

HOUSE BILL REPORT

HB 1123

As Reported by House Committee On:
Appropriations

Title: An act relating to ensuring access to primary care, behavioral health, and affordable hospital services.

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 History:

Committee Activity:

Appropriations: 1/27/25, 2/5/25 [DPS].

Brief Summary of Substitute 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 in-network, inpatient, and outpatient services at facilities located in Washington from the PEBB and SEBB systems to licensed hospitals, beginning on January 1, 2027.
- Provides different reimbursement limits for children's hospitals, and minimum reimbursement limits for primary care and nonfacility-based behavioral health services.
- Excludes Rural Hospitals, Critical Access Hospitals, Sole Community Hospitals, and certain hospitals located on islands from the limits on

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

hospital reimbursements.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 19 members: Representatives Ormsby, Chair; Gregerson, Vice Chair; Macri, Vice Chair; Berg, Bergquist, Callan, Cortes, Doglio, Fitzgibbon, Leavitt, Lekanoff, Peterson, Pollet, Ryu, Springer, Stonier, Street, Thai and Tharinger.

Minority Report: Do not pass. Signed by 12 members: Representatives Couture, Ranking Minority Member; Connors, Assistant Ranking Minority Member; Penner, Assistant Ranking Minority Member; Schmick, Assistant Ranking Minority Member; Burnett, Caldier, Corry, Dye, Keaton, Manjarrez, Marshall and Rude.

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 participating local governments. The 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 Substitute 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 for in-network services under these contracts to any provider or facility located in Washington 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 Centers for Medicare and Medicaid Services; or
- be less than the greater of 150 percent of the amount that would have been reimbursed under the Medicare program or the contractor's contracted rate 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.

The reimbursement limits for in-network services from hospital facilities in Washington do not apply to Rural Hospitals, Critical Access Hospitals, or Sole Community Hospitals. The reimbursement limits also do not apply to hospitals located on an island in Skagit County, except for hospitals that are owned or operated by a health system that owns or operates more than one acute care hospital. The reimbursement limits for inpatient and outpatient services do not apply to charges for professional services.

Substitute Bill Compared to Original Bill:

The substitute bill narrows the hospital services reimbursement limits to in-network providers and facilities located in Washington. The substitute bill also specifies that the minimum reimbursement rates for primary care and nonfacility-based behavioral health services are the greater of the Medicare-linked percentage or the contracted rate.

The substitute bill excludes Rural Hospitals, Critical Access Hospitals, and Sole Community Hospitals from the hospital reimbursement limits, and also excludes hospitals located on an island in Skagit County, except for hospitals that are owned or operated by a health system that owns or operates more than one acute care hospital. The substitute bill

also adds an exclusion to the reimbursement limits for inpatient and outpatient charges for professional services.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) This bill is related to a recent study by the Office of the Insurance Commissioner to reduce the cost of the Public Employees Benefits Board (PEBB) and School Employees Benefits Board (SEBB) systems for both the state and employees. Experience from Oregon suggests that this approach will work. The main goals of this bill are to leverage reference pricing, redistribute spending through payment floors, avoid public employees from being caught in contract disputes, and saving the state's and employees' money. Health care costs are like a balloon that keeps inflating. This bill will help with transparency through the reporting provisions. The Washington Education Association is hearing from many frustrated members about access and rising costs for health care. After careful examination and discussion with Oregon teachers, the experience with the process set up by this bill is positive. This is a step towards protecting patients from increased costs for both premiums and out-of-pocket charges. Members are also facing long waiting times. The strategy of directing more payment towards primary care and behavioral health is sound.

(Opposed) This bill has a disproportionate impact on hospitals that serve high proportions of state and school employees, and the impacts are not minor. The cash reserves of the EvergreenHealth hospital system have declined, and providers need positive operating margins to weather events like COVID. Sixty-five percent of commercial payer clients in Whitman County are covered by the PEBB and SEBB systems. The revenue from commercial payers make up for losses from Medicaid and Medicare patients. Cost shifting isn't a great way to do business, but it is the system that exists today. This bill would result in costs being shifted towards small businesses. Not only hospitals, but professional providers that work in hospitals would be impacted by the bill.

(Other) There is a potential under this bill for costs to be shifted from PEBB and SEBB to other insurers, employers, and consumers.

Persons Testifying: (In support) Representative Nicole Macri, prime sponsor; Evan Klein, Health Care Authority; Jared Mason-Gere, Washington Education Association; Jim Freeburg, Patient Coalition of Washington; Nicole Gomez, Washington Federation of State

Employees; Pam MacEwan, Purchasers Business Group on Health; and Emily Brice, Northwest Health Law Advocates.

(Opposed) Chelene Whiteaker, Washington State Hospital Association; Lisa Thatcher, Washington State Hospital Association; Ashley Thurow, Providence Health and Services; Chris Bredesen, EvergreenHealth; Matt Forge, Pullman Regional Hospital; Emily Wittman, Association of Washington Business; and Malorie Toman, Washington State Medical Association.

(Other) Jennifer Ziegler, Association of Washington Health Care Plans.

Persons Signed In To Testify But Not Testifying: None.