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SUPERIOR COURT OF WASHINGTON FOR THURSTON COUNTY

WASHINGTON HEALTH CARE
ASSOCIATION and LEADINGAGE
WASHINGTON,

Plaintiffs,

v.

STATE OF WASHINGTON and the
WASHINGTON STATE DEPARTMENT OF
SOCIAL & HEALTH SERVICES,

Defendants.

Case No.

COMPLAINT FOR DECLARATORY
AND INJUNCTIVE RELIEF

1. In 2018, the Washington Legislature enacted a new methodology for calculating Medicaid reimbursement rates for assisted living and adult residential care. The Legislature mandated that the methodology would be adjusted, or “rebased,” in even-numbered years to ensure that reimbursements for client care and operations kept up with the communities’ costs. RCW 74.39A.032(6). This was necessary, the Legislature explained, to “maintain and grow the current level of cost-effective options for long-term care” and “ensure the availability of enrolled providers is sufficient to serve the number of beneficiaries who wish to remain within geographic proximity to their home community.” Laws of 2018, ch. 225, § 1(1). The 2026 Legislature ignored this mandate, and the Washington Constitution, when it amended RCW 74.39A.032 to prevent the Department of Social & Health Services from implementing the scheduled rebase for the client care and operations components of the Medicaid payment system methodology in the 2026

1 supplemental appropriations bill, Engrossed Substitute Senate Bill 5998 (ESSB 5998). Laws of
2 2026, ch. 268, section 938.

3 2. Because Article II, section 19 of the Washington Constitution, “forbid[s] inclusion
4 of substantive law in appropriations bills,” *Wash. State Legislature v. Locke*, 139 Wn.2d 129, 145,
5 985 P.2d 353 (1999), the Court must declare unconstitutional and permanently enjoin the
6 Department of Social & Health Services from implementing section 938 of the Laws of 2026,
7 chapter 268.

8 **I. PARTIES**

9 3. Plaintiff Washington Health Care Association (WHCA) is a statewide non-profit
10 organization representing 558 assisted living and skilled nursing facilities across the state of
11 Washington. WHCA’s principal place of business is in Tumwater, Washington.

12 4. Plaintiff LeadingAge Washington (LeadingAge) is a statewide non-profit
13 organization representing 135 assisted living, skilled nursing, and other senior care service
14 facilities across the state of Washington. LeadingAge’s principal place of business is in Tacoma,
15 Washington.

16 5. Together, members of WHCA and LeadingAge provide health and personal care,
17 social support and housing to more than 64,000 senior and vulnerable adults in Washington each
18 day. Both WHCA and LeadingAge seek to promote quality long-term and post-acute health care
19 and services, while serving as a advocates for providers, staff, and the patients and residents for
20 whom they provide care.

21 6. Defendants are the State of Washington and the Department of Social & Health
22 Services. The Department of Social & Health Services’ principal place of business is in Tumwater,
23 Washington.

24 **II. JURISDICTION & VENUE**

25 7. This Court has jurisdiction over this matter under RCW 2.08.010, chapter 7.24
26 RCW, and RCW 7.40.010.

1 **IV. BACKGROUND**

2 14. This dispute arises from the legislative amendment to the Medicaid payment
3 methodology set forth in RCW 74.39A.032 which was hidden in an appropriations bill instead of
4 separately addressed in substantive law.

5 15. To understand the dispute, it is necessary to include an overview of: (1) the role
6 Medicaid plays in protecting the most vulnerable, (2) the prior Medicaid payment methodology
7 that RCW 74.39A.032 replaced and the efforts to update it, (3) the legislative intent behind RCW
8 74.39A.032, (4) the substantive amendment to RCW 74.39A.032 that the Legislature included in
9 its supplemental operating budget for 2026, (5) the harm it caused to assisted living communities
10 with Medicaid beds, and (6) the unconstitutionality of including a substantive amendment in a
11 budget bill.

