

# Cascade Select Public Option

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Engrossed Substitute Senate Bill 5526, Section 5, Chapter 364, Laws of 2019

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## Executive summary

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Washington has long been a leader in health care reform and has championed policy solutions to expand access to affordable health care coverage. With the passage of Senate Bill 5526 in 2019 (and additional updates enacted in SB 5377 (2021)), Washington became the first state to offer a public option through its state-based health insurance exchange, called Washington Healthplanfinder or “Exchange.”

Washington’s public option was enacted as part of a series of interrelated policies targeting affordability and standardization of individual market health coverage. The broad policy, commonly referred to as Cascade Care, includes a requirement for the Health Benefit Exchange (HBE) to:

- Annually design standardized benefit plans, known as Cascade Plans. Every health carrier offering individual market coverage is required to offer a Cascade Plan.
- Establish a state-funded subsidy program for Washington residents earning under 250 percent of the federal poverty level (FPL) which will begin in plan year 2023.

The public option component of Cascade Care, known as Cascade Select, is a major milestone in Washington’s health care reform initiatives, as well as a model for other states to pursue affordable coverage solutions for the individual market. Since its inception, Cascade Select has made progress in improving access to affordable, high-quality health care coverage in the individual market. From its first year of operation (plan year 2021) to plan year 2023, Cascade Select expanded to provide plans in 34 of 39 Washington counties, up from 19 counties in 2021. For plan year 2023, 98 percent of current Exchange customers will have access to a Cascade Select plan.

Cascade Select has advanced affordability for Washingtonians who purchase individual health plans through the Exchange. Through the Cascade Select program, carriers are required to reach an aggregate provider reimbursement target of 160 percent of Medicare rates, which has resulted in Cascade Select plans being the most affordable health plan in many Washington counties. Cascade Select plans will be the lowest-cost Silver premium offering on the Exchange in 25 counties, up from 13 counties in 2022.<sup>1</sup> Additionally, the average premium rate for Cascade Select plans for plan year 2023 decreased by three percent compared to average rate increases of over eight percent for non-Cascade Select Exchange health plans.

Trends in rates and access between the first and second procurement forecast a strong future for the Cascade Select program. However, the Health Care Authority (HCA) recognizes that the work to ensure coverage is truly affordable and accessible to all Washington residents is not yet done. HCA, HBE, and Office of the Insurance Commissioner (OIC) continue to partner as the public option matures to bring affordable, high quality health care coverage options to the individual market through Cascade Select.

As part of SB 5526, the Legislature directed HCA to produce a report evaluating the impact of four policies related to Cascade Select plans. Also included in this report is:

- Additional background on the Cascade Select program
- Roles of each of the agency partners
- Information on each of the first two Cascade Select procurements.

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<sup>1</sup> Under the Affordable Care Act, qualified health plans are classified by metal levels: Bronze, Silver, and Gold.

## Summary of key findings

HCA was specifically directed to evaluate the impact on qualified health plan choice, affordability, and market stability of 1) requiring health carriers that participate in programs administered by HCA to offer Cascade Select plans, and 2) requiring provider networks that participate in programs administered by HCA to participate in Cascade Select provider networks. Additionally, HCA must evaluate whether the quality review processes employed by Cascade Select carriers should align with clinical criteria published by HCA, and identify other issues deemed relevant to the successful implementation of Cascade Select.

1. It may be beneficial to require Public Employees Benefits Boards (PEBB), School Employees Benefits Board (SEBB) or other HCA program carriers to bid for Cascade Select contracts without the requirement for HCA to accept them. This may increase participation among carriers while mitigating potential negative impacts of adding a large number of similar plans to the market. Additionally, requiring good faith bids for Cascade Select contracts may safeguard against less carrier participation in future procurements.

However, requiring carriers that participate in programs administered by PEBB, SEBB, or HCA to offer Cascade Select plans may result in continued consumer choice overload in the Exchange market without substantially increasing affordability.

Due to the complexities involved in existing HCA program contracts and contracting for Cascade Select, efforts to require carriers to participate or bid across markets, such as PEBB, SEBB, and Cascade Select, should proceed cautiously. While, these efforts may increase participation and better secure the future of Cascade Select, there is no guarantee or direct link that premiums would decrease as a result of an increase in carrier participation.

2. Requiring provider networks of programs administered by HCA (including PEBB, SEBB, Medicaid, and/or other HCA programs) to participate in provider networks in Cascade Select may have a positive impact on qualified health plan provider networks and market stability.

While working with carriers to provide Cascade Select, several carriers noted challenges in building and expanding low-cost provider networks because of the required reimbursement targets. One carrier specifically detailed support for aligning providers who participate in PEBB and SEBB to further expand participation in Cascade Select.

Leveraging HCA's purchasing across its multiple programs may incentivize provider participation and potentially expand statewide service for Cascade Select enrollees, particularly since hospitals are currently required to contract with only one Cascade Select carrier, which may still make it difficult for carriers to build provider networks. However, expansion of provider networks may not align with other Cascade Select goals such as affordability because the current reimbursement targets are set at an aggregate target (160 percent of Medicare). The aggregated target rate hinders the ability to ensure that the target is met throughout the contracting process and plan year, unlike specific provider reimbursement targets which ensure that carriers can more easily target to those contracting goals. While adequate provider networks and more affordable plans are goals of Cascade Select, there may be some balance needed when assessing future policy changes for the developing program.

3. Health carriers offering a Cascade Select plan(s) should continue to align quality review processes with clinical criteria published by HCA, such as recommendations by the Dr. Robert Bree Collaborative, and the Health Technology Clinical Committee.

The incorporation of these quality criteria into Cascade Select plans presented an opportunity to advance quality for Cascade Select plans. Continuing with these quality review requirements and expanding these requirements for carriers will ensure access to quality health plans.

The success of this program offers the potential to incorporate these quality requirements into other Exchange plans offerings. This could be phased in across the Exchange offerings, initially aligning all Cascade Care standard plans with the quality requirements under Cascade Select. These quality requirements could then extend to all plans on the Exchange which will strengthen the tools that influence quality while setting a standard for evidence-based, high value plans offered on the Exchange.<sup>2</sup> These quality requirements extended across markets would further align purchasing expectations and ensure that Washingtonians have access to quality health plans.

4. There may be additional opportunities to improve affordability of coverage in Washington through Cascade Select.

Potential pathways to influencing affordability include examining functions of active purchasing, the current reimbursement targets, and provider participation.

- a. The coordinating agencies' overlapping timelines and segregated authority over areas, such as rates and networks, prevents HCA from negotiating premiums or creating a pool of consumers to leverage negotiations as it does for PEBB and SEBB.
- b. Another option for reducing premiums is to reduce the current reimbursement targets. However, reimbursement targets are aggregate, and the legislation does not require specific rates for providers to ensure that the reimbursement targets can be met.
- c. While Cascade Select plans have expanded considerably, it is unclear the extent to which the recent legislation and rulemaking affected provider participation and networks. HCA will monitor provider participation with OIC to ensure there are sufficient networks and statewide availability and to better understand any additional, necessary strategies.

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<sup>2</sup> There is a possibility that extending Cascade Select's quality requirements to standard plans and not non-standard plans could add cost to standard plans, especially in comparison to non-standard plans.

## Background

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The federal Affordable Care Act (ACA) (passed in 2010) established state-based health insurance exchanges to create a competitive marketplace that extends affordable, accessible health care coverage to individuals and small groups. Access to individual market coverage has increased significantly with the marketplace. However, consumer premiums and out-of-pocket spending have continued to grow along with increasing health care costs, and market forces have not produced affordable commercial premiums.

As a result, Washington is increasing its focus on affordability strategies as well as health care cost measurement and cost containment across all state-financed programs. In 2019, the Legislature established the first ever public option, known as Cascade Select, under the Cascade Care program with goals to:

- Make health care coverage more affordable
- Incentivize high-quality care with an emphasis on primary care
- Ensure coverage availability and expansion statewide through Washington's individual health insurance market.

HCA, in partnership with HBE and OIC, continuously works toward achieving the goals of Cascade Select. HCA and its agency partners also aim to advance meaningful mutually beneficial partnerships with carriers across all populations for which it is responsible with the long-term goals of improved population health, and sustainable health care spending.

This background section covers the establishment of the Cascade Care program and Cascade Select plans. Combined with this background are recent legislative changes and associated efforts, including their impacts on Cascade Select. This section also briefly reviews the roles of HBE, HCA, and OIC contributing to the success of Cascade Select.

## Establishment of the Cascade Care program and Cascade Select

### 2019 legislation

The Cascade Care program was established by legislation in 2019 (SB 5526) in an effort to increase the availability of quality, affordable health care coverage in the individual market. This legislation recognized that unaffordable premiums stop too many individuals and families from securing health insurance and that sometimes the coverage itself prevents individuals from accessing care due to high deductibles and out-of-pocket expenses.

While the Legislature sought to establish affordable health coverage, it also recognized that coverage is insufficient if individuals and families cannot use their benefits to access health care. The Cascade Care program works to improve access, affordability, quality, and health equity by:

- Addressing costs through lower premiums, lower deductibles, and providing access to services before having to pay the deductible. This includes leveraging federal and state-based financial assistance, state purchasing power, and health care provider reimbursement expectations.
- Encouraging more informed and meaningful consumer choices with products of better value and similar benefits across all participating carriers.
- Growing enrollment by attracting new enrollees and retaining current customers.

