

School Employees Benefits Board Meeting

March 6, 2025

School Employees Benefits Board

March 6, 2025

9:00 a.m. – 12:00 p.m.

Attendance In-person or by Zoom

Health Care Authority
Sue Crystal A & B
626 8th Avenue SE
Olympia, Washington

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TAB 1

School Employees Benefits Board
March 6, 2025
9:00 a.m. – 12:00 p.m.

This meeting will be hybrid with attendance options either in person or via Zoom. Masks are optional.

TO JOIN ZOOM MEETING – SEE INFORMATION BELOW

9:00 a.m.*	Welcome and Introductions		Lou McDermott, Chair	
9:05 a.m.	Meeting Overview		David Iseminger, Director Employees & Retirees Benefits (ERB) Division	Information/ Discussion
9:10 a.m.	Approval of Meeting Minutes <ul style="list-style-type: none"> • July 10, 2024 • January 23, 2025 	TAB 3	Lou McDermott, Chair	Action
9:20 a.m.	Legislative Update	TAB 4	Cade Walker, Section Manager Employees & Retirees Benefits (ERB) Division	Information/ Discussion
9:50 a.m.	Budget Reduction Options	TAB 5	David Iseminger, Director Employees & Retirees Benefits (ERB) Division Tanya Deuel, ERB Finance Manager Finance Services & Health Care Purchasing Administration	Information/ Discussion
10:15 a.m.	Break			
10:25 a.m.	Benefits 24/7 Update	TAB 6	Brett Mello, Chief Information Officer Enterprise Technology Services (ETS) Jean Bui, Deputy Director Employees & Retirees Benefits (ERB) Division	Information/ Discussion
10:40 a.m.	Open Enrollment Appeals Update	TAB 7	Bonnie Marshall, ERB Staff Attorney Division of Legal Services (DLS)	Information/ Discussion
11:00 a.m.	Provider Prior Authorization Process Legislation	TAB 8	Heather Schultz, ERB Medical Director Clinical Quality & Care Transformation (CQCT) Division Jenny Switzer, Senior Account Manager	Information/ Discussion

			Employees & Retirees Benefits (ERB) Division	
11:30 a.m.	General Public Comment			
11:55 a.m.	Closing			
12:00 p.m.	Adjourn		Lou McDermott, Chair	

***All Times Approximate**

The School Employees Benefits Board will meet Thursday, March 6, 2025 at the Washington State Health Care Authority, Sue Crystal Rooms A & B, 626 8th Avenue SE, Olympia, WA. Attendance for this meeting can be in person or via Zoom. Masks are optional.

The Board will consider all matters on the agenda plus any items that may normally come before them.

This notice is pursuant to the requirements of the Open Public Meeting Act, Chapter 42.30 RCW.

To provide public comment by email, direct e-mail to: SEBBoard@hca.wa.gov.

Materials are posted at <https://www.hca.wa.gov/about-hca/school-employees-benefits-board-sebb-program/meetings-and-materials> by close of business on Monday, March 3, 2025.

Join Zoom Webinar Meeting

Meeting attendees will only be able to activate their audio and/or video during the public comment period at the end of the meeting. At public comment, participants will need to raise their virtual hand and only after being recognized by HCA staff will the participant see the ability to turn on their audio/video options.

<https://us02web.zoom.us/j/85784915737?pwd=ZfxenNJ0GkQ8rzs4ub83Tj1p3Gglox.1>

SEB Board Members

Name	Representing
Lou McDermott, Deputy Director Health Care Authority 626 8 th Ave SE PO Box 42720 Olympia, WA 98504-2720 V 360-725-0891 louis.mcdermott@hca.wa.gov	Chair
Kerry Schaefer 1405 N 10 th St Tacoma, WA 98403 C 253-227-3439 SEBBoard@hca.wa.gov	Employee Health Benefits Policy and Administration
Omeid Heidari Box 357262 1959 NE Pacific St Seattle, WA 98195 SEBBoard@hca.wa.gov	Employee Health Benefits Policy and Administration
Dawna Hansen-Murray 15535 104 th Place SE Yelm, WA 98597 C 360-790-4961 SEBBoard@hca.wa.gov	Classified Employees
Myra Johnson 6234 S Wapato Lake Dr Tacoma, WA 98408 V 253-297-4344 SEBBoard@hca.wa.gov	Certificated Employees

