

HOUSE BILL REPORT

HB 1655

As Reported by House Committee On:
Health Care & Wellness

Title: An act relating to provider contract compensation.

Brief Description: Concerning provider contract compensation.

Sponsors: Representatives Harris and Stonier.

Brief History:

Committee Activity:

Health Care & Wellness: 2/10/23, 1/24/24, 1/31/24 [DPS].

Brief Summary of Substitute Bill

- Requires contracts between a health carrier and a provider to include an increase from the previous year based on the Consumer Price Index.

HOUSE COMMITTEE ON HEALTH CARE & WELLNESS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Riccelli, Chair; Bateman, Vice Chair; Bronoske, Davis, Harris, Macri, Maycumber, Mosbrucker, Orwall, Simmons, Stonier, Thai and Tharinger.

Minority Report: Without recommendation. Signed by 4 members: Representatives Schmick, Ranking Minority Member; Hutchins, Assistant Ranking Minority Member; Caldier and Graham.

Staff: Jim Morishima (786-7191).

Background:

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.

Health carriers enter into contracts with health care providers under which the providers agree to accept a specified reimbursement rate for their services. A health carrier must file all provider contracts and provider compensation agreements with the Insurance Commissioner (Commissioner) 30 days before use. Any provider contract not affirmatively disapproved by the Commissioner is deemed approved. The Commissioner may not base a disapproval on the amount of compensation or other financial arrangements between the carrier and the provider, unless the compensation amount causes the underlying health benefit plan to violate federal or state law.

Summary of Substitute Bill:

Compensation provisions in provider contracts relating to health benefit plans issued on or after January 1, 2025, must include an increase in compensation from the prior year that reflects increases in the Consumer Price Index (CPI) for all urban consumers over the previous year. This requirement does not apply to providers employed by a hospital or an affiliate of a hospital or to a dental-only plan that relies solely on employees of the carrier to provide benefits.

Providers are not required to accept or reject a contract or an amendment to a contract that includes a CPI adjustment. Provider contracts may not waive the compensation requirement and may not discriminate against any category of provider by excluding or limiting services in an effort to avoid the compensation requirement.

"Health benefit plan" is defined to include comprehensive medical plans as well as vision-only coverage. "Affiliate of a hospital" is defined as related to a hospital in any way by virtue of any form or amount of common ownership, control, or management.

The Insurance Commissioner may adopt rules to implement this requirement, which must reflect standards used to determine inflationary increases in the qualifying payment amount under the federal No Surprises Act.

Substitute Bill Compared to Original Bill:

The substitute bill:

- clarifies that providers are not required to accept or reject a contract or amendment to an existing contract that includes a CPI adjustment;
- prohibits contracts from waiving the compensation requirement and prohibits carriers from discriminating against any category of provider by excluding or limiting services in an effort avoid the compensation requirement;
- clarifies that the compensation requirement does not apply to dental-only plans that rely solely on employees of the carrier to provide benefits;
- defines "affiliate of a hospital" as related to a hospital in any way by virtue of any form or amount of common ownership, control, operation, or management;

- applies the compensation provisions to health plans issued or renewed on or after January 1, 2025, instead of January 1, 2024; and
 - defines "health benefit plan" to include comprehensive medical plans as well as vision-only coverage.
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Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill addresses a significant inequity in the health care system. Health carriers will not negotiate with providers, especially providers in small practices. Provider contracts are offered on a "take it or leave it" basis. Providers are unable to collectively negotiate because of antitrust laws. Expenses incurred by providers are going up, but compensation is staying the same. Some providers are even seeing pay decreases. This results in providers being paid less than they were 20 years ago. Providers are leaving the profession, which worsens provider shortages. Providers are also refusing to accept insurance and switching to cash-only payments. Reduced access to providers and diminished provider experience are leading to reduced quality of care. Jobs are being lost and small businesses are being hurt. This bill will allow providers to transform their practices and enhance services. It will help retention, increase the number of private practices, and improve access to care.

(Opposed) Health insurance premiums are on the rise and consumers are experiencing narrower provider networks and higher cost sharing. This bill will make things worse. This bill will have a large impact on health carriers. Washington's robust network adequacy requirements keep provider pay adequate. The CPI rate required by this bill is excessive. This bill does not apply to Medicaid or self-funded plans, which means a small share of plans are bearing the brunt of this bill.

Persons Testifying: (In support) Representative Paul Harris, prime sponsor; Nicholas Jankowski, Optometric Physicians of Washington; Lori Grassi and Chad Hurst, Washington State Chiropractic Association; Ben Boyle, American Physical Therapy Association Washington; Megan Wagoner, Washington State Psychological Association; and Kendra Holloway, Washington State Speech-Language-Hearing Association.

(Opposed) Jennifer Ziegler, Association of Washington Health Care Plans; and Chris Bandoli, National Association of Benefits and Insurance Professionals Washington.

Persons Signed In To Testify But Not Testifying: Katherine Ko, Association of Advanced Practice Psychiatric Nurses; and Joe Angulo.