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**MAINTENANCE LEVEL 2**

M2-MP HBE Financial Systems Improvement

PLACEHOLDER

**RECOMMENDATION SUMMARY TEXT**

On behalf of the Washington State Health Benefit Exchange (HBE), the Health Care Authority (HCA) submits a request in the 2016 Supplemental to develop and implement new financial software to improve fiscal reporting efficiency, responsiveness and accountability. This request is submitted as a placeholder so that HBE can continue to have discussions with the Office of Financial Management (OFM) and HCA regarding potential financial software options.

**PACKAGE DESCRIPTION**

The HBE was created in 2011 by the Legislature as a self-sustaining public-private partnership. Initially the HBE was funded primarily by federal grant funds, which were directed at developing the HBE, with limited funds available for operations. In the 2015-2017 biennium budget, the remaining one-time grant funds will be spent and the HBE will primarily be funded by the Health Benefit Exchange Account and Medicaid reimbursement.

When the HBE was established, a decision was made to utilize a low-cost, accounting software product that was typical of a non-profit entity. The system selected was Abila.

In the 2015 legislative session, the HBE was directed by Engrossed Senate Bill 6052 and Second Engrossed Senate Bill 6089 to increase financial reporting and accountability. The current financial software is not designed to provide the mandated information efficiently or effectively. In addition, with the transfer of premium aggregation from the HBE to carriers, the accounting responsibility for premium collection was moved from the HBE to carriers, which provides an opportunity to revisit the financial software used by the HBE.

This request is submitted as a placeholder so that HBE can continue to have discussions with the Office of Financial Management (OFM) and HCA regarding potential financial software options, including evaluating the pros and cons of moving the financial recording and reporting functions of HBE to the state Accounting and Financial Reporting System (AFRS).

Steve Cole, Financial Services: 360-725-1473 or [steven.cole@hca.wa.gov](mailto:steven.cole@hca.wa.gov)

Danielle Cruver, HBE Budget and Grants Manager: 360-688-7740 or [danielle.cruver@wahbexchange.org](mailto:danielle.cruver@wahbexchange.org)

**FISCAL DETAILS/OBJECTS OF EXPENDITURE**

	FY 2016	FY 2017	Total
<b>1. Operating Expenditures:</b>			
Fund 17T-1 Health Benefit Exchange	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

	FY 2016	FY 2017	Total
<b>2. Staffing:</b>			
Total FTEs	-	-	-

	FY 2016	FY 2017	Total
<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	\$ -	\$ -	\$ -
Other (specify) -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

	FY 2016	FY 2017	Total
<b>4. Revenue:</b>			
Fund 17T-1 Health Benefit Exchange	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**NARRATIVE JUSTIFICATION**

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

The HBE expects a vast improvement in its fiscal accountability and responsiveness with this request. The HBE’s current financial system and chart of accounts was not developed to support state and federal reporting requirements.

Specific outcomes include:

- Reduced processing time for accounts payable and accounts receivable;
- Reduced cycle time for Medicaid reimbursement;
- Improve fiscal reporting efficiency, responsiveness and accountability; and
- Improved financial management capacity.

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## **PERFORMANCE MEASURE DETAIL**

### **Activity Inventory**

H015 Payments to Other Entities related to Medicaid Administrative Costs and other costs paid by the Health Care Authority

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

Yes. The HBE strives to be fiscally sustainable and a good steward of State funds. This request will allow the HBE to implement these strategic initiatives. In addition, this request supports the HCA's mission of creating a healthier Washington.

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

Yes. This request supports Governor Inslee's Result's Washington Goal 5: for transparency and accountability. This request also supports efficiency in meeting the legislature's mandated reporting requirements.

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

The HBE budget receives its funding through the HCA, which is the state's Medicaid agency. The HBE has not been able to provide the HCA with timely information on costs to be billed to Medicaid. In addition, due to the accounting system, the information is not readily available. Similarly, providing information to the State Auditor, the State Legislature and the OFM has been difficult. The goal of this change is to facilitate improved accuracy and greater transparency in financial information.

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

The HBE has reviewed its current system to ensure the HBE is fully utilizing the systems capabilities. The system is not adequate to meet the future needs of the organization. For example, the current system does not allow for seamless entry of revenue detail in the same manner in which state agencies record revenues. The current system requires double entry of each transaction to record both revenue and expenditure detail. In addition to replacing the current financial software, the HBE plans to revise its chart of accounts and accounting processes to improve the HBE's financial management capacity.

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

Without this request, the HBE could be at risk of not meeting the legislatively mandated reporting and failing to be a sustainable exchange that can efficiently and effectively process Accounts Payable and Accounts Receivable invoices, monitor financial status, and provide timely and accurate reports to the Health Benefit Exchange Board, Legislature, Governor and Federal government.

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

None

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

The current financial system contract would be terminated.

**EXPENDITURE AND REVENUE CALCULATIONS AND ASSUMPTIONS**

**REVENUE CALCULATIONS AND ASSUMPTIONS:**

The HBE assumes that the funding for this request would be allocated between the Health Benefit Exchange Account and Medicaid based on the approved cost allocation methodology.

**EXPENDITURE CALCULATIONS AND ASSUMPTIONS:**

Expenditures reflect staff and contractor resources needed by the HBE to successfully implement the transition to a new financial accounting system.

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

Costs estimates are still under development.

**BUDGET IMPACTS IN FUTURE BIENNIA:**

Costs estimates are still under development.