
POLICY LEVEL

PL-P3 Medical Assistance Forecast Update

PLACEHOLDER

RECOMMENDATION SUMMARY TEXT

The Health Care Authority (HCA) requests resources in the 2016 Supplemental to update the current forecasting methodology and technical environment to adequately reflect shifts in the client population and service delivery system from fee-for-service to value-based purchasing. This request serves as a placeholder as the HCA is developing estimate for this effort.

PACKAGE DESCRIPTION

The HCA provides health care coverage for low-income and disabled individuals throughout Washington State using Medicaid, Children’s Health Insurance Program, and other federal and state funding sources. The Forecasting and Financial Analytics Section within the HCA Financial Services Division creates a biennial forecast of the per capita costs of providing services to the HCA’s clients. This forecast is the basis for the HCA’s budget.

The current forecast process is fragile and does not support the new business model, which is moving from fee-for-service to managed care for most Apple Health clients. This request is to support the feasibility and implementation of a new forecasting system.

Currently, the forecasting process encompasses numerous concurrent processes which can be grouped into: (1) preparing data for input; (2) deploying input data through a Statistical Analysis System (SAS) program; and (3) distributing and communicating the output of the SAS program. This system was built in 2003 and has been patched over the years by several staffs and consultants. In addition, the structure is for fee-for-service care delivery model which is inconsistent with the HCA’s current value based purchasing model.

In May 2015, HCA staff participated in a three-day forecast improvement value stream mapping exercise. Participants developed and implemented 43 recommendations to improve the current forecasting process outlined in Appendix A. The goal is to implement these improvements while developing a new long-term forecasting solution. The new and old methodologies will be run concurrently for a couple of forecasting cycles before the new methodology is fully implemented.

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FISCAL DETAILS/OBJECTS OF EXPENDITURE

	FY 2016	FY 2017	Total
1. Operating Expenditures:			
Fund 001-1 GF-State	\$ -	\$ -	\$ -
Fund 001-C GF-Federal Medicaid Title XIX	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -
2. Staffing:			
Total FTEs	-	-	-
3. Objects of Expenditure:			
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) -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -
4. Revenue:			
Fund 001-C GF-Federal Medicaid Title XIX	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -

NARRATIVE JUSTIFICATION

WHAT SPECIFIC PERFORMANCE OUTCOMES DOES THE AGENCY EXPECT?

The HCA medical services budget is driven by the per capita expenditure forecast. Errors in the forecast can lead to budget shortfalls, potentially impacting approximately 1.5 million Apple Health clients. Additionally, errors in the assignment of costs between State and Federal funds could potentially impact more than \$8 billion HCA receives in Medicaid match funds each year.

Through this effort, the HCA will:

- Develop new, customized forecasting software;
- Develop and maintain forecasting and analytics data-mart; and

- Develop methodology to more accurately forecast managed care and integrated managed care forecasting and rate setting methodologies

PERFORMANCE MEASURE DETAIL

Activity Inventory

H002 – HCA Direct Operations

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

Yes. This helps support the implementation of health reform by providing accurate information in the trends of Medicaid and other medical assistance utilization and expenditures without an accurate forecast the state of Washington is in danger of not meeting federal requirement which could subject the state to penalties or the loss of federal funds.

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

Yes. This request supports the Governor's key guiding principal for *Efficient, Effective and Accountable Government* by controlling expenditures, creating more transparency in the health system, and making better use of technology

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

Adoption of this request allows HCA to be in compliance with federal regulations and guidelines.

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

The HCA explored several alternatives during the value stream mapping process and this was deemed to be the most effective and efficient.

WHAT ARE THE CONSEQUENCES OF NOT ADOPTING THIS PACKAGE?

The medical forecast that is developed is not accurate; the HCA loses credibility, and may jeopardize forfeit federal funds

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:

The HCA anticipates that any expenditure identified would be eligible for federal administrative match.

EXPENDITURE CALCULATIONS AND ASSUMPTIONS:

Expenditures are still being developed based on input from stakeholders including the Office of Financial Management and legislative staff.

DISTINCTION BETWEEN ONE-TIME AND ONGOING COSTS:

Not all costs have been estimated at this time. The HCA anticipates that any contracted dollars will most likely be one-time costs.

BUDGET IMPACTS IN FUTURE BIENNIA:

Some costs will be on-going and continue into future biennia.