

CERTIFICATION OF ENROLLMENT  
ENGROSSED SUBSTITUTE SENATE BILL 6570

63rd Legislature  
2014 Regular Session

Passed by the Senate March 4, 2014  
YEAS 42 NAYS 5

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**President of the Senate**

Passed by the House March 11, 2014  
YEAS 75 NAYS 23

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**Speaker of the House of Representatives**

Approved

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**Governor of the State of Washington**

CERTIFICATE

I, Hunter G. Goodman, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE SENATE BILL 6570** as passed by the Senate and the House of Representatives on the dates hereon set forth.

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**Secretary**

FILED

**Secretary of State  
State of Washington**

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ENGROSSED SUBSTITUTE SENATE BILL 6570

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Passed Legislature - 2014 Regular Session

State of Washington

63rd Legislature

2014 Regular Session

By Senate Ways & Means (originally sponsored by Senators Becker, Keiser, Hargrove, Braun, Hill, and Ranker; by request of Health Care Authority)

READ FIRST TIME 02/27/14.

1 AN ACT Relating to adjusting timelines for fiscal year 2014  
2 regarding the hospital safety net assessment; amending RCW 74.60.030,  
3 74.60.120, and 74.60.130; and declaring an emergency.

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

5 **Sec. 1.** RCW 74.60.030 and 2013 2nd sp.s. c 17 s 4 are each amended  
6 to read as follows:

7 (1)(a) Upon satisfaction of the conditions in RCW 74.60.150(1), and  
8 so long as the conditions in RCW 74.60.150(2) have not occurred, an  
9 assessment is imposed as set forth in this subsection, effective ((July  
10 1, 2013. ~~The authority shall calculate the amount due annually and~~  
11 ~~shall issue assessments quarterly for one fourth)) October 1, 2013.  
12 Initial assessment notices must be sent to each hospital not earlier  
13 than thirty days after satisfaction of the conditions in RCW  
14 74.60.150(1). Payment is due not sooner than thirty days thereafter.  
15 Except for the initial assessment, notices must be sent on or about  
16 thirty days prior to the end of each quarter and payment is due thirty  
17 days thereafter.~~

18 (b) Effective October 1, 2013, and except as provided in RCW  
19 74.60.050:

1       (i) For fiscal year 2014, an annual assessment for amounts  
2 determined as described in (b)(ii) through (iv) of this subsection is  
3 imposed for the time period of October 1, 2013, through June 30, 2014.  
4 The initial assessment notice must cover amounts due from October 1,  
5 2013, through either: (A) The end of the calendar quarter prior to the  
6 satisfaction of the conditions in RCW 74.60.150(1) if federal approval  
7 is received more than forty-five days prior to the end of a quarter; or  
8 (B) the end of the calendar quarter after the satisfaction of the  
9 conditions in RCW 74.60.150(1) if federal approval is received within  
10 forty-five days of the end of a quarter. For subsequent assessments  
11 during fiscal year 2014, the authority shall calculate the amount due  
12 annually and shall issue assessments for the appropriate proportion of  
13 the annual amount due from each hospital((. Initial assessment notices  
14 must be sent to each hospital not earlier than thirty days after  
15 satisfaction of the conditions in RCW 74.60.150(1) and must include all  
16 amounts due from and after July 1, 2013. Payment is due not sooner  
17 than thirty days thereafter. Subsequent notices must be sent on or  
18 about thirty days prior to the end of each subsequent quarter and  
19 payment is due thirty days thereafter.

20       ~~(b) Beginning July 1, 2013, and except as provided in RCW~~  
21 ~~74.60.050:~~

22       ~~(i))~~;

23       (ii) After the assessments described in (b)(i) of this subsection,  
24 each prospective payment system hospital, except psychiatric and  
25 rehabilitation hospitals, shall pay a quarterly assessment. Each  
26 quarterly assessment shall be one quarter of three hundred forty-four  
27 dollars for each annual nonmedicare hospital inpatient day, up to a  
28 maximum of fifty-four thousand days per year. For each nonmedicare  
29 hospital inpatient day in excess of fifty-four thousand days, each  
30 prospective payment system hospital shall pay an assessment of one  
31 quarter of seven dollars for each such day;

