

Multiple Agency Fiscal Note Summary

Bill Number: 5393 2S SB	Title: Health provider contracting
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Estimated Cash Receipts

NONE

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of Attorney General	.0	0	0	0	.0	0	0	0	.0	0	0	0
Washington State Health Care Authority	.0	0	0	0	.0	0	0	0	.0	0	0	0
Office of Insurance Commissioner	4.4	0	0	1,284,774	3.9	0	0	997,690	3.9	0	0	997,690
Total \$	4.4	0	0	1,284,774	3.9	0	0	997,690	3.9	0	0	997,690

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of Attorney General	.0	0	0	.0	0	0	.0	0	0
Washington State Health Care Authority	.0	0	0	.0	0	0	.0	0	0
Office of Insurance Commissioner	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

NONE

Prepared by: Jason Brown, OFM	Phone: (360) 742-7277	Date Published: Preliminary 3/ 2/2023
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Individual State Agency Fiscal Note

Bill Number: 5393 2S SB	Title: Health provider contracting	Agency: 100-Office of Attorney General
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Sandy Stith	Phone: 786-7710	Date: 02/24/2023
Agency Preparation: Dave Merchant	Phone: 360-753-1620	Date: 03/01/2023
Agency Approval: Edd Giger	Phone: 360-586-2104	Date: 03/01/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 03/01/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

1. The Attorney General's Office (AGO) Consumer Protection Division (CPR) has reviewed this bill and determined it will not significantly increase or decrease the division's workload. New legal services are nominal and costs are not included in this request.
2. The AGO Solicitor General's Office (SGO) has reviewed this bill and determined it will not significantly increase or decrease the division's workload. New legal services are nominal and costs are not included in this request.
3. The AGO Government Compliance & Enforcement Division (GCE) has reviewed this bill and determined it will not significantly increase or decrease the division's workload in representing the Office of the Insurance Commissioner (OIC).

GCE provides legal advice and litigation support to OIC. This bill would prohibit certain anticompetitive clauses in provider contracts between health plan carriers and hospitals or their affiliates, if that provider contract would impact health plans issued or renewed after January 1, 2024. This bill would not apply to most health plans that are not regulated by OIC. The bill would also require OIC, in collaboration with the AGO, to study regulatory approaches in other states to address affordability and anticompetitive behaviors. Finally, OIC would have rulemaking authority.

GCE would be asked for some small amount of legal advice relating to the implementation and rulemaking authorized by this bill. However, new legal services are nominal and costs are not included in this request.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5393 2S SB	Title: Health provider contracting	Agency: 107-Washington State Health Care Authority
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Sandy Stith	Phone: 786-7710	Date: 02/24/2023
Agency Preparation: Kate LaBelle	Phone: 360-725-1918	Date: 03/01/2023
Agency Approval: Tanya Deuel	Phone: 360-725-0908	Date: 03/01/2023
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 03/01/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

See attached narrative.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

See attached narrative.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

See attached narrative.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

HCA Fiscal Note

Bill Number: 5393 2SSB

HCA Request #: 23-165

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

This bill varies from the previous bill in the following ways:

Removes provisions limiting the prohibition on anti-steering and anti-tiering clauses to carrier networks where tiering is based on quality metrics. This version of the bill removes exceptions for all-or-nothing clauses and clauses that set provider compensation agreements for affiliates outside the network. Restores the provision requiring carriers to file a declaration with Office of the Insurance Commissioner (OIC).

Section 2 of this bill adds a new section to RCW 48.43 (Insurance Reform) to prohibit certain contract clauses for health plans issued or renewed after January 1, 2024, where such contracts are between a hospital or any affiliate of a hospital and a health carrier. This bill prohibits contracting clauses that include all-or-nothing, anti-steering, and anti-tiering. This bill prohibits contracting clauses that sets provider compensation agreements or other terms for hospital affiliates not included as participating providers.

Section 4 of this bill adds language to RCW 41.05.017 (Provisions applicable to health plans offered under this chapter) that requires health carriers to comply with Section 2 of this bill, opting the self-insured Uniform Medical Plan in alignment with Section 2 of this bill.

II. B - Cash Receipts Impact

None

II. C – Expenditures

Public Employee Benefits Board (PEBB) and School Employee Benefits Board (SEBB) Fiscal Impacts

No fiscal impact.

Section 2 of this bill adds a new section to RCW 48.43 which applies various prohibited clauses in the fully insured health carrier's future contracting and negotiations between a health carrier and hospitals and hospital affiliates.

Section 4 of this bill amends 41.05.017 that requires health plans to comply with Section 2 of this bill.

