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**HOUSE BILL 1316**

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AS AMENDED BY THE SENATE

Passed Legislature - 2021 Regular Session

**State of Washington**                      **67th Legislature**                      **2021 Regular Session**

**By** Representatives Cody, Macri, Duerr, Santos, Bateman, and Lekanoff

Read first time 01/20/21. Referred to Committee on Appropriations.

1            AN ACT Relating to the hospital safety net assessment; amending  
2 RCW 74.60.005, 74.60.020, 74.60.090, and 74.60.901; and providing an  
3 expiration date.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5            **Sec. 1.** RCW 74.60.005 and 2019 c 318 s 1 are each amended to  
6 read as follows:

7            (1) The purpose of this chapter is to provide for a safety net  
8 assessment on certain Washington hospitals, which will be used solely  
9 to augment funding from all other sources and thereby support  
10 additional payments to hospitals for medicaid services as specified  
11 in this chapter.

12            (2) The legislature finds that federal health care reform will  
13 result in an expansion of medicaid enrollment in this state and an  
14 increase in federal financial participation.

15            (3) In adopting this chapter, it is the intent of the  
16 legislature:

17            (a) To impose a hospital safety net assessment to be used solely  
18 for the purposes specified in this chapter;

19            (b) To generate approximately one billion dollars per state  
20 fiscal biennium in new state and federal funds by disbursing all of  
21 that amount to pay for medicaid hospital services and grants to

1 certified public expenditure and critical access hospitals, except  
2 costs of administration as specified in this chapter, in the form of  
3 additional payments to hospitals and managed care plans, which may  
4 not be a substitute for payments from other sources, but which  
5 include quality improvement incentive payments under RCW 74.09.611;

6 (c) To generate two hundred ninety-two million dollars per  
7 biennium during the ((2019-2021 and)) 2021-2023 and 2023-2025 biennia  
8 in new funds to be used in lieu of state general fund payments for  
9 medicaid hospital services;

10 (d) That the total amount assessed not exceed the amount needed,  
11 in combination with all other available funds, to support the  
12 payments authorized by this chapter;

13 (e) To condition the assessment on receiving federal approval for  
14 receipt of additional federal financial participation and on  
15 continuation of other funding sufficient to maintain aggregate  
16 payment levels to hospitals for inpatient and outpatient services  
17 covered by medicaid, including fee-for-service and managed care, at  
18 least at the rates the state paid for those services on July 1, 2015,  
19 as adjusted for current enrollment and utilization; and

20 (f) For each of the two biennia starting with fiscal year  
21 ((2020)) 2022 to generate:

22 (i) Four million dollars for new integrated evidence-based  
23 psychiatry residency program slots that did not receive state funding  
24 prior to 2016 at the integrated psychiatry residency program at the  
25 University of Washington; and

26 (ii) Eight million two hundred thousand dollars for family  
27 medicine residency program slots that did not receive state funding  
28 prior to 2016, as directed through the family medicine residency  
29 network at the University of Washington, for slots where residents  
30 are employed by hospitals.

31 **Sec. 2.** RCW 74.60.020 and 2019 c 318 s 3 are each amended to  
32 read as follows:

33 (1) A dedicated fund is hereby established within the state  
34 treasury to be known as the hospital safety net assessment fund. The  
35 purpose and use of the fund shall be to receive and disburse funds,  
36 together with accrued interest, in accordance with this chapter.  
37 Moneys in the fund, including interest earned, shall not be used or  
38 disbursed for any purposes other than those specified in this

1 chapter. Any amounts expended from the fund that are later recouped  
2 by the authority on audit or otherwise shall be returned to the fund.

3 (a) Any unexpended balance in the fund at the end of a fiscal  
4 year shall carry over into the following fiscal year or that fiscal  
5 year and the following fiscal year and shall be applied to reduce the  
6 amount of the assessment under RCW 74.60.050(1)(c).

7 (b) Any amounts remaining in the fund after July 1, (~~2023~~)  
8 2025, shall be refunded to hospitals, pro rata according to the  
9 amount paid by the hospital since July 1, 2013, subject to the  
10 limitations of federal law.

11 (2) All assessments, interest, and penalties collected by the  
12 authority under RCW 74.60.030 and 74.60.050 shall be deposited into  
13 the fund.

14 (3) Disbursements from the fund are conditioned upon  
15 appropriation and the continued availability of other funds  
16 sufficient to maintain aggregate payment levels to hospitals for  
17 inpatient and outpatient services covered by medicaid, including fee-  
18 for-service and managed care, at least at the levels the state paid  
19 for those services on July 1, 2015, as adjusted for current  
20 enrollment and utilization.

