
SUBSTITUTE SENATE BILL 5923

State of Washington

69th Legislature

2026 Regular Session

By Senate Ways & Means (originally sponsored by Senators Muzzall, Lovelett, Nobles, and Shewmake)

READ FIRST TIME 02/06/26.

1 AN ACT Relating to critical access hospital designations in
2 Skagit county; and amending RCW 74.09.5225.

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

4 **Sec. 1.** RCW 74.09.5225 and 2017 c 198 s 1 are each amended to
5 read as follows:

6 (1) Payments for recipients eligible for medical assistance
7 programs under this chapter for services provided by hospitals,
8 regardless of the beneficiary's managed care enrollment status, shall
9 be made based on allowable costs incurred during the year, when
10 services are provided by a rural hospital certified by the centers
11 for medicare and medicaid services as a critical access hospital,
12 unless the critical access hospital is participating in the
13 Washington rural health access preservation pilot described in
14 subsection (2) (~~((b))~~) (c) of this section. Any additional payments
15 made by the authority for the healthy options program shall be no
16 more than the additional amounts per service paid under this section
17 for other medical assistance programs.

18 (2) (a) Beginning on July 24, 2005, except as provided in (b) and
19 (c) of this subsection, a moratorium shall be placed on additional
20 hospital participation in critical access hospital payments under
21 this section. However, rural hospitals that applied for certification

1 to the centers for medicare and medicaid services prior to January 1,
2 2005, but have not yet completed the process or have not yet been
3 approved for certification, remain eligible for medical assistance
4 payments under this section.

5 (b) A critical access hospital designated by the centers for
6 medicare and medicaid services is eligible for payment under
7 subsection (1) of this section if the hospital is located on an
8 island operating within a public hospital district in Skagit county.

9 (c)(i) The purpose of the Washington rural health access
10 preservation pilot is to develop an alternative service and payment
11 system to the critical access hospital authorized under section 1820
12 of the social security act to sustain essential services in rural
13 communities.

14 (ii) For the purposes of state law, any rural hospital approved
15 by the department of health for participation in critical access
16 hospital payments under this section that participates in the
17 Washington rural health access preservation pilot identified by the
18 state office of rural health and ceases to participate in critical
19 access hospital payments may renew participation in critical access
20 hospital associated payment methodologies under this section at any
21 time.

22 (iii) The Washington rural health access preservation pilot is
23 subject to the following requirements:

24 (A) In the pilot formation or development, the department of
25 health, health care authority, and Washington state hospital
26 association will identify goals for the pilot project before any
27 hospital joins the pilot project;

28 (B) Participation in the pilot is optional and no hospital may be
29 required to join the pilot;

30 (C) Before a hospital enters the pilot program, the health care
31 authority must provide information to the hospital regarding how the
32 hospital could end its participation in the pilot if the pilot is not
33 working in its community;

34 (D) Payments for services delivered by public health care service
35 districts participating in the Washington rural health access
36 preservation pilot to recipients eligible for medical assistance
37 programs under this chapter must be based on an alternative, value-
38 based payment methodology established by the authority. Subject to
39 the availability of amounts appropriated for this specific purpose,
40 the payment methodology must provide sufficient funding to sustain

1 essential services in the areas served, including but not limited to
2 emergency and primary care services. The methodology must adjust
3 payment amounts based on measures of quality and value, rather than
4 volume. As part of the pilot, the health care authority shall
5 encourage additional payers to use the adopted payment methodology
6 for services delivered by the pilot participants to individuals
7 insured by those payers;

8 (E) The department of health, health care authority, and
9 Washington state hospital association will report interim progress to
10 the legislature no later than December 1, 2018, and will report on
11 the results of the pilot no later than six months following the
12 conclusion of the pilot. The reports will describe any policy changes
13 identified during the course of the pilot that would support small
14 critical access hospitals; and

15 (F) Funds appropriated for the Washington rural health access
16 preservation pilot will be used to help participating hospitals
17 transition to a new payment methodology and will not extend beyond
18 the anticipated three-year pilot period.

19 (3)(a) Beginning January 1, 2015, payments for recipients
20 eligible for medical assistance programs under this chapter for
21 services provided by a hospital, regardless of the beneficiary's
22 managed care enrollment status, shall be increased to one hundred
23 twenty-five percent of the hospital's fee-for-service rates, when
24 services are provided by a rural hospital that:

25 (i) Was certified by the centers for medicare and medicaid
26 services as a sole community hospital as of January 1, 2013;

27 (ii) Had a level III adult trauma service designation from the
28 department of health as of January 1, 2014;

29 (iii) Had less than one hundred fifty acute care licensed beds in
30 fiscal year 2011; and

31 (iv) Is owned and operated by the state or a political
32 subdivision.

33 (b) The enhanced payment rates under this subsection shall be
34 considered the hospital's medicaid payment rate for purposes of any
35 other state or private programs that pay hospitals according to
36 medicaid payment rates.

1 (c) Hospitals participating in the certified public expenditures
2 program may not receive the increased reimbursement rates provided in
3 this subsection (3) for inpatient services.

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