SEB Board Members

Name

Representing

Pamela Kruse
6440 Lake Saint Clair Dr SE
Olympia, WA 98513
V 360-790-0995
SEBBoard@hca.wa.gov

Certificated Employees

Terri House
Arlington Public Schools
315 N French Ave
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Classified Employees

Lara Christopherson
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Employee Health Benefits Policy
and Administration
(WASBO)

Alison Poulsen
12515 South Hangman Valley Rd
Valleyford, WA 99036
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Employee Health Benefits Policy
and Administration

Legal Counsel

Katy Hatfield, Assistant Attorney General
7141 Cleanwater Dr SW
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2/26/25



STATE OF WASHINGTON
HEALTH CARE AUTHORITY

626 8th Avenue SE • PO Box 45502 • Olympia, Washington 98504-5502

SEB BOARD MEETING SCHEDULE

2025 School Employees Benefits (SEB) Board Meeting Schedule

The SEB Board meetings will be held at the Health Care Authority, Sue Crystal Rooms A & B, 626 8th Avenue SE, Olympia, WA 98501.

January 23, 2025 (Board Retreat) - starting at 9:00 a.m.*

March 6, 2025 - starting at 9:00 a.m.

April 3, 2025 - starting at 9:00 a.m.

May 8, 2025 - starting at 9:00 a.m.

June 5, 2025 - starting at 9:00 a.m.

June 18, 2025 - starting at 9:00 a.m.

July 9, 2025 - starting at 9:00 a.m.

July 16, 2025 - starting at 9:00 a.m.

July 23, 2025 - starting at 9:00 a.m.

July 30, 2025 - starting at 9:00 a.m.

*Meeting times are tentative

If you are a person with a disability and need a special accommodation, please contact the Employees and Retirees Benefits (ERB) Board Operations Manager at 360-725-9484.

06/14/2024

OFFICE OF THE CODE REVISER
STATE OF WASHINGTON
FILED

DATE: July 01, 2024

TIME: 11:12 AM

WSR 24-14-100

TAB 2

SCHOOL EMPLOYEES BENEFITS BOARD BY-LAWS

ARTICLE I

The Board and Its Members

1. **Board Function**—The School Employees Benefits Board (hereinafter “the SEBB” or “Board”) is created pursuant to RCW 41.05.740 within the Health Care Authority; the SEBB’s function is to design and approve insurance benefit plans for school district, educational service district, and charter school employees, and to establish eligibility criteria for participation in insurance benefit plans.
2. **Staff**—Health Care Authority staff shall serve as staff to the Board.
3. **Appointment**—The members of the Board shall be appointed by the Governor in accordance with RCW 41.05.740. A Board member whose term has expired but whose successor has not been appointed by the Governor may continue to serve until replaced.
4. **Board Composition**—The composition of the nine-member Board shall be in accordance with RCW 41.05.740. All nine members may participate in discussions, make and second motions, and vote on motions.
5. **Board Compensation**—Members of the Board shall be compensated in accordance with RCW [43.03.250](#) and shall be reimbursed for their travel expenses while on official business in accordance with RCW [43.03.050](#) and [43.03.060](#).

ARTICLE II

Board Officers and Duties

1. **Chair of the Board**—The Health Care Authority Director or his or her designee shall serve as Chair of the Board and shall conduct meetings of the Board. The Chair shall have all powers and duties conferred by law and the Board’s By-laws. If the regular Chair cannot attend a regular or special meeting, the Health Care Authority Director may designate another person to serve as temporary Chair for that meeting. A temporary Chair designated for a single meeting has all of the rights and responsibilities of the regular Chair.
2. **Vice Chair of the Board**—In December 2017, and each January beginning in 2019, the Board shall select from among its members a Vice Chair. If the Vice Chair position becomes vacant for any reason, the Board shall select a new Vice Chair for the remainder of the year. The Vice Chair shall preside at any regular or special meeting of the Board in the absence of a regular or temporary Chair.

