

## Maintenance Level

# M2-AL UMP TPA Administrative Increases

### Agency Recommendation Summary Text

The Health Care Authority (HCA) requests \$4,370,000 in the 2017-2019 biennium to cover projected costs in Uniform Medical Plan (UMP) third party administrator (TPA) fees. The current TPA contract with Regence Blue Shield allows for annual fee increases on a per subscriber per month (PSPM) basis of up to 3.5 percent. Increases at the 3.5 percent level would cause projected expenditures to exceed the appropriation level.

### Fiscal Summary

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
Fund 439 Uniform Medical Plan	\$1,440,000	\$2,930,000	\$1,844,000	\$0
<b>Total Cost</b>	<b>\$1,440,000</b>	<b>\$2,930,000</b>	<b>\$1,844,000</b>	<b>\$0</b>
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	0.0	0.0	0.0	0.0
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Fund 439 Uniform Medical Plan	\$1,440,000	\$2,930,000	\$1,844,000	\$0
<b>Total Revenue</b>	<b>\$1,440,000</b>	<b>\$2,930,000</b>	<b>\$1,844,000</b>	<b>\$0</b>
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
Obj. N - Client Services	\$1,440,000	\$2,930,000	\$1,844,000	\$0

### Package Description

The HCA has experienced annual increases in the PSPM administration fee under the contract with Regence Blue Shield. These increases have aligned with the Consumer Price Index (CPI). The maximum increase allowed for calendar years 2017 through 2019 is 3.5 percent per year per the HCA/Regence contract. Historically, the HCA has been able to cover the annual increases within its existing Fund 439 appropriation. This will not be the case for fiscal years 2018, 2019 and beyond.

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## Decision Package Justification and Impacts

### Performance Measure Detail:

#### Activity Inventory

H004 HCA Public Employees Benefits

### What specific performance outcomes does the agency expect?

The appropriation requested will allow the HCA to continue to provide access to quality health care through the Uniform Medical Plan (UMP) offerings to approximately 238,000 (as of July 2016) Public Employees Benefits Board (PEBB) Program members who have chosen UMP medical plans.

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

An alternative would be to renegotiate contract terms with Regence BlueShield. This is highly unlikely to result in a positive outcome for the HCA or the state given that the current contract expires on December 31, 2019, and the HCA is in the process of a competitive re-procurement to cover at least the next 10 years (calendar years 2020 to 2029). Introducing instability into the UMP TPA contractor relationship would increase performance risk on this essential, high-profile contract.

### What are the consequences of not funding this request?

The HCA will not have sufficient funding to pay the UMP TPA contractor for services provided under an in force contract.

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

Some options may include the following:

- Continue to negotiate the lowest possible annual increase in the PSPM TPA fee;
- Renegotiate services included in the PSPM and/or service levels required under the PSPM

### Provide references to any supporting literature or materials:

None

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## 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.

This proposal does not include any expansion or alterations of current services.

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## Expenditure, FTE and Revenue Assumptions, Calculations and Details:

The HCA's contract with Regence Blue Shield has a maximum annual increase of 3.5 percent. Using the fiscal year 2017 projected expenditures of \$41,118,000; the HCA would need an additional \$1,440,000 in fiscal year 2018. Using this same base, the HCA would need an additional \$2,930,000 in fiscal year 2019.

The HCA is scheduled to re-procure a new TPA effective January 1, 2020. In fiscal year 2020, the HCA would need \$1,844,000 for the six months of increased TPA costs. Once the new procurement is completed and a contract executed, the HCA will be able to identify future fiscal impacts.

## Impacts to Communities and Other Agencies

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

Accurate, timely administration of the Public Employees Benefits UMP plans directly affects approximately 237,400 members per year (employees, retirees, and dependents). Other key stakeholders include health care providers who provide medical care to these members.

### 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

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## **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.)