12 **Medicaid and its role as the safety net for Washington’s most vulnerable**

13 16. Medicaid is a government-funded benefits program serving individuals with
14 limited income and resources.

15 17. Some assisted living communities contract with the state to provide a cost-effective
16 alternative to nursing homes. Nursing homes provide around-the-clock nurse supervision and
17 medical care to elderly and vulnerable patients with complex and high-touch medical conditions.
18 As one might expect, this level of care is very expensive. As a result, states managing limited
19 Medicaid dollars have sought to place individuals whose needs can be met in non-nursing home
20 settings. Assisted living communities serve that role in the State of Washington and are crucial to
21 manage the boom in population of Washingtonians over 65 years old. Assisted living communities
22 provide long-term housing for older and some vulnerable adults who need some support
23 with activities of daily living—like bathing, medication assistance, dressing, and using the toilet.
24 Assisted living also delivers a safe care setting for individuals with dementia. As this population
25 grows and ages further, they need more help and care, which requires high quality staff and support
26 to help them thrive, live in a safe environment, and maintain dignity and functional independence
27 at the most comprehensive level possible. And, in a state with a high cost of living, more and more

1 seniors are in need of the financial assistance provided by the Medicaid safety net program in our
2 state.

3 18. While Medicaid pays various contracted providers to offer services to many
4 impoverished citizens in our state, assisted living communities generally provide Medicaid
5 services to the doubly vulnerable—those that are both elderly and poor. Many have no home and
6 no informal network to support them. Others struggle with dementia and need additional support
7 and supervision.

8 19. Assisted living providers, like WHCA’s and LeadingAge’s members, contract with
9 the state to deliver these essential services, jointly funded by federal and state taxpayer dollars and
10 governed by clear statutory and regulatory expectations. Assisted living communities rely on
11 legislatively established Medicaid payment laws to ensure accountability, transparency, and
12 adequacy while setting the Medicaid rate for the costs of personal care and nursing
13 services provided in these communities. In other words, these communities take whatever
14 compensation Medicaid gives them for these services.

15 20. Historically, Medicaid has been woefully underfunded. Chronic Medicaid
16 underfunding—now compounded by recent federal reductions under H.R. 1—threatens the
17 stability, access, and quality of care in assisted living communities. Inadequate reimbursement has
18 worsened workforce shortages, constrained provider capacity, and delayed hospital discharges.
19 Communities cannot sustainably recruit or retain staff under current rates, adding to the strain these
20 communities feel in meeting the robust regulatory requirements that were put in place by the
21 legislature to support and maintain quality care. While assisted living communities employ nurses
22 and certified nursing assistants, they also employ dietary, janitorial, and maintenance employees
23 and they compete for these employees with other, well-funded employers, particularly in rural
24 areas where employees can be scarce.

25 21. A neglected Medicaid system creates instability around this essential care for
26 Washington’s growing elderly population. Assisted living communities supply personal care,
27 supervision, activities, and health care to thousands of elderly Washington residents with limited

1 means. Medicaid residents rely on these communities to provide housing, utilities and internet,
2 housekeeping, social services, personalized and group activities, transportation and medical
3 appointment coordination, nutritious meals and snacks, medications management, and, when
4 needed, nursing services including diabetic care management and memory care.

5 **The prior assisted living Medicaid payment methodology & efforts to update it**

6 22. Before RCW 74.39A.032, Washington’s Medicaid payments to assisted living
7 providers were primarily driven by the amount that the Legislature allocated for the provision of
8 assisted living services for the year. Based on the total amount allocated, the Department of Social
9 & Health Services would determine the daily reimbursement rates for Medicaid contracted
10 communities. In lean years, assisted living communities participating in the Medicaid program got
11 what was left, regardless of the minimum wage in the state or the actual cost of the care and
12 services they provided.

