



Public option proposal

Enhancing Washingtonians' health insurance access with Cascade Care plans from Washington Healthplanfinder

Summary

For public option plans procured by the Health Care Authority for offering in the individual market, beginning January 1, 2027:

- The hospital participation requirement in RCW 41.05.405 is amended to require hospital systems to participate in the network of any public option plan that offers a good faith contract¹. Hospital systems are defined by RCW 19.390.020 and required participation includes all hospitals and primary, urgent, pediatric, and specialty care locations, services, or entities affiliated with hospitals through ownership.
- RCW 41.05.410 is amended to establish additional pricing cap requirements:
 - Prohibit the total plan expenditure for all inpatient and outpatient hospital services from exceeding 160% of Medicare; and
 - Require the plan to reimburse for non-facility based behavioral health services at levels no less than 135% of Medicare.

Why Public Option Needs Strengthening

Current reference price and provider participation requirements are not resulting in meaningfully lower premiums.

Targeted pricing caps. Reference pricing is a concept in health care where a standard reimbursement level is established for payment of certain services. The reference point, or price, is tied to an already defined pricing level, such as Medicare reimbursement rates. Washington leverages reference pricing in public option today through Legislative mandates that require aggregate statewide public option carrier reimbursements made to all provider types for health care services must not exceed 160% of Medicare, reimbursements made to providers for primary care services must not be less than 135% of Medicare, and reimbursements made to rural hospitals must not be less than 101% of Medicare.

This proposal builds on this promising practice in order to meaningfully lower public option premiums. It adds specific reimbursement caps for inpatient and outpatient hospital services, which data demonstrate are primary drivers of health care costs. The proposal also expands on the concept of ensuring cost containment is not generated through reductions in spending on high-value services by adding aggregate increases in reimbursement for non-facility based behavioral health services, aligned with the current primary care reimbursement floor.

Strengthened provider participation. The Legislature in 2021 added requirements that hospitals must contract with at least one public option plan. While this shift to mandatory hospital participation increased the geographic availability of public option plans, barriers persist:

- Hospitals currently meet public option participation requirements by including hospital services and locations in network. Washington has an increasingly consolidated health care environment, and many hospitals carve out primary and specialty care services offered by the hospital system. For example, a family with an Exchange public option plan may seek emergency care from a system's handful of hospitals but cannot be referred to or establish primary or specialty care from the hundreds of providers and locations owned and operated by the hospital system. This proposal would require hospital system participation upon public option carrier offer to contract to mitigate access to care barriers and confusion for public option plan enrollees.
- Hospitals currently meet public option participation requirements by contracting with only one public option plan. This prohibits other public option plans from entering some regions because they cannot meet network adequacy standards without contracting with the region's hospital. This results in one public option plan in several counties without healthy competition from other public option plans. This proposal encourages availability of more than one public option plan in each county to drive competition for premium price and quality.

Public Option Background

The Washington State Legislature in 2019 created the nation's first public option program because health care is unaffordable for too many Washingtonians. Exchange customers are particularly affected by the rising costs of health care, with Exchange plan premiums doubling in the last decade. To increase Exchange customer access to health plans with meaningfully lower premiums, public option plans are required to meet higher quality standards and legislatively mandated provider reimbursement requirements.

Introduced to *Washington Healthplanfinder* customers in 2021, public option shows promise in making health insurance accessible and affordable. As a result of improvements the Legislature made in the 2021 session, the reach of public option has grown. In 2025, public option plans are available statewide and are the lowest-premium qualified health plans in most counties. Today, enrollment in public option plans is growing faster than other plans on the Exchange, with nearly 75,000 enrollees. Despite these gains, barriers to affordable coverage and care persist.

This proposal draws upon data and Legislatively requested reports that find:

- Introducing [new public option requirements could lower public option premiums](#). New policies that lower public option premiums may create an opportunity to apply

for federal pass-through of savings to the state that can be used for Exchange affordability programs, such as state-based premium assistance.

- Leveraging public option to increase affordability and enrollment [does not materially impact hospitals](#).
- Public option plan premiums [show promise in increasing Exchange customers' access to affordable health coverage](#).
- Public option [enrollees pay less out of pocket](#) when using their benefits to access health care.
- Current public option [provider reimbursement targets are generally met](#) by participating public option carriers.
- Increased [public option alignment with other HCA-procured programs](#), such as public employee benefits and school employee benefits, could have a positive impact on plan affordability, choice, and market stability.

Please send feedback on this proposal to cascadecare@wahbexchange.org.

ⁱ WAC 182-400-0200: <https://app.leg.wa.gov/WAC/default.aspx?cite=182-400-0200>