
SUBSTITUTE HOUSE BILL 1123

State of Washington

69th Legislature

2025 Regular Session

By House Appropriations (originally sponsored by 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)

READ FIRST TIME 02/10/25.

1 AN ACT Relating to ensuring access to primary care, behavioral
2 health, and affordable hospital services; and adding a new section to
3 chapter 41.05 RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.05
6 RCW to read as follows:

7 (1) For purposes of this section, "contractor" means a health
8 carrier that provides medical insurance offered to public employees
9 and their covered dependents under this chapter, or a third-party
10 administrator contracted by the authority to provide medical coverage
11 to public employees under this chapter.

12 (2) Upon a good faith offer from a contractor, a hospital
13 licensed under chapter 70.41 RCW that receives payment for services
14 through any program administered by the authority under chapter 74.09
15 RCW must contract with that contractor. This subsection does not
16 apply to a hospital owned and operated by a health maintenance
17 organization licensed under chapter 48.46 RCW.

18 (3) Each contractor, for its health plans that provide medical
19 coverage offered to public employees and their covered dependents,
20 must meet the following requirements:

21 (a) Beginning January 1, 2027:

1 (i) Except as provided in (a)(ii) of this subsection,
2 reimbursement to any in-network provider or facility located in
3 Washington for inpatient and outpatient hospital services may not
4 exceed the lesser of billed charges, the contractor's contracted rate
5 for the provider, or 200 percent of the total amount medicare would
6 have reimbursed for the same or similar services;

7 (ii) Reimbursement to any in-network provider or facility located
8 in Washington for inpatient and outpatient hospital services provided
9 at a specialty hospital primarily engaged in the care and treatment
10 of children may not exceed the lesser of billed charges, the
11 contractor's contracted rate for the provider, or 350 percent of the
12 total amount medicare would have reimbursed providers and facilities
13 for the same or similar services;

14 (iii) Reimbursement for services provided by rural hospitals
15 certified by the centers for medicare and medicaid services as
16 critical access hospitals or sole community hospitals may not be less
17 than 101 percent of allowable costs as defined by the United States
18 centers for medicare and medicaid services for purposes of medicare
19 cost reporting;

20 (iv) Reimbursement for in-network primary care services, as
21 defined by the authority, may not be less than the greater of 150
22 percent of the amount that would have been reimbursed under the
23 medicare program for the same or similar services or the contractor's
24 contracted rate for the provider; and

25 (v) Reimbursement for in-network nonfacility-based behavioral
26 health services, as defined by the authority, may not be less than
27 the greater of 150 percent of the amount that would have been
28 reimbursed under the medicare program for the same or similar
29 services or the contractor's contracted rate for the provider.

30 (b) Beginning January 1, 2029:

31 (i) Except as provided in (b)(ii) and (c) of this subsection,
32 reimbursement to any in-network provider or facility located in
33 Washington for inpatient and outpatient hospital services may not
34 exceed the lesser of billed charges, the contractor's contracted rate
35 for the provider, or 190 percent of the total amount medicare would
36 have reimbursed providers and facilities for the same or similar
37 services; and

38 (ii) Reimbursement to any in-network provider or facility located
39 in Washington for inpatient and outpatient hospital services provided
40 at a specialty hospital primarily engaged in the care and treatment

1 of children may not exceed the lesser of billed charges, the
2 contractor's contracted rate for the provider, or 300 percent of the
3 total amount medicare would have reimbursed the providers and
4 facilities for the same or similar services.

5 (c) (a)(i) and (b)(i) of this subsection do not apply to
6 reimbursement for services provided by rural hospitals certified by
7 the centers for medicare and medicaid services as critical access
8 hospitals or sole community hospitals, or hospitals located on an
9 island operating within a public hospital district in Skagit county,
10 except for hospitals that are owned or operated by a health system
11 that owns or operates more than one acute care hospital licensed
12 under chapter 70.41 RCW.

13 (4) Nothing in this section prohibits a contractor from
14 reimbursing a hospital through a nonfee-for-service payment
15 methodology, so long as the payments incentivize higher quality or
16 improved health outcomes and the contractor continues to comply with
17 the reimbursement requirements in this section.

18 (5) Premiums must take into account changes in reimbursement for
19 hospital, primary care, and behavioral health services anticipated to
20 result from the application of this section.

21 (6) At the request of the authority for monitoring, enforcement,
22 or program and quality improvement activities, a contractor must
23 provide cost and quality of care information and data to the
24 authority and may not enter into an agreement with a provider or
25 third party that would restrict the contractor from providing this
26 information or data.

27 (7)(a) By December 31, 2030, the authority, in consultation with
28 the office of the insurance commissioner, shall provide a report to
29 the governor's office and relevant committees of the legislature
30 analyzing the initial impacts of this section on:

31 (i) Network access, enrollee premiums and cost-sharing, and state
32 expenditures for medical coverage offered to public employees under
33 this chapter; and

34 (ii) Any impacts on enrollee costs in other health insurance
35 markets within the state.

36 (b) The report may include recommendations for legislative
37 changes to the policy established in this section.

38 (8) For the purposes of this section, reimbursement for inpatient
39 and outpatient services does not include charges for professional
40 services.

1 (9) The authority may adopt rules to implement this section,
2 including rules for levying fines and taking other contract actions
3 it deems necessary to enforce compliance with this section.

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