# SENATE BILL REPORT
# SB 5124

As Reported by Senate Committee On:
Health & Long-Term Care, February 6, 2025

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

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

**Sponsors:** Senators Muzzall, Chapman and Dozier.

**Brief History:**
**Committee Activity:** Health & Long-Term Care: 1/28/25, 2/06/25 [DPS-WM].

**Brief Summary of First Substitute Bill**

- Directs the Health Care Authority to establish and adopt network adequacy standards for post-acute care services by no later than January 1, 2027.
- Requires managed care organization contracts or amendments effective on or after July 1, 2027, to meet network adequacy requirements for post-acute care services.

## SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

**Majority Report:** That Substitute Senate Bill No. 5124 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Cleveland, Chair; Orwall, Vice Chair; Muzzall, Ranking Member; Bateman, Chapman, Christian, Harris, Holy, Riccelli, Robinson and Slatter.

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*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.*

**Staff:** Julie Tran (786-7283)

**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 available for eligible families, children under age 19, low-income adults, certain disabled individuals, and pregnant women. 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. MCOs are responsible for administering post-acute care benefits to Medicaid enrollees when a MCO deems it medically necessary.

Post-Acute Care. Post-acute care is care provided to individuals who need additional help recuperating from an acute illness or serious medical procedure. Post-acute care settings include long-term care hospitals, inpatient rehabilitation facilities (IRFs), skilled nursing facilities (SNFs), and home health agencies.

IRFs are free standing rehabilitation hospitals and rehabilitation units in acute care hospitals. In Washington, there are ten designated facilities that specialize in caring for patients following an injury or other disabling medical condition such as stroke, myocardial infarction, brain disease, and cancer. They have specialized clinical resources and equipment available to help patients regain their function and limit their disability.

SNFs are licensed by Department of Social and Health Services (DSHS) and provide continuous 24-hour convalescent and chronic care. Such care may include the administration of medications, preparation of special diets, bedside nursing care, application of dressings and bandages, and carrying out treatment prescribed by licensed health care providers.

Network Adequacy Standards. Access to health care providers and services can depend on several factors including insurance plan network requirements commonly known as network adequacy standards.

A health carrier is required by federal and state law to maintain adequate provider networks. Under network access rules adopted by the Insurance Commissioner, such networks must be sufficient in numbers and types of providers and facilities to assure, to the extent feasible, that all covered services are accessible in a timely manner appropriate for an

enrollee's condition. For each service area, the health carrier must demonstrate that a comprehensive range of services are readily available without unreasonable delay to all enrollees and that emergency services are continuously available without unreasonable delay.

There are no explicit standards for network adequacy related to post-acute care providers in the HCA-MCO contracts. MCOs pay for medically necessary SNF stays for rehabilitation or skilled medical care when the MCO determines that nursing facility care is more appropriate than acute hospital care. These services require prior authorization by the MCO and will be contracted through a network agreement or a Single Case Agreement by the MCO. The SNF must have an agreement with the MCO to receive payment.

**Summary of Bill (First Substitute):** The Legislature finds Medicaid enrollees are entitled to timely access to post-acute care services when Apple Health managed care organizations have determined such services are medically necessary for quality of care and health outcomes.

HCA is required to establish and adopt network adequacy standards for post-acute care services by no later than January 1, 2027. The developed network adequacy standards must include licensed SNFs and licensed IRFs.

Network adequacy standards for post-acute care services do not alter a facility's ability to determine whether the facility can meet a prospective resident's needs through available staffing and reasonable accommodations.

MCO contracts or amendments effective on or after July 1, 2027, must be required to meet network adequacy requirements for post-acute care services, including licensed SNF providers, licensed rehabilitation hospitals, and any other post-acute care services that HCA has determined to be necessary to increase Medicaid enrollees' access to a full continuum of care. These network adequacy requirements are subject to the same monitoring and reporting requirements as other network adequacy standards.

The Development of Network Adequacy Standards. The SNF and IRF network adequacy standards must consider the Washington State's Medicaid principle of keeping care local to a Medicaid enrollee's community.

Both the SNF and IRF network adequacy standards must also consider:

- provider availability in a regional service area;
- timeliness of care, which is the reasonable amount of time in which patients can receive access to post-acute care based on their medical needs; and
- any other network adequacy standard required to maintain compliance with federal Medicaid regulations.

The IRF network adequacy standards must also consider patient referral and practice

patterns.

During the development of the network adequacy standards, HCA must narrow the geographic standards.

The geographic adequacy threshold for the SNF network adequacy standards should not be broader than the regional service area that a MCO is contracted to serve.

The geographic adequacy threshold for the IRF network adequacy standards should not be broader than the regional service area that a MCO is contracted to serve.

Stakeholder Feedback on the Network Adequacy Standards. During the development of the network adequacy standards, HCA must obtain stakeholder feedback at least three times, including:

- for initial criteria used to develop standards;
- to review draft standards; and
- to review final standards prior to publication and inclusion in the managed care contract.

The stakeholders must include: hospitals, SNFs, MCOs, and any associations representing members of these groups.

If HCA chooses to include additional provider types in developing post-acute care network standards, it must include those facility types' representatives in the stakeholder feedback process.

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

- Clarifies that network adequacy standards for post-acute care services do not alter a facility's ability to determine whether the facility can meet a prospective resident's needs through available staffing and reasonable accommodations.
- Removes the requirement that the post-acute care network adequacy standards meet the federal access monitoring requirements, including the network adequacy secret shopper reviews.
- Changes the deadline date for the Health Care Authority to establish and adopt network adequacy standards for post-acute care services from June 30, 2026, to January 1, 2027.
- Extends the deadline date for managed care organization contracts or amendments to meet the network adequacy requirements from January 1, 2027, to July 1, 2027.

**Appropriation:** None.

**Fiscal Note:** Available.

**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 Original Bill:** *The committee recommended a different version of the bill than what was heard.* PRO: There are many obstacles when trying to move patients through the continuum of care. The state lacks a system-wide approach to a system-wide problem as there are significant delays in transitioning people out of hospitals to SNFs and rehab facilities. Any delay in getting the patient out of the beds is bad for the patient and bad for the health care system. Currently, hospitals work with MCOs to establish single case agreements which take days to negotiate and extends the amount of time a patient is in the hospital. This bill will not solve the capacity issues but this bill is another step in the direction of providing access and provide some predictability and timeliness to the system. There will be some amendments to lessen the fiscal impact.

OTHER: MCOs have been invested in participating in ways to address the discharge issue. Also, enhanced network access standards do not automatically result in enhanced access. There is also a likely increase in rates to be able to meet those network access standards. One other thing to consider is the current discharge pilot program which has been effective in raising the discharge rate.

**Persons Testifying:** PRO: Senator Ron Muzzall, Prime Sponsor; Katie Kolan, Washington State Hospital Association; Deena Hannen, Multicare Health System; Isaac Ballou, Olympic Medical Center; Greg Carter, Providence St. Luke's Rehabilitation Medical Center.

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

**Persons Signed In To Testify But Not Testifying:** No one.