

**MAINTENANCE LEVEL 2**

**M2-MF Waiver Savings Restoration**

**RECOMMENDATION SUMMARY TEXT**

The Health Care Authority (HCA) requests restoration of assumed reimbursement waiver savings of \$35,216,000 (\$17,508,000 GF-State) in the 2016 Supplemental. The HCA was unable to obtain approval from the Centers for Medicare and Medicaid Services (CMS) for a Section 1115 demonstration waiver.

**PACKAGE DESCRIPTION**

In 2011, due to mounting budget issues and the economic recession, legislation was passed to modify Washington State’s Medicaid programs. Engrossed Second Substitute Senate Bill (2SSB) 5596 directed the HCA and the Department of Social and Health Services (DSHS) to submit a request to the Centers for Medicare and Medicaid Services (CMS) Innovation Center for a Section 1115 demonstration waiver. The waiver request was to include federal flexibility in the areas of innovative reimbursement methods, establishing an eligibility group per capita, enforceable cost-sharing, streamlined eligibility determinations, innovative reimbursement methods, expedited process for the CMS response to changes, and a new payment methodology for Federally Qualified Health Centers (FQHC). Once the waiver modifications were in place, there was an assumed savings of \$35,400,000 (\$17,200,000 GF-State) in the 2013-2015 biennium.

Due to federal constraints, the HCA was unable to get approval for cost-sharing or any new financial model for Medicaid. The CMS gave a clear indication that the flexibility being sought would not be better served through a formal waiver request. As a result, the HCA did not submit a Section 1115 demonstration waiver and no payment modifications have been made to the Medicaid model.

Kate LaBelle, Financial Services Division: 360-725-1846 or [kate.labelle@hca.wa.gov](mailto:kate.labelle@hca.wa.gov)  
 Carl Yanagida, Financial Services Division: 360-725-1033 or [carl.yanagida@hca.wa.gov](mailto:carl.yanagida@hca.wa.gov)

**FISCAL DETAILS/OBJECTS OF EXPENDITURE**

	<b>FY 2016</b>	<b>FY 2017</b>	<b>Total</b>
<b>1. Operating Expenditures:</b>			
Fund 001-1 GF-State	\$ 8,751,000	\$ 8,757,000	\$ 17,508,000
Fund 001-C GF-Federal Medicaid Title XIX	\$ 8,857,000	\$ 8,851,000	\$ 17,708,000
<b>Total</b>	<b>\$ 17,608,000</b>	<b>\$ 17,608,000</b>	<b>\$ 35,216,000</b>
	<b>FY 2016</b>	<b>FY 2017</b>	<b>Total</b>
<b>2. Staffing:</b>			
Total FTEs	-	-	-

	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
<b>3. Objects of Expenditure:</b>			
A - Salaries And Wages	\$ -	\$ -	\$ -
B - Employee Benefits	\$ -	\$ -	\$ -
C - Personal Service Contracts	\$ -	\$ -	\$ -
E - Goods And Services	\$ -	\$ -	\$ -
G - Travel	\$ -	\$ -	\$ -
J - Capital Outlays	\$ -	\$ -	\$ -
N - Grants, Benefits & Client Services	\$ 17,608,000	\$ 17,608,000	\$ 35,216,000
Other (specify) -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ 17,608,000</b>	<b>\$ 17,608,000</b>	<b>\$ 35,216,000</b>
	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
<b>4. Revenue:</b>			
Fund 001-C GF-Federal Medicaid Title XIX	\$ 8,857,000	\$ 8,851,000	\$ 17,708,000
<b>Total</b>	<b>\$ 8,857,000</b>	<b>\$ 8,851,000</b>	<b>\$ 17,708,000</b>

## NARRATIVE JUSTIFICATION

### WHAT SPECIFIC PERFORMANCE OUTCOMES DOES THE AGENCY EXPECT?

This proposal restores unachievable savings from prior legislation in order to balance the HCA budget.

### PERFORMANCE MEASURE DETAIL

#### Activity Inventory

H010 HCA Apple Health

### IS THIS DECISION PACKAGE ESSENTIAL TO IMPLEMENT A STRATEGY IDENTIFIED IN THE AGENCY'S STRATEGIC PLAN?

This request ensures that the HCA is adequately funded to achieve its mission to create a healthier Washington.

### DOES THIS DECISION PACKAGE PROVIDE ESSENTIAL SUPPORT TO ONE OR MORE OF THE GOVERNOR'S RESULTS WASHINGTON PRIORITIES?

This request supports Governor Inslee's Results Washington Goal 4: Healthy and Safe Communities.

### WHAT ARE THE OTHER IMPORTANT CONNECTIONS OR IMPACTS RELATED TO THIS PROPOSAL?

It is imperative that the unachievable savings are restored in order to balance the HCA's Medicaid budget.

### WHAT ALTERNATIVES WERE EXPLORED BY THE AGENCY, AND WHY WAS THIS ALTERNATIVE CHOSEN?

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None

**WHAT ARE THE CONSEQUENCES OF NOT ADOPTING THIS PACKAGE?**

Without this requested funding, the HCA is at risk of overspending its appropriation as it is unable to achieve the assumed savings without CMS' approval of the reimbursement waiver.

**WHAT IS THE RELATIONSHIP, IF ANY, TO THE STATE CAPITAL BUDGET?**

None

**WHAT CHANGES WOULD BE REQUIRED TO EXISTING STATUTES, RULES, OR CONTRACTS TO IMPLEMENT THE CHANGE?**

None

**EXPENDITURE AND REVENUE CALCULATIONS AND ASSUMPTIONS**

**REVENUE CALCULATIONS AND ASSUMPTIONS:**

All federal revenue assumed in this request is derived from the "Step 22: Reimbursement Methods Waiver" step that lowered the February 2015 Medical Assistance forecast. The federal revenue figures in this request will need to be updated to reflect the same reduction step in the upcoming October 2015 forecast.

**EXPENDITURE CALCULATIONS AND ASSUMPTIONS:**

The expenditure figures represented in this request are derived from the "Step 22: Reimbursement Methods Waiver" step that lowered the February 2015 Medical Assistance forecast. The expenditure figures in this request will need to be updated to reflect the same reduction step in the upcoming October 2015 forecast.

**DISTINCTION BETWEEN ONE-TIME AND ONGOING COSTS:**

All funding in this request are ongoing.

**BUDGET IMPACTS IN FUTURE BIENNIA:**

All funding in this request will be needed in future biennia.