13 23. While this system was intended to drive funding out in tiers based on resident
14 acuity, this “reimbursement” system was entirely divorced from living wages and the cost of
15 running an assisted living community. In appropriating funds, the Legislature did not consider the
16 increasing dependence on Medicaid of the assisted living population or the actual cost of providing
17 assisted living services. The old system also did not take into account staffing required to support
18 the resident support needs, contract requirements, a rising minimum wage, food costs or overall
19 inflation in the cost of supplies. This resulted in the payment of Medicaid reimbursement rates that
20 were disconnected entirely from the cost of care.

21 24. Medicaid is a voluntary program. Providers who agreed to serve the Medicaid
22 population were often forced to operate those beds at a loss. Forcing assisted living communities
23 to operate at a loss over time incentivized those communities to reduce or eliminate their Medicaid
24 beds. It also made those communities that did not already have Medicaid beds unlikely to add
25 them.

26 25. These circumstances combined to undermine access to Medicaid care and further
27 fray the safety net for the poor and vulnerable. The number of Washingtonians over 65 years old

1 increased by 313,977 between 2008 and 2017. Office of Financial Management, Forecast of the
2 State Population at 12 (Nov. 2025), [https://ofm.wa.gov/wp-](https://ofm.wa.gov/wp-content/uploads/2026/03/stfc_2025.pdf)
3 [content/uploads/2026/03/stfc_2025.pdf](https://ofm.wa.gov/wp-content/uploads/2026/03/stfc_2025.pdf). In the same period, according to Department of Social &
4 Health Services data, Washington added just 4,942 additional beds to its assisted living capacity.
5 Between 2012 and 2018, Medicaid access declined by six percent. Navigant Consulting, Analysis
6 of the Wash. Assisted Living Services Medicaid Payment Methodology at 9 (April 2017),
7 [https://www.dshs.wa.gov/sites/default/files/AL TSA/msd/documents/WA%20Assisted%20Living](https://www.dshs.wa.gov/sites/default/files/AL TSA/msd/documents/WA%20Assisted%20Living%20Payment%20Methodology%20Analysis.docx)
8 [%20Payment%20Methodology%20Analysis.docx](https://www.dshs.wa.gov/sites/default/files/AL TSA/msd/documents/WA%20Assisted%20Living%20Payment%20Methodology%20Analysis.docx). As of October 2016, Wahkiakum, Klickitat,
9 and Garfield Counties had no assisted living communities whatsoever. *Id.* at 11.

10 26. The Washington Legislature recognized this chronic underfunding, combined with
11 the huge, expected growth in the state’s elderly population, was causing significant barriers for
12 access to care, particularly in rural counties. And, on its current path, access to Medicaid funded
13 assisted living was in crisis.

14 **RCW 74.39A.032 – Medicaid payment methodology for assisted living communities**

15 27. To address the looming access-to-care crisis presented by the old system, in 2018,
16 the Washington Legislature enacted a new methodology to calculate rates for contracted Medicaid
17 providers of assisted living and adult residential care services.

18 28. According to the Legislature, this change was “critical” to “ensure the availability
19 of enrolled providers is sufficient to serve the number of beneficiaries who wish to remain within
20 geographic proximity to their home community.” Laws of 2018, ch. 225, § 1(1). The Legislature
21 “intend[ed] to replace the outdated payment system with a new methodology” that would be
22 “transparent and understandable to the providers and the public,” “aligns payments to client acuity
23 and contractual requirements,” and “supported by relevant, verifiable, and independent data to the
24 extent possible.” *Id.*

25 29. The Legislature required the Department of Social & Health Services to “establish
26 in rule a new Medicaid payment system for contracted assisted living, adult residential care, and
27 enhanced adult residential care.” RCW 74.39A.032(1). “Beginning July 1, 2019, payments for

1 these contracts must be based on the new methodology,” which would be “phased-in to full
2 implementation” over several years. *Id.* Relevant here, “[t]he new payment system must” include
3 compensation for “[c]lient care [and] operations.” *Id.*

