
SUBSTITUTE HOUSE BILL 1149

State of Washington 62nd Legislature 2011 Regular Session

By House Health & Human Services Appropriations & Oversight
(originally sponsored by Representative Cody; by request of Department
of Social and Health Services)

READ FIRST TIME 02/17/11.

1 AN ACT Relating to the direct care and financing allowance
2 component rate allocations for medicaid nursing facilities; amending
3 RCW 74.46.437, 74.46.485, and 74.46.501; and declaring an emergency.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 74.46.437 and 2001 1st sp.s. c 8 s 8 are each amended
6 to read as follows:

7 (1) (~~Beginning July 1, 1999,~~) The department shall establish for
8 each medicaid nursing facility a financing allowance component rate
9 allocation. The financing allowance component rate shall be rebased
10 annually, effective July 1st, in accordance with the provisions of this
11 section and this chapter.

12 (2) (~~Effective July 1, 2001,~~) The financing allowance (~~shall~~
13 ~~be~~) is determined by multiplying the net invested funds of each
14 facility by .10, and dividing by the greater of a nursing facility's
15 total resident days from the most recent cost report period or resident
16 days calculated on eighty-five percent facility occupancy(~~.—Effective~~
17 ~~July 1, 2002, the financing allowance component rate allocation for all~~
18 ~~facilities, other than essential community providers, shall be set by~~
19 ~~using the greater of a facility's total resident days from the most~~

1 ~~recent cost report period or resident days calculated at ninety percent~~
2 ~~facility occupancy)) for essential community providers, ninety percent~~
3 ~~facility occupancy for small nonessential community providers, or~~
4 ~~ninety-two percent facility occupancy for large nonessential community~~
5 ~~providers. However, assets acquired on or after May 17, 1999, shall be~~
6 ~~grouped in a separate financing allowance calculation that shall be~~
7 ~~multiplied by .085. The financing allowance factor of .085 shall not~~
8 ~~be applied to the net invested funds pertaining to new construction or~~
9 ~~major renovations receiving certificate of need approval or an~~
10 ~~exemption from certificate of need requirements under chapter 70.38~~
11 ~~RCW, or to working drawings that have been submitted to the department~~
12 ~~of health for construction review approval, prior to May 17, 1999. If~~
13 ~~a capitalized addition, renovation, replacement, or retirement of an~~
14 ~~asset will result in a different licensed bed capacity during the~~
15 ~~ensuing period, the prior period total resident days used in computing~~
16 ~~the financing allowance shall be adjusted to the greater of the~~
17 ~~anticipated resident day level or eighty-five percent of the new~~
18 ~~licensed bed capacity((~~Effective July 1, 2002, for all facilities,~~~~
19 ~~other than essential community providers, the total resident days used~~
20 ~~to compute the financing allowance after a capitalized addition,~~
21 ~~renovation, replacement, or retirement of an asset shall be set by~~
22 ~~using the greater of a facility's total resident days from the most~~
23 ~~recent cost report period or resident days calculated at ninety percent~~
24 ~~facility occupancy)) for essential community providers, ninety percent~~
25 ~~of the new licensed bed capacity for small nonessential community~~
26 ~~providers, or ninety-two percent of the new licensed bed capacity for~~
27 ~~large nonessential community providers.~~

28 (3) In computing the portion of net invested funds representing the
29 net book value of tangible fixed assets, the same assets, depreciation
30 bases, lives, and methods referred to in ((~~RCW 74.46.330, 74.46.350,~~
31 ~~74.46.360, 74.46.370, and 74.46.380)) department rule, including owned
32 and leased assets, shall be utilized, except that the capitalized cost
33 of land upon which the facility is located and such other contiguous
34 land which is reasonable and necessary for use in the regular course of
35 providing resident care shall also be included. Subject to provisions
36 and limitations contained in this chapter, for land purchased by owners
37 or lessors before July 18, 1984, capitalized cost of land ((~~shall be~~)
38 is the buyer's capitalized cost. For all partial or whole rate periods~~

1 after July 17, 1984, if the land is purchased after July 17, 1984,
2 capitalized cost (~~(shall be)~~) is that of the owner of record on July
3 17, 1984, or buyer's capitalized cost, whichever is lower. In the case
4 of leased facilities where the net invested funds are unknown or the
5 contractor is unable to provide necessary information to determine net
6 invested funds, the secretary (~~(shall have)~~) has the authority to
7 determine an amount for net invested funds based on an appraisal
8 conducted according to (~~RCW 74.46.360(1)~~).

9 ~~(4) Effective July 1, 2001, for the purpose of calculating a~~
10 ~~nursing facility's financing allowance component rate, if a contractor~~
11 ~~has elected to bank licensed beds prior to May 25, 2001, or elects to~~
12 ~~convert banked beds to active service at any time, under chapter 70.38~~
13 ~~RCW, the department shall use the facility's new licensed bed capacity~~
14 ~~to recalculate minimum occupancy for rate setting and revise the~~
15 ~~financing allowance component rate, as needed, effective as of the date~~
16 ~~the beds are banked or converted to active service. However, in no~~
17 ~~case shall the department use less than eighty five percent occupancy~~
18 ~~of the facility's licensed bed capacity after banking or conversion.~~
19 ~~Effective July 1, 2002, in no case, other than for essential community~~
20 ~~providers, shall the department use less than ninety percent occupancy~~
21 ~~of the facility's licensed bed capacity after conversion.~~

22 ~~(5))~~ department rule.

