



July 8, 2025

Dr. Monica R. McLemore, Board Chair  
Washington State Health Benefit Exchange  
810 Jefferson St SE  
Olympia, WA 98501

**RE: Concerns Regarding Reference Based Pricing or Cutting Payments to Hospitals**

Dear Dr. Monica R. McLemore,

Thank you for your ongoing leadership in advancing access to affordable health coverage for Washingtonians. As you consider policy proposals related to cost containment, I write to express deep concern regarding efforts to impose reference-based pricing or otherwise reduce payments to hospitals.

Recent new taxes and cuts from the state legislature, as well as federal proposals, aim to reduce what hospitals are reimbursed for providing care. While we share your commitment to affordability, cutting hospital revenues will not achieve meaningful savings in our state's current environment and may in fact result in lasting harm to our healthcare system.

Many of Washington's hospital margins are negative or already dangerously thin. Most urban hospitals continue to operate with negative or break-even margins. Unlike large national systems such as Mayo Clinic or Cleveland Clinic, Washington's health systems have fewer reserves and absorbed greater losses during the COVID-19 pandemic. If we were to face another public health emergency, many hospitals would not be able to respond as they previously did before.

Only a few urban hospitals/health systems in Washington have healthy margins. The rest are already under immense financial strain. Additional cuts, particularly those approved in the 2025 to 2027 state budget totaling \$250 million dollars in direct cuts to hospitals, and the proposed federal budget with at least \$700 million dollars in provider cuts, threaten to force further service reductions, hospital closures, or system consolidations.

It is important to distinguish between prices and costs. Hospital prices in Washington are generally average compared to national benchmarks, according to recent RAND<sup>1</sup> data. However, the cost of delivering care in Washington is significantly higher due to factors largely outside of hospital control.

Between 2021 and 2024, wages and benefits of hospital employees rose by 34 percent, and supply and drug costs increased by 31 percent. Hospitals employ more than 30,000 nurses statewide – about a quarter of the overall workforce. Nursing wages in Washington are about 20 percent higher than the national average, and patients receive roughly 20 percent more nursing care per discharge. Hospitals must also comply with expanding state laws, which include staffing ratios, balance billing protections, environmental regulations, and detailed reporting requirements, all of which increase labor and administrative costs.

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<sup>1</sup> RAND Corporation, "Hospital Price Transparency and Shopping," *RAND Health Care*, accessed July 8, 2025, <https://www.rand.org/health-care/projects/hospital-pricing.html>.

Washington also has the lowest hospital bed capacity per capita in the country. As the population has grown and inpatient bed growth has lagged, hospitals are now caring for more complex and acutely ill patients. At the same time, expanded Medicaid enrollment and one of the most generous charity care policies in the nation have placed additional financial pressure on hospitals. Washington hospitals provided \$490 million dollars in charity care in 2023, an increase of more than \$100 million annually from 2020. About half of all residents are now eligible for charity care, and recent guidance from the Washington State Department of Health has extended that eligibility to medical tourists from out of state and abroad. In short, Washington hospitals have already experienced significant cost increases through charity care, wage inflation, and are now facing new cuts and taxes at the state level. As a result, hospitals in our state are now closing services and laying off clinical staff. In this environment, implementing reference-based pricing would exacerbate financial strain and force hospitals to make further reductions in services, particularly in high-cost areas such as labor and delivery, behavioral health, and trauma care.

When the aggregate cap of 160 percent of Medicare was enacted by the legislature in 2021, Cascade Care Select had less than 10,000 enrollees. Since then, enrollment has significantly increased as these plans have gained popularity due to their lower premiums. However, implementing strict price caps on hospitals fails to address one of the most significant drivers of insurance premiums: risk. Premium costs are heavily influenced by the health status and utilization patterns of the covered population, not just provider reimbursement rates. Without addressing the underlying risk profile of enrollees, capping hospital payments may produce limited cost savings to the state while threatening access to care and the financial stability of providers.

Price fixing may appear to address affordability, but if it reduces availability and access, it fails in practice. If hospitals and health systems continue to be forced to close services, there will be nothing left for Exchange members to afford. While price caps are a payment cut or a shift in cost to other commercial payers, hospital expenses to deliver care stay the same that neither labor nor supply costs decrease because of price caps.

On behalf of Washington's hospitals and the communities they serve, I urge the Board to reject reference-based pricing and any policy proposals that further cut hospital reimbursement. A stronger and more equitable health care system will require collaborative solutions that reflect the true cost of care delivery and protect access for patients across Washington.

Thank you for your consideration. WSHA welcomes the opportunity to further discuss this issue.

Sincerely,



Jennifer Brackeen  
Senior Director, Government Affairs  
Washington State Hospital Association



Chelene Whiteaker  
SVP, Government Affairs  
Washington State Hospital Association