4 30. Labor is by far the biggest cost faced by assisted living communities. And “[c]lient
5 care is the labor component” of this new methodology. RCW 74.39A.032(2). The Legislature
6 required reimbursement rates for client care to “recognize the time and intensity of client care and
7 services,” meaning that the rate must have a variable component related to time to address the fact
8 that some assisted living patients require more staff attention than others. *Id.* The Legislature also
9 required the reimbursement rate for client care to recognize “staff wages, and associated fringe
10 benefits” like “employee benefits and payroll taxes” as well as labor costs in different service
11 areas. *Id.*

12 31. The wage data used to establish labor costs is pulled from the United States Bureau
13 of Labor Statistics. RCW 74.39A.032(2)(b). The Legislature also mandated that “[d]ata used to
14 establish the wage variable must be adjusted so that no baseline wage is below the state minimum
15 in effect at the time of implementation.” *Id.*

16 32. The operations component of the reimbursement rate represents the nonlabor costs
17 inherent in running assisted living communities. On the assumption that assisted living facilities
18 have similar but slightly lower overhead costs than skilled nursing facilities, this component is
19 calculated at “ninety percent or more of the statewide median nursing facility costs associated
20 with...(a) supplies, (b) nonlabor administrative expenses, (c) staff education and in-service
21 training, and (d) operational overhead including licenses, insurance, and business and operations
22 taxes.” *Id.* Nursing facilities are required to report their costs to the Department of Social & Health
23 Services, and those reports provide the cost data used to rebase the operations component of the
24 reimbursement rate. *See* RCW 74.46.022; RCW 74.46.475; Dep’t of Soc. & Health Servs., Nursing

25 Facility Cost Report Instruction Manual,
26 [https://www.dshs.wa.gov/sites/default/files/AL TSA/msd/documents/2025%20Cost%20Report%
27 20Manual%20for%20Facilities%20\(2024%20CR\).pdf](https://www.dshs.wa.gov/sites/default/files/AL TSA/msd/documents/2025%20Cost%20Report%20Manual%20for%20Facilities%20(2024%20CR).pdf).

1 33. The new methodology in RCW 74.39A.032 was not a one-time adjustment. The
2 Legislature mandated that actual data be used to update, or “rebase,” Medicaid reimbursement
3 rates on a predictable cadence. The client care and operations components of the methodology
4 “must be rebased in even-numbered years.” RCW 74.39A.032(6).¹ The Legislature also required
5 that the calculations be based on the cost and time data generated from two years prior. Thus, the
6 data for the rebase is always two years behind—the 2024 rebase was based on 2022 data and the
7 expected 2026 rebase would be based on 2024 data. RCW 74.39A.032(6); Final Bill Report SHB
8 2518 at 3, [https://lawfilesexternal.wa.gov/biennium/2017-18/Pdf/Bill%20Reports/House/2515-
9 S%20HBR%20FBR%202018.pdf?q=20260520151447](https://lawfilesexternal.wa.gov/biennium/2017-18/Pdf/Bill%20Reports/House/2515-S%20HBR%20FBR%202018.pdf?q=20260520151447).

10 34. Between July 1, 2019, and March 11, 2026, rebases regularly occurred on July 1
11 every even-numbered year. This predictability is vital to assisted living communities serving the
12 Medicaid population. Because these communities know rebases are coming in even-numbered
13 years, they make operational and contractual decisions consistent with that knowledge.

14 35. Providers reasonably relied on the statutory rebase scheduled to take effect on July
15 1, 2026, when making operational, staffing, and financial decisions.

16 36. The assisted living payment system established by RCW 74.39A.032 contemplates
17 periodic rebasing of wage and cost data to ensure reimbursement has some relationship to the
18 actual costs of providing care. The July 1, 2026, rebase would have updated the reimbursement
19 rate to reflect 2024 wage and cost data, from the current 2022 data.

