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**HOUSE BILL 1123**

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**State of Washington 69th Legislature 2025 Regular Session**

**By** Representative Macri; by request of Health Care Authority

AN ACT Relating to ensuring access to primary care, behavioral health, and affordable hospital services; and adding a new section to chapter 41.05 RCW.

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

NEW SECTION. **Sec.**  A new section is added to chapter 41.05 RCW to read as follows:

(1) For purposes of this section, "contractor" means a health carrier that provides medical insurance offered to public employees and their covered dependents under this chapter, or a third-party administrator contracted by the authority to provide medical coverage to public employees under this chapter.

(2) Upon a good faith offer from a contractor, a hospital licensed under chapter 70.41 RCW that receives payment for services through any program administered by the authority under chapter 74.09 RCW must contract with that contractor. This subsection does not apply to a hospital owned and operated by a health maintenance organization licensed under chapter 48.46 RCW.

(3) Each contractor, for its health plans that provide medical coverage offered to public employees and their covered dependents, must meet the following requirements:

(a) Beginning January 1, 2027:

(i) Except as provided in (a)(ii) of this subsection, reimbursement to any provider or facility for inpatient and outpatient hospital services may not exceed the lesser of billed charges, the contractor's contracted rate for the provider, or 200 percent of the total amount medicare would have reimbursed for the same or similar services;

(ii) Reimbursement to any provider or facility for inpatient and outpatient hospital services provided at a specialty hospital primarily engaged in the care and treatment of children may not exceed the lesser of billed charges, the contractor's contracted rate for the provider, or 350 percent of the total amount medicare would have reimbursed providers and facilities for the same or similar services;

(iii) Reimbursement for services provided by rural hospitals certified by the centers for medicare and medicaid services as critical access hospitals or sole community hospitals may not be less than 101 percent of allowable costs as defined by the United States centers for medicare and medicaid services for purposes of medicare cost reporting;

(iv) Reimbursement for primary care services, as defined by the authority, may not be less than 150 percent of the amount that would have been reimbursed under the medicare program for the same or similar services; and

(v) Reimbursement for nonfacility-based behavioral health services, as defined by the authority, may not be less than 150 percent of the amount that would have been reimbursed under the medicare program for the same or similar services.

(b) Beginning January 1, 2029:

(i) Except as provided in (b)(ii) of this subsection, reimbursement to any provider or facility for inpatient and outpatient hospital services may not exceed the lesser of billed charges, the contractor's contracted rate for the provider, or 190 percent of the total amount medicare would have reimbursed providers and facilities for the same or similar services; and

(ii) Reimbursement to any provider or facility for inpatient and outpatient hospital services provided at a specialty hospital primarily engaged in the care and treatment of children may not exceed the lesser of billed charges, the contractor's contracted rate for the provider, or 300 percent of the total amount medicare would have reimbursed the providers and facilities for the same or similar services.

(4) Nothing in this section prohibits a contractor from reimbursing a hospital through a nonfee-for-service payment methodology, so long as the payments incentivize higher quality or improved health outcomes and the contractor continues to comply with the reimbursement requirements in this section.

(5) Premiums must take into account changes in reimbursement for hospital, primary care, and behavioral health services anticipated to result from the application of this section.

(6) At the request of the authority for monitoring, enforcement, or program and quality improvement activities, a contractor must provide cost and quality of care information and data to the authority and may not enter into an agreement with a provider or third party that would restrict the contractor from providing this information or data.

(7) By December 31, 2030, the authority, in consultation with the office of the insurance commissioner, shall provide a report to the governor's office and relevant committees of the legislature analyzing the initial impacts of this section on network access, enrollee premiums, and state expenditures for medical coverage offered to public employees under this chapter. The report may include recommendations for legislative changes to the policy established in this section.

(8) The authority may adopt rules to implement this section, including rules for levying fines and taking other contract actions it deems necessary to enforce compliance with this section.

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