



**Legislature Reaches Agreement on a 'Go Home' Operating Budget:
Government Shut-down Now Unlikely**

June 30, 2017

The long-awaited, agreed to, Operating Budget, SB 5883, was released by the Senate this morning and it includes some welcome news for LeadingAge Washington members. The funding provisions, as they impact our members, are as follows for the close of the current fiscal year, as well as, the upcoming biennium that begins July 1, 2017 through June 30, 2019.

Statewide Minimum Wage

Over the two fiscal years of the biennium, the Legislature provides \$15.62 million in total funds to increase vendor rates for nursing facilities, assisted living, enhanced adult residential care, adult residential care, adult day health, adult day care and home care agencies. The details of how the funds will be distributed in each of the fiscal years is unknown at this time. However, while it's important that the Legislature has recognized the need to fund the minimum wage mandate, the funding provided is inadequate and will not fully address the cost impacts to members; and it certainly doesn't address the compression impact as a result of having to increase other staff wages.

License Fees

For each of the fiscal years, licensing fees for nursing facilities and assisted living remain at current levels; \$359 per bed for nursing facilities and \$106 per bed for assisted living.

CCRC Registration Fees

CCRC registration fees are unchanged at \$1889 per CCRC.

Joint Legislative Executive Committee on Aging & Disability (JLEC)

The JLEC is authorized to continue its work and it is silent on the continued review of the need to regulate CCRCs.

1115 Waiver

Federal funding is provided in both the Supplemental budget, ending June 30, 2017, and in the Biennial Operating budget to implement the Tailored Supports for Older Adults and Medicaid Alternative Care programs under the state's 1115 waiver. The budget explicitly states that no state funding may be applied to implement these programs but must rely solely on federal funding in the amounts of \$3.68 million for the end of the current fiscal year and \$41.4 million for the upcoming biennium. Supportive housing and employment is also restricted from

accessing state funding to implement this strategy under the 1115 waiver but is provided with \$1.2 million for the current fiscal year and \$2.2 million for the upcoming biennium.

Public Hospital Districts

The nursing facility payment to public hospital districts, located in rural communities, will not be less than their payments existing on June 30, 2016. This holds them “harmless” from the implementation of the new price-based payment system.

Assisted Living, Adult Day Health & Adult Day Care Vendor Rates

The department is authorized to increase vendor rates for assisted living and adult day health and adult day care by 2% on July 1, 2017 through June 30, 2018 and by another 2% on July 1, 2018 through June 30, 2019. Other state programs such as adult family homes, PACE and individual providers will see the same percentage increases in their vendor payments.

Assisted Living Stakeholder Payment Workgroup

The Legislature authorizes the department of social and health services to convene a stakeholder workgroup, including LeadingAge and WHCA, to redesign the payment methodology used to establish assisted living, enhanced adult residential care and adult residential care rates. A report to the appropriate legislative committees is due by November 30, 2017. The methodology must, in significant part, consider and include the following elements:

- Acuity based and rely on the 2003-time study;
- Medians, lids, floors to provide implementation flexibility (recognizes the cost of full implementation will be greater than the state may choose to fund in one appropriation);
- Independent, verifiable data to establish rates;
- Recognize high cost areas, i.e. wage differences; and
- Recommendation on the need to conduct a new time study.

Nursing Facilities

In the Supplemental budget, the statewide average weighted rate has been adjusted slightly downward from \$197.33 to \$196.41 as we close the current fiscal year. This is presumably to recognize lower than anticipated case mix and perhaps case load. For the next two fiscal years, FY 18 and FY 19, the statewide average weighted rate is set at \$201.39 and \$209.35, respectively. July 1, 2017 through June 30, 2019 funding details are as follows based on what we know today:

- Rates will be rebased July 1, 2018 using 2016 cost data. The cost growth, and therefore funding appropriated in the budget for this purpose, was assumed to increase by 3.4% above 2014 cost levels. We know that this level of funding is insufficient as early indicators, based on 2016 cost report data, now suggests a cost increase of between 5-

6%. This is, however, an important achievement and signals the Legislature's intent to honor its commitment to fully rebase rates in 2018. We will work with WHCA during the 2018 session to secure the balance of the funding needed in the 2018 Supplemental budget.

- Nearly \$20 million in total funds has been provided to fund the implementation of SB 5715. As you will recall, this legislation goes into effect on July 23rd and it achieves the following important changes to the nursing facility payment system:
 - Eliminates the acuity penalty on the PA1-PB2 behavior groups and the PC1-PE2 groups (this continues the penalty of up to a 13% reduction on PA1-PB2 non-behavior groups to encourage community placement of nearly 700 clients);
 - Continues the 118% cap on allowable direct care costs, based on 2014 cost data, to partially fund the removal of the acuity penalty on the above-mentioned groups. Exempt from the cap are facilities that are below the minimum staffing requirements of 3.4 hprd.
 - Adjusts the weights for BA1-BB2 groups affecting cognitive and behavioral clients to ensure access to appropriate care.
 - Corrects the reference to the latest MDS in use to 3.05 and references the 57 (not 44) RUG groups.

The Senate Ways & Means Committee is hearing this and other fiscal related bills this morning. Once the bill is passed out of Committee it will be considered by the full Senate later today. After passing out of the Senate, the Operating budget will be transmitted to the House where it will be heard in the Appropriations Committee and then moved to the floor for action by the full House. To avoid a government shut-down, both chambers must pass the budget by midnight tonight. At this point in time, the four caucuses have been briefed on the budget and an agreement has been reached. This is the "go home" budget and, barring technical corrections, the budget will not be amended.

We will keep you apprised of details as they are learned. Should you have questions, please contact me or LeighBeth at the office.