20 37. Although providers understood that reimbursement would remain below the full
21 cost of care even after rebasing, they reasonably expected that the updated rates would at least
22 partially recognize the significant increases in labor costs, minimum wage requirements, operating
23 expenses, payroll taxes, paid sick leave obligations, Paid Family and Medical Leave obligations,
24 and other state-mandated costs since 2022.

25 _____
26 ¹ Assisted living communities also receive compensation for resident room and board, but it
27 works differently. The room and board component is rebased annually but compensated using the
resident’s social security payments rather than through Medicaid. RCW 74.39A.032(4) (room and
board subject to rules related to client financial responsibility); RCW 74.39A.032(5) (the room
and board component is not covered by Medicaid).

1 38. In reliance on the scheduled rebase, providers developed budgets, staffing plans,
2 wage schedules, recruitment strategies, and Medicaid participation plans for 2026 and beyond.
3 Many providers had already operationalized wage increases and other cost adjustments necessary
4 to recruit and retain staff in an increasingly competitive labor market.

5 39. Providers also relied on the Legislature's established statutory framework when
6 determining the number of Medicaid beds they would continue to make available and when
7 making long-term business decisions regarding their participation in the Medicaid program. The
8 scheduled rebase provided assurance that reimbursement would move closer to current labor and
9 operating costs and would help sustain access to care for Medicaid residents.

10 40. The unexpected suspension of the July 1, 2026, rebase disrupted those reliance
11 interests and undermined the assumptions upon which providers had already made staffing,
12 budgeting, and Medicaid participation decisions.

13 **The 2026 Legislature's substantive amendment of RCW 74.39A.032 in a budget bill**

14 41. During the 2025 legislative session, the Legislature enacted the State's 2025–27
15 biennium operating budget appropriating funds to the various state agencies and other specified
16 purposes for the period July 1, 2025, to June 30, 2027. Laws of 2025, ch. 424 (Operating Budget).

17 42. Specific to the Department of Social & Health Services, the Legislature found:

18 Medicaid payment rates, as calculated by the department pursuant to the
19 appropriations in this act, bear a reasonable relationship to the costs incurred by
20 efficiently and economically operated facilities for providing quality services and
21 will be sufficient to enlist enough providers so that care and services are available
22 to the extent that such care and services are available to the general population in
the geographic area. The Legislature finds that cost reports, payment data from the
federal government, historical utilization, economic data, and clinical input
constitute reliable data upon which to determine the payment rates.

23 Laws of 2025, ch. 424, § 201(3).

24 43. The Legislature appropriated \$12,889,959,000 of the State's Operating Budget to
25 the Department of Social & Health Services' Aging and Adult Services Program. Its duties include
26 calculating and implementing the State's Medicaid payment methodology.

1 44. On March 12, 2026, the last day of the 2026 legislative session, the Legislature
2 enacted ESSB 5998 to amend the Operating Budget (Laws of 2025, ch. 424), and supplement the
3 State’s Operating Budget for the biennium ending June 30, 2027. Laws of 2026, ch. 268
4 (Supplemental Budget).

5 45. In the Supplemental Budget, the Legislature did not amend its prior findings
6 regarding the appropriateness of the Medicaid payment rates calculated by the Department of
7 Social & Health Services pursuant to the appropriation that had been made in the Operating
8 Budget. *See* ESSB 5998(201)(3).

9 46. Indeed, the Legislature *increased* the total appropriation to the Department of
10 Social & Health Services—Aging and Adult Services Program to \$13,411,050,000 in the
11 Supplement Budget. *See* ESSB 5998(204). The Legislature also did not condition the use of the
12 appropriation with respect to Medicaid payment rates to assisted living providers. *Id.*

13 47. In section 938 (out of 944 total sections) of the Supplemental Budget, the
14 Legislature amended RCW 74.39A.032, by adding a new section prohibiting the Department of
15 Social & Health Services from implementing the scheduled rebase of assisted living rates that was
16 to take effect on July 1, 2026, and ordered the Department to “resume adherence to the existing
17 statutory biennial rebasing schedule” the first day of the *next* biennium, July 1, 2027.