- Ensuring continued market health through stable carrier participation, competitive product offerings, and a larger and more diverse risk pool.<sup>3</sup>

The legislation established Cascade Care plans as a type of qualified health plan (QHP) offered by health insurance carriers on Washingtonhealthplanfinder. Cascade Care plans have a standard benefit package to enable individuals purchasing coverage on the Exchange to compare plans more easily from different carriers. These plans also cover more health care services, such as regular check-ups and prescription drugs before customers pay deductibles and at lower costs. Finally, Cascade Care plans are designed with lower deductibles than most other plans.

To ensure availability of Cascade Care plans, any carrier offering a QHP on the Exchange must offer one Silver standardized health plan and one Gold standardized health plan, in every county the carrier offers a QHP. If a carrier offers a Bronze health plan on the Exchange in any county, it must offer one Bronze standardized health plan in that county.<sup>4</sup>

The 2019 Cascade Care legislation also made Washington the first state to offer a public option, known as Cascade Select, on the Exchange. HCA, in partnership with HBE and OIC, was required to implement Cascade Select and contract with health insurance carriers to provide Cascade Select plans on the Exchange. Cascade Select plans have the same standard benefit design as Cascade Care standard plans offered on the Exchange. However, Cascade Select plans leverage state purchasing power to strengthen additional quality, value, and provider reimbursement requirements and monitoring standards (See Figure 1 for a comparison of health plans available on the Exchange).

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<sup>3</sup> A risk pool is a group of individuals whose medical costs are combined to calculate premiums.

<sup>4</sup> Offering Cascade Select, which also includes Cascade Care's standard benefit design, meets carriers' obligation to offer a Cascade Care standard plan.

**Figure 1: 2023 health plans offered on the Exchange**

2023 Health Plans Offered on <i>Washington Healthplanfinder</i>				
		Non-Cascade plans	Cascade Care Plans	
			Cascade plans	Cascade Select plans
Meets all QHP requirements	<b>Requirements for all QHPs in 2023:</b> <ul style="list-style-type: none"><li>All plans must meet all requirements under RCW 43.71.065.</li><li>Carriers must offer gold and silver Cascade Care health plans to participate in <i>Washington Healthplanfinder</i>.</li><li>Carriers offering a non-Cascade bronze plan on <i>Washington Healthplanfinder</i> must also offer one bronze Cascade Care health plan on <i>Washington Healthplanfinder</i> in any county where it offers a bronze plan.</li><li>Carriers offering Cascade Care health plans may offer up to two non-Cascade gold plans, two non-Cascade bronze plans, one non-Cascade silver health plan, one non-Cascade platinum health plan, and one non-Cascade catastrophic health plan in each county where the carrier offers a qualified health plan.</li></ul>	X	X	X
Eligible for tax credits		X	X	X
Eligible for Cascade Care Savings state premium subsidy for residents earning up to 250% FPL.			X	X
Includes standard health plan benefit design set by the Exchange.			X	X
Includes quality, value, and provider reimbursement requirements set by the Legislature and Health Care Authority.				X
Hospital participation requirements set by the Legislature.				X
Procured through the Health Care Authority.				X

Comparison between non-standard plans, Cascade Care plans, and Cascade Select (Public Option) plans offered on the Exchange. Health Benefit Exchange.

Cascade Select's primary goals are to improve access to affordable health care coverage in the individual market. To promote the goals of affordability and access, SB 5526 required the following reimbursement targets for providers:

- For providers and facilities for all covered benefits in the statewide aggregate, reimbursement targets may not exceed 160 percent of what Medicare would have reimbursed for the same or similar services.
- For services provided by critical access hospitals or sole community hospitals,<sup>5</sup> reimbursement targets may not be less than 101 percent of what Medicare would have reimbursed for the same or similar services.
- For primary care services,<sup>6</sup> reimbursement targets may not be less than 135 percent of what Medicare would have reimbursed for the same or similar services.

<sup>5</sup> As certified by the CMS.

<sup>6</sup> As defined by HCA.



Another goal of SB 5526 was to ensure that Cascade Select plans would be offered in every county in the state. However, the release of the request for applications (RFA) for plan year 2021 happened during the COVID-19 pandemic and declared public health emergency (PHE) which resulted in considerable health care system impact and associated challenges with provider network contracting. Additionally, Cascade Select participation was not mandated for carriers or providers. Though the program did not achieve statewide availability, Cascade Select plans were available in 19 counties in plan year 2021 (the first year of Cascade Select) and will be available in 34 of 39 Washington counties in 2023.

## 2021 legislation

Voluntary participation in Cascade Select by health care providers was a significant barrier to achieving statewide availability, especially combined with the COVID-19 pandemic, which exacerbated providers' unwillingness to participate given the program's reimbursement targets. As a result of the difficulties with achieving statewide availability, the Legislature passed SB 5377.

SB 5377 states that if a Cascade Select plan was not available in each county during plan year 2022, hospitals (except those owned and operated by a health maintenance organization) must contract with at least one Cascade Select plan to provide in-network services to enrollees beginning in plan year 2023.<sup>7</sup> This provision was designed to help ensure hospital participation to expand the availability of Cascade Select plans.

In recognition that affordability continued to impact uptake of Exchange plans, the Legislature also allocated appropriations in SB 5377 to HBE to implement a new state premium subsidy program. Available in plan year 2023, this program will create an opportunity to provide coverage for uninsured, low-income Washington residents up to 250 percent FPL.

The subsidy program, called Cascade Care Savings, will leverage all available federal subsidies to maximize state resources and ensure access to Cascade Care coverage and Cascade Select plans for eligible individuals and families. Additional funding was allocated during the 2021 legislative session to authorize HBE to seek a federal 1332 waiver to allow more Washingtonians, including immigrants without federally recognized immigration status, to shop and buy coverage on the Exchange.

## Coordinating agencies and their roles

Cascade Care, including Cascade Select, is a three-agency effort involving HBE, HCA, and OIC. Each agency has a major role in the development and implementation of Cascade Select plans.

### HBE

HBE is the lead agency for the Cascade Care program, and responsible for standard benefit design utilized by Cascade Care and Cascade Select (public option) plans. HBE certifies health plans offered on the Exchange, including Cascade Select plans, and makes them available through Washington Healthplanfinder, the state's online health insurance marketplace.

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<sup>7</sup> Health maintenance organization as defined in [RCW 48.46.020](#).

## HCA

HCA procures and administers Apple Health (Medicaid and the Children's Health Insurance Program), and PEBB and SEBB programs. HCA is also responsible for procuring and contracting for Cascade Select plans.

## OIC

OIC has regulatory oversight of the insurance industry. OIC must approve all individual health plan design and rates prior to being sold on the exchange. OIC is also responsible for approving individual market and small group health plans, including Cascade Select plans, which involves reviewing plan filings annually to ensure they meet regulatory requirements including rate review, benefit design, and network adequacy.

## Cascade Select procurements

This section will detail the result of the two procurements undertaken by HCA. The first procurement established Cascade Select for plan years 2021-2022. The second procurement initiated a competitive procurement for plan years 2023-2024 to expand access and increase the focus on affordability.

### 2021 procurement

The first procurement established Cascade Select plans and created a foundation on which to pursue statewide availability, affordability, quality, and value. When designing program standards and requirements, HCA, HBE, and OIC considered the demographics of populations likely to purchase Cascade Select plans as well as their health care patterns and utilization. They also reviewed contract language and the requirements of current HCA contracts and QHP standards from HBE. The agencies also considered the operational impacts of recommended standards on carriers and providers.

For plan year 2021, HCA partnered with HBE and OIC to initiate an RFA to solicit applications from licensed carriers interested in providing Cascade Select plans. In the RFA and per statutory charge, the RFA included recommendations from the Bree Collaborative and health improvement activities.<sup>8</sup> In addition to meeting the quality and value standards, carriers interested in offering Cascade Select plans were also required to offer at least one Bronze, one Silver, and one Gold Cascade Select plan.

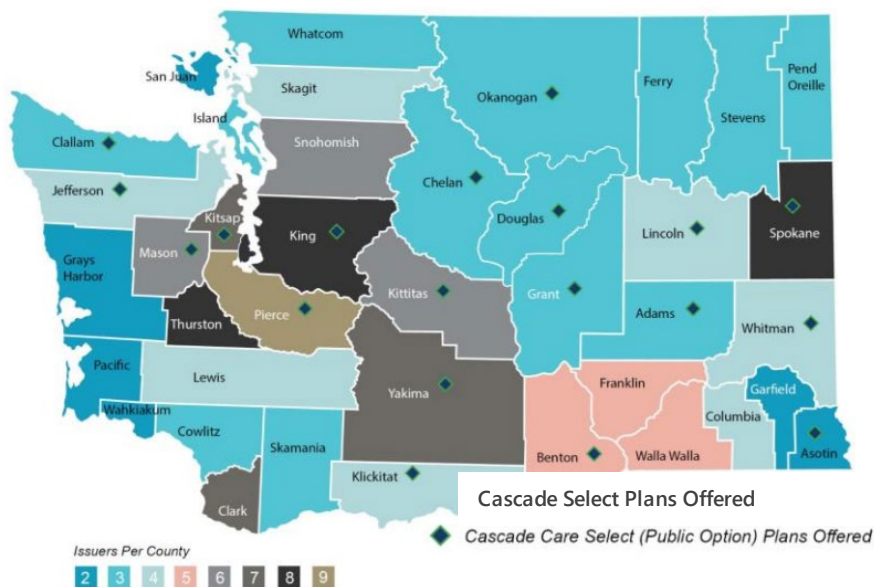
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<sup>8</sup> In 2011, the Washington State Legislature established the Dr. Robert Bree Collaborative to bring together public and private health care stakeholders to identify specific ways to improve health care quality, outcomes, and affordability in the state. Collaborative members are appointed by the Governor and represent public health care purchasers for Washington, private health care purchasers, health plans, physicians and other health care providers, hospitals, and quality improvement organizations.