32       ~~((+ii))~~ (iii) After the assessments described in (b)(i) of this  
33 subsection, each critical access hospital shall pay a quarterly  
34 assessment of one quarter of ten dollars for each annual nonmedicare  
35 hospital inpatient day;

36       ~~((+iii))~~ (iv) After the assessments described in (b)(i) of this  
37 subsection, each psychiatric hospital shall pay a quarterly assessment

1 of one quarter of sixty-seven dollars for each annual nonmedicare  
2 hospital inpatient day; and

3 ~~((+iv))~~ (v) After the assessments described in (b)(i) of this  
4 subsection, each rehabilitation hospital shall pay a quarterly  
5 assessment of one quarter of sixty-seven dollars for each annual  
6 nonmedicare hospital inpatient day.

7 (2) The authority shall determine each hospital's annual  
8 nonmedicare hospital inpatient days by summing the total reported  
9 nonmedicare hospital inpatient days for each hospital that is not  
10 exempt from the assessment under RCW 74.60.040, taken from the  
11 hospital's 2552 cost report data file or successor data file available  
12 through the centers for medicare and medicaid services, as of a date to  
13 be determined by the authority. For state fiscal year 2014, the  
14 authority shall use cost report data for hospitals' fiscal years ending  
15 in 2010. For subsequent years, the hospitals' next succeeding fiscal  
16 year cost report data must be used.

17 (a) With the exception of a prospective payment system hospital  
18 commencing operations after January 1, 2009, for any hospital without  
19 a cost report for the relevant fiscal year, the authority shall work  
20 with the affected hospital to identify appropriate supplemental  
21 information that may be used to determine annual nonmedicare hospital  
22 inpatient days.

23 (b) A prospective payment system hospital commencing operations  
24 after January 1, 2009, must be assessed in accordance with this section  
25 after becoming an eligible new prospective payment system hospital as  
26 defined in RCW 74.60.010.

27 **Sec. 2.** RCW 74.60.120 and 2013 2nd sp.s. c 17 s 11 are each  
28 amended to read as follows:

29 (1) Beginning in state fiscal year 2014, commencing thirty days  
30 after satisfaction of the applicable conditions in RCW 74.60.150(1),  
31 and for the period of state fiscal years 2014 through 2019, the  
32 authority shall make supplemental payments directly to Washington  
33 hospitals, separately for inpatient and outpatient fee-for-service  
34 medicaid services, as follows:

35 (a) For inpatient fee-for-service payments for prospective payment  
36 hospitals other than psychiatric or rehabilitation hospitals, twenty-  
37 nine million two hundred twenty-five thousand dollars per state fiscal

1 year in fiscal years 2014 and 2015, and then amounts reduced in equal  
2 increments per fiscal year until the supplemental payment amount is  
3 zero by July 1, 2019, from the fund, plus federal matching funds;

4 (b) For outpatient fee-for-service payments for prospective payment  
5 hospitals other than psychiatric or rehabilitation hospitals, thirty  
6 million dollars per state fiscal year in fiscal years 2014 and 2015,  
7 and then amounts reduced in equal increments per fiscal year until the  
8 supplemental payment amount is zero by July 1, 2019, from the fund,  
9 plus federal matching funds;

10 (c) For inpatient fee-for-service payments for psychiatric  
11 hospitals, six hundred twenty-five thousand dollars per state fiscal  
12 year in fiscal years 2014 and 2015, and then amounts reduced in equal  
13 increments per fiscal year until the supplemental payment amount is  
14 zero by July 1, 2019, from the fund, plus federal matching funds;

15 (d) For inpatient fee-for-service payments for rehabilitation  
16 hospitals, one hundred fifty thousand dollars per state fiscal year in  
17 fiscal years 2014 and 2015, and then amounts reduced in equal  
18 increments per fiscal year until the supplemental payment amount is  
19 zero by July 1, 2019, from the fund, plus federal matching funds;

20 (e) For inpatient fee-for-service payments for border hospitals,  
21 two hundred fifty thousand dollars per state fiscal year in fiscal  
22 years 2014 and 2015, and then amounts reduced in equal increments per  
23 fiscal year until the supplemental payment amount is zero by July 1,  
24 2019, from the fund, plus federal matching funds; and

25 (f) For outpatient fee-for-service payments for border hospitals,  
26 two hundred fifty thousand dollars per state fiscal year in fiscal  
27 years 2014 and 2015, and then amounts reduced in equal increments per  
28 fiscal year until the supplemental payment amount is zero by July 1,  
29 2019, from the fund, plus federal matching funds.

