ISSUE: Support SB 5526/HB 1571 Regarding Skilled Nursing Facility Medicaid Funding

PROBLEM:

Washington skilled nursing facilities (SNFs) are purpose-built facilities designed to support patients who require post-hospital rehabilitation and long-term care services. Also known as nursing homes, or nursing facilities, this post-acute setting is intended to support patients discharging from hospitals by providing nursing services, rehabilitation, occupation and physical therapy, and personal care supports that help people improve functioning and return to home or to a less medically intensive home and community-based care setting like assisted living and adult family homes. Some nursing home patients have long-term placements, as health care needs are too extensive for care in other settings. Here’s a chart comparing the settings.

Hospitals are reporting alarming backlogs of patients who are ready to be discharged but cannot because there are limited available placement options, particularly in skilled nursing facilities that report crippling staff shortages. The resulting backups in the emergency room are unprecedented. Access to critically important hospital care is limited for people with urgent, debilitating medical conditions.

There is a direct connection between the hospital bed crisis and skilled nursing facility Medicaid funding. A worker exodus driven by the COVID-19 pandemic is compounded by other conditions that are impacting access to workers. The LTC workforce is disproportionately older, work in skilled nursing facilities is physically and emotionally demanding, low Medicaid funding levels have stifled wages. Skilled nursing facilities are now forced to limit admissions from hospitals because they do not have staff available to provide care. One-time funding adopted in last year’s supplemental budget is helpful in the short term but does not address the current health system crisis that is affecting families throughout Washington.

WHAT’S DRIVING THIS CRISIS?

It is clear that the long-term care workforce must be elevated in order solve the current staffing crisis, and to ensure Washington is ready to meet the care needs of the surging population aging into long-term care. There are structural, payment and policy barriers that are driving this crisis, and there is no clear policy direction to address this problem.

Because of these structural rate problems, there was over $620 million in uncompensated Medicaid care during the past five years, based on DSHS’s own analysis. These conditions make it impossible for providers to compete for nurses, caregivers, and the other staff necessary to provide the skilled nursing facility level of care.

Current Medicaid funding is established using cost report data from 2020. Here’s a quick explanation of the rate setting process. Under the current statutory requirements for a biennial rates rebase, skilled nursing facility Medicaid rates would continue to be set using 2020 cost data until June 30, 2024. Under current law, rates would lag by 3.5 years before being updated. There is a flat add-on rate for inflation that is not tied to cost growth.

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WHAT'S DRIVING THIS CRISIS? (continued)
Because of extensive cost reporting requirements, historical rates data must be used to set funding levels. Amending the nursing facility Medicaid payment statute to an annual rebase would update Medicaid rates to 2021 costs on July 1, 2023. Establishing an inflation index would allow rates to catch up to actual costs at the beginning of each rate year.

SOLUTION: SB 5526/HB1571
Stakeholders including DSHS and other advocates have been at the table since last session, working to develop and advance a policy and budget solution to this unprecedented crisis. This legislation sets a policy direction that will elevate worker’s wages and fix chronic structural payment issues that have constrained operations and limited access to care.

This legislation establishes policies to:

- Update Medicaid rates on an annual basis rather than every two years: Starting July 1, 2023, rates would be updated to 2021 cost data.
- Establish an annual inflation adjustment to recognize cost growth that occurs between the historical base year and current year.
- Permanently target new funding to low-wage workers to elevate the careers and lives of certified nurse assistants, housekeeping staff and other low wage occupations. This funding was provided on a one-time basis by the 2022 legislature and is desperately needed to continue funding that makes an investment in the workers who provide care.
- Provides authorization for DSHS to switch to the new CMS required acuity data system to set payments.

Costs are always at least two years behind rates; an inflationary adjustment closes this gap.