HOUSE BILL REPORT
ESSB 5124

As Reported by House Committee On:
Health Care & Wellness

Title: An act relating to increasing patient access to timely and medically necessary postacute care by establishing network adequacy standards for nursing homes and inpatient rehabilitation facilities within managed care contracts for medical assistance programs.

Brief Description: Establishing network adequacy standards for skilled nursing facilities and rehabilitation hospitals.

Sponsors: Senate Committee on Health & Long-Term Care (originally sponsored by Senators Muzzall, Chapman and Dozier).

Brief History:
Committee Activity:
Health Care & Wellness: 3/18/25, 3/25/25 [DPA], 2/10/26, 2/20/26 [DP];
Appropriations: 4/3/25, 4/8/25 [DPA(HCW)].

Brief Summary of Engrossed Substitute Bill

- Directs the Health Care Authority to adopt network adequacy standards for Medicaid managed care organizations for post-acute care services, including nursing homes and inpatient rehabilitation facilities.

HOUSE COMMITTEE ON HEALTH CARE & WELLNESS

Majority Report: Do pass. Signed by 16 members: Representatives Bronoske, Chair; Lekanoff, Vice Chair; Rule, Vice Chair; Schmick, Ranking Minority Member; Marshall, Assistant Ranking Minority Member; Valdez, Assistant Ranking Minority Member; Davis, Engell, Low, Macri, Obras, Parshley, Shavers, Stonier, Stuebe and Thai.

Staff: Chris Blake (786-7392).

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.

Background:

Medicaid Network Adequacy Standards.
The Health Care Authority (Authority) provides medical care services to eligible low-income state residents and their families, primarily through the Medicaid program. Washington's Medicaid program, known as Apple Health, offers a complete medical benefits package, including prescription drug coverage. Coverage for medical services is provided through fee-for-service and managed care systems. Managed care is a prepaid, comprehensive system for delivering a complete medical benefits package that is available for eligible families, children under age 19, low-income adults, certain disabled individuals, and pregnant women. The Authority 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.

The Authority establishes standards for MCOs that contract to provide services to clients in the Apple Health program. The standards require the MCO to demonstrate the ability to meet the Authority's network adequacy standards. Network adequacy standards require that the MCO maintain a network that is sufficient in numbers and types of providers and facilities to ensure that all services are accessible without unreasonable delay. Several factors are considered in the network adequacy determination, including provider-patient ratios, geographic accessibility, and travel distance. Federal law requires that states apply network adequacy standards to, at a minimum, primary care services, obstetrician and gynecology services, mental health and substance use disorder services, specialist services, hospital services, pharmacy services, and pediatric dental services.

Post-Acute Care Services.
Post-acute care services include rehabilitation or palliative services that patients receive after a stay in an acute care hospital. Post-acute care service providers include home health agencies, nursing homes, inpatient rehabilitation facilities, and long-term acute care hospitals. Inpatient rehabilitation facilities may be either a freestanding rehabilitation hospital or a rehabilitation unit within a hospital. Nursing homes provide continuous 24-hour convalescent and chronic care, including the administration of medications, preparation of special diets, bedside nursing care, application of dressings and bandages, and carrying out treatment as prescribed by health care providers.

Summary of Bill:

By January 1, 2028, the Health Care Authority (Authority) must establish and adopt network adequacy standards for post-acute care services, including nursing homes and inpatient rehabilitation facilities. Network adequacy standards for both types of facilities must consider:

- the Washington Medicaid principle of keeping care local to an enrollee's community;
- provider availability in a regional service area;

- timeliness of care; and
- any other network adequacy standard required to maintain compliance with federal Medicaid regulations.

In addition, for nursing homes, the network adequacy standard's geographic adequacy threshold should not be broader than the regional service area that an MCO serves. For inpatient rehabilitation facilities, the network adequacy standard's geographic adequacy threshold must not be narrower than the regional service area that an MCO serves and must consider patient referral and practice patterns. The Authority may narrow the geographic standards for inpatient rehabilitation facilities.

Beginning July 1, 2028, MCOs must meet network adequacy requirements for post-acute care services. The requirements must include nursing homes, inpatient rehabilitation standards, and any other post-acute care services that the Authority determines are necessary to increase access to a full continuum of care for Medicaid enrollees. The Authority must include network adequacy requirements for post-acute care services in its regular monitoring and reporting activities related to MCOs' network adequacy.

Throughout the network adequacy standard development process, the Authority must obtain feedback from stakeholders, including hospitals, nursing homes, and MCOs.

The network standards do not alter the ability of a facility to determine whether the facility can meet the needs of a prospective resident through staffing and reasonable accommodations.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Hospitals face many obstacles in moving patients through the care continuum, particularly in rural areas. Hospitals frequently need to develop single-case agreements between insurers and a skilled nursing facility or rehabilitation hospital because Medicaid managed care organizations do not have adequate networks of post-acute care facilities. When managed care organizations do not have adequate networks of post-acute care facilities, hospitals end up with a backlog of patients who are left waiting in hospital beds and the emergency department. This bill seeks to expand Medicaid enrollee access to predictable and timely post-acute care. Being stuck in the hospital is not good for patient outcomes or the hospital and it is expensive. Having a predictable and adequate network for

these placements makes sense for the patient and for the hospital. This bill will help to keep patients in their communities following a hospital discharge.

(Opposed) None.

Persons Testifying: Senator Ron Muzzall, prime sponsor; Deena Hannen, Multicare; and Katie Kolan, Washington State Hospital Association (WSHA).

Persons Signed In To Testify But Not Testifying: None.