ARTICLE III

Board Committees **(RESERVED)**

ARTICLE IV
Board Meetings

1. Application of Open Public Meetings Act—Meetings of the Board shall be at the call of the Chair and shall be held at such time, place, and manner to efficiently carry out the Board’s duties. All Board meetings shall be conducted in accordance with the Open Public Meetings Act, Chapter 42.30 RCW, but the Board may enter into an executive session as permitted by the Open Public Meetings Act.
2. Regular and Special Board Meetings—The Chair shall propose an annual schedule of regular Board meetings for adoption by the Board. The schedule of regular Board meetings, and any changes to the schedule, shall be filed with the State Code Reviser’s Office in accordance with RCW 42.30.075. The Chair may cancel a regular Board meeting at his or her discretion, including the lack of sufficient agenda items. The Chair may call a special meeting of the Board at any time and proper notice must be given of a special meeting as provided by the Open Public Meetings Act, RCW 42.30.
3. No Conditions for Attendance—A member of the public is not required to register his or her name or provide other information as a condition of attendance at a Board meeting.
4. Public Access—Board meetings shall be held in a location that provides reasonable access to the public including the use of accessible facilities.
5. Meeting Minutes and Agendas—The agenda for an upcoming meeting shall be made available to the Board and the interested members of the public at least 24 hours prior to the meeting date or as otherwise required by the Open Public Meetings Act. Agendas may be sent by electronic mail and shall also be posted on the HCA website. An audio recording (or other generally-accepted electronic recording) shall be made of each meeting. HCA staff will provide minutes summarizing each meeting from the audio recording. Summary minutes shall be provided to the Board for review and adoption at a subsequent Board meeting.
6. Attendance—Board members shall inform the Chair with as much notice as possible if unable to attend a scheduled Board meeting. Board staff preparing the minutes shall record the attendance of Board members in the minutes.

ARTICLE V
Meeting Procedures

1. Quorum—Five voting members of the Board shall constitute a quorum for the transaction of business. No final action may be taken in the absence of a quorum. The Chair may declare a meeting adjourned in the absence of a quorum necessary to transact business.
2. Order of Business—The order of business shall be determined by the agenda.
3. Teleconference Permitted—A Board member may attend a meeting in person or, by special arrangement and advance notice to the Chair, by telephone conference call or video conference when in-person attendance is impracticable.

4. Public Testimony—The Board actively seeks input from the public at large, from enrollees served by the SEBB Program, and from other interested parties. Time is reserved for public testimony at each regular meeting, generally at the end of the agenda. Opportunity for public testimony at Board meetings shall also be made available immediately before the Board’s vote on a resolution. At the direction of the Chair, opportunities for public testimony may also be made available at other times during Board meetings. The Chair has authority to limit the time for public testimony, including the time allotted to each speaker, depending on the time available and the number of persons wishing to speak.
5. Motions and Resolutions—All actions of the Board shall be expressed by motion or resolution. No motion or resolution shall have effect unless passed by the affirmative votes of a majority of the Board members present and eligible to vote, or in the case of a proposed amendment to the By-laws, a 2/3 majority of the Board .
6. Representing the Board’s Position on an Issue—No Board member may endorse or oppose an issue purporting to represent the Board or the opinion of the Board on the issue unless the majority of the Board approve of such position.
7. Manner of Voting—On motions, resolutions, or other matters a voice vote may be used. At the discretion of the Chair, or upon request of a Board member, a roll call vote may be conducted. Proxy votes are not permitted, but the prohibition of proxy votes does not prevent a temporary Chair designated by the Health Care Authority Director from voting.
8. State Ethics Law and Recusal—Board members are subject to the requirements of the Ethics in Public Service Act, Chapter 42.52 RCW. A Board member shall recuse himself or herself from casting a vote as necessary to comply with the Ethics in Public Service Act.
9. Parliamentary Procedure—All rules of order not provided for in these By-laws shall be determined in accordance with the most current edition of Robert’s Rules of Order Newly Revised. Board staff shall ensure a copy of *Robert’s Rules* is available at all Board meetings.
10. Civility—While engaged in Board duties, Board members conduct shall demonstrate civility, respect, and courtesy toward each other, HCA staff, and the public and shall be guided by fundamental tenets of integrity and fairness.