Cascade Select plans were offered for the first time on Washington Healthplanfinder on November 1, 2020. Coverage began January 1, 2021 (Figure 2).<sup>9</sup> Five carriers responded to the RFA and offered to provide Cascade Select plans in 19 counties. The five carriers included BridgeSpan, LifeWise, Coordinated Care, United Healthcare, and Community Health Network of Washington.<sup>10</sup>

HCA contracted with all five carriers for plan years 2021-2022 which ensured as much statewide availability as possible and secured a successful launch of the Cascade Select program. For plan year 2022, HCA and the five carriers worked together to expand their service areas and Cascade Select plans were available in 25 counties.<sup>11</sup>

**Figure 2: Cascade Select plans offered as of January 2021**



## 2023 procurement

Before undergoing the second procurement for plan year 2023, HCA and its partners examined the lessons learned and successes under the first procurement. HCA and its partners sought to explore opportunities to further promote the goals of statewide availability and affordability, with a focus on Cascade Select's goals to expand affordable coverage options as provided for in the Cascade Care legislation (SB 5377 (2021)). To best meet these goals, HCA initiated a competitive procurement through a request for proposal (RFP) for plan years 2023 and 2024. This enabled HCA to be more selective in contracting, with the expressed intent that carriers were encouraged to offer their best bid in more counties at a competitive, affordable price.

For this RFP, HCA and HBE added additional requirements for carriers with aims to improve quality of care and increase the value of Cascade Select plans. This included the selection of quality metrics, recommendations from the Bree Collaborative, and health improvement activities.

<sup>9</sup> HBE gathered this data and made it available on January 19, 2021.

<sup>10</sup> Both United Healthcare and Community Health Network of Washington had previously exited Washington's individual market but reentered to offer Cascade Select plans in 2021.<sup>10</sup>

<sup>11</sup> In 2022, Cascade Select plans were available in six additional counties including Franklin, Lewis, Snohomish, Stevens, Thurston, and Walla Walla.

HCA executed two-year standard contracts for Cascade Select plans that met the program goals outlined in the RFP. The carriers that met these goals offered a decrease in some premium rates and expanded availability of Cascade Select plans into nine additional Washington counties.<sup>12</sup>

## Results of procurement and rulemaking for plan year 2023

### Carrier selection and service areas

Statewide availability is a key focus of the Cascade Select authorizing legislation. Access has expanded with each year of Cascade Select's availability. In the competitive procurement for plan years 2023-2024, HCA decided to only allow carriers with the highest scores to offer Cascade Select plans to balance achieving statewide availability and affordability.<sup>13</sup> Seven carriers bid to offer Cascade Select plans. Bidders included the five carriers who offered Cascade Select plans in plan years 2021 and 2022, as well as two additional carriers, Molina and PacificSource.

Carriers' bids were assessed by HCA and scored based on proposed premiums, service areas, and quality requirements. While most of the carriers expanded their service areas, none offered statewide coverage, requiring HCA to evaluate and select carriers with a view towards the best outcomes for consumers. Four bidding carriers had lower overall scoring and primarily proposed to add indistinguishable, and often times expensive Cascade Select plans to the Exchange's already crowded marketplace.<sup>14</sup> Accepting these carriers would have expanded coverage to statewide availability; however, with multiple carriers offering plans already in those counties, this was not likely to improve access to affordable care for enrollees. Lack of competitive plans may also be heightened because certain hospital providers are required to contract with only one Cascade Select plan.

HCA selected three of the seven carriers who bid to offer Cascade Select plans for plan year 2023. The decision to reduce the number of carriers offering Cascade Select plans, and even eliminating carriers that had previously participated, aimed to balance statewide expansion with a focus on affordability.<sup>15</sup> Apparently successful bidders were publicly announced on June 30, 2022. In September 2022, OIC approved Cascade Select plans. In the same month, HBE's Board also certified the 2023 plan year offerings. HCA signed contracts with Community Health Plan of Washington, Coordinated Care Corporation, and LifeWise to offer Cascade Select plans during open enrollment starting on November 1, 2022 for plan year 2023. These carriers drove substantial gains in market competition, with a mix of county coverage and affordability improvements and may help set an affordability standard for future plan years and procurements. The carriers awarded Cascade Select contracts advanced statewide availability goals as follows:

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<sup>12</sup> Standard contracts include an annual assessment of Cascade Select plans with the option to extend these contracts, for up to six additional one-year periods if appropriate. The annual assessment includes active review and oversight of program offerings, service areas and affordability, options for termination, and a thorough assessment of historical premium performance and competitive market conditions for Cascade Select.

<sup>13</sup> Scoring included a combination of service areas and proposed premiums.

<sup>14</sup> As of January 2021, 115 plans total were offered on the Exchange, 15 of which were Cascade Select plans, 36 of which were Cascade Care plans. For 2023, there will be 90 plans offered on the Exchange.

<sup>15</sup> Cascade Select enrollees whose former carrier was not awarded a Cascade Select contract for plan year 2023 were shifted into a standard plan by their carrier.

## Community Health Plan of Washington

- Proposed Cascade Select plans in 20 counties, up from nine counties in 2021.
- Expanded access to Cascade Select in one county from 2022.

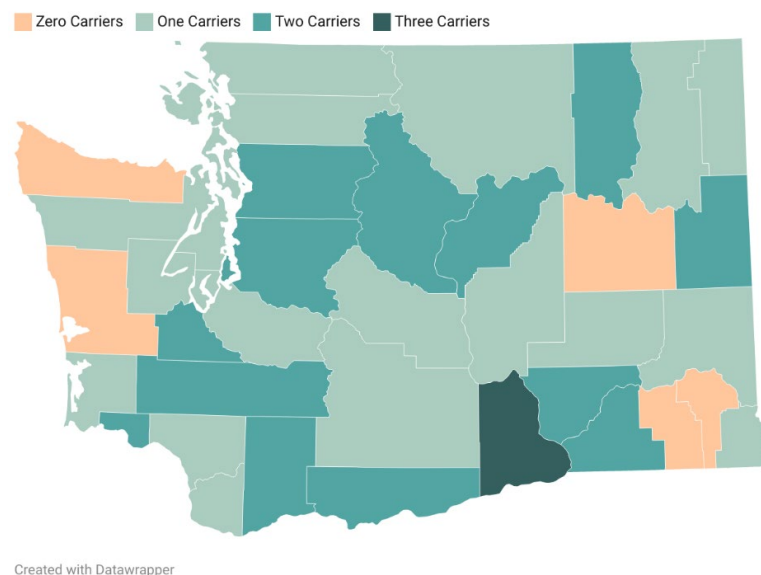
## Coordinated Care Corporation

- Proposed Cascade Select plans in 14 counties, up from one county in 2021.
- Expanded access to Cascade Select in three counties from 2022.

## LifeWise

- Proposed Cascade Select plans in 15 counties, up from three counties in 2021.
- Expanded access to Cascade Select in ten counties from 2022.<sup>16</sup>

Figure 3: 2023 Cascade Select carriers by county



Five counties will not offer Cascade Select plans in plan year 2023 including Clallam, Columbia, Garfield, Grays Harbor, and Lincoln counties. However, each county without Cascade Select coverage will have multiple Cascade standard benefit plan options for coverage, as well as non-standard benefit health plans:

- **Clallam:** there will be 19 total qualified health plans offered, including nine Cascade standard plans and 10 non-Cascade plans offered.<sup>17</sup>
- **Columbia:** there will be 34 total qualified health plans offered, including 15 Cascade standard plans and 19 non-Cascade plans offered.
- **Garfield:** there will be 15 total qualified health plans offered, including six Cascade standard plans and nine non-Cascade plans offered.

<sup>16</sup> In 2022, United Healthcare offered Cascade Select in Clallam and Lincoln counties, however this carrier was not re-awarded a contract for 2023 and these two counties will not have Cascade Select coverage.

<sup>17</sup> After not being selected, United Healthcare amended their proposed Cascade Select plans to Cascade standard plans in compliance with standard plan requirements.

- **Grays Harbor:** there will be 13 total qualified health plans offered, including six Cascade standard plans and seven non-Cascade plans offered.
- **Lincoln:** there will be 25 total qualified health plans offered, including 12 Cascade standard plans and 13 non-Cascade plans offered.<sup>18</sup>

As soon as plan year 2023 begins, HCA will work with the three selected carriers to continue to explore future expansion of Cascade Select offerings. At least one carrier has already expressed interest in continuing to expand its service areas to achieve statewide availability for Cascade Select.