30 (2) If the amount of inpatient or outpatient payments under  
31 subsection (1) of this section, when combined with federal matching  
32 funds, exceeds the upper payment limit, payments to each category of  
33 hospital must be reduced proportionately to a level where the total  
34 payment amount is consistent with the upper payment limit. Funds under  
35 this chapter unable to be paid to hospitals under this section because  
36 of the upper payment limit must be paid to managed care organizations  
37 under RCW 74.60.130, subject to the limitations in this chapter.

1 (3) The amount of such fee-for-service inpatient payments to  
2 individual hospitals within each of the categories identified in  
3 subsection (1)(a), (c), (d), and (e) of this section must be determined  
4 by:

5 (a) Applying the medicaid fee-for-service rates in effect on July  
6 1, 2009, without regard to the increases required by chapter 30, Laws  
7 of 2010 1st sp. sess. to each hospital's inpatient fee-for-services  
8 claims and medicaid managed care encounter data for the base year;

9 (b) Applying the medicaid fee-for-service rates in effect on July  
10 1, 2009, without regard to the increases required by chapter 30, Laws  
11 of 2010 1st sp. sess. to all hospitals' inpatient fee-for-services  
12 claims and medicaid managed care encounter data for the base year; and

13 (c) Using the amounts calculated under (a) and (b) of this  
14 subsection to determine an individual hospital's percentage of the  
15 total amount to be distributed to each category of hospital.

16 (4) The amount of such fee-for-service outpatient payments to  
17 individual hospitals within each of the categories identified in  
18 subsection (1)(b) and (f) of this section must be determined by:

19 (a) Applying the medicaid fee-for-service rates in effect on July  
20 1, 2009, without regard to the increases required by chapter 30, Laws  
21 of 2010 1st sp. sess. to each hospital's outpatient fee-for-services  
22 claims and medicaid managed care encounter data for the base year;

23 (b) Applying the medicaid fee-for-service rates in effect on July  
24 1, 2009, without regard to the increases required by chapter 30, Laws  
25 of 2010 1st sp. sess. to all hospitals' outpatient fee-for-services  
26 claims and medicaid managed care encounter data for the base year; and

27 (c) Using the amounts calculated under (a) and (b) of this  
28 subsection to determine an individual hospital's percentage of the  
29 total amount to be distributed to each category of hospital.

30 (5) Thirty days before the initial payments and sixty days before  
31 the first payment in each subsequent fiscal year, the authority shall  
32 provide each hospital and the Washington state hospital association  
33 with an explanation of how the amounts due to each hospital under this  
34 section were calculated.

35 (6) Payments must be made in quarterly installments on or about the  
36 last day of every quarter(~~(, except that)~~). The initial payment must  
37 be made within thirty days after satisfaction of the conditions in RCW  
38 74.60.150(1) and must include all amounts due from July 1, 2013, to

1 ~~((the date of the initial payment))~~ either: (a) The end of the  
2 calendar quarter prior to when the conditions in RCW 70.60.150(1) are  
3 satisfied if approval is received more than forty-five days prior to  
4 the end of a quarter; or (b) the end of the calendar quarter after the  
5 satisfaction of the conditions in RCW 74.60.150(1) if approval is  
6 received within forty-five days of the end of a quarter.

7 (7) A prospective payment system hospital commencing operations  
8 after January 1, 2009, is eligible to receive payments in accordance  
9 with this section after becoming an eligible new prospective payment  
10 system hospital as defined in RCW 74.60.010.

11 (8) Payments under this section are supplemental to all other  
12 payments and do not reduce any other payments to hospitals.