RCW 48.43 governs the fully insured health plans offered by the Public Employee Benefit Board (PEBB) and School Employees Benefits Board (SEBB) programs. This bill applies to the self-insured Uniform Medical Plans (UMP) established and governed by RCW 41.05, State Health Care Authority, which are offered in the PEBB and SEBB programs. The current UMP third party administrator (TPA) is Regence, which would be required to comply with the requirements of Section 2 this bill for its commercial plans offered in the state. This bill encourages competitive negotiations in the market and Health Care Authority (HCA) does not foresee immediate impacts to rates.

Additionally, the HCA assumes that the OIC review of Regence's provider contracts for compliance with the provisions in the bill will also serve as the primary audit for compliance in provider contracting for

HCA Fiscal Note

Bill Number: 5393 2SSB

HCA Request #: 23-165

UMP, because the same core provider contract provisions are used for both UMP and the Regence's commercial plans. HCA would only complete additional reviews if otherwise notified of a concern from external sources, or a concern is identified in the regular course of managing provisions of the TPA contract. Thus, there is no change in workload anticipated for the HCA, and no additional staffing resources are necessary.

Medicaid

No fiscal impact.

No impacts on the Medicaid lines of business because this legislation places the requirements under RCW 48.43 and 41.05.

Part IV: Capital Budget Impact

None

Part V: New Rule Making Required

None

Individual State Agency Fiscal Note

Bill Number: 5393 2S SB	Title: Health provider contracting	Agency: 160-Office of Insurance Commissioner
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	4.9	3.9	4.4	3.9	3.9
Account					
Insurance Commissioners Regulatory Account-State 138-1	785,929	498,845	1,284,774	997,690	997,690
Total \$	785,929	498,845	1,284,774	997,690	997,690

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Sandy Stith	Phone: 786-7710	Date: 02/24/2023
Agency Preparation: Jane Beyer	Phone: 360-725-7043	Date: 02/28/2023
Agency Approval: Michael Wood	Phone: 360-725-7007	Date: 02/28/2023
OFM Review: Jason Brown	Phone: (360) 742-7277	Date: 03/02/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Section 2(1), except as provided in subsections (2), (3), and (4) of this section, for health plans issued or renewed on or after January 1, 2024, prohibits a provider contract between a hospital or any affiliate of a hospital and a health carrier from directly including any of the following provisions: An all-or-nothing clause; an antisteering clause; an antitiering clause; or any clause that sets provider compensation agreements or other terms for affiliates of the hospital that have not contracted with a carrier, or a carrier's contractor or subcontractor, to provide health care service to enrollees.

Section 2(2) requires, if a health carrier voluntarily agrees to contract with other hospitals owned or controlled by the same single entity under subsection 2(1)(a), the health carrier to file a declaration with the Office of Insurance Commissioner (OIC).

Section 2(3) provides that subsections (1)(a) and (d) do not apply if those subsections would prevent a hospital, provider, or health carrier from participating in a state-sponsored health care program, federally funded health care program, or state or federal grant opportunity; or prevent a hospital and health carrier from participating in a value-based purchasing arrangement structured to increase appropriate utilization, improve health outcomes, and contain health care costs.

Section 2(5) directs that Section 2 does not apply to independent health care provider groups including, but not limited to, emergency physicians, anesthesiologists, radiologists, pathologists, and hospitalists, that contract with hospitals to provide facility-based services and are not otherwise affiliated with a hospital.

Section 3 requires the OIC, in collaboration with the Office of the Attorney General, to study regulatory approaches used by other states to address affordability of health plan rates and the impact of anticompetitive behaviors on health care affordability. The OIC is authorized to contract with a third party to conduct all or any portion of the study. The report and any recommendations must be submitted to the relevant policy and fiscal committees of the legislature by December 1, 2023.

Section 5 authorizes the OIC to adopt rules necessary to implement the act.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Section 2(1), except as provided in subsections (2), (3), and (4) of this section, for health plans issued or renewed on or after January 1, 2024, prohibits a provider contract between a hospital or any affiliate of a hospital and a health carrier from directly including any of the following provisions: An all-or-nothing clause; an antisteering clause; an antitiering clause; or any clause that sets provider compensation agreements or other terms for affiliates of the hospital that have not contracted with a carrier, or a carrier's contractor or subcontractor, to provide health care service to enrollees.

Section 2(2) requires, if a health carrier voluntarily agrees to contract with other hospitals owned or controlled by the same single entity under subsection 2(1)(a), the health carrier to file a declaration with the Office of Insurance Commissioner (OIC).

Section 2(3) provides that subsections (1)(a) and (d) do not apply if those subsections would prevent a hospital, provider, or health carrier from participating in a state-sponsored health care program, federally funded health care program, or state or federal grant opportunity; or prevent a hospital and health carrier from participating in a value-based purchasing arrangement structured to increase appropriate utilization, improve health outcomes, and contain health care costs. Medicaid provider contracts are filed for review with the OIC, and section 2(3)(a) would impact the content of those contracts.

