

Rates established for ancillary charges during hospital administrative days

Implementation of 2SSB 5103

Second Substitute Senate Bill 5103; Section 2; Chapter 315; Laws of 2023

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Executive summary

This report was written in response to Second Substitute Senate Bill (2SSB) 5103, Section 2, which mandates that:

By December 1, 2023, the health care authority shall submit a report to the fiscal committees of the legislature containing information about the rate established in RCW 74.09.520(12) and the services that are included in the rate.

The services outlined in RCW 74.09.520(12) are as follows:

(a) The authority shall require or provide payment to the hospital for any day of a hospital stay in which an adult or child patient enrolled in medical assistance, including home and community services or with a medicaid managed care organization, under this chapter:

(i) Does not meet the criteria for acute inpatient level of care as defined by the authority.

(ii) Meets the criteria for discharge, as defined by the authority or department, to any appropriate placement including, but not limited to:

(A) A nursing home licensed under chapter **18.51** RCW.

(B) An assisted living facility licensed under chapter **18.20** RCW.

(C) An adult family home licensed under chapter **70.128** RCW; or

(D) A setting in which residential services are provided or funded by the developmental disabilities administration of the department, including supported living as defined in RCW **71A.10.020**; and

(iii) Is not discharged from the hospital because placement in the appropriate location described in (a)(ii) of this subsection is not available.

(b) The authority shall adopt rules identifying which services are included in the payment described in (a) of this subsection and which services may be billed separately, including specific revenue codes or services required on the inpatient claim.

(c) Allowable medically necessary services performed during a stay described in (a) of this subsection shall be billed by and paid to the hospital separately. Such services may include but are not limited to hemodialysis, laboratory charges, and x-rays.

(d) Pharmacy services and pharmaceuticals shall be billed by and paid to the hospital separately.

(e) The requirements of this subsection do not alter requirements for billing or payment for inpatient care.

(f) The authority shall adopt, amend, or rescind such administrative rules as necessary to facilitate calculation and payment of the amounts described in this subsection, including for clients of medicaid managed care organizations.

(g) The authority shall adopt rules requiring medicaid managed care organizations to establish specific and uniform administrative and review processes for payment under this subsection.

(h) For patients meeting the criteria in (a)(ii)(A) of this subsection, hospitals must utilize swing beds or skilled nursing beds to the extent the services are available within their facility and the associated reimbursement methodology prior to the billing under the methodology in (a) of this subsection, if the hospital determines that such swing bed or skilled nursing bed placement is appropriate for the patient's care needs, the patient is appropriate for the existing patient mix, and appropriate staffing is available.

Administrative day stays

Washington State Apple Health currently provides payment when a patient is eligible for discharge but cannot be discharged for any number of reasons. These patients are often called “difficult to discharge” or “complex discharge” patients. The reasons they are unable to be discharged may include:

- Lack of suitable nursing home placement for the patient.
- The patient’s house is not adequately equipped.
- The patient does have a safe place to discharge to.

These additional payment days are called administrative days and are paid at a per diem rate. The per diem is based on the statewide weighted average nursing home rate. As of November 1, 2023, the rate is \$359.97 per day.

In addition to the per diem, hospitals can bill for any pharmaceuticals provided to the patient during their stay. 2SSB 5103 required the Health Care Authority (HCA) to identify other ancillary services that could be paid separately from the per diem rate and establish a rate to pay for those services.

Services and rates

Services

The clinical team at HCA reviewed services billed with administrative day claims during the state fiscal year 2022. Currently, these services are denied. Clinical staff determined the services that needed to be included in the per diem rate. These were often services that a client in a nursing home would receive at a local hospital. They are services generally not available at skilled nursing facilities.

The services determined to qualify to be separately payable are:

- Labs
- Radiology
- Computed Tomography (CT) scans
- Physical therapy
- Occupational therapy
- Speech therapy
- Magnetic Resonance Imaging (MRI)
- Dialysis

Specific billing revenue codes will be published in the HCA inpatient billing guide.

Rates

The Hospital Rates Unit at HCA annually calculates each hospital's cost-to-charge ratio (RCC) using the hospital-specific, most recently available Medicare cost report. This rate is publicly published and utilized in pricing specified services, including critical access hospital services. The RCC allows HCA to reimburse the hospital for the actual cost of providing services. The RCC varies depending on each hospital's specific costs. As of November 1, 2023, RCCs for non-critical access hospitals range from 16 to 63.9 percent. Critical access hospital RCCs range from 25.08 to 336.96 percent. Hospital-specific rates can be found on [HCA's hospital rates website](#).

HCA determined that using RCC to pay for ancillary services provided during the administrative stay was most consistent with the existing payment methodology for pharmaceuticals provided during an administrative stay. It also provides for cost-based reimbursement of ancillary services. Hospitals will bill these services with the administrative stay and be reimbursed a ratio of cost to charges. For example, a hospital with a 35 percent RCC would be reimbursed \$35 for a covered service billed to HCA for \$100. Other inpatient hospital services are paid using various methods, including RCC, per diem, and Diagnosis Related Grouping. In acute hospital stays, the additional services are paid using RCC or included in a bundled or per diem payment. Bundled and per diem payment rates are set using hospital costs and patient care needs.

Managed care organizations (MCOs) that deliver Apple Health (Medicaid) services are contractually required to pay no less than HCA's published fee for service rates. Therefore, the published RCC payment will be the minimum amount an MCO can pay for the same covered ancillary service.

Next steps

Federal approval

Federal approval was received from the Center for Medicare and Medicaid Services on December 7, 2023, for a January 1, 2024 effective date. The rates and services are payable for dates of service beginning on January 1, 2024.

State rules

The Washington Administrative Code (WAC) updates have been completed to WAC [182-550-4550](#).