

John Bramhall, MD, PhD
President

March 31, 2025

Bridget Bush, MD, FASA
President-Elect

Delivered via email

Nariman Heshmati, MD, MBA, FACOG
Past President

Chair Robinson and Members of the Senate Ways & Means Committee:

Matt Hollon, MD, MPH, MACP
Vice President

The Washington State Medical Association and our undersigned physician organization partners acknowledge the extremely difficult choices that you are facing in working to close the state budget shortfall, particularly as health care programs are an area of the budget most at risk of cuts.

Bindu Nayak, MD
Secretary-Treasurer

Jennifer Hanscom
Chief Executive Officer

We are committed to engaging constructively in conversations around the budget and potential revenue options. But as we review the revenue proposals that have been made public to date, the establishment of a statewide payroll tax as proposed in Senate Bill 5796 would have a particularly devastating impact on physician groups and patients' access to care and we must oppose the bill in its current form.

While much of the discussion around the payroll tax has been focused on the state's largest corporations, the reality is that the tax will apply to the vast majority of physician groups operating in the state. And crucially, unlike many other industries, physician groups do not control the prices they charge so the imposition of SB 5796 will necessarily adversely impact patients' access to health care services.

For physician groups, reimbursement rates are set by state and federal governments, and by contracts with commercial insurance carriers that are often applying downward pressure in negotiation on rates. Because they cannot alter their prices, if physician groups are subject to SB 5796, they will have to consider reducing the number of Medicaid enrollees they can serve, recruiting and retaining less staff, and consolidating into larger health systems. And in the worst-case scenario, the tax may jeopardize their ability to keep their doors open. We know that these impacts are real as physician organizations operating in Seattle have shared their experience under the "Jumpstart" tax.

Acknowledging that many industries are facing challenges, physician groups are currently struggling with some particularly difficult externalities:

- Many practices have seen significant increases in the cost of operating practices, driven by inflationary pressures on overhead and higher salaries commanded by clinicians and support staff to remain competitive in the market.
- At the federal level, physician groups have been singled out for Medicare rate reductions for five straight years – a contrast to other facility types that receive annual inflationary increases. Adjusted for inflation, physician Medicare payment has declined 33 percent in the last 25 years.
- At the state level, most physicians have not received rate increases through the Medicaid system in years, if not decades. The recent targeted Medicaid rate increases for primary care, pediatric, and maternity services are on the table to potentially be rolled back.

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None of this is to speak of the potential cuts to the Medicaid system looming at the federal level which would have broad impacts to state government, residents of our state, and health care entities.

We are grateful that during the 2025 legislative session, House Bill 1392 is being considered as it would leverage federal funds for Medicaid rate increases. But because the legislation is subject to federal approval, we acknowledge that it may not be able to be implemented. If the program is approved by the federal government, rate increases would likely not commence until 2028 – well after the payroll tax is proposed to go into effect.

Again, we acknowledge the difficulties you are facing in closing the state budget gap. And we are committed to being constructive through those conversations. But due to the unique way in which physician groups would be impacted by SB 5796, we must oppose the bill as introduced and ask that you either consider amendments to mitigate the impact on health care access and physician groups or focus on other solutions in working towards a final budget agreement.

Sincerely,



John Bramhall, MD, PhD
WSMA President

Cc: Jennifer Hanscom, WSMA CEO



Washington Academy of Eye Physicians & Surgeons



Washington Chapter – American College of
Emergency Physicians



Washington Rheumatology Alliance



Washington State Medical Oncology Society



Washington State Neurological Society



Washington State Psychiatric Association



Washington State Radiological Society



Washington State Society of Anesthesiologists



Washington Society of Plastic Surgeons



Clark County Medical Society



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Inland Imaging



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Vancouver Clinic



Washington Ambulatory Surgery Center Association

Northwest Academy
of Otolaryngology

Northwest Academy of Otolaryngology



King County Medical Society



Spokane County Medical Society



The Kids Clinic - Spokane



RAYUS Radiology



Washington State Healthcare Leaders Association