## Provider participation requirement and rulemaking

Voluntary provider participation was a significant barrier to reaching statewide availability in the first two years of Cascade Select. A provision of the 2021 Cascade Care legislation intended to improve Cascade Select accessibility with provider participation and statewide expansion. This provision requires hospital participation in at least one Cascade Select plan if the public option was not available in every county in the state by plan year 2022. SB 5377 creates enforcement rules, which could include levying fines and other actions to ensure carriers offering Cascade Select plans are able to contract with hospitals in every Washington county.<sup>19</sup>

While Cascade Select coverage expanded in plan year 2022, statewide availability was not achieved. As a result, HCA filed a rulemaking preproposal in August 2021. Throughout the rulemaking process, HCA gathered stakeholder input and consulted with OIC and HBE.<sup>20</sup> These rules detail applicable fines and enforcement action processes and procedures when a hospital fails to contract with a carrier offering a Cascade Select plan.<sup>21</sup> This aligned with the 2023 Cascade Select procurement to further support advancement of statewide accessibility and affordability.<sup>22</sup>

In this early stage, it is unclear the extent to which provider participation and accessibility were directly affected by the hospital participation rule because networks for plan year 2023 have not yet been finalized. (Networks must be finalized by December 31 of each year prior to the new plan year). Despite challenges in provider contracting, Cascade Select plans have expanded significantly between plan year 2022 and plan year 2023.<sup>23</sup>

However, several carriers have informed HCA that providers, particularly providers in larger health systems, have declined to contract with these carriers because these providers have already contracted with one Cascade Select carrier as required in the legislation and did not intend to contract with additional Cascade Select carriers. With this anecdotal evidence, and the potential that these contracting strategies may hinder the program's expansion and affordability efforts, HCA will continue to monitor the impact of the recent rulemaking on availability and accessibility for Cascade Select and will work with OIC to analyze the network information that carriers provide with their filings.

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<sup>18</sup> Ibid.

<sup>19</sup> Affected WAC include: 182-400-0100, 182-400-0200, 182-400-0300, 182-400-0400

<sup>20</sup> (CR101) - WSR 21-16-106

<sup>21</sup> The hearing date for HCA's proposal rule occurred on April 5, 2022, and the rule became effective on June 1, 2022.

<sup>22</sup> (CR102) - WSR 22-06-080

<sup>23</sup> The number of counties where Cascade Select plans are offered grew by approximately 35 percent between plan year 2022 and plan year 2023.

## Enrollment

Though reaching statewide availability has been gradual, enrollment in the counties where Cascade Select plans are offered grew between 2021 and 2022.<sup>24</sup> By the fall of 2021, the first year of Cascade Select, 2,821 individuals were enrolled in Cascade Select plans. For plan year 2022, 6,335 individuals enrolled in Cascade Select plans (Figure 4). This growth in enrollment was largely driven by Cascade Select premiums being the lowest in the individual market in several of Washington counties in 2022.<sup>25</sup>

Open enrollment for plan year 2023 begins on November 1, 2022 and will continue through January 15, 2023. Cascade Select enrollees whose current carrier was re-awarded a contract for plan year 2023 and who choose not to change their coverage will be auto-reenrolled into their current coverage.<sup>26</sup> Cascade Select enrollees

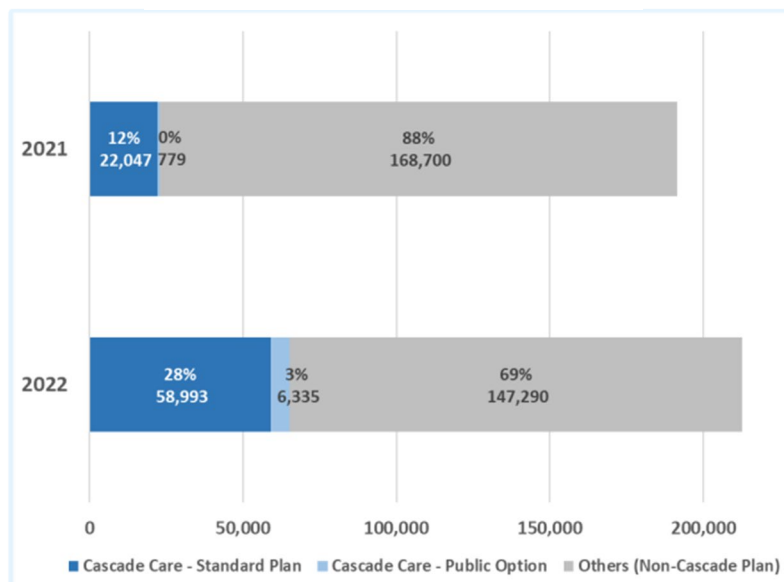
whose current carrier was not re-awarded a contract may be reenrolled into the plan most similar to their prior coverage under their previous carrier or may choose a different plan under that carrier or another carrier during the open enrollment period. There may be some initial movement in the market as these enrollees transition to different coverage.

## Premium affordability

Ensuring affordable, quality health care coverage maintains current enrollees and attracts new Cascade Select enrollees. Coupled with legislative affordability directives, HCA and HBE played active roles in driving affordability and lowering premiums for plan year 2023.

One of the primary goals of the 2023 procurement was to balance statewide availability with meaningfully lower premiums compared to non-Cascade Select Exchange plans.<sup>27</sup> As the program matures, more work will be needed to achieve lower premiums across all Cascade Select plans; though affordability of Cascade

**Figure 4: Exchange enrollment**



Health Benefit Exchange, 2021 Spring Enrollment and 2022 enrollment. Enrollment numbers changed quickly in 2021, increasing to 2,821 enrollees by fall of 2021, in part due to the PHE.

<sup>24</sup> As of January 2021, more than 15 percent of Exchange customers selected a Cascade Care plan (of 115 plans overall). Of enrollees who chose a Cascade Care plan, approximately five percent selected a Cascade Select plan. Washington Health Benefit Exchange. Cascade Care Preview. January 28, 2021.

<sup>25</sup> Cascade Select plans were the lowest-cost Silver premium offering on the Exchange in 13 counties in 2022

<sup>26</sup> This practice helps to mitigate gaps in coverage and streamline enrollment processes.

<sup>27</sup> Meaningfully lower premiums as defined by legislative champions and expressed as a target by HBE to achieve Cascade Select plan premiums being 10 percent less than non-Cascade Select premiums.



Select plans has improved in 2023, especially when comparing affordability of non-Cascade Select plans on the Exchange.

The selected carriers' proposed plans will provide the lowest-premium coverage options in most Washington counties. Additionally, the average premium rate for Cascade Select plans decreased by three percent compared to average rate increases of over eight percent for all Exchange health plans.<sup>28</sup> The carriers awarded Cascade Select contracts for plan year 2023 advanced affordability goals as follows:

### **Community Health Plan of Washington**

- Cascade Select is the lowest price Silver plan in eight counties for 2023.
- Average 2023 Silver plan premium is four percent below their 2021 Cascade Select premium.

### **Coordinated Care Corporation**

- Cascade Select is the lowest priced Silver plan in 13 counties for 2023.
- Average 2023 Silver plan premium is 15 percent below their 2021 Cascade Select premium.

### **LifeWise**

- Cascade Select is the lowest priced Silver plan in four counties for 2023.
- Average 2023 Silver plan premium is five percent above their 2021 Cascade Select premium.<sup>29</sup>

As a tool to influence affordability, the legislature established provider reimbursement targets as a means of reducing premiums. The original Cascade Care bill as introduced (before amendments) directed that aggregate reimbursement targets for providers and facilities were not to exceed Medicare rates for the same or similar services. Amendments to the bill increased provider reimbursement targets to encourage provider participation, particularly hospitals, in Cascade Select plans. In the bill as passed, the aggregate targets for providers and services cannot exceed 160 percent of Medicare.<sup>30</sup>

With the program is in its early stages, and data for the first plan year just being made available, the following reimbursement target review is early analysis. Data revealed that from the start of Cascade Select (2021 quarter one through quarter three), three of the four carriers with claims data had aggregate statewide reimbursement targets below 160 percent of Medicare. (Exhibit 1).<sup>31</sup> However, late 2021 experience included several very large medical claims that, when included in the final affordability results, pushed one carrier's rates above 160 percent of Medicare for all quarters in 2021 (Exhibit 2).

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<sup>28</sup> Average market rate increases for plan year 2023 is more than double the 3.2 percent cost growth benchmark set for Washington by the Health Care Cost Transparency Board.

<sup>29</sup> However, LifeWise's premiums for non-Cascade Select plans increased 16 percent. Health Benefit Exchange. Final average rate change.

<sup>30</sup> Critical access and sole community hospitals must be reimbursed at no less than 101 percent of Medicare, and payment for primary care services cannot be less than 135 percent of Medicare.

<sup>31</sup> One carrier reported no claims data in 2021.



## Exhibit 1: results of 2021 reimbursement target review

### Exhibit 1

#### Cascade Care Public Option - Results of Reimbursement Target Review

##### Affordability Requirement Performance Summary

Claims Incurred from January 1, 2021 through September 30, 2021

ALL CARRIERS

Member months: 18,320

Affordability Requirement	Metric Results		
	Requirement	Performance	Results
A) Aggregate Percent of Medicare Reimbursement	< 160%	161%	FAIL
B) Physician Primary Care Percent of Medicare Reimbursement	> 135%	138%	PASS
C) Critical Access and Sole Community Hospital Reimbursement	> 101%	158%	PASS
Summary of Affordability Requirements <sup>1</sup>		FAIL	

#### Notes

1. Of five 2021 Cascade Care Select carriers, two carriers meet all three affordability requirements, three carriers have aggregate percent of Medicare reimbursement below 160% of Medicare rates, and one carrier had insufficient experience for evaluation.

