

Cascade Care 2.0: SB 577

Increasing Affordability and Stability of Health Insurance

Ongoing Cost Barriers to Health Coverage

Washington residents who need to buy their own health insurance on the individual market are struggling with the cost and quality of their health plans. In 2019 the Legislature took the first steps to tackle these issues by passing SB 5526, commonly known as *Cascade Care*, which “standardized” cost-sharing for some Exchange plans and created the first publicly-procured plan option in the country.

However, cost still remains a significant barrier. Premiums continue to rise: 14% of Exchange enrollees now spend more than 10% of their income to buy a basic benchmark plan and some even face premiums up to 30% of their income. And some non-standardized plan deductibles remain so high that patients have to pay thousands of dollars out of pocket for most services before their insurance even kicks in.

Increasing Affordability and Quality of Health Insurance

While Washington has made important strides to improve consistency and fairness in plan offerings, SB 5377 takes the next step by increasing affordability, stabilizing market offerings, and controlling costs.

Premium and Cost-Sharing Subsidies: Subject to appropriation, the Health Benefit Exchange is directed to establish a state-funded premium assistance subsidy program and permitted to establish a cost-sharing reduction subsidy program. These programs would improve affordability of both premiums and other out of pocket costs like deductibles, coinsurance, and copays for residents with an income up to 500% of the federal poverty level. In states with similar programs, uninsurance rates have dropped steeply and the cost of underlying plans have come down due to competition. The Exchange is directed to seek federal waivers to maximize federal funds to help with the cost of these programs.

Controlling Costs: A hospital reimbursement rate formula is established for hospital services provided to enrollees of a public option plan. The base reimbursement rate for hospitals is set at 135% of Medicare reimbursement for hospital services. A hospital may receive a set increase in their reimbursement rate if they have a percentage of Medicaid patients exceeding the statewide average, and/or if they can show they efficiently manage the underlying cost of care.

Ensuring Network Adequacy: Hospitals that receive payment for services provided to enrollees in Public Employees Benefits Board, School Employees Benefits Board, or Medicaid, are directed to contract with the public option plan to provide in-network services to enrollees of that plan. This will help the state to ensure hospital participation across the health plans it purchases.

Stabilization of Market Offerings: Any carrier offering a plan on the Exchange must offer the silver and gold standardized plans designed by the Exchange and if a carrier offers a bronze plan, it must offer the bronze standardized plans designed by the Exchange. In addition, beginning January 1, 2023, a health plan offering a standardized health plan is limited to offering up to one non-standardized plan in each metal tier. These changes will help ensure that residents across Washington have the right number of high-value choices, rather than hundreds of plans in urban areas and too few plans in rural areas.