ARTICLE VI
Amendments to the By-Laws and Rules of Construction

1. Two-thirds majority required to amend—The SEBB By-laws may be amended upon a two-thirds (2/3) majority vote of the Board.
2. Liberal construction—All rules and procedures in these By-laws shall be liberally construed so that the public’s health, safety, and welfare shall be secured in accordance with the intents and purposes of applicable State laws and regulations.

TAB 3

Draft
School Employees Benefits Board
Meeting Minutes

July 10, 2024
Health Care Authority
Sue Crystal Rooms A & B
Olympia, Washington
9:00 a.m. – 11:30 a.m.

The Briefing Book with the complete presentations and an audio recording of the meeting can be found at:
<https://www.hca.wa.gov/about-hca/programs-and-initiatives/school-employees-benefits-board-sebb-program/meetings-and-materials>

Members Present in Olympia

Lou McDermott
Kerry Schaefer
Dawna Hansen-Murray
Pamela Kruse
Alison Poulsen

Members Present via Zoom

Myra Johnson
Amy Griffin
Omeid Heidari

Members Absent

Terri House

SEB Board Counsel

Katy Hatfield, AAG

Call to Order

Lou McDermott, Chair, called the meeting to order at 9:03 a.m. Sufficient members were present to allow a quorum. Board members and the public were able to attend either in person or virtually via Zoom.

Meeting Overview

David Iseminger, Director of the Employees and Retirees Benefits (ERB) Division provided an overview of the agenda.

Approval of Meeting Minutes

Alison Poulsen moved, and Pamela Kruse seconded a motion to approve the June 20, 2024 meeting minutes. Minutes were approved as written by unanimous vote.

2025 SEBB Premiums

Tanya Deuel, ERB Finance Manager in the Financial Services Division (FSD) presented premium resolutions for the 2025 plan year for voting.

- *SEBB 2024-09: Kaiser Foundation Plan of the Northwest (KPNW) 2025 Medical Premiums.* Alison Poulsen moved, and Pamela Kruse seconded a motion to approve the resolution. The resolution passed with a unanimous vote.
- *SEBB 2024-10: Kaiser Foundation Health Plan of WA (KPWA) 2025 Medical Premiums.* Pamela Kruse moved, and Dawna Hansen-Murray seconded a motion to approve the resolution. The resolution passed with a unanimous vote.
- *SEBB 2024-11: Kaiser Foundation Health Plan of WA Options (KPWA-O) 2025 Medical Premiums.* Dawna Hansen-Murray moved, and Pamela Kruse seconded a motion to approve the resolution. The resolution passed with a unanimous vote.
- *SEBB 2024-12: Premera 2025 Medical Premiums.* Pamela Kruse moved, and Dawna Hansen-Murray seconded a motion to approve the resolution. The resolution passed with a unanimous vote.
- *SEBB 2024-13: Uniform Medical Plan 2025 Medical Premiums.* Dawna Hansen-Murray moved, and Pamela Kruse seconded a motion to approve the resolution. The resolution passed with a unanimous vote.

Open Enrollment Preview

Jean Bui, Deputy Director of the Employees and Retirees Benefits (ERB) Division filled in for Alisa Richards, Benefits Accounts Section Manager in the Employees and Retirees Benefits (ERB) Division and gave a preview of the agency's efforts while planning for open enrollment. The presentation included the open enrollment timeline, updates from the Outreach and Training (O&T) unit, customer service unit, benefits administrator training and readiness, benefits fairs and schedule, communications strategy, Benefits 24/7 readiness, and an open enrollment member checklist.