## Exhibit 2: results of 2021 reimbursement target review

### Exhibit 2

#### Cascade Care Public Option - Results of Reimbursement Target Review

##### Affordability Requirement Performance Summary

Claims Incurred from January 1, 2021 through December 31, 2021

ALL CARRIERS

Member months: 26,622

Affordability Requirement	Metric Results		
	Requirement	Performance	Results
A) Aggregate Percent of Medicare Reimbursement <sup>1</sup>	< 160%	164%	FAIL
B) Physician Primary Care Percent of Medicare Reimbursement	> 135%	139%	PASS
C) Critical Access and Sole Community Hospital Reimbursement	> 101%	160%	PASS
Summary of Affordability Requirements <sup>2</sup>		FAIL	

#### Notes

1. Inpatient hospital claims experience and percent of Medicare reimbursement rates adversely affected by several large outlier claims in late 2021.  
2. Of five 2021 carriers, two carriers meet all three affordability requirements and one carrier has insufficient experience for evaluation.

Milliman collects and assesses paid claims data twice yearly as provided by Cascade Select carriers. The percent of Medicare reimbursement is produced by dividing the total carrier allowed amount by the amount Medicare would have allowed for the same services. In the final analysis for all quarters in 2021, one carrier still had reimbursement targets in excess of 160 percent of Medicare. Two of the four carriers with claims data had aggregate statewide reimbursement targets below 160 percent of Medicare (Exhibit 3). If the outlier medical claims for the carrier whose reimbursements exceeded the target were removed, the average across all carriers would have met the 160 percent reimbursement target.

### Exhibit 3: results of 2021 reimbursement target review

Exhibit 3

Cascade Care Public Option - Results of Reimbursement Target Review

Affordability Requirement Performance Summary

ALL CARRIERS - Claims incurred 1/1/2021 - 9/30/2021

Member months: 18,320

Affordability Requirement	Requirement	Performance	Results
A) Aggregate Percent of Medicare Reimbursement	< 160%	161%	FAIL
B) Physician Primary Care Percent of Medicare Reimbursement	> 135%	138%	PASS
C) Critical Access and Sole Community Hospital Reimbursement	> 101%	158%	PASS
Summary of Affordability Requirements <sup>1</sup>		FAIL	

ALL CARRIERS - Claims incurred 1/1/2021 - 12/31/2021

Member months: 26,622

Affordability Requirement	Requirement	Performance	Results
A) Aggregate Percent of Medicare Reimbursement <sup>2</sup>	< 160%	164%	FAIL
B) Physician Primary Care Percent of Medicare Reimbursement	> 135%	139%	PASS
C) Critical Access and Sole Community Hospital Reimbursement	> 101%	160%	PASS
Summary of Affordability Requirements <sup>3</sup>		FAIL	

Notes

1. Of five 2021 Cascade Care Select carriers, two carriers meet all three affordability requirements, three carriers have aggregate percent of Medicare reimbursement below 160% of Medicare rates, and one carrier had insufficient experience for evaluation.

2. Inpatient hospital claims experience and percent of Medicare reimbursement rates adversely affected by several large outlier claims in late 2021.

3. Of five 2021 carriers, two carriers meet all three affordability requirements and one carrier has insufficient experience for evaluation.

Although this analysis only includes data from plan year 2021, it suggests that the reimbursement targets may not be low enough to meaningfully reduce premiums across Cascade Select plans. Other states, including Colorado and Nevada, have passed laws to target premium affordability via another tool, by mandating premium reductions in the states' respective public options. For instance, Colorado's public option will require public option carriers to meet premium-reduction targets that should result in lower plan premiums compared to competing plans. 32&33 In July 2022, Colorado released preliminary 2023

<sup>32</sup> In mid-2022, CMS approved Colorado's application for a section 1332 waiver to implement the state's public option, which also establishes a shared savings agreement with the federal government. The mandatory premium rate reductions in Colorado's public option are estimated to produce net federal savings of \$214 million in 2023 and \$1.62 billion over the 5-year waiver period. The waiver also extends Colorado's existing reinsurance program through 2027, which subsidizes health carriers' costs of covering patients with high medical costs. Butler, J. Improving Insurance Access, Affordability, and Equity: Updates on the Colorado Option. NASHP. August 2022.

<https://www.nashp.org/improving-insurance-access-affordability-and-equity-updates-on-the-colorado-option/>

<sup>33</sup> Colorado's law requires all carriers participating in the individual or small-group markets to offer public option plans in each county in which they operate, beginning in 2023. Colorado's public option carriers are also required to reduce premium rates for public option plans by up to five percent in 2023, 10 percent in 2024, and up to 15 percent in 2025 (compared to carriers' 2021 offerings). After 2025, premiums may only increase by national medical inflation.

health insurance information that 87 percent of individual market enrollees will have access to a Bronze, Silver, or Gold public option plan that meets or falls below the five percent premium rate reduction target.<sup>34&35</sup> This is compared to an average premium increase of 11.3 percent in Colorado's individual market over 2022 premiums. However, these are preliminary rates and as the program will not launch until January 2023, it is yet not possible to estimate the outcome of Colorado's affordability requirements. Nevada's public option, which is not set to start until 2026, will require similar premium reductions. Carriers bidding for public option contracts are required to submit rates that are at least four percent lower than the previous year's rates for a benchmark marketplace plan.<sup>36</sup>

For Washington, Cascade Select plans rapidly move toward being the most affordable plan option in most Washington counties, however this is in comparison to other plans in the individual market. In the most recent procurement, only one plan in one county achieved the goal of meaningfully lower premiums.<sup>37</sup>

It is possible that further decreasing the reimbursement target may achieve even lower premiums. However, under current reimbursement targets, several carriers already have noted instances of providers negotiating rate increases for non-Cascade Select plans to offset the anticipated revenue impact of accepting the affordability requirements of Cascade Select. It is possible that lowering the reimbursement target may present some cost shifting to non-Cascade Select programs and other markets by providers, which, if it occurs, may compromise affordability for non-Cascade Select plans and other markets in the long term.

This is not consistent with the findings from Round 4.0 of RAND's Hospital Price Transparency study.<sup>38</sup> The study documented variation in facility and professional prices for the commercially insured population and examined trends and potential drivers of the observed variation in prices. One common explanation for such price variation is that hospitals are compelled to charge higher prices to privately insured patients to offset underpayment by Medicaid and Medicare. However, the study found a very weak relationship between hospital prices and the share of patients covered by either Medicaid or Medicare and limited objective evidence supporting the cost-shifting rationale.

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Starting in 2024, the commissioner of insurance must investigate 1) carriers that cannot meet the premium rate reduction targets, and/or 2) carriers that meet the targets but do not offer adequate provider networks. For more information about Colorado's public option, including reimbursement reductions and details of the 1332 waiver amendment, see: CMS Newsroom. Colorado: State Innovation Waiver. <https://www.cms.gov/newsroom/fact-sheets/colorado-state-innovation-waiver-0>

<sup>34</sup> Colorado Department of Regulatory Agencies. Division of Insurance Releases Preliminary 2023 Health Insurance Information. July 2022. <https://doi.colorado.gov/news-releases-consumer-advisories/division-of-insurance-releases-preliminary-2023-health-insurance>

<sup>35</sup> This is based on initial rate filings. Final rates will be released mid-October 2022.

<sup>36</sup> Nevada may revise affordability requirements if there is at least a 15 percent reduction in premiums over the first four years of the public option's availability on the market (which is estimated to be in 2030).

<sup>37</sup> Meaningfully lower premiums as defined by legislative champions and expressed as a target by HBE and is measured as Cascade Select plan premiums being 10 percent less than non-Cascade Select premiums.

<sup>38</sup> Whaley, M. C. Prices Paid to Hospitals by Private Health Plans Findings from Round 4 of an Employer-Led Transparency Initiative. RAND Corporation.

[https://www.rand.org/content/dam/rand/pubs/research\\_reports/RRA1100/RRA1144-1/RAND\\_RRA1144-1.pdf](https://www.rand.org/content/dam/rand/pubs/research_reports/RRA1100/RRA1144-1/RAND_RRA1144-1.pdf)

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The state of Montana found similar evidence when their state employee health plan transitioned to reference-based pricing for hospitals; an approach that limits hospital prices to a multiple of what Medicare pays.<sup>39</sup> The state employee health plan's third-party administrator (TPA) negotiated referenced-based payment contracts with all Montana hospitals. For inpatient services, the health plan established a reimbursement target range of 220 to 225 percent of Medicare and 230 to 250 percent for outpatient services. With the implementation of reference-based pricing, there was no evidence of hospital closure or induced utilization to offset lower rates.

Early analysis suggests that Cascade Select's reimbursement targets have nearly been met by carriers, and the current targets may not be low enough to meaningfully lower premiums for Cascade Select plans. However, this is a potential that this might result in some cost shifting. Therefore, HCA, HBE, and OIC will continue to explore tools and options to reduce premiums and will work with carriers to monitor any instances of cost-shifting.

