

Maintenance Level

M2-RF ACA Employer Shared Responsibility

Agency Recommendation Summary Text

The Health Care Authority (HCA) requests 1.0 FTE and \$145,000 in the 2017 Supplemental to support Affordable Care Act Employer Shared Responsibility reporting under Internal Revenue Code (IRC) §6056 for state agencies, commodity commissions, community and technical colleges, and state universities, and to fulfill self-funded group health plan reporting under IRC §6055 for the Uniform Medical Plans.

Fiscal Summary

| Operating Expenditures | FY 2017 | FY 2018 | FY 2019 |
|---------------------------|------------------|------------------|------------------|
| Fund 418-1 HCA Admin | \$145,000 | \$231,000 | \$231,000 |
| Total Cost | \$145,000 | \$231,000 | \$231,000 |
| Staffing | FY 2017 | FY 2018 | FY 2019 |
| FTEs | 1.0 | 2.0 | 2.0 |
| Revenue | FY 2017 | FY 2018 | FY 2019 |
| Fund 418-1 HCA Admin | \$145,000 | \$231,000 | \$231,000 |
| Total Revenue | \$145,000 | \$231,000 | \$231,000 |
| Object of Expenditure | FY 2017 | FY 2018 | FY 2019 |
| Obj. A – Salaries | \$75,000 | \$150,000 | \$150,000 |
| Obj. B – Benefits | \$36,000 | \$50,000 | \$50,000 |
| Obj. E – Goods & Services | \$15,000 | \$30,000 | \$30,000 |
| Obj. G – Travel | \$1,000 | \$1,000 | \$1,000 |
| Obj. J – Capital Outlays | \$18,000 | \$0 | \$0 |

Package Description

The Internal Revenue Service (IRS) requires applicable large employers to report information annually regarding offers of health care coverage to employees determined full-time under the federal full-time equivalent standard. The Governor designated the HCA as the government entity responsible for fulfilling this notice and reporting requirement on behalf of all state agencies, commodity commissions, community and technical colleges, and state universities. In addition, the HCA is fulfilling the group health plan notice and reporting requirements under IRC §6055 for the Uniform Medical Plans. To comply with the notice (Form 1095C) and reporting (Form 1094C)

requirements, the HCA developed a monthly process that both collects and processes data from disparate sources to correct prior tax year reporting and collects data for the upcoming tax year.

The IRC requires government entities, like the State of Washington, to apply controlled group rules in satisfying the reporting requirement. To apply these rules the state must ensure that employee hours of service are combined for employees who work for more than one state agency or higher education institution. To accomplish this, the HCA relies on data from a significant number of sources. The application solution processes this data and calculates and formats it the way IRS expects when data transmit to fulfil the reporting responsibilities.

The two positions being requested would provide needed support in the following areas:

Technical Analysis:

- Translate IRC and business requirements into technical design requirements;
- Analyze complex requirements and document the technical rules so that Developers and Testers can develop and test the solution;
- Reverse engineer the complex business rules implemented in the application to create technical documentation;
- Develop unified/standard requirements for data collection. Different sources provide data to reporting solution, and lack of unified requirements causes confusion and trouble in communicating the requirements to the sources;
- Document the technical requirements in detail so that future changes/enhancements can be made without causing any issues to current functionalities;
- The IRS transmission requirements are not available in most of the cases. Document the transmission rules to ensure successful data transmissions.

Application Solution Testing:

- Test the application to identify if the application is built per requirements and it meets business expectations;
- Test the numerous data scenarios involved in the generation of 1094C and 1095C forms for accuracy and validity;
- Perform adequate testing to find and resolve issues so that timely transmission can be done to avoid penalties;
- Document the test cases so that testing can be repeated whenever the application modified to accommodate the changes in business rules;
- Documented test cases are going to provide confirmation that the application is working per business rules;
- Early detection of issues/bugs helps to avoid costly application maintenance in the production environment.

Decision Package Justification and Impacts

Performance Measure Detail:

Activity Inventory

H004 HCA Public Employees Benefits

What specific performance outcomes does the agency expect?

