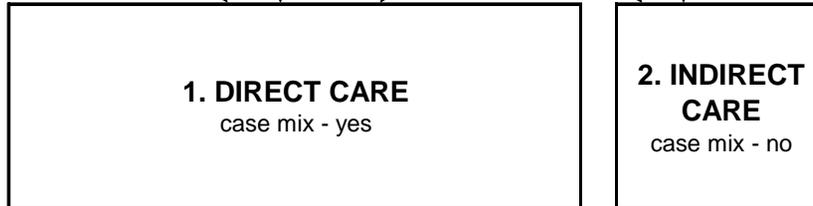
1. **"Pay for performance"** – potential additional payment based on outcomes. DSHS is required to begin collecting outcome data July 1, 2009.
2. **"Add-on rates"** –potential additional payment for specific purposes, such as improving behavioral health. DSHS to recommend options by September 2008. Cost cannot exceed level of the eliminated "variable return" component.

# SB 6567 Proposed Changes & New Framework

**Current Law:**



**Task Force Framework - many details to be determined.**



**Eliminated**