21 (4) Disbursements from the fund may be made only:

22 (a) To make payments to hospitals and managed care plans as  
23 specified in this chapter;

24 (b) To refund erroneous or excessive payments made by hospitals  
25 pursuant to this chapter;

26 (c) For one million dollars per biennium for payment of  
27 administrative expenses incurred by the authority in performing the  
28 activities authorized by this chapter;

29 (d) For two hundred ninety-two million dollars per biennium, to  
30 be used in lieu of state general fund payments for medicaid hospital  
31 services, provided that if the full amount of the payments required  
32 under RCW 74.60.120 and 74.60.130 cannot be distributed in a given  
33 fiscal year, this amount must be reduced proportionately;

34 (e) To repay the federal government for any excess payments made  
35 to hospitals from the fund if the assessments or payment increases  
36 set forth in this chapter are deemed out of compliance with federal  
37 statutes and regulations in a final determination by a court of  
38 competent jurisdiction with all appeals exhausted. In such a case,  
39 the authority may require hospitals receiving excess payments to  
40 refund the payments in question to the fund. The state in turn shall

1 return funds to the federal government in the same proportion as the  
2 original financing. If a hospital is unable to refund payments, the  
3 state shall develop either a payment plan, or deduct moneys from  
4 future medicaid payments, or both;

5 (f) To pay an amount sufficient, when combined with the maximum  
6 available amount of federal funds necessary to provide a one percent  
7 increase in medicaid hospital inpatient rates to hospitals eligible  
8 for quality improvement incentives under RCW 74.09.611. By May 16,  
9 2018, and by each May 16 thereafter, the authority, in cooperation  
10 with the department of health, must verify that each hospital  
11 eligible to receive quality improvement incentives under the terms of  
12 this chapter is in substantial compliance with the reporting  
13 requirements in RCW 43.70.052 and 70.01.040 for the prior period. For  
14 the purposes of this subsection, "substantial compliance" means, in  
15 the prior period, the hospital has submitted at least nine of the  
16 twelve monthly reports by the due date. The authority must distribute  
17 quality improvement incentives to hospitals that have met these  
18 requirements beginning July 1 of 2018 and each July 1 thereafter; and

19 (g) For each state fiscal year ((2020)) 2022 through ((2023))  
20 2025 to generate:

21 (i) Two million dollars for integrated evidence-based psychiatry  
22 residency program slots that did not receive state funding prior to  
23 2016 at the integrated psychiatry residency program at the University  
24 of Washington; and

25 (ii) Four million one hundred thousand dollars for family  
26 medicine residency program slots that did not receive state funding  
27 prior to 2016, as directed through the family medicine residency  
28 network at the University of Washington, for slots where residents  
29 are employed by hospitals.

30 **Sec. 3.** RCW 74.60.090 and 2019 c 318 s 6 are each amended to  
31 read as follows:

32 (1) In each fiscal year commencing upon satisfaction of the  
33 applicable conditions in RCW 74.60.150(1), funds must be disbursed  
34 from the fund and the authority shall make grants to certified public  
35 expenditure hospitals, which shall not be considered payments for  
36 hospital services, as follows:

37 (a) University of Washington medical center: ((Ten million five  
38 hundred fifty-five thousand dollars in state fiscal year 2020 and  
39 up)) Up to twelve million fifty-five thousand dollars in state fiscal

1 year ((2021)) 2022 through ((2023)) 2025 paid as follows, except if  
2 the full amount of the payments required under RCW 74.60.120(1) and  
3 74.60.130 cannot be distributed in a given fiscal year, the amounts  
4 in this subsection must be reduced proportionately:

5 (i) ((Four)) Five million ((four)) nine hundred fifty-five  
6 thousand dollars in state fiscal years ((2020)) 2022 through ((2023,  
7 ~~except that from state fiscal year 2021 through 2023, if northwest~~  
8 ~~hospital is ineligible to participate in this chapter as a~~  
9 ~~prospective payment hospital, the amount per state fiscal year must~~  
10 ~~be five million nine hundred fifty-five thousand dollars)) 2025;~~

11 (ii) Two million dollars to integrated, evidence-based psychiatry  
12 residency program slots that did not receive state funding prior to  
13 2016, at the integrated psychiatry residency program at the  
14 University of Washington; and

15 (iii) Four million one hundred thousand dollars to family  
16 medicine residency program slots that did not receive state funding  
17 prior to 2016, as directed through the family medicine residency  
18 network at the University of Washington, for slots where residents  
19 are employed by hospitals;

20 (b) Harborview medical center: Ten million two hundred sixty  
21 thousand dollars in each state fiscal year ((2020)) 2022 through  
22 ((2023)) 2025, except if the full amount of the payments required  
23 under RCW 74.60.120(1) and 74.60.130 cannot be distributed in a given  
24 fiscal year, the amounts in this subsection must be reduced  
25 proportionately;

26 (c) All other certified public expenditure hospitals: Five  
27 million six hundred fifteen thousand dollars in each state fiscal  
28 year ((2020)) 2022 through ((2023)) 2025, except if the full amount  
29 of the payments required under RCW 74.60.120(1) and 74.60.130 cannot  
30 be distributed in a given fiscal year, the amounts in this subsection  
31 must be reduced proportionately. The amount of payments to individual  
32 hospitals under this subsection must be determined using a  
33 methodology that provides each hospital with a proportional  
34 allocation of the group's total amount of medicaid and state  
35 children's health insurance program payments determined from claims  
36 and encounter data using the same general methodology set forth in  
37 RCW 74.60.120 (3) and (4).

38 (2) Payments must be made quarterly, before the end of each  
39 quarter, taking the total disbursement amount and dividing by four to  
40 calculate the quarterly amount. The authority shall provide a

1 quarterly report of such payments to the Washington state hospital  
2 association.

3       **Sec. 4.** RCW 74.60.901 and 2019 c 318 s 8 are each amended to  
4 read as follows:

5       This chapter expires July 1, (~~2023~~) 2025.

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