This request will ensure that:

- IRS and business requirements are going to be captured and translated to technical requirements accurately; and
- Changes are thoroughly tested and conform to IRS and business requirements

What alternatives were explored by the agency and why was this option chosen?

Other alternatives may include reassigning other information technology resources to perform the requirement gathering and solution testing, which results in delay of other high priority projects/assignments.

What are the consequences of not funding this request?

Without these additional resources, the HCA may not be able to avoid errors in business rules and application solution. This will result in penalties for state agencies, commodity commissions, community and technical colleges, and state universities for which the HCA is reporting data to IRS.

How has or can the agency address the issue or need in its current appropriation level?

Some options may include the following:

- Prioritize IRS reporting rules/issues in such a way that penalty shall be minimal;
- Reassign other information technology resources to perform the requirement gathering and solution testing, which will result in delay of other high priority projects/assignments.

Provide references to any supporting literature or materials:

None

Base Budget

If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service.

The HCA currently has 1.0 FTE, an Information Technology Specialist (ITS) 6, working on development of a monthly process that both collects and processes data from disparate sources to correct prior tax year reporting and collects data for the upcoming tax year. The HCA also partially utilizes an ITS 5 and an ITS 4 to assist the ITS 6,

but since this assignment is not their primary duty, utilizing these additional FTEs results in delay of other high priority projects.

Expenditure, FTE and Revenue Assumptions, Calculations and Details:

The HCA assumes that the funding for this request will come from the State Health Care Authority Administration Account (aka the PEB Administration Account or Fund 418).

Impacts to Communities and Other Agencies

Fully describe and quantify expected impacts on state residents and specific populations served.

As part of the Affordable Care Act Employer Shared Responsibility reporting, the HCA is going to send data to IRS yearly in March and corrections to the reported data in subsequent months. There is risk for penalties yearly as well as additional penalties for the delay in correcting the submitted report. The funding requested in this proposal shall allow the HCA to provide quality data to IRS, thus mitigating penalty risks for state agencies, commodity commissions, community and technical colleges, and state universities.

What are other important connections or impacts related to this proposal?

Does this request have:

| | | |
|---------------------------------|------------------------------|--|
| Regional/county impacts? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| Other local government impacts? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| Tribal government impacts? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| Other state agency impacts? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |

Does this request:

| | | |
|---|------------------------------|--|
| Have any connection to Puget Sound recovery? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| Respond to specific task force, report, mandate or executive order? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| Contain a compensation change? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| Require a change to a collective bargaining agreement? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| Create facility/workplace needs or impacts? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| Contain capital budget impacts? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| Require changes to existing statutes, rules or contracts? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| Have any relationship to or result from litigation? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |

If “Yes” to any of the above, please provide a detailed discussion of connections/impacts.

Not applicable

Information Technology (IT)

Does this request include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

No



Yes

Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)

2017 Supplemental Information Technology Addendum

Part 1: Itemized IT Costs

| Information Technology Items in this DP | FY 2017 | FY 2018 | FY 2019 |
|---|------------------|------------------|------------------|
| Information Technology Specialist 4 | \$72,500 | \$115,500 | \$115,500 |
| Information Technology Specialist 4 | \$72,500 | \$115,500 | \$115,500 |
| Total Cost | \$145,000 | \$231,000 | \$231,000 |

Part 2: Identifying IT Projects

If the investment proposed in the decision package is the development or acquisition of an IT project/system, or is an enhancement to or modification of an existing IT project/system, it will also be reviewed and ranked by the OCIO as required by RCW 43.88.092. The answers to the three questions below will help OFM and the OCIO determine whether this decision package is, or enhances/modifies, an IT project:

| | | |
|---|------------------------------|--|
| Does this decision package fund the development or acquisition of a new or enhanced software or hardware system or service? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| Does this decision package fund the acquisition or enhancements of any agency data centers? (See OCIO Policy 184 for definition.) | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| Does this decision package fund the continuation of a project that is, or will be, under OCIO oversight? (See OCIO Policy 121 .) | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |

If “Yes” to any of these questions, complete a concept review with the OCIO before submitting this budget request. Refer to chapter 12.2 of the operating budget instructions for more information.