18 48. The amendment to RCW 74.39A.032 is not an appropriations item and does not
19 belong in a budget bill. RCW 74.39A.032 was originally passed in “an act relating to updating the
20 Medicaid payment methodology for senior living...” Laws of 2018, ch. 58. It has not previously
21 been amended before ESSB 5998. Section 938 did not “condition an appropriation to an agency
22 on compliance with legislative direction that certain funds be spent or not be spent,” or make any
23 reference to a specific dollar amount. *Wash. State Legislature v. Lowry*, 131 Wn.2d 309, 314, 931
24 P.2d 885 (1997). Instead, section 938 added a new section to RCW 74.39A.032, amending the
25 substantive law of the state to change the existing statutory rebasing schedule. The amendment to
26 RCW 74.39A.032 also explicitly directs the Department of Social & Health Services to take action
27 on the first day of the *next* biennium.

1 **The harm to assisted living communities and access to Medicaid-covered beds from this**
2 **substantive change in law**

3 49. Assisted living communities in Washington relied on and expected a July 1, 2026,
4 rebase from the time that RCW 74.39A.032 was initially passed in 2018. Accordingly, these
5 communities contracted with staff and suppliers, and planned covered services for Medicaid
6 residents, understanding that their Medicaid reimbursements would be calculated based on 2024
7 data beginning July 1, 2026.

8 50. Providers also relied on the transparency and predictability of the statutory rate-
9 setting process established by RCW 74.39A.032. The statutory rebase process serves an important
10 function beyond reimbursement by establishing a predictable schedule for updating wage and cost
11 data and providing providers, residents, families, and policymakers with a transparent framework
12 for planning and decision-making. Historically, significant changes to Medicaid payment
13 methodologies have been considered through the ordinary legislative process, which provides
14 affected stakeholders an opportunity to review proposed changes, provide testimony, and identify
15 unintended consequences before permanent statutory obligations are altered. By suspending the
16 July 1, 2026, rebase in a budget bill rather than through the ordinary legislative process, affected
17 parties were deprived of a meaningful opportunity to participate in that review, and the
18 predictability and transparency upon which providers rely for long-term staffing, budgeting,
19 capital planning, and Medicaid participation decisions was undermined.

20 51. The suspension of the July 1, 2026 rebase causes immediate and substantial harm
21 to assisted living providers, Medicaid beneficiaries, and Washington families.

22 52. Current Medicaid reimbursement remains based on approximately 82 percent of
23 2022 wage and cost data. As a result, reimbursement for many assisted living positions falls
24 significantly below current labor costs and, for positions such as personal care workers, food
25 service workers, housekeepers, and activities workers reimbursement falls below current minimum
26 wages. The current Medicaid reimbursement for assisted living personnel is estimated to be
27 between \$4 and \$12 per hour below actual wages paid by providers.

1 53. The ability to recruit and retain qualified caregivers depends on providers offering
2 wages that are competitive within local labor markets. Assisted living providers compete for
3 workers with hospitals, nursing facilities, adult family homes, home care agencies, retail
4 employers, food service employers, and other industries. When Medicaid reimbursement fails to
5 recognize current wage requirements and labor market conditions, providers are forced to charge
6 non-Medicaid residents more to cover the difference between reimbursement levels and actual
7 costs. This makes assisted living less affordable for everyone.

8 54. The workforce challenges created by inadequate reimbursement directly affect
9 access to care. Assisted living providers must maintain adequate staffing levels to safely serve
10 residents and comply with state licensing requirements. As reimbursement falls further behind
11 actual costs, providers face increasing pressure to exit the program or reduce the number of beds
12 available to Medicaid residents to preserve sufficient resources to recruit and retain staff.

