



March 27, 2015

Dear LeadingAge Washington Members:

Earlier today Representative Hunter, Chair of the House Appropriations Committee, held a press conference to outline his proposed July 2015 through June 2017 (15/17) biennial state operating budget.

In a two-year budget that projects to spend 15.3 percent more than the current biennium budget, he proposed \$3.4 billion in additional spending for K-12 education (a 21% increase over the last biennium), an additional \$256 million in funding for colleges, \$100 million for mental health treatment and services, \$253 million for state employee compensation and benefits, and more. His proposal addresses, in part, a few recent court mandates the state faces, first reversing the underfunding of schools and then funding a mental health treatment system.

The plan includes an assumption of \$1.5 billion in revenue increases. This is achieved through imposing a 5 percent tax on capital gains profits; repealing B&O tax exemptions for travel agents, tour operators, resellers of prescription drugs, and royalty income earned on the use of intangible property; repealing tax exemptions of extracted fuel & bottled water; and limiting non-resident sales tax exemptions to items with a purchase price over \$25. The plan also relies on using \$466 million from the fund balance, \$237 million in funding transfers, and a savings related to a proposed amendment to Initiative 1351 (Class-size initiative).

With regard to Long Term Services and Supports (LTSS), the House Operating Budget proposal provides:

- 1) No budgeted changes to Adult Day Health or PACE.
- 2) The Home Care Worker Collective Bargaining Agreement is fully funded at \$116 million
- 3) Adult Family Homes Collective Bargaining Agreement is fully funded. They receive a rate increase of 5 percent over the current rate in the first year and 10 percent over the current rate in second year. License fees are raised from \$225 to \$325.
- 4) Assisted Living, including adult residential care and enhanced adult residential care, receive a 2.5 percent rate increase in the first year. License fees are not increased.
- 5) Funding and staff are provided to support the ProviderOne Phase II implementation for the payment system to home and community based providers.
- 6) The skilled nursing facility beds at Lakeland Village are closed and funding is provided for 60 placements to other nursing facilities.
- 7) The safety net assessment fee continues at \$21 per day, however, \$7.4 million of the revenue garnered from the fee is appropriated outside the nursing facility program. Nursing facility rates will remain based on the current payment methodology until June 30, 2016. Beginning July 1, 2016, the system will convert to a flat rate methodology with four components: Direct Care, Indirect Care, Capital, and Quality. Direct Care will be established at the median, acuity adjusted and settled. The budget provides funding for the implementation of HB 1274 which is the price-based payment study design bill.
- 8) Nursing facility bed licensing fees are not increased.
- 9) The LTSS financing study and actuarial modeling of two options is funded at \$400,000.

[Click here](#) for 2015-17 budget highlights, and [here](#) for the detailed document, known as a Recommendation Summary, addressing long term care on page 99.

The Democratic controlled House proposed budget is the second budget in the process. The House Appropriations Committee will hold a public hearing on the proposed operating budget, HB 1106, on Monday, March 30th at 1:30 pm. The Republican controlled Senate is likely to release a budget proposal next week. Debate will ensue before a final budget is agreed to between Democrats who say new revenue is needed and Republicans who are skeptical of tax increases.

If you have any questions, please contact Deb Murphy, CEO or Carma Matti-Jackson, Director of Financial & Integrated Services, via email or by phone at (253) 964-8870.