Section 2(5) directs that Section 2 does not apply to independent health care provider groups including, but not limited to, emergency physicians, anesthesiologists, radiologists, pathologists, and hospitalists, that contract with hospitals to provide facility-based services and are not otherwise affiliated with a hospital.

Sections 2(1), 2(2), 2(3), and 4 will require the OIC to develop and apply a new review standard for health provider contracts. Currently, hospital delivery systems are permitted to negotiate a single provider contract and compensation exhibit for an entire hospital delivery system (meaning multiple hospitals and/or affiliates) or negotiate single hospital-by-hospital contracts and compensation exhibits with a health carrier. Health carriers file approximately 575 hospital provider contracts each year and it takes approximately two hours of review time per filing. As a result of this bill, the total review time per filing will increase to 4 hours beginning in FY2024 requiring an additional 1,150 hours (575 provider contract filings x 2 additional hours of review) of a Functional Program Analyst 4 (FPA4) (190 hours) and a Functional Program Analyst 3 (FPA3) (960 hours). Additionally, the OIC assumes health carriers will convert some of their previous contracts to individual contracts with an average of 10 entities that were previously included in a single provider contract. It is estimated that 50% of the current provider contracts filed will include affiliate requirements and of that 50%, half will file declarations to voluntarily contract with the hospital's affiliates as provided in Section 2(2) and half will result in health carriers entering into new contracts with 10 hospital delivery system entities, i.e. hospitals or affiliated entities. Therefore, it is anticipated an additional 1,269 hospital provider contracts (575 provider contract filings x 25% x 10 new entities = 1,438 less 169 (the original 25%)) will be filed each year, beginning in FY2024, requiring 5,076 hours (1,269 filings x 4 hours) of a FPA4 (761 hours) and FPA3 (4,315 hours). The OIC will also require one-time costs, in FY2024, of 16 hours of a FPA4 to develop new review standards, update checklist documents and filing instructions, and train staff.

The provisions in Sections 2 and 4 will lead to an increase in enforcement actions. The OIC anticipates an average of two additional enforcement action per year to address allegations specific to health provider contracts. Enforcement actions require the equivalent of approximately 40 hours per case requiring 80 hours (2 cases x 40 hours) of an Insurance Enforcement Specialist beginning in FY2024.

Section 3 requires the OIC, in collaboration with the office of the Attorney General, to study regulatory approaches used by other states to address affordability of health plan rates and the impact of anticompetitive behaviors on health care affordability. The OIC is authorized to contract with a third party to conduct all or any portion of the study. The report and any recommendations must be submitted to the relevant policy and fiscal committees of the legislature by December 1, 2023. Given the relatively short timeframe for completion of the study, OIC anticipates contracting for consulting assistance with this work. It is estimated that 340 hours of consulting services will be necessary at a rate of \$300 per hour, for a total of \$102,000 (340 hours x \$300/hour) in FY2024. In FY2024, the OIC will also require study/contract management of 120 hours of a Senior Policy Analyst and subject matter expertise requiring 60 hours of a Provider Network Oversight Manager, 60 hours of an Actuary 4, and 30 hours of an Insurance Enforcement Specialist.

Section 5 authorizes the OIC to adopt rules necessary to implement the act. 'Complex' rulemaking, in FY2024, will be required.

Ongoing Costs:

Salary, benefits and associated costs for 3.26 FTE Functional Program Analyst 3, .59 FTE Functional Program Analyst 4, and .05 FTE Insurance Enforcement Specialist.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
138-1	Insurance Commissioners Regulatory Account	State	785,929	498,845	1,284,774	997,690	997,690
Total \$			785,929	498,845	1,284,774	997,690	997,690

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	4.9	3.9	4.4	3.9	3.9
A-Salaries and Wages	398,976	291,566	690,542	583,132	583,132
B-Employee Benefits	140,967	107,510	248,477	215,020	215,020
C-Professional Service Contracts	102,000		102,000		
E-Goods and Other Services	134,986	99,769	234,755	199,538	199,538
G-Travel					
J-Capital Outlays	9,000		9,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	785,929	498,845	1,284,774	997,690	997,690

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Actuary 4	196,812	0.0		0.0		
Functional Program Analyst 3	73,260	3.3	3.3	3.3	3.3	3.3
Functional Program Analyst 4	80,952	0.8	0.6	0.7	0.6	0.6
Insurance Enforcement Specialist	99,516	0.1	0.1	0.1	0.1	0.1
Provider Network Oversight Manager	115,788	0.0		0.0		
Senior Policy Analyst	108,432	0.7		0.4		
Total FTEs		4.9	3.9	4.4	3.9	3.9

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Section 5 authorizes the Office of Insurance Commissioner to adopt rules necessary to implement this act. 'Complex' rulemaking, in FY2024, will be required.