13 **Sec. 3.** RCW 74.60.130 and 2013 2nd sp.s. c 17 s 12 are each  
14 amended to read as follows:

15 (1) For state fiscal year 2014, commencing within thirty days after  
16 satisfaction of the conditions in RCW 74.60.150(1) and subsection (6)  
17 of this section, and for the period of state fiscal years 2014 through  
18 2019, the authority shall increase capitation payments to managed care  
19 organizations by an amount at least equal to the amount available from  
20 the fund after deducting disbursements authorized by RCW 74.60.020(4)  
21 (c) through (f) and payments required by RCW 74.60.080 through  
22 74.60.120. The capitation payment under this subsection must be no  
23 less than one hundred fifty-three million one hundred thirty-one  
24 thousand six hundred dollars per state fiscal year in fiscal years 2014  
25 and 2015, and then the increased capitation payment amounts are reduced  
26 in equal increments per fiscal year until the increased capitation  
27 payment amount is zero by July 1, 2019, plus the maximum available  
28 amount of federal matching funds. The initial payment following  
29 satisfaction of the conditions in RCW 74.60.150(1) must include all  
30 amounts due from July 1, 2013, to the end of the calendar month during  
31 which the conditions in RCW 74.60.150(1) are satisfied. Subsequent  
32 payments shall be made (~~quarterly~~) monthly.

33 (2) In fiscal years 2015, 2016, and 2017, the authority shall use  
34 any additional federal matching funds for the increased managed care  
35 capitation payments under subsection (1) of this section available from  
36 medicaid expansion under the federal patient protection and affordable

1 care act to substitute for assessment funds which otherwise would have  
2 been used to pay managed care plans under this section.

3 (3) Payments to individual managed care organizations shall be  
4 determined by the authority based on each organization's or network's  
5 enrollment relative to the anticipated total enrollment in each program  
6 for the fiscal year in question, the anticipated utilization of  
7 hospital services by an organization's or network's medicaid enrollees,  
8 and such other factors as are reasonable and appropriate to ensure that  
9 purposes of this chapter are met.

10 (4) If the federal government determines that total payments to  
11 managed care organizations under this section exceed what is permitted  
12 under applicable medicaid laws and regulations, payments must be  
13 reduced to levels that meet such requirements, and the balance  
14 remaining must be applied as provided in RCW 74.60.050. Further, in  
15 the event a managed care organization is legally obligated to repay  
16 amounts distributed to hospitals under this section to the state or  
17 federal government, a managed care organization may recoup the amount  
18 it is obligated to repay under the medicaid program from individual  
19 hospitals by not more than the amount of overpayment each hospital  
20 received from that managed care organization.

21 (5) Payments under this section do not reduce the amounts that  
22 otherwise would be paid to managed care organizations: PROVIDED, That  
23 such payments are consistent with actuarial soundness certification and  
24 enrollment.

25 (6) Before making such payments, the authority shall require  
26 medicaid managed care organizations to comply with the following  
27 requirements:

28 (a) All payments to managed care organizations under this chapter  
29 must be expended for hospital services provided by Washington  
30 hospitals, which for purposes of this section includes psychiatric and  
31 rehabilitation hospitals, in a manner consistent with the purposes and  
32 provisions of this chapter, and must be equal to all increased  
33 capitation payments under this section received by the organization or  
34 network, consistent with actuarial certification and enrollment, less  
35 an allowance for any estimated premium taxes the organization is  
36 required to pay under Title 48 RCW associated with the payments under  
37 this chapter;



1 (b) (~~Before the end of the quarter in which funds are paid to~~  
2 ~~them,~~) Managed care organizations shall expend the increased  
3 capitation payments under this section in a manner consistent with the  
4 purposes of this chapter, with the initial expenditures to hospitals to  
5 be made within thirty days of receipt of payment from the authority.  
6 Subsequent expenditures by the managed care plans are to be made before  
7 the end of the quarter in which funds are received from the authority;

8 (c) Providing that any delegation or attempted delegation of an  
9 organization's or network's obligations under agreements with the  
10 authority do not relieve the organization or network of its obligations  
11 under this section and related contract provisions.

12 (7) No hospital or managed care organizations may use the payments  
13 under this section to gain advantage in negotiations.

14 (8) No hospital has a claim or cause of action against a managed  
15 care organization for monetary compensation based on the amount of  
16 payments under subsection (6) of this section.

17 (9) If funds cannot be used to pay for services in accordance with  
18 this chapter the managed care organization or network must return the  
19 funds to the authority which shall return them to the hospital safety  
20 net assessment fund.

21 NEW SECTION. Sec. 4. This act is necessary for the immediate  
22 preservation of the public peace, health, or safety, or support of the  
23 state government and its existing public institutions, and takes effect  
24 immediately.

--- END ---