



Dept of Social and Health Services  
 Program 050 - Long-Term Care  
 2019-21 First Supplemental Budget Session  
 Policy Level - E4 - Nursing Home Rate Increase

### Agency Recommendation Summary

The Department of Social and Health Services (DSHS) Aging and Long-Term Support Administration (AL TSA) requests \$29,052,000 (\$14,526,000 GF-State) to better align nursing facility Medicaid payment rates with facility operating costs.

### Fiscal Summary

Fiscal Summary <i>Dollars in Thousands</i>	Fiscal Years		Biennial	Fiscal Years		Biennial
	2020	2021	2019-21	2022	2023	2021-23
<b>Operating Expenditures</b>						
Fund 001 - 1	\$0	\$14,526	<b>\$14,526</b>	\$13,282	\$483	<b>\$13,765</b>
Fund 001 - C	\$0	\$14,526	<b>\$14,526</b>	\$13,282	\$483	<b>\$13,765</b>
Total Expenditures	<b>\$0</b>	<b>\$29,052</b>	<b>\$29,052</b>	<b>\$26,564</b>	<b>\$966</b>	<b>\$27,530</b>
<b>Revenue</b>						
001 - 0393	\$0	\$14,526	<b>\$14,526</b>	\$13,282	\$483	<b>\$13,765</b>
Total Revenue	<b>\$0</b>	<b>\$14,526</b>	<b>\$14,526</b>	<b>\$13,282</b>	<b>\$483</b>	<b>\$13,765</b>

## Decision Package Description

### **PROBLEM STATEMENT:**

Low Medicaid rates have been cited as a factor contributing to nursing home closures in Washington over the last two years. A rate increase is necessary to maintain access to this vital service for many elderly and disabled adults who require 24-hour skilled nursing care.

Nursing homes serve approximately 9,500 Medicaid clients. Medicaid bed days account for two-thirds of all paid days for nursing homes in Washington – by far the biggest market segment. During calendar year 2018, six skilled nursing facilities closed or transitioned to a different license type. Five additional facilities have closed in 2019, with three or four more announcing possible closures. Several have cited low Medicaid rates as a factor in their decision to close. Low Medicaid rates make it difficult for nursing homes to hire and retain qualified care-giving staff, such as registered nurses, licensed practical nurses, and certified nursing assistants.

A major tenet in establishing Nursing Home rates is consideration of facility costs. Every two years, the cost components of the nursing home rates are adjusted based on the price of providing care. Informing these adjustments are detailed cost reports prepared by nursing home providers. However, the cost reports used to set nursing home rates are two years old by the time the rebase adjustment is made. For example, rates set for July 1, 2018 through June 30, 2020 were based heavily on costs incurred in calendar year 2016. This creates a situation where the nursing home rates being paid are based on cost information that is two to four years old, resulting in a significant difference between the Medicaid costs incurred by nursing facilities and the Medicaid rates paid in a given year. Based on information provided in the detailed cost reports provided by nursing homes for calendar year 2018, ALTSA estimates that approximately 192 out of 208 nursing facilities experienced Medicaid costs in excess of the Medicaid rate.

The state may begin experiencing difficulty placing clients in a nursing facility, as more facilities close or take less Medicaid residents. Certain geographic areas or specific populations may be more difficult to place if nursing facilities serving those areas are unable or unwilling to accept Medicaid residents because of the financial burden.

### **PROPOSED SOLUTION:**

Shift to an annual rebase to better align payment rates with the costs being incurred by the facilities and implement a 24 month inflation factor using the Bureau of Labor Statistics (BLS) Consumer Price Index (CPI) for All Urban Consumers. Fiscal Year 2021 already has a rebase included under current statute, so the additional costs to inflate the costs from 2018 to 2019 is estimated at \$29,052,000 (\$14,526,000 GF-State.)

### **EXPECTED RESULTS:**

Approximately 9,500 Medicaid residents in over 200 nursing facilities will benefit from seeing Medicaid payment rates more closely aligned with the actual cost of care. A more timely alignment of rates with costs will encourage nursing facilities to continue to accept Medicaid clients and may avert the closure of nursing facilities that are often the sole provider of services for a population or geographic area. Shifting to an annual rebase with inflation included will help stabilize the industry and address deficiencies in the current Medicaid rate methodology.

As costs are more accurately reimbursed, facilities will be better able to pay staff for direct care services. Proper staffing, with lower staff turnover rates, should also lead to better care outcomes reflected in state facility survey inspections and Centers for Medicare and Medicaid (CMS) quality measures.

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## Assumptions and Calculations

**Expansion or alteration of a current program or service:**

None

**Detailed assumptions and calculations:**

See attached – 050 – PL – E4 Nursing Home Rate Increase.xlsx

**Workforce Assumptions:**

See attached – 050 – PL – E4 Nursing Home Rate Increase.xlsx

## Strategic and Performance Outcomes

**Strategic framework:**

**Governor’s Result Washington Goals:**

Goal 4: Healthy and Safe Communities - Fostering the health of Washingtonians for a healthy start to a safe and supported future.

**Agency’s Strategic Plans:**

[050] 1.2: Develop and expand approaches to serve adults who are older, Medicaid recipients and caregivers.

Performance Measures	Incremental Changes 2020	Incremental Changes 2021	Incremental Changes 2022	Incremental Changes 2023
001345 - Percent of long-term services and support clients served in home and community-based settings	0%	0%	0%	0%

**Performance outcomes:**

## Other Collateral Connections

### **Intergovernmental:**

None

### **Stakeholder response:**

Washington Health Care Association – Support  
 LeadingAge Washington – Support  
 Service Employees International Union (SEIU) 775 – Support  
 Long-Term Care Ombuds - Support

### **Legal or administrative mandates:**

None

### **State workforce impacts:**

None

### **State facilities impacts:**

None

### **Changes from current law:**

RCW 74.46.561 will require amendment to address the new rebase cycle and include language regarding the inflation factor. Agency request legislation will be submitted.

### **Puget Sound recovery:**

Not Applicable

## Reference Documents

[050-PL-E4 Nursing Home Rate Increase.xlsx](#)

## IT Addendum

### **Does this Decision Package include funding for any IT-related costs, including hardware, software, (including cloud-based services), contracts or IT staff?**

No

## Objects of Expenditure

Objects of Expenditure <i>Dollars in Thousands</i>	Fiscal Years		Biennial	Fiscal Years		Biennial
	2020	2021	2019-21	2022	2023	2021-23
Obj. N	\$0	\$29,052	<b>\$29,052</b>	\$26,564	\$966	<b>\$27,530</b>

## Agency Contact Information

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