



Hospital Safety Net Assessment Program

Background

The Medicaid program significantly underpays hospitals for the costs of providing services to its clients. This creates financial problems for Washington's safety net hospitals, which provide services to a significant proportion of Medicaid patients.

In 2010, to help support safety net providers following a \$400 million budget cut to Medicaid rates during the recession, Washington State enacted a hospital-supported assessment program. This program assesses hospitals and then uses the funds to augment the state contribution for Medicaid payment. This enables the state to obtain additional federal matching funds for hospital services. Depending on the hospital type, hospitals receive Medicaid supplemental fee-for-service or grants and managed care payments and, where appropriate, Small Rural DSH program payments. Hospitals also receive payments from the Medicaid Quality Incentive Program, which provides a one percent Medicaid inpatient payment rate increase for hospitals that meet quality and financial reporting criteria.

In addition to supporting payments for Medicaid services, the assessment provides significant additional revenue for the state general fund. It also supports family practice residencies and training for integrated behavioral health care.

In 2012, hospitals worked with the legislature to reformulate the program. The program currently provides approximately \$146 million per year to hospitals, and about \$146 million to the state general fund. The program is currently set to expire on July 1, 2021 but needs to be extended for another two years to meet the state's four-year budget outlook requirements.

WSHA Position

WSHA strongly supports extension of the Hospital Safety Net Assessment program. The funding provided by the program is urgently needed for hospitals to meet the needs of Medicaid patients in their communities. The program also provides additional revenue for the state.

Key Messages

- The Hospital Safety Net Assessment program provides about \$146 million in funding for hospital services for Medicaid patients and about \$146 million in additional revenue to the state general fund.
- The program requires no state funds. The funding comes from assessments from hospitals and federal match.
- The expiration date of the safety net program must be extended to meet state budget requirements, allowing the state to count the revenue in the 4-year balanced budget calculations.
- The bill retains the existing structure of the program. It includes minor changes to assist in the collection of assessments by the Health Care Authority and makes the program more equitable for several hospitals with recent changes in ownership.

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