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<sup>39</sup> Estimating the Impact of Reference-Based Hospital Pricing in the Montana State Employee Plan An analysis commissioned by the National Academy for State Health Policy with support from Arnold Ventures. Optumas. April 2021. <https://eadn-wc03-6094147.nxedge.io/cdn/wp-content/uploads/2021/04/MT-Eval-Analysis-Final-4-2-2021.pdf>

## Findings

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As a part of this legislative report, HCA is directed to provide several assessments of Cascade Select. First, the impact of linking carrier participation in other HCA programs (such as PEBB/SEBB and Medicaid) with Cascade Select participation and then assessing the impact of linking provider participation in other HCA programs with Cascade Select.

This section will cover the assessment of whether quality review processes should align with clinical criteria published by HCA. In addition, this section will cover other issues HCA deems relevant to the successful implementation of Cascade Select.

### Linking carrier participation in HCA programs with Cascade Select

Consistent with the statutory charge, HCA assessed whether requiring carriers that participate in programs administered by PEBB, SEBB, or HCA to offer Cascade Select plans would impact Cascade Select plan choice, affordability, or market stability. HCA also examined its current carriers across all programs, carrier bids for Cascade Select, and historical Cascade Select offerings. HCA found that requiring carriers to offer Cascade Select plans to participate in programs administered by PEBB or SEBB may in the short-term, have no significant impact on meaningful plan choice, affordability, or market stability.<sup>40</sup>

Through the PEBB Program, HCA negotiates, purchases, and manages health care and other insurance benefits for more than 385,000 eligible public employees, retirees, continuation coverage members, and their dependents. Not including Medicare retirees, the PEBB Program has up to 11 plan choices.<sup>41</sup> In no county is there more than eight plan options, and about half of Washington counties have only three of Uniform Medical Plan (UMP)<sup>42</sup> offerings, and the remaining counties have five or more plan options. These options are offered by three entities, including Kaiser Foundation Health Plan of the Northwest (health maintenance organization (HMO), fully insured), Kaiser Foundation Health Plan of Washington (HMO, fully insured), and UMP (preferred provider organization (PPO), self-insured).

Through the SEBB Program, HCA negotiates, purchases, and manages health care and other insurance benefits for almost 270,000 enrolled school employees and their dependents.<sup>43</sup> The SEBB Program has up to 18 plan choices.<sup>44</sup> In no county is there more than 13 options, and most counties have between four and eight plan options. These options are offered by five entities, including Kaiser Foundation Health Plan

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<sup>40</sup> **RCW 41.05.820.** Beginning in plan year 2020, fully insured carriers participating in the PEBB and SEBB programs also have to offer plans on the Exchange. Currently, all of the PEBB carriers to which the law applies are in compliance because they are also carriers of the SEBB program. If any carrier is added by any future procurement to either PEBB or SEBB, the RCW statutory requirement would apply. This statute applies to a health carrier, which does not capture the third-party administrator of the self-insured Uniform Medical Plan (UMP).

<sup>41</sup> Includes 10 plans, though one plan has two different network options.

<sup>42</sup> UMP is a collection of high-quality, self-insured preferred provider organization (PPO) health plans and accountable care plans offered through PEBB and SEBB. UMP is administered by Regence BlueShield and Washington State Rx Services.

<sup>43</sup> Not including waived subscribers.

<sup>44</sup> Includes 17 plans, though one plan has two different network options.

of the Northwest (HMO, fully insured<sup>45</sup>), Kaiser Foundation Health Plan of Washington (HMO, fully insured), Kaiser Foundation Health Plan of Washington Options (PPO, fully insured), Premera Blue Cross (PPO, fully insured), and UMP (PPO, self-insured).

Together, PEBB and SEBB program enrollment amounts to approximately 655,000 covered lives in medical plans.<sup>46</sup> It may be possible to leverage HCA's purchasing power by requiring PEBB and SEBB carriers to submit good faith bids for Cascade Select contracts (without HCA having to accept them). However, rates for PEBB, SEBB, and the individual market must be based on the specific offering for the specific risk pool, so that risk and costs cannot be shared or negotiated across programs under the current regulatory system.

While it may be possible for HCA to leverage its purchasing power, PEBB and SEBB carriers and plans have traditionally been amongst the most robust and expensive offerings on the Exchange and requiring these carriers to participate may not reach the affordability aims of Cascade Select. For example, in plan years 2021 and 2022, both PEBB and SEBB offered health coverage options administered by Regence Blue Shield (as the TPA for the self-insured UMP). While the exchange participation requirement does not include the TPA, HCA offered Cascade Select coverage under BridgeSpan, a Regence-affiliate for the same plan years.<sup>47</sup> BridgeSpan was invited to bid to offer Cascade Select plans on the Exchange for plan years 2021 and 2022 to secure more widespread availability. For plan year 2023, however, BridgeSpan was not awarded a contract due to high proposed premiums and limited service areas.

Similarly, requiring carriers to offer Cascade Select plans to participate in Apple Health (Medicaid) would likely have no meaningful impact on choice, affordability, or market stability. HCA purchases Apple Health coverage for nearly two million residents. There are currently five carriers offering Apple Health coverage, including Amerigroup, Community Health Plan of Washington, Coordinated Care, Molina, and United Healthcare.

Community Health Plan of Washington and Coordinated Care provide Apple Health coverage and were both awarded Cascade Select contracts for plan years 2021, 2022, and 2023. These carriers brought competitive Cascade Select bids with lower premiums and expanded service areas. Molina and United Healthcare also provide Apple Health coverage. However, neither Molina or United were awarded Cascade Select contracts for plan year 2023 because of duplicative service areas and higher proposed premiums in many proposed service areas. It was determined that awarding these carriers a Cascade Select contract would not have advanced affordability goals or enhanced competition. Finally, Amerigroup provides Apple Health coverage but does not participate in the individual market.

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<sup>45</sup> Due to Kaiser's HMO licensing status, significant consideration will need to be given and undertaken with Kaiser before requiring participation in another market.

<sup>46</sup> PEBB's purchasing authority covers over 400 separate employers including over 100 state agencies, all higher education institutions, and more than 250 local governmental entities who contract with HCA for access to PEBB benefits. SEBB's purchasing authority includes over 300 SEBB organizations (school districts, charter schools, and educational service districts).

<sup>47</sup> Cambia Health Solutions is the parent company of Regence Blue Shield and BridgeSpan.

Two of five Apple Health carriers already participate in Cascade Select,<sup>48</sup> and two Apple Health carriers bid to offer Cascade Select plans but were not awarded contracts. The fifth Apple Health carrier provides coverage only under Medicaid. For these reasons, requiring carriers who offer Cascade Select plans to participate in Apple Health is not likely to have a meaningful impact choice, affordability, or market stability. Further, requiring Apple Health carriers to participate in Cascade Select would not necessarily guarantee that the networks under managed care plans would translate to the same networks for Cascade Select plans. HCA has already seen that carriers' networks change when they change markets and plans. Any meaningful choice that advances continuity would require network consistency across markets.

The PHE unwind and the development of the Apple Health Expansion<sup>49</sup> presents additional complexity for achieving the goals of keeping seamless coverage options and networks between MCOs and QHPs. The timing and impacts should be fully explored before requiring Apple Health carriers to participate or bid across markets. Medicaid procurement planning is underway that may explore value of further alignment with QHP offerings, and alignment with Apple Health Expansion with managed care plans and QHP offerings.

However, other opportunities to align HCA programs and Cascade Select could be explored. For instance, requiring these carriers to bid in future Cascade Select procurements, with no obligation for HCA to accept participation, could potentially enhance participation. This may reduce premiums, especially through inviting PEBB and SEBB carriers, however premium reductions are not a guarantee.<sup>50</sup> Requiring bidding is not likely to impact expansion efforts, as service areas across PEBB and SEBB carriers are not uniform.<sup>51</sup>

Introducing more price competition meets the goals of Cascade Select by ensuring quality, affordable health care coverage though there is insufficient data on the impact of requirements for carriers to bid across markets. For example, Nevada's public option will leverage the state's Medicaid managed care contracts through its Medicaid program by requiring every carrier that participates in Medicaid managed care or CHIP to submit a good faith bid for the public option.<sup>52</sup> Nevada's public option will not be available until plan year 2026, so it is not possible to understand the impacts of these requirements. However, Nevada established additional requirements of carriers to safeguard affordability goals. As previously discussed, carriers bidding for public option contracts must submit rates that are at least four percent lower than the previous year's rates for a benchmark marketplace plan. Actuarial analysis for Nevada's public option predicts that premium reduction strategies coupled with leveraging the state's purchasing power to require Medicaid managed care carriers to bid for public option contracts will

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<sup>48</sup> Community Health Plan of Washington and Coordinated Care were awarded Cascade Select contracts for plan year 2023.

<sup>49</sup> New program(s) under development by HCA to provide access to Medicaid look-alike coverage for immigrants without federally recognized immigration status.

<sup>50</sup> Removing the obligation of PEBB and SEBB carriers that may bid to participate could mitigate market overcrowding concerns.

<sup>51</sup> Some plans do not offer coverage in every service area, except for urgent and emergency services.

