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## Appropriations Committee

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### HB 1123

**Brief Description:** Ensuring access to primary care, behavioral health, and affordable hospital services.

**Sponsors:** Representatives Macri, Berry, Reed, Fitzgibbon, Alvarado, Callan, Obras, Farivar, Doglio, Simmons, Wylie, Nance, Berg, Ormsby, Lekanoff, Reeves and Hill; by request of Health Care Authority.

#### Brief Summary of Bill

- Requires licensed hospitals that participate in the Medical Care Services programs administered by the Washington State Health Care Authority to contract with the Public Employees Benefits Board (PEBB) and School Employees Benefits Board (SEBB) system carriers upon receipt of a good faith offer.
- Limits reimbursement for inpatient and outpatient services from PEBB and SEBB systems to licensed hospitals, beginning on January 1, 2027.
- Provides different reimbursement limits for children's hospitals, minimum reimbursement limits for primary care and nonfacility-based behavioral health services, and minimum amount of allowable costs floors for Rural Critical Access or Sole Community Hospitals.

**Hearing Date:** 1/27/25

**Staff:** David Pringle (786-7310).

#### Background:

The Washington State Health Care Authority (HCA), through the Public Employees Benefits Board (PEBB), provides medical benefits for employees and dependents of the state and

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participating local governments. PEBB coverage is also available to retired employees of the state and those local governments who purchase active employee benefits through PEBB. The School Employees Benefits Board (SEBB), also administered by the HCA, provides medical benefits for employees of the state's public schools and Educational Service Districts. School employees covered by the provisions of SEBB are covered by the PEBB program as retirees. The PEBB and SEBB health benefit systems cover almost 700,000 lives between employees, retirees, and dependents.

The Uniform Medical Plan (UMP) is a self-insured health plan for Washington state public employees and school employees. The HCA administers the UMP through its Public Employees Benefits Board and School Employees Benefits Board, and provides a choice of several different benefit designs from the UMP, including a high-deductible plan with health savings accounts and accountable care networks. The PEBB and SEBB also provide health plans through health carriers, including fully insured plans, among which members may choose.

Both the UMP and the fully insured plans contract with a wide variety of health benefit providers to ensure access for members of the PEBB and SEBB systems. In recent years, the cost of providing benefits through the UMP or from insurers have been typically increasing by 5 to 7 percent per year for active employees and pre-Medicare retirees, and between 7 and 18 percent for plans covering Medicare-eligible retirees.

### **Summary of Bill:**

A licensed hospital that receives payments from the Medical Care Services programs administered by the Washington State Health Care Authority (HCA) must contract with a health carrier or similar entity providing benefits through the Public Employees Benefits Board and School Employees Benefits Board systems upon receiving a good faith offer.

Beginning January 1, 2027, the reimbursement under these contracts to any provider or facility for inpatient and outpatient hospital services may not:

- exceed 200 percent of the total amount Medicare would have reimbursed;
- exceed 350 percent of the total amount Medicare would have reimbursed at a specialty hospital primarily treating children;
- be less than 101 percent of allowable costs at Rural Critical Access or Sole Community Hospitals as defined by the federal Center for Medicare and Medicaid Services; or
- be less than 150 percent of the amount that would have been reimbursed under the Medicare program for primary care or nonfacility-based behavioral health services.

Beginning January 1, 2029, the reimbursement under these contracts to any provider or facility for inpatient and outpatient hospital services may not:

- exceed 190 percent of the total amount Medicare would have reimbursed; or
- exceed 300 percent of the total amount Medicare would have reimbursed at a specialty hospital primarily treating children.

A health carrier or similar entity must provide HCA with cost and quality of care information, and may not enter into an agreement with a provider or third party that would restrict the provision of data to HCA.

By December 31, 2030, HCA must, in consultation with the Office of the Insurance Commissioner, report to the Governor's Office and the appropriate committees of the Legislature on the impacts of the bill on network access, enrollee premiums, and state expenditures for state and school district employee and retiree coverage.

The HCA may adopt rules to implement the bill, including rules for levying fines and taking other contract actions to enforce compliance.

**Appropriation:** None.

**Fiscal Note:** Requested on January 22, 2025.

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