23 (4) The financing allowance rate allocation calculated in
24 accordance with this section shall be adjusted to the extent necessary
25 to comply with RCW 74.46.421.

26 **Sec. 2.** RCW 74.46.485 and 2010 1st sp.s. c 34 s 9 are each amended
27 to read as follows:

28 (1) The department shall:

29 (a) Employ the resource utilization group III case mix
30 classification methodology. The department shall use the forty-four
31 group index maximizing model for the resource utilization group III
32 grouper version 5.10, but the department may revise or update the
33 classification methodology to reflect advances or refinements in
34 resident assessment or classification, subject to federal requirements;
35 and

36 (b) Implement minimum data set 3.0 under the authority of this
37 section and RCW 74.46.431(3). The department must notify nursing home

1 contractors twenty-eight days in advance the date of implementation of
2 the minimum data set 3.0. In the notification, the department must
3 identify for all semiannual rate settings following the date of minimum
4 data set 3.0 implementation a previously established semiannual case
5 mix adjustment established for the semiannual rate settings that will
6 be used for semiannual case mix calculations in direct care until
7 minimum data set 3.0 is fully implemented. (~~After the department has
8 fully implemented minimum data set 3.0, it must adjust any semiannual
9 rate setting in which it used the previously established case mix
10 adjustment using the new minimum data set 3.0 data.~~)

11 (2) A default case mix group shall be established for cases in
12 which the resident dies or is discharged for any purpose prior to
13 completion of the resident's initial assessment. The default case mix
14 group and case mix weight for these cases shall be designated by the
15 department.

16 (3) A default case mix group may also be established for cases in
17 which there is an untimely assessment for the resident. The default
18 case mix group and case mix weight for these cases shall be designated
19 by the department.

20 **Sec. 3.** RCW 74.46.501 and 2010 1st sp.s. c 34 s 11 are each
21 amended to read as follows:

22 (1) From individual case mix weights for the applicable quarter,
23 the department shall determine two average case mix indexes for each
24 medicaid nursing facility, one for all residents in the facility, known
25 as the facility average case mix index, and one for medicaid residents,
26 known as the medicaid average case mix index.

27 (2)(a) In calculating a facility's two average case mix indexes for
28 each quarter, the department shall include all residents or medicaid
29 residents, as applicable, who were physically in the facility during
30 the quarter in question based on the resident assessment instrument
31 completed by the facility and the requirements and limitations for the
32 instrument's completion and transmission (January 1st through March
33 31st, April 1st through June 30th, July 1st through September 30th, or
34 October 1st through December 31st).

35 (b) The facility average case mix index shall exclude all default
36 cases as defined in this chapter. However, the medicaid average case
37 mix index shall include all default cases.

1 (3) Both the facility average and the medicaid average case mix
2 indexes shall be determined by multiplying the case mix weight of each
3 resident, or each medicaid resident, as applicable, by the number of
4 days, as defined in this section and as applicable, the resident was at
5 each particular case mix classification or group, and then averaging.

6 (4) In determining the number of days a resident is classified into
7 a particular case mix group, the department shall determine a start
8 date for calculating case mix grouping periods as specified by rule.

9 (5) The cutoff date for the department to use resident assessment
10 data, for the purposes of calculating both the facility average and the
11 medicaid average case mix indexes, and for establishing and updating a
12 facility's direct care component rate, shall be one month and one day
13 after the end of the quarter for which the resident assessment data
14 applies.

15 (6)(a) Although the facility average and the medicaid average case
16 mix indexes shall both be calculated quarterly, the cost-rebasing
17 period facility average case mix index will be used throughout the
18 applicable cost-rebasing period in combination with cost report data as
19 specified by RCW 74.46.431 and 74.46.506, to establish a facility's
20 allowable cost per case mix unit. To allow for the transition to MDS
21 3.0 and implementation of RUG IV, for the period of July 1, 2011,
22 through June 30, 2013, the department shall calculate rates using the
23 medicaid average case mix index scores effective January 1, 2011, and
24 the scores shall be increased each six months during the transition
25 period by one-half of one percent. The July 1, 2013, direct care rate
26 cost per case mix unit shall be calculated by utilizing 2011 direct
27 care costs and 2011 facility average case mix index. A facility's
28 medicaid average case mix index shall be used to update a nursing
29 facility's direct care component rate semiannually.

30 (b) The facility average case mix index used to establish each
31 nursing facility's direct care component rate shall be based on an
32 average of calendar quarters of the facility's average case mix indexes
33 from the four calendar quarters occurring during the cost report period
34 used to rebase the direct care component rate allocations as specified
35 in RCW 74.46.431.

36 (c) The medicaid average case mix index used to update or
37 recalibrate a nursing facility's direct care component rate
38 semiannually shall be from the calendar six-month period commencing

1 nine months prior to the effective date of the semiannual rate. For
2 example, July 1, 2010, through December 31, 2010, direct care component
3 rates shall utilize case mix averages from the October 1, 2009, through
4 March 31, 2010, calendar quarters, and so forth.

5 NEW SECTION. **Sec. 4.** This act is necessary for the immediate
6 preservation of the public peace, health, or safety, or support of the
7 state government and its existing public institutions, and takes effect
8 immediately.

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