

AGING AND LONG TERM SUPPORT ADMINISTRATION



Delay Nursing Home Rebase

2015-17 BIENNIAL BUDGET

Reduction Option	FY16	FY17	15-17
FTE	0	0	0
GF-State	(\$29,305,000)	(\$29,473,000)	(\$58,778,000)
Total	(\$58,634,000)	(\$58,969,000)	(\$117,603,000)

REDUCTION OPTION SUMMARY

As required by 2015-17 Biennial Budget Instructions, the Aging and Long Term Support Administration (AL TSA) is submitting the following reduction option that would delay the nursing home Medicaid rate rebase required under RCW 74.46 from July 1, 2015 to July 1, 2017. This option would require statutory changes. By implementing this reduction, AL TSA would expect to save \$118 million Total Funds, \$59 million GF-State. It is assumed that delaying the rebase would have no impact on clients unless some nursing facilities would choose to close. If nursing homes closed, clients would continue to receive services but would have to relocate to a different facility.

REDUCTION OPTION DETAIL

Skilled nursing facility services are a Medicaid entitlement for all individuals that meet the functional and financial eligibility standards. About 10,000 AL TSA clients currently receive skilled nursing facility services. Many others eligible for skilled nursing services choose to receive services in their home or a community based residential setting instead of a nursing home facility. For over 20 years, the nursing home caseload has steadily declined due to concerted efforts by the State of Washington to rebalance the Medicaid system and promote client choice with emphasis on home and community-based services. The recent forecast for the nursing home caseload is predicting a slight increase for the first time in many years. This is due to the dramatic increase in the aging population and is an unavoidable effect of the changing demographics in Washington and the nation overall.

Each nursing facility receives an individualized Medicaid daily rate for the services they provide AL TSA clients. Rates are based generally on a facility's costs, its occupancy level, and the level of care needed by its residents. Six "core" rate components have existed for years. The core rates are also called "operational components," which include direct care, operations, therapy care, and support services. The "property components" include the property and financing allowance. Other minor components and temporary rate add-ons bring the total number of components for the current Fiscal Year to 16.

Nursing homes are required to submit an annual Medicaid cost report. The report is due by March 31 of each year and covers the preceding calendar year. In calculating the current Medicaid rates for Fiscal Year 2015, the operational



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components are based on the 2007 cost reports while the property components are based on the 2013 cost reports. The statute currently provides that the operational components of the Fiscal Year 2016 rates will be “rebased” to the 2013 cost reports, while the property components will be “rebased” to the 2014 cost reports.

Nursing home Medicaid rates are said to be “based” on the calendar year cost report used to calculate them. “Rebasing” rates is the shift from using the cost report of one calendar year to using the cost report of another calendar year. Currently, the nursing home rate statute, Ch. 74.46 RCW, provides for the “rebasings” of the operational components of the rate from the 2007 to the 2013 calendar year cost reports effective in Fiscal Year 2016. Thus, this proposal would require one or more legislative amendments changing the rebase years. Traditionally, the property components of the rate have been “rebased” every year.

This scenario assumes that the comparison add-on (CA) and acuity add-on (AA) are not continued into the next biennium. Current law does not extend them beyond June 30, 2015, so no statutory change is necessary for those add-on components to end; see Sec. 206 (b) and (c) of the operating budget, and the footnote to RCW 74.46.431. The automatic case mix acuity increase of 0.5 percent each year also ends in Fiscal Year 2015; see RCW 74.46.501 (6)(a). The Safety Net Assessment (SNA) would continue in place at its current rates in Fiscal Year 2016 and 2017.

STAKEHOLDER IMPACT

Washington Health Care Association and Leading Age Washington, the state’s two largest nursing home associations, will be strongly opposed. SEIU 775NW represents workers at about 20 percent of the facilities and will likely oppose a delay in the rebase. However, the current methodology for calculating rates is complex and changes can affect different facilities in markedly different ways. It may seem counter-intuitive, but even a rebase for the operational components from one cost year to another, including the currently scheduled one from 2007 to 2013, can result in both rate increases and rate decreases among the facilities.



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