13 55. This reduction in Medicaid capacity occurs at a time when Washington's aging
14 population continues to grow, dementia prevalence is increasing, and demand for assisted living
15 services continues to increase. Assisted living facilities provide housing, meals, personal care,
16 supervision, activities, and health and safety protections that allow older adults to live in a
17 community setting while receiving needed support. Many Medicaid beneficiaries rely upon
18 assisted living to avoid housing instability or homelessness. Assisted living also provides a safe
19 discharge option for Medicaid patients in nursing homes and hospitals.

20 56. The harm extends beyond Medicaid beneficiaries. Because Medicaid
21 reimbursement does not adequately cover the cost of care, providers are increasingly forced to
22 shift unreimbursed costs to private-pay residents and their families if they want to provide
23 Medicaid services. As a result, seniors who pay for assisted living out of their own pocket face
24 higher monthly fees to subsidize the State's underfunding of Medicaid services.

25 57. Washington families depend upon assisted living providers to care for aging
26 parents, spouses, and loved ones. The suspension of the statutory rebase undermines workforce
27

1 stability, limits Medicaid access, and increases costs for families at a time when demand for long-
2 term care services continues to grow.

3 58. The elderly population continues to grow, along with the need for affordable
4 residential care. According to the State’s Office of Financial Management,
5 approximately 165,000 Washington residents are projected to reach the age of 65 between 2026
6 and 2030, swelling that population to almost 1.7 million people. Wash. Office of Financial Mgmt.,
7 Forecast of the State Population at 12 (Nov. 2025), [https://ofm.wa.gov/wp-](https://ofm.wa.gov/wp-content/uploads/2026/03/stfc_2025.pdf)
8 [content/uploads/2026/03/stfc_2025.pdf](https://ofm.wa.gov/wp-content/uploads/2026/03/stfc_2025.pdf). Longer term, the most rapid shift will come at the oldest
9 end of the age distribution, those age 85 and over. Between 2020 and 2050, the population over
10 85 years old is expected to almost quadruple—growing from 131,000 to 523,300. *Id.* at 7. Growth
11 in this group has important fiscal and capacity planning implications for long-term care. In the first
12 half of the forecast, 2020 to 2035, the population over 85 years old will grow by an average of
13 10,000 people per year. *Id.* OFM expects this rate of increase to grow, adding 16,300 people over
14 85 years old per year between 2035 and 2050. *Id.* The need for assisted living services for this
15 population is acute. This population explosion is coming at a time where inflation has rarely been
16 higher and more and more will turn to Medicaid and the safety net to care for them as they age.

17 **The substantive amendment to RCW 74.39A.032 is unconstitutional**

18 59. Article II, Section 19 of the Washington Constitution provides that “No bill shall
19 embrace more than one subject, and that shall be expressed in the title.”

20 60. The purpose of Article II, Section 19 is “(1) to prevent ‘logrolling’ or pushing
21 legislation through by attaching it to other necessary or desirable legislation and (2) to assure that
22 the members of the legislature and the public are generally aware of what is contained in proposed
23 new laws.” *Lee v. State*, 185 Wn.2d 608, 620, 374 P.3d 157 (2016).

24 61. The Washington Supreme Court has continually held that Article II, Section 19
25 forbids including changes to substantive law in appropriations bills because it constitutes
26 logrolling and denies both legislators and the public the right to know what is contained in
27

1 proposed new laws. *Washington State Legislature v. Locke*, 139 Wn.2d 129, 145–46, 985 P.2d 353
2 (1999).

3 62. The Legislature unconstitutionally amended RCW 74.39A.032 in the back of the
4 Supplemental Budget without going through the public legislative process for making substantive
5 changes to state law.

6 63. The substantive amendment to RCW 74.39.032 changes the cadence of the method
7 used by the Department of Social & Health Services to recalculate Medicaid payment rates that
8 had been in place since 2018, ESSB 5998(938), notwithstanding that the Legislature *increased* the
9 appropriation that was directed to the Department of Social & Health Services and is used to pay
10 the Medicaid rates in a separate section of the bill. ESSB 5998(204). The substantive amendment
11 also directs the Department of Social & Health Services to take action in the next biennium,
12 exceeding the limited period of a biennial budget.

