SENATE BILL REPORT
SB 5083

As of February 20, 2025

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: Senators Robinson, Harris, Liias, Nobles, Salomon and Valdez; by request of Health Care Authority.

Brief History:

Committee Activity: Health & Long-Term Care: 1/31/25, 2/11/25 [DPS-WM, DNP, w/oRec].

Ways & Means: 2/20/25.

Brief Summary of First Substitute Bill

- Requires licensed hospitals that participate in Medicaid programs 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 plans to licensed hospitals, except certain critical access and sole community 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.

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: That Substitute Senate Bill No. 5083 be substituted therefor, and the

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substitute bill do pass and be referred to Committee on Ways & Means.
Signed by Senators Cleveland, Chair; Orwall, Vice Chair; Bateman, Chapman, Riccelli, Robinson and Slatter.

Minority Report: Do not pass.
Signed by Senators Muzzall, Ranking Member; Christian.

Minority Report: That it be referred without recommendation.
Signed by Senators Harris and Holy.

Staff: Greg Attanasio (786-7410)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Amanda Cecil (786-7460)

Background: The 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. 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 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. HCA administers the UMP through its PEBB and SEBB, 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 variety of health care providers to ensure access for members of the PEBB and SEBB systems.

Summary of Bill (First Substitute): A licensed hospital that receives payments from Medicaid programs administered by HCA must contract with a health carrier or similar entity providing benefits through the PEBB and SEBB systems upon receiving a good faith offer.

Beginning January 1, 2027:
- the reimbursement under these contracts to any in-network provider or facility located in Washington for inpatient and outpatient hospital services may not exceed the lesser of:

   1. billed charges;
   2. the contracted rate for the provider; or
   3. 200 percent of the total amount Medicare would have reimbursed for the same or similar service;
- the reimbursement under these contracts to any in-network provider or facility located in Washington for inpatient and outpatient services provided at a children's hospital may not exceed the lesser of:
   1. billed charges;
   2. the contracted rate for the provider; or
   3. 350 percent of the total amount Medicare would have reimbursed for the same or similar service; and
- the reimbursement for in-network primary care services or nonfacility-based behavioral health services may not be less than 150 percent of the total amount Medicare would have reimbursed for the same or similar service.
- the reimbursement for services provided by rural hospitals certified 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.

Beginning January 1, 2029, the reimbursement limit for inpatient and outpatient hospital services is lowered to 190 percent of the total amount Medicare would have reimbursed for the same or similar service and the reimbursement limit for inpatient and outpatient services provided at a children's hospital is lowered to 300 percent of the total amount Medicare would have reimbursed for the same or similar service.

The reimbursement limits do not apply to critical access hospital or sole community hospitals, except those owned or operated by a health system that owns or operates more than one acute care hospital. The reimbursement limits also do not apply to hospitals located on an island operating within a public hospital district in Skagit County.

For the purposes of this act, reimbursement for inpatient and outpatient services does not include charges for professional services.

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 cost-sharing, and state expenditures for state and school district employee and retiree coverage.

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

EFFECT OF CHANGES MADE BY HEALTH & LONG-TERM CARE COMMITTEE (First Substitute):

- Adds hospitals located on an island operating within a public hospital district in Skagit County to the hospitals not subject to the reimbursement limits in the bill.

Appropriation: None.

Fiscal Note: Available. (Fiscal note is on the underlying bill)

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Proposed Substitute (Health & Long-Term Care): *The committee recommended a different version of the bill than what was heard.* PRO: Medical inflation is outpacing wage growth and this is designed to control costs for state employees. The bill redistributes healthcare spending to primary care and behavioral health services. The bill could increase payments to behavioral health providers and bring in more contracted providers. It will free up money to spend on other programs and lower employees premiums and out of pocket costs. It is a smart way to improve access to care without increasing costs. A similar program in Oregon has had positive outcomes. Large systems can afford these reimbursement limits.

CON: Hospitals that have a higher proportion of state employees with have a disproportional impact. The bill does not address utilization. Some small hospitals are not excluded from this bill and all small systems should be exempt. Cost of care continues to rise and hospitals cannot absorb these cuts. The Oregon bill is structured differently than this bill. Washington hospitals have negative operating margins currently.

OTHER: This bill could lead to cost shifting. Oregon data on its program is from the pandemic and Oregon commercial contracts have been harder to negotiate.

Persons Testifying (Health & Long-Term Care): PRO: Senator June Robinson, Prime Sponsor; Jared Mason-Gere, Washington Education Association; Susan Leschinski, Retired Public Employess Council of WA; London Breedlove, Washington State Psychological Association; Nicole Gomez, Washington Federation of State Employees; Evan Klein, Washington State Health Care Authority; Emily Brice, Northwest Health Law Advocates; Pam MacEwan, Purchasers Business Group on Health.

CON: Chelene Whiteaker, Washington State Hospital Association; Lisa Thatcher, Washington State Hospital Association; Ashley Thurow, Providence Health and Services; Elise Cutter, Island Health; Brian Gibbons, Astria Health.

OTHER: Jennifer Ziegler, Association of Washington Health Care Plans.

Persons Signed In To Testify But Not Testifying (Health & Long-Term Care): No one.

Staff Summary of Public Testimony (Ways & Means): PRO: SB 5738 aims to control health care costs in Washington by implementing reference pricing, a tool already used in Oregon's public employee programs. The bill could reduce premiums, lower out-of-pocket costs for public employees, and potentially save the state millions by addressing the high cost of health care. This could help reduce excessive spending on hospital services, particularly for primary and behavioral health care, and make health insurance more affordable for teachers, school employees, and other public servants. Additionally, it will improve access to care, especially in rural areas, where health services are limited.

CON: This bill will shift costs to small businesses and rural hospitals. The payment caps will harm hospitals that already operate with slim margins, particularly in rural areas where government reimbursements don't fully cover the cost of care. Hospitals, especially those in financially distressed areas, could face serious financial difficulties as a result of these cuts. This threatens the financial viability of hospitals, especially for pediatric care not covered under current models.

OTHER: This bill may reduce costs in one part of the system by shifting those costs elsewhere, as seen in Oregon.

Persons Testifying (Ways & Means): PRO: Jared Mason-Gere, Washington Education Association; Evan Klein, Washington State Health Care Authority; Nicole Gomez, Washington Federation of State Employees; Pam MacEwan, Purchasers Business Group on Health; Jane Beyer, Washington State Office of the Insurance Commissioner; Emily Brice, Northwest Health Law Advocates.

CON: Lisa Thatcher, Washington State Hospital Association; Chris Bredeson, EvergreenHealth; Brian Gibbons, Astria Health; Elise Cutter, Island Health; Matt Forge, Pullman Regional Hospital; Dorothy Miller, Seattle Children's Hospital; Emily Wittman, Association of Washington Business.

OTHER: Jennifer Ziegler, Association of Washington Health Care Plans.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.