SENATE BILL REPORT
SB 5923

As of January 19, 2026

Title: An act relating to critical access hospital designations in Skagit county.

Brief Description: Concerning critical access hospital designations in Skagit county.

Sponsors: Senators Muzzall, Lovelett, Nobles and Shewmake.

Brief History:
Committee Activity: Ways & Means: 1/19/26.

Brief Summary of Bill

- Allows a hospital on an island in Skagit County certified by the Centers for Medicare and Medicaid Services on or after January 1, 2026 to be eligible for payment as a critical access hospital.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Sandy Stith (786-7710)

Background: Critical Access Hospitals. Rural hospitals report unique operating challenges due to their remote locations and the large percentage of their revenue derived from publicly funded health care programs, including Medicaid and Medicare. Eligible rural hospitals may be certified by the Centers for Medicare and Medicaid Services (CMS) as critical access hospitals (CAH).

To be eligible for CAH status, a rural hospital must have 25 beds or fewer acute care inpatient beds, offer 24 hours a day, seven days a week emergency department care services, and have an average length of stay of 96 hours or less for acute care patients.

In Washington State, there are 39 CAHs. These hospitals are often operated by public hospital districts. In addition to emergency and acute care, they provide a range of health

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care services such as primary care, long-term care, and physical and occupational therapy. These hospitals receive Medicare and Medicaid payments based on allowable costs, whereas non-designated critical access hospitals are paid based on a set fee per diagnosis or procedure.

If a hospital is certified as a CAH by CMS, payment shall be made based on allowable costs incurred during the year, regardless of the Medicaid beneficiary's managed care enrollment status, unless the CAH is participating in the Washington Rural Health Access Preservation (WRHAP) pilot.

In 2015, the Department of Health and the Washington State Hospital Association created the WRHAP pilot to reform payment and service delivery for Washington's rural hospitals. Currently, there are 13 hospitals participating in the WRHAP pilot working to implement or expand care coordination and behavioral health services for Medicaid clients.

Island Health. The only hospital to meet this criteria is Island Hospital, located in Anacortes, Washington. This facility is a community hospital providing surgical, pulmonary rehabilitation, diagnostic imaging, emergency, and psychiatric and behavioral health services.

Summary of Bill: A hospital located on an island in Skagit County certified by CMS on or after January 1, 2026 is eligible for payment as a critical access hospital.

Appropriation: None.

Fiscal Note: Requested on January 9, 2026.

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: PRO: Anacortes is a community of 50,000 people. It is a retirement community that also has a large Naval community. Island Health's book of business is 70 percent Medicare and Medicaid. There is no way to negotiate better rates and the hospital pays out more than we are paid. Island is currently working to obtain federal critical access hospital status. We are similarly situated to be paid as a CAH. Island is 1 of 9 hospitals in Washington with a 5 star rating from CMS and only 6 percent of hospitals in the country have this rating. We continue to work to close their funding gap with local funds.

Persons Testifying: PRO: Elise Cutter, Island Health; Jason Hogge, Island Health; Daryl Hicks.

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