13 64. The inclusion of the amendment to RCW 74.39A.032 violates Article II, Section
14 19 and, therefore Laws of 2026, chapter 268, section 938 must be declared invalid.

15 **V. FIRST CAUSE OF ACTION: DECLARATORY RELIEF**

16 65. Plaintiffs reallege and incorporate by reference the allegations in paragraphs 1
17 through 64 as though fully stated herein.

18 66. There is an actual dispute between Plaintiffs and Defendants as to the
19 constitutionality of Laws of 2026, chapter 268, section 938, under article II, section 19 of the
20 Washington Constitution.

21 67. The parties have genuine and opposing interests. Plaintiffs WHCA and LeadingAge
22 are associations of long-term care communities, including assisted living communities providing
23 roughly 95 percent of Medicaid care in the state, that have a strong interest in having the
24 amendment to RCW 74.39A.032 in the Laws of 2026, chapter 268, section 938 declared
25 unconstitutional so that the July 1, 2026 rebase may occur on schedule. Defendant State of
26 Washington, through the Attorney General’s Office, is obligated to defend the constitutionality of
27 laws enacted by the Washington Legislature. Defendant Department of Social & Health Services

1 is the state agency responsible for calculating and implementing the rebase for Medicaid payment
2 rates set forth in RCW 74.39A.032.

3 68. These interests are direct and substantial and a judicial determination of this dispute
4 would be final and conclusive

5 69. Plaintiffs are entitled to a declaratory judgment finding that the amendment of
6 substantive law included at Laws of 2026, chapter 268, section 938, violates the single subject rule
7 in article II, section 19 of the Washington Constitution and is void.

8 **VI. SECOND CAUSE OF ACTION: INJUNCTIVE RELIEF**

9 70. Plaintiffs reallege and incorporate by reference the allegations in paragraphs 1
10 through 69 as though fully stated herein.

11 71. WHCA and LeadingAge have a clear legal right to prevent the implementation and
12 enforcement of substantive legal changes to RCW 74.39A.032 that were included in an
13 appropriations bill in violation of the single subject rule in article II, section 19 of the Washington
14 Constitution.

15 72. WHCA and LeadingAge have a well-grounded fear of immediate invasion of that
16 right. The subsection delaying the July 1, 2026 rebase was enacted in a bill with an emergency
17 clause and thus has already gone into effect. Without action to stop this, their assisted living facility
18 members will be denied their statutorily mandated rebase and will begin receiving Medicaid
19 reimbursement payments that do not reflect the scheduled rebase in August 2026.

20 73. WHCA's and LeadingAge's members, as well as all assisted living communities
21 and their Medicaid-supported residents, will suffer actual and substantial injury if the amendment
22 to RCW 74.39.032 made in Laws of 2026, chapter 268, section 938 is not enjoined.

23 74. Neither Plaintiffs nor their members have an adequate remedy at law, and the
24 balance of equities favor them, rather than the state.

25 75. WHCA and LeadingAge are entitled to a permanent injunction prohibiting
26 enforcement of the Laws of 2026, chapter 268, section 938.

1 **PRAYER FOR RELIEF**

2 WHEREFORE, Plaintiffs pray for judgment against Defendants as follows:

3 A. For a declaratory judgment finding that Laws of 2026, chapter 268, section 938 is
4 an unconstitutional violation of the single-subject rule in article II, section 19 of the Washington
5 Constitution;

6 B. For a permanent injunction barring implementation of Laws of 2026, chapter 268,
7 section 938 and reinstating the scheduled rebase for Medicaid reimbursement rates on July 1,
8 2026;

9 C. For Plaintiffs' attorneys' fees, costs, and expenses incurred in challenging this
10 unconstitutional legislation, as permitted by law or equity; and

11 D. For any further relief as this Court deems just and proper.

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14 DATED: June 10, 2026

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