Legislative PEBB/SEBB Consolidation Report Update

Cade Walker, Policy, Rules, and Compliance Section Manager in the Employees and Retirees Benefits (ERB) Division provided information on the legislative report analysis being done by the Employees and Retirees Benefits Division regarding how consolidation of the PEBB and SEBB Programs could occur. The information included a history of past consolidation reports, the latest legislative report requirements, current Board structures, statutes, and insights, single governing Board options, risk pool information before and after theoretical consolidation, current and consolidated eligibility, information on a single portfolio of benefits, and the planned stakeholder engagement and feedback process. The report is due to the legislature by December 1, 2024.

Medicare Update

Ellen Wolfhagen, Retiree Benefits Manager in the Employees and Retirees Benefits (ERB) Division presented an overview of the work being done to prepare for implementation of the UMP Classic Medicare Part D plan. The presentation included an overview of Medicare, the planned change for the UMP Classic Medicare plan from a creditable drug coverage plan to a Part D plan, implementation efforts, PEBB Program Medicare portfolio options, and the implementation communications plan.

2025 Board Meeting Schedule

David Iseminger, Director of the Employees and Retirees Benefits (ERB) Division brought back the finalized 2025 Board meeting schedule for the Board's reference.

General Public Comment

The following members provided public comments:

- Fred Yancey

Topics brought forth during public comments included gratitude for Ellen Wolfhagen's customer service efforts and feedback regarding the PEBB/SEBB consolidation report analysis.

An audio recording for the July 10, 2024 SEB Board meeting can be found at:

<https://www.hca.wa.gov/about-hca/programs-and-initiatives/school-employees-benefits-board-sebb-program/meetings-and-materials>

Next Meeting

SEB Board Retreat

January 23, 2025

Starting time 9:00 a.m.

Preview of January 23, 2025 SEB Board Retreat

David Iseminger, Director, Employees and Retirees Benefits (ERB) Division, provided an overview of potential agenda topics for the January 23, 2025 Board retreat. David also acknowledged Ellen Wolfhagen, who is retiring in December.

The meeting adjourned at 11:47 a.m.

Draft
School Employees Benefits Board
Meeting Minutes

January 23, 2025
Health Care Authority
Sue Crystal Rooms A & B
Olympia, Washington
9:00 a.m. – 4:00 p.m.

The Briefing Book with the complete presentations and an audio recording of the meeting can be found at:
<https://www.hca.wa.gov/about-hca/programs-and-initiatives/school-employees-benefits-board-sebb-program/meetings-and-materials>

Members Present in Olympia

Lou McDermott
Kerry Schaefer
Pamela Kruse
Myra Johnson
Lara Christopherson

Members Present via Zoom

Alison Poulsen
Dawna Hansen-Murray
Terri House
Omeid Heidari

Members Absent

None

SEB Board Counsel

Katy Hatfield, AAG

Call to Order

Lou McDermott, Chair, called the meeting to order at 9:01 a.m. Sufficient members were present to allow a quorum. Board members and the public were able to attend either in person or virtually via Zoom.

Meeting Overview

David Iseminger, Director of the Employees and Retirees Benefits (ERB) Division provided an overview of the agenda.

Provider Networks Panel Discussion

John Partin, Benefit Strategy and Design Section Manager in the Employees and Retirees Benefits (ERB) Division facilitated an educational panel discussion regarding provider networks with Denise Corcoran, Vice President of Contracting from Regence Blue Shield of WA, Alacia Broussard, Vice President of Contracting, Network Operations, and Strategy from Kaiser Foundation Health Plan of WA (KPWA), and Jennifer Sanders, Vice President of Provider Networks from Premera.

During the panel discussion, the meeting was interrupted by a public disturbance from a Zoom attendee. The meeting paused for approximately 15 minutes before resuming.

Office of Financial Management (OFM) State Budget Update

Robyn Williams, Interim Budget Director from the Office of Financial Management (OFM) provided an update on the state budget circumstances. Information in the update included 2025-27 state biennial budget context, revenue forecast and updates, budget requirements, Governor Inslee's proposed budget, and budget timeline.

