

CERTIFICATION OF ENROLLMENT  
**SECOND SUBSTITUTE SENATE BILL 5532**

68th Legislature  
2023 Regular Session

Passed by the Senate April 18, 2023  
Yeas 48 Nays 0

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**President of the Senate**

Passed by the House April 10, 2023  
Yeas 98 Nays 0

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**Speaker of the House of  
Representatives**

Approved

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**Governor of the State of Washington**

CERTIFICATE

I, Sarah Bannister, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SECOND SUBSTITUTE SENATE BILL 5532** as passed by the Senate and the House of Representatives on the dates hereon set forth.

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**Secretary**

FILED

**Secretary of State  
State of Washington**

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**SECOND SUBSTITUTE SENATE BILL 5532**

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AS AMENDED BY THE HOUSE

Passed Legislature - 2023 Regular Session

**State of Washington                      68th Legislature                      2023 Regular Session**

**By** Senate Ways & Means (originally sponsored by Senators King, Cleveland, Lovelett, Warnick, and Wellman)

READ FIRST TIME 02/24/23.

1            AN ACT Relating to providing enhanced payment to low volume,  
2 small rural hospitals; amending RCW 74.09.5225; creating new  
3 sections; providing an effective date; providing a contingent  
4 expiration date; and declaring an emergency.

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

6            NEW SECTION.    **Sec. 1.**    The legislature finds that promoting a  
7 financially viable health care system in all parts of the state is a  
8 critical interest. The federal centers for medicare and medicaid  
9 services has recognized the crucial role hospitals play in providing  
10 care in rural areas by creating the sole community hospital program,  
11 which allows certain small rural hospitals to receive enhanced  
12 payments for medicare services. The state of Washington has created a  
13 similar program based on the federal criteria. The legislature  
14 further finds that some small, rural, low volume hospitals provide  
15 vital services to the communities they serve, but are not eligible  
16 for the federal or state programs. The legislature therefore finds  
17 that creating a similar reimbursement system for the state's medicaid  
18 program for small, rural, low volume hospitals will promote the long-  
19 term financial viability of the rural health care system in those  
20 communities.

1       **Sec. 2.** RCW 74.09.5225 and 2017 c 198 s 1 are each amended to  
2 read as follows:

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

15       (2)(a) Beginning on July 24, 2005, except as provided in (b) of  
16 this subsection, a moratorium shall be placed on additional hospital  
17 participation in critical access hospital payments under this  
18 section. However, rural hospitals that applied for certification to  
19 the centers for medicare and medicaid services prior to January 1,  
20 2005, but have not yet completed the process or have not yet been  
21 approved for certification, remain eligible for medical assistance  
22 payments under this section.

23       (b)(i) The purpose of the Washington rural health access  
24 preservation pilot is to develop an alternative service and payment  
25 system to the critical access hospital authorized under section 1820  
26 of the social security act to sustain essential services in rural  
27 communities.

28       (ii) For the purposes of state law, any rural hospital approved  
29 by the department of health for participation in critical access  
30 hospital payments under this section that participates in the  
31 Washington rural health access preservation pilot identified by the  
32 state office of rural health and ceases to participate in critical  
33 access hospital payments may renew participation in critical access  
34 hospital associated payment methodologies under this section at any  
35 time.

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

38       (A) In the pilot formation or development, the department of  
39 health, health care authority, and Washington state hospital

1 association will identify goals for the pilot project before any  
2 hospital joins the pilot project;

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

5 (C) Before a hospital enters the pilot program, the health care  
6 authority must provide information to the hospital regarding how the  
7 hospital could end its participation in the pilot if the pilot is not  
8 working in its community;

9 (D) Payments for services delivered by public health care service  
10 districts participating in the Washington rural health access  
11 preservation pilot to recipients eligible for medical assistance  
12 programs under this chapter must be based on an alternative, value-  
13 based payment methodology established by the authority. Subject to  
14 the availability of amounts appropriated for this specific purpose,  
15 the payment methodology must provide sufficient funding to sustain  
16 essential services in the areas served, including but not limited to  
17 emergency and primary care services. The methodology must adjust  
18 payment amounts based on measures of quality and value, rather than  
19 volume. As part of the pilot, the health care authority shall  
20 encourage additional payers to use the adopted payment methodology  
21 for services delivered by the pilot participants to individuals  
22 insured by those payers;

23 (E) The department of health, health care authority, and  
24 Washington state hospital association will report interim progress to  
25 the legislature no later than December 1, 2018, and will report on  
26 the results of the pilot no later than six months following the  
27 conclusion of the pilot. The reports will describe any policy changes  
28 identified during the course of the pilot that would support small  
29 critical access hospitals; and

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

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

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

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

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

7 (iv) Is owned and operated by the state or a political  
8 subdivision.

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

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

16 (4) Beginning July 1, 2024, through December 31, 2028, payments  
17 for recipients eligible for medical assistance programs under this  
18 chapter for acute care services provided by a hospital, regardless of  
19 the beneficiary's managed care enrollment status, shall be increased  
20 to 120 percent of the hospital's fee-for-service rate for inpatient  
21 services and 200 percent of the hospital's fee-for-service rate for  
22 outpatient services, when services are provided by a hospital that:

23 (a) Is not currently designated as a critical access hospital,  
24 and does not meet current federal eligibility requirements for  
25 designation as a critical access hospital;

26 (b) Has medicaid inpatient days greater than 50 percent of all  
27 hospital inpatient days as reported on the hospital's most recently  
28 filed medicare cost report with the state; and

29 (c) Is located on the land of a federally recognized Indian  
30 tribe.

31 NEW SECTION. Sec. 3. This act is necessary for the immediate  
32 preservation of the public peace, health, or safety, or support of  
33 the state government and its existing public institutions, and takes  
34 effect July 1, 2023.

35 NEW SECTION. Sec. 4. (1) This act expires on the date that the  
36 federal centers for medicare and medicaid services approves the  
37 hospital safety net program as required by RCW 74.60.150(1)(a),

1 including section 4(3)(e), chapter . . . (Substitute House Bill No.  
2 1850 (hospital safety net assessment)), Laws of 2023.

3 (2) The health care authority must provide written notice of the  
4 expiration date of this act to affected parties, the chief clerk of  
5 the house of representatives, the secretary of the senate, the office  
6 of the code reviser, and others as deemed appropriate by the  
7 authority.

8 NEW SECTION. **Sec. 5.** If specific funding for the purposes of  
9 this act, referencing this act by bill or chapter number, is not  
10 provided by June 30, 2023, in the omnibus appropriations act, this  
11 act is null and void.

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