<sup>52</sup> Other carriers also welcome to bid.



increase carrier participation in the public option and produce premium savings for public option enrollees.<sup>53</sup>

In Washington, requiring carriers to participate or bid across markets such as PEBB, SEBB, and Cascade Select programs may help advance choice. However, this should be done cautiously. Both the PEBB and SEBB contracts recently made contract amendments for contracts to extend through 2024, with the option to extend successful contracts through 2031. Due to the complexities of ensuring the best outcomes for contracting and regulatory requirements, such as filings with OIC and certification with HBE, procurement for Cascade Select, PEBB, and SEBB typically requires at least two years from start to finish for the next plan year. Medicaid procurement is even more complex and typically longer with additional federal complexities.

## Linking Cascade Select provider participation with HCA programs

HCA was directed to assess how requiring provider networks of programs administered by HCA (including PEBB, SEBB, and/or Medicaid) to participate in provider networks in Cascade Select would impact plan choice and provider networks, affordability, and market stability. Linking provider network participation between Cascade Select plans and provider networks of HCA programs is likely to have a positive impact on plan choice and provider networks, affordability, and market stability.

Networks for Cascade Select plans are relatively smaller than networks for PEBB and SEBB plans and even other Exchange plans. This may in part be because of current Cascade Select carrier participation. For example, several Cascade Select carriers already have smaller networks that manage contracts with lower overall provider reimbursement. This may also be due to the overall reimbursement target linked to measurement against 160 percent of Medicare. Several Cascade Select carriers have informed HCA that some providers have declined to contract with Cascade Select carriers due to the reimbursement targets.

Leveraging PEBB and SEBB's provider networks and purchasing power to require PEBB and SEBB providers to contract with Cascade Select plans is likely to increase provider contracting with carriers for Cascade Select plans. This may also improve affordability and market stability in the near term so long as there are regulatory tools available to ensure providers are contracting at reimbursement levels necessary to drive towards the aggregate targets.<sup>54</sup>

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<sup>53</sup> Actuarial analysis anticipates that lower premiums under the public option could generate savings to the federal government up to \$341 million in the first five years of the program and \$952 million in the first ten years. Nevada will apply for a 1332 waiver to capture these savings via pass through funding. For more information on the 1332 waiver and actuarial analysis, see: State of Nevada Department of Health and Human Services. Nevada Public Option Webinar: Preliminary Actuarial Findings. September 23, 2022.

[https://dhhs.nv.gov/uploadedFiles/dhhsnvgov/content/Resources/PublicOption/Public\\_Option\\_Webinar\\_FINA\\_L\\_9-21-22\(1\).pdf](https://dhhs.nv.gov/uploadedFiles/dhhsnvgov/content/Resources/PublicOption/Public_Option_Webinar_FINA_L_9-21-22(1).pdf)

<sup>54</sup> While there may be concerns regarding disrupting contracts when requiring carriers to participate across programs, these concerns would not apply to provider network requirements for PEBB and SEBB contracts. Provider contracts are typically negotiated separately for different product lines including Cascade Select, PEBB, SEBB, and other HCA programs, so potentially linking provider networks between these programs will not be disruptive to current PEBB and SEBB contracts.



In Nevada's public option, providers in networks for Medicaid, the public employees' benefits program, and worker's compensation must contract in one public option network and accept the public option's lower reimbursement rates compared to commercial plans.<sup>55</sup> Actuarial analysis assessed the overall impact of the public option's provider participation requirement on provider revenue.<sup>56</sup> The analysis predicted that any reductions to provider payment by public option plans would have a marginal impact on overall provider revenue due to several factors. First, Nevada's individual market accounts for approximately three to four percent of providers' payor mix and public option plans will make up only a subset of that. Additionally, as more individuals gain access to affordable coverage, any provider payment reductions by public option plans would be partially offset by increases in health care utilization and decreases in uncompensated care.<sup>57</sup> However, Nevada's public option will not be offered on the individual market until 2026, and it is not yet possible to understand the impact of the provider participation requirements.

It may be possible that in the long-term, providers in Washington would attempt to negotiate higher rates with non-Cascade Select carriers to offset the revenue impact of accepting Cascade Select's affordability requirements, thereby increasing premiums for PEBB and SEBB enrollees. In the event that cost-shifting of this sort occurs, HCA and its partners will explore potential mitigation options including further examining the impact of extending Cascade Select's reimbursement targets or evaluate other tools. HCA will also work with OIC to analyze provider network information, although a memorandum of understanding or other formal contractual arrangements may be required to access this information.

## Quality review processes

Like Cascade Care plans, Cascade Select plans must follow the Standard Benefit Design. However, Cascade Select plans must meet additional quality measures. To advance quality goals, 2019 Cascade Care legislation required carriers participating in Cascade Select to incorporate select recommendations of the Bree Collaborative and the Health Technology Assessment (HTA) program.

HCA conducts annual and ongoing validation and renewal processes for contracted Cascade Select plans. This ensures bidders that are awarded contracts fulfill the expectations to complete annual review of their plan offerings, including alignment with clinical criteria published by HCA. Consistent with Cascade Care legislation, HCA assessed whether the quality review processes employed by Cascade Select carriers should continue to align with clinical criteria, including Bree and HTA recommendations.

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<sup>55</sup> Nevada's public option sets a minimum reimbursement floor so that in the aggregate, public option plans cannot pay providers below Medicare rates. Nevada's public option plans must also offer premiums that are at least four percent less than those offered by selected marketplace plans.

<sup>56</sup> State of Nevada Department of Health and Human Services. Nevada Public Option Webinar: Preliminary Actuarial Findings. September 23, 2022.

[https://dhhs.nv.gov/uploadedFiles/dhhsnv.gov/content/Resources/PublicOption/Public\\_Option\\_Webinar\\_FINAL\\_9-21-22\(1\).pdf](https://dhhs.nv.gov/uploadedFiles/dhhsnv.gov/content/Resources/PublicOption/Public_Option_Webinar_FINAL_9-21-22(1).pdf)

<sup>57</sup> Applying new caps to the administrative load in premiums for health plans participating in the public option is also expected to offset the impact of premium reductions on providers. State of Nevada Department of Health and Human Services Nevada Public Option Webinar: Preliminary Actuarial Findings September 23, 2022.

[https://dhhs.nv.gov/uploadedFiles/dhhsnv.gov/content/Resources/PublicOption/Public\\_Option\\_Webinar\\_FINAL\\_9-21-22\(1\).pdf](https://dhhs.nv.gov/uploadedFiles/dhhsnv.gov/content/Resources/PublicOption/Public_Option_Webinar_FINAL_9-21-22(1).pdf)

## Bree Collaborative

The Bree Collaborative is a statewide public-private consortium established in 2011 by the Legislature “to provide a mechanism through which public and private health care stakeholders can work together to improve quality, health outcomes, and cost effectiveness of care in Washington State.”<sup>58</sup> Annually, the Bree Collaborative identifies up to three areas where there is substantial variation in practice patterns and/or high utilization trends that do not produce better care outcomes. Recommendations from the Bree Collaborative help HCA guide state purchasing for programs like Apple Health, PEBB and SEBB.

Carriers participating in or bidding for Cascade Select contracts must also align with Bree recommendations selected by HCA for reporting and evaluation. Of the current Bree recommendations, the following topics were selected to align with other statewide initiatives and priorities for plan year 2021:

- Avoidable readmissions
- Behavioral health integration
- Low back pain
- Opioid use disorder
- Total knee and hip replacement

Participating carriers must provide a baseline report and report on progress and implementation of Bree recommendations on the selected mandatory topics. During the procurement process, bidders must describe actions and steps their organization has taken to implement the mandatory Bree topics, as well as any planned activities for the next plan year. Bidders must also submit details regarding progress implementing these recommendations.

## Health Technology Clinical Committee (HTCC)

This committee was established by law to make coverage determinations for selected health technologies based on available scientific evidence.<sup>59</sup> HTCC is composed of community health care practitioners and is supported by HTA.<sup>60</sup> HTA develops scientific, evidence-based reports on selected medical devices, procedures, and tests, and HTCC uses the reports to determine the conditions for coverage.

The director of HCA selects technologies for review by HTCC in consultation with other agencies and the committee itself. The determinations of HTCC are followed by state purchased health care programs including Apple Health, the UMP, and the Department of Labor and Industries. HTCC decisions are also incorporated into ongoing Cascade Select reporting requirements of carriers currently participating, as well as for carriers bidding for contracts during procurement years.

Participating Cascade Select carriers report on a range of over 70 HTCC decisions. Some HTCC topics include breast MRI, glucose monitoring, non-invasive cardiac imaging, and Vitamin D screening and testing. Participating carriers must provide a baseline report on alignment of their coverage criteria with HTCC decisions in their procurement response.

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<sup>58</sup> RCW 70.250.

<sup>59</sup> RCW 70.14.090.

<sup>60</sup> HTA supports HTCC which makes coverage decisions that apply to state purchased health care programs.

For plan year 2023, carriers are required to be aligned with at least 50 percent of decisions and submit a plan for increasing alignment with additional HTCC decisions in subsequent years. HCA evaluates these reports (clinical and program teams, including value-based purchasing). If not fully aligned, carriers are required to describe where their policies are or are not aligned, as well as whether those policies are beyond the scope of HTCC. Additionally, if not aligned, HCA (clinical and/or program teams) provides verbal or written feedback, which may include the development of an improvement plan, to ensure carriers are supported and equipped to meet quality reporting requirements.

