



Summary of Hospital Safety Net Assessment Legislation, 2010

Intent of the legislation: The legislation is intended to provide for a safety net assessment, which will be used to augment funding from other sources and obtain additional federal funds to support increased payments to hospitals for Medicaid services. The total amount assessed will not exceed the amount needed to support the increased reimbursement rates. The assessment is conditioned on continuation of state and federal funding sufficient to maintain rates at least at the levels in effect June 2009 and on receiving federal approval for additional federal funding.

The Hospital Safety Net Assessment Fund: The legislation creates a dedicated fund called the Hospital Safety Net Assessment Fund. The Fund's purpose is to receive and disburse funds to carry out the purposes of the assessment, including \$32 million in state funds to avoid the additional Medicaid cut assumed in the Governor's budget. The legislation prohibits using monies in the Fund (including interest) for any other purposes. Any balance remaining at the end of a biennium will be used to reduce the amount of the assessment in the following biennium. The Department of Social and Health Services ("Department") receives funding for administering the program. When the legislation expires, any amounts remaining in the Fund will be refunded to hospitals.

Requirements: The legislation cannot take effect unless the following occurs:

- The state withdraws its pending State Plan Amendment previously submitted to the Centers for Medicare & Medicaid Services reducing hospital rates;
- The Centers for Medicare & Medicaid Services approves the hospital safety net assessment program; and
- State contracts with managed care plans are amended.

Protections: The program will not continue if any of the following occur:

- An appellate court or the Centers for Medicare & Medicaid Services makes a final determination that any major element of the legislation cannot be implemented;
- Medicaid inpatient or outpatient payment rates for hospitals are reduced below the reimbursement rates established in the legislation;
- The increased payments to hospitals are not eligible for federal matching funds;
- The state appropriates adequate funds to support the increased rates without the assessment;
- Other funding available is not sufficient to maintain hospital Medicaid rates and small rural disproportionate share payments at the levels in effect on July 2009; or
- If the fund is used as a substitute for or to supplant other funds.

In addition, the legislation must be implemented in full. In general, unless every part of the legislation is implemented, the entire legislation is invalid. (In other words, the provisions in the legislation are not severable.) If the legislation is implemented but later unable to go forward, validly implemented prior assessments and payments will not be affected.

ASSESSMENT LEVELS AND PAYMENT INCREASES

The legislation specifies assessment levels and payment increases for each category of hospital. Assessments are based on non-Medicare patient days. Payment increases are given through increased Medicaid rates, or are provided through the small rural disproportionate share hospital program or access payments. The assessment will change as the federal Medicaid matching rate changes. WSHA has produced additional documents detailing the assessment levels and payment increases

Adjustments to assessment levels: The assessment may be adjusted each fiscal year in the following situations:

- (1) If sufficient other funds, including any increase in federal funding, are available to support the increased reimbursement rates and payments, the Department will reduce the assessment levels for prospective payment system, psychiatric, and rehabilitation hospitals.
- (2) Once each fiscal year, the Department may adjust the assessment amount to account for forecasting errors. For example, if the caseload or costs of care are higher than budgeted, the Department is authorized to increase the assessment levels for prospective payment system, psychiatric, and rehabilitation hospitals in order to make up the shortfall. This mechanism prevents the system from failing due to forecasting errors.

Information about adjustments to assessments: The Department must submit any adjustment to the assessment amounts and the data supporting the adjustment to the Washington State Hospital Association (WSHA) for review and comment at least sixty days prior to implementation. WSHA's review and comment does not limit WSHA's ability or its members' ability to challenge an adjustment or other action by the Department not made in accordance with the legislation.

Managed care program (Healthy Options): The Department will amend its contracts with managed care organizations in keeping with the legislation. The Department will adjust payments to the managed care organizations to provide for additional payments to hospitals at enhanced rates for services rendered between July 2009 and January 2010. For dates of service after February 2010, the payments to the managed care organizations will reflect the higher Medicaid payment rates. For managed care payments owed to hospitals for July 2009 through January 2010 and for the additional increase in payments effective February 1 but not approved by the Centers for Medicare and Medicaid Services until later in 2010, the Department will calculate the specific dollar value of the enhanced hospital rates for each managed care organization and hospital and require the managed care organizations to pay each hospital the calculated amount within 30 days after receiving the funds.

Patient protection: The assessment will be part of the operating overhead of hospitals. Hospitals may not bill or otherwise pass on the cost of the assessment to patients.

Collecting the assessment: Each quarter, the Department will send notices to each hospital detailing the hospital's non-Medicare inpatient days and the assessment amount due and payable.

These notices will be sent at least thirty days prior to the payment due date. There will be interest levied on late payments.

Exemptions: The following hospitals are not included in the assessment: hospitals owned or operated by an agency of federal or state government, including but not limited to Western State Hospital and Eastern State Hospital; Washington public hospitals that participate in the certified public expenditure program; hospitals that do not charge for hospital services; and long-term acute care hospitals.

OTHER PROVISIONS

Annual reports: By November of each year, the Department will provide WSHA a report detailing the Fund balance, the amount of assessment paid by each hospital, Medicaid fee-for service payments for inpatient and outpatient hospital services, and Medicaid Healthy Options payments for inpatient and outpatient hospital services.

Sunset: The legislation expires on July 1, 2013.

Effective date: The legislation contains an “emergency clause,” which means it will take effect immediately.

Full text: The full text of the legislation is posted on the front page of WSHA’s website at www.wsha.org.

Cassie Sauer
cassies@wsha.org, 206/216-2538

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