
Appropriations Committee

HB 2476

Brief Description: Creating a covered lives assessment professional services rate account.

Sponsors: Representatives Macri, Riccelli, Ramel and Thai.

Brief Summary of Bill

- Establishes the Covered Lives Assessment Professional Services Rate Account.
- Creates a covered-lives assessment on Medicaid managed care organizations and health carriers.
- Increases Medicaid professional services rates to equivalent Medicare rates.

Hearing Date: 2/15/24

Staff: Meghan Morris (786-7119).

Background:

Medicaid.

Medicaid is a federal-state partnership with programs established in the federal Social Security Act and implemented at the state level with federal matching funds. The Health Care Authority (HCA) administers the Medicaid program for health care for low-income state residents who meet certain eligibility criteria. Washington's Medicaid program, known as Apple Health, offers a complete medical benefits package, including prescription drug coverage, to eligible families, children under age 19, low-income adults, certain disabled individuals, and pregnant women. While some clients receive services through the HCA on a fee-for-service basis, the large majority receive coverage for medical services through managed care systems. Managed care is a prepaid, comprehensive system for delivering a complete medical benefits package that is

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available for eligible families, children under age 19, low-income adults, certain disabled individuals, and pregnant women. The HCA contracts with managed care organizations (MCOs) under a comprehensive risk contract to provide prepaid health care services to persons enrolled in a managed care Apple Health plan.

Provider Assessments.

Health care provider-related charges, such as assessments, fees, or taxes, have been used in some states to help fund the costs of the Medicaid program. States collect funds from health care providers and pay them back as Medicaid payments. States use these provider-related payments to claim federal matching funds.

Managed Care Directed Payment Programs.

The Centers of Medicare and Medicaid Services (CMS) governs how states may direct plan expenditures when implementing delivery system and provider payment initiatives under Medicaid MCO contracts. These types of payment arrangements permit states to direct specific payments made by MCOs to providers under certain circumstances and can assist states in furthering the goals and priorities of their Medicaid programs. States must obtain written approval of state-directed payments before approval of the corresponding MCO contracts. States can use permissible funding sources to fund the nonfederal share of state-directed payments, including intergovernmental transfers and provider taxes that comply with federal statute and regulations.

Summary of Bill:

Covered Lives Assessments.

Beginning January 1, 2026, and annually thereafter, the HCA and the Office of the Insurance Commissioner (OIC) must determine the number of covered persons per calendar year and collect a covered lives assessment. The covered lives assessment collected from each Medicaid MCO or health carrier is the proportion of the total assessment amount for the ensuing calendar year (CY) that is represented by the Medicaid MCO or health carrier's proportion of covered lives in this state during the previous CY. For assessments collected in CY 2026:

- the HCA must assess a per member per month assessment of no more than \$18.00 per covered life for Medicaid managed care organizations; and
- the OIC must assess a per member per month assessment of no more than \$0.50 per covered life for health carriers.

Assessments collected in CY 2027 and annually thereafter must be set by the HCA and the OIC at the minimum rate necessary to fund professional services rate increases. The assessments are limited to the first 3 million member months on a per-health carrier basis.

Covered Lives Assessment Professional Services Rate Account.

The Covered Lives Assessment Professional Services Rate Account (Account) is established and requires appropriation. The covered lives assessments, penalties, and interest accrued must be deposited into the Account. Any unexpended balance in the Account at the end of a fiscal year

(FY) carries over into the following FY and is applied to reduce the amount of the assessments.

Funding in the Account is for maintaining professional services payment rates covered by Medicaid, including fee-for-service and managed care, effective January 1, 2026, to no less than the corresponding Medicare rates for those services on October 1, 2023. Rates for subsequent years must be annually adjusted for inflation. The professional services included will be determined by the HCA through rulemaking, and apply to all covered professional services that are delivered by physicians, physician assistants, and advanced registered nurse practitioners.

Disbursements from the Account may be made only:

- to make payments to health care providers and MCOs consistent with federal contracting requirements and direct payments from MCOs to health care providers;
- to Medicaid MCOs for funding the nonfederal share of increased capitation payments based on their projected assessment obligation;
- to refund erroneous or excessive payments made by health carriers and Medicaid MCOs; and
- to repay the federal government for any excess payments made to health care providers if the assessments or payment increases are deemed out of compliance with federal statutes and regulations.

The HCA may require health care providers receiving excess payments to refund the payments in question to the Account. The state in turn shall return funds to the federal government in the same proportion as the original financing. If a health care provider is unable to refund payments, the state shall develop either a payment plan, or deduct moneys from future Medicaid payments, or both.

The assessment, collection, and disbursement of funds are conditioned upon:

- final approval from the CMS;
- contract amendments between the HCA and MCOs, to the extent necessary; and
- Office of Financial Management certification that appropriations are available to fully support the professional services rate increases for the upcoming CY.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.