During the procurement process, bidders must complete and submit the HTCC Decisions Matrix, a reporting tool designed by HCA. This matrix establishes baseline levels of bidders' alignment with existing HTCC decisions and is utilized to continue to track progress in subsequent reports required of carriers.

For plan year 2023, bidders were required to provide information based on current alignment and any expected changes for the upcoming plan year. Bidders were scored on the content and submission of their respective HTCC Decisions Matrix. During the contracting term, the successful bidders will continue to submit reports for tracking against the initial submission to ensure progress and success.

The Bree Collaborative, HTCC, and HCA's other quality review processes work to identify and promote strategies that improve health care quality, health outcomes, and the affordability of health care. Achieving these goals requires collaboration between the various stakeholders in health care. Aligning quality review processes by Cascade Select carriers with HCA clinical criteria, including Bree recommendations and HTCC decisions, has fostered collaboration between HCA and carriers where HCA can support carriers to advance quality goals.

HCA and HBE are interested in exploring how the success of incorporating HCA's clinical criteria in Cascade Select plans can be leveraged to advance quality for all standard plans, even all plans, on the Exchange. One option could be phasing in quality requirements, perhaps beginning by aligning all Cascade standard plans with the quality requirements under Cascade Select, which would increase the value and quality of plans offered under the Cascade Care program overall.

These quality requirements could then extend to all plans on the Exchange. HCA and HBE will explore pathways to leverage the quality requirement experience under Cascade Select to standardize quality measures for all standard plans on the Exchange. This approach could strengthen the tools that influence quality while building on the standard for evidence-based and high value plans offered on the individual market.

## Other issues deemed relevant by HCA

As the state's largest health care purchaser, HCA's ability to leverage and align purchasing expectations across its programs for more than 2.5 million Washington residents and Cascade Select plan contracts are an important opportunity to improve access to high-quality coverage in the individual market. Overall, the potential for alignment across purchasers and payers:

- Positively supports consistent health care quality and cost expectations for what carriers and providers deliver to patients.
- Reduces administrative burden for carriers and providers.
- Could mitigate cost shifting between markets.

Cascade Select also presents a significant opportunity to improve affordability of coverage in Washington. Maximizing HCA's purchasing power and role in alignment with its other programs will be key to advancing affordability for individuals in Washington. Potential pathways to influencing affordability include continuing to examine functions of active purchasing, reviewing the current reimbursement targets and other potential tools, and provider participation requirements.

## Explore pathways toward actively influencing affordability

An important distinction between PEBB/SEBB/Apple Health and Cascade Select purchasing is the ability to negotiate with carriers. As currently structured, large group plans, like PEBB and SEBB, have ability to negotiate with carriers to achieve lower premiums and obtain selective or targeted outcomes for contracting. However, under Cascade Select statutes, the three coordinating agencies' conflicting timelines (Figure 5) and responsibilities prevent HCA from negotiating premiums or service areas.<sup>61</sup>

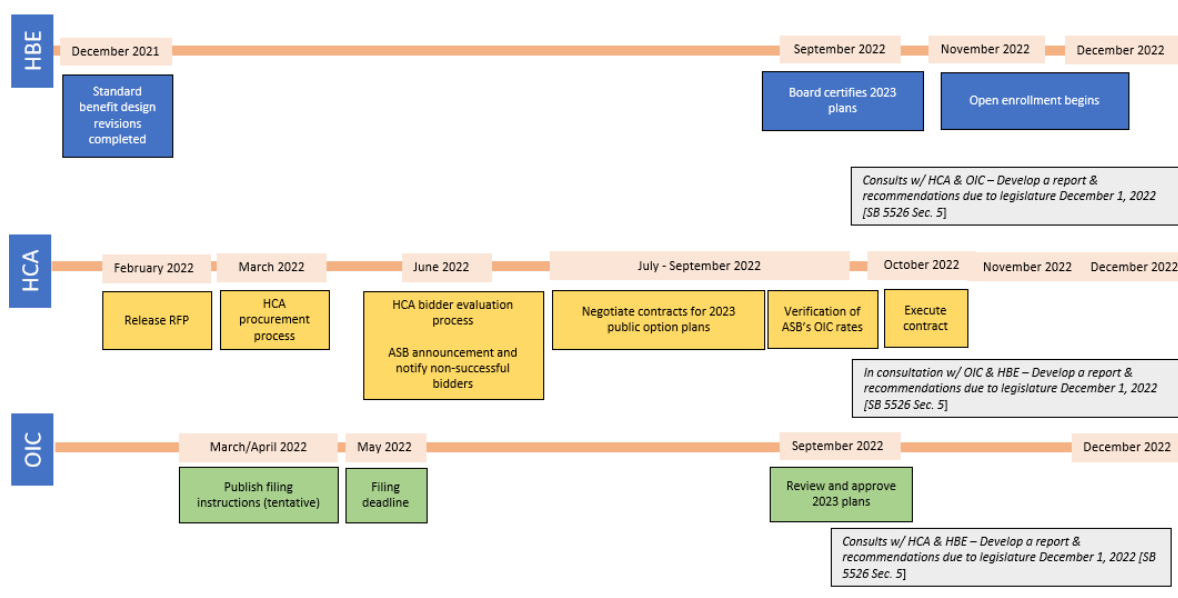
- HBE must provide written notice of standardized health plans to carriers by January 31 before the year in which the plans are to be offered on the Exchange.
- OIC must meet the requirements and timelines for QHP certification under RCW [43.71.065](#), including for rate review and network adequacy.
- HCA cannot execute a contract with an apparently successful bidder until after OIC's final approval of carrier's rates and forms pertaining to Cascade Select plans.

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<sup>61</sup> Engrossed Substitute Senate Bill 5526, Chapter 364, Laws of 2019.

<https://lawfilesexternal.wa.gov/biennium/2019-20/Pdf/Bills/Session%20Laws/Senate/5526-S.SL.pdf?q=20220224150433>

**Figure 5: interagency Cascade Care timeline**



As a result of these constraints, HCA cannot effectively leverage purchasing power or create a pool of consumers to leverage negotiations. It will be helpful to further examine Washington’s timelines, as well as those used in other states to influence affordability more actively.

HCA and its partners are committed to ensuring that Cascade Select plans are the most affordable coverage option on the Exchange. Decreasing the reimbursement targets may assist in achieving meaningfully lower premiums in the short-term, and though other long-term market impacts of a reimbursement target decrease is unknown, there is insufficient objective evidence to support that cost-shifting may occur.

As demonstrated by Montana’s success with utilizing reference-based pricing for hospitals contracted with the state employee health plan, Cascade Select’s affordability expectations could be leveraged to extend to other HCA programs and markets as a tool to influence affordability in Washington’s individual market. HCA and its partners will continue to explore this approach and will monitor Colorado and Nevada’s respective public option experience when that experience is available, particularly Colorado’s success with premium reduction targets.<sup>62</sup> HCA will also track affordability reporting and other feedback from carriers, particularly with providers’ responses to current reimbursement targets, and cost growth with the benchmark targets recently set by the Health Care Cost Transparency Board.

<sup>62</sup> Colorado’s initial rates for 2023 show that 87 percent of individual market enrollees will have access to a Bronze, Silver, or Gold public option plan that meets or falls below the five percent premium rate reduction target. Final rates will be released in mid-October 2022.

## **Monitor and evaluate provider participation**

Voluntary provider participation in the first two years of Cascade Select presented significant challenges to achieving statewide availability. Since the legislation and rulemaking requiring hospitals to contract with one Cascade Select plan, availability of Cascade Select has expanded considerably. However, it is unclear the extent to which the rule directly affected provider participation, networks, and affordability, particularly since hospital providers are required to contract with only one Cascade Select plan.

In early 2023, more information will be available to HCA to evaluate the extent to which hospital networks and accessibility were impacted by the rule. HCA will explore with OIC options to analyze provider network information carriers provide to OIC. A memorandum of understanding or other formal contractual arrangements may be required to access this information.

## Conclusion

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Cascade Select is a major milestone in Washington's health care reform initiatives, as well as a model for other states to pursue affordable coverage solutions for the individual market. The goals of Cascade Select are to make health care coverage more affordable, to incentivize high-quality care, and to ensure coverage availability statewide through Washington's individual health insurance market.

Since its inception, Cascade Select has made progress in improving access to affordable, high-quality health care coverage. Cascade Select has advanced affordability for individuals in Washington who purchase individual health plans through the Exchange. Through Cascade Select, carriers have actively explored the use of reimbursement targets measured against 160 percent of Medicare. This appears to be influencing lower total costs and lower premiums, as demonstrated by some Cascade Select plans being the most affordable health plan in many Washington counties. In addition, the average premium rates for Cascade Select plans for plan year 2023 **decreased** by three percent compared to average rate increases of over eight percent for non-Cascade Select Exchange health plans.

As Cascade Select continues to mature, the program presents a unique opportunity to align with broader state purchasing and leverage some success to other markets, particularly for quality standards, collaboration with carriers, and strategies to reduce premiums. As partners in the nation's first public option, HCA, HBE, and OIC will continuously refine the program and examine ways to actively influence affordability, quality, and access to health care coverage.