Plan Year 2025 Open Enrollment Summary

Alisa Richards, Benefits Accounts Section Manager in the Employees and Retirees Benefits (ERB) Division presented on the agency's efforts during, and the results of, the SEBB Program plan year 2025 open enrollment. The presentation included information about the Benefits Accounts section of the Employees and Retirees Benefits Division, open enrollment readiness, highlights, and benefits fairs, and SEBB Program enrollment changes.

Benefits 24/7 Update

Clinton Brooks, ERB Solution Architect in the Enterprise Technology Services (ETS) Division provided an update regarding the Benefits 24/7 application. The update included information on the first-year plan for Benefits 24/7, open enrollment overview, pain points with the application, and the 2025 roadmap.

Legislative Session Update and Governor Inslee's Proposed Budget Update

Cade Walker, Policy, Rules, and Compliance Section Manager in the Employees and Retirees Benefits (ERB) Division and **Tanya Deuel**, ERB Finance Manager in the Finance Services & Health Care Purchasing Administration brought forth a legislative update as well as an overview of Governor Inslee's proposed budget. Information included recent legislative reports, agency requested legislation, current legislation, 2025 supplemental budget information, 2025-27 biennial budget overview to include collective bargaining agreement points, Governor Inslee's proposed budget funded decision packages, Governor Inslee's proposals to address the budget deficit, and the 2025-27 SEBB Program funding rate.

Flexible Spending Arrangement (FSA) Collective Bargaining Update

Kelsie Pele, Senior Account Manager in the Employees and Retirees Benefits (ERB) Division presented on an upcoming benefit addition to the flexible spending arrangement benefit in the SEBB Program. The presentation included the core FSA benefit structure, FSA carryover design details, SEBB Program collective bargaining FSA benefit overview and eligibility criteria, Navia Benefit Solutions debit card design, as well as operational insights to include estimated recipients and key messages communication.

Contracts and Benefit Planning Cycles

John Partin, Benefit Strategy and Design Section Manager in the Employees and Retirees Benefits (ERB) Division provided information regarding the procurement and benefit planning cycles for the SEBB Program. Information included an overview of the development of benefit designs, contracts renewal cycle, and the benefits planning cycle.

Employee Engagement Survey Results

Missy Yates, Stakeholder Engagement Coordinator in the Employees and Retirees Benefits (ERB) Division presented results from a recent employee engagement survey. The presentation included survey background, subscriber priorities, satisfaction ratings, subscriber pain points, health care literacy, and demographics participation.

Medicare Update

Laura Ryan, Retiree Benefits Manager in the Employees and Retirees Benefits (ERB) Division gave an update regarding retirees in the PEBB Program and continued engagement efforts with the retiree population. The update included an introduction, enrollment information for non-Medicare and Medicare retirees from open enrollment, open enrollment changes, carrier plan information, a recap of benefits fairs, communications improvements, and information regarding SEBB Program retirees returning to work.

2025 SEB Board Season Preview

David Iseminger, Director of the Employees and Retirees Benefits (ERB) Division gave a preview of anticipated coming attractions through the 2025 Board season.

General Public Comment

The following members provided public comments:

- Shirley Chittenden
- Melissa Bartolo

Topics brought forth during public comments included concerns regarding Benefits 24/7, issues faced during open enrollment, and concerns about cost and coverage in the SEBB Program.

An audio recording for the January 23, 2025 SEB Board meeting can be found at: <https://www.hca.wa.gov/about-hca/programs-and-initiatives/school-employees-benefits-board-sebb-program/meetings-and-materials>

Next Meeting

March 6, 2025

Starting time 9:00 a.m.

Preview of March 6, 2025 SEB Board Meeting

David Iseminger, Director, Employees and Retirees Benefits (ERB) Division, provided an overview of potential agenda topics for the March 6, 2025 Board meeting.

The meeting adjourned at 3:19 p.m.

TAB 4

Legislative Update

Cade Walker
Policy, Rules, & Compliance Section Manager
Employees and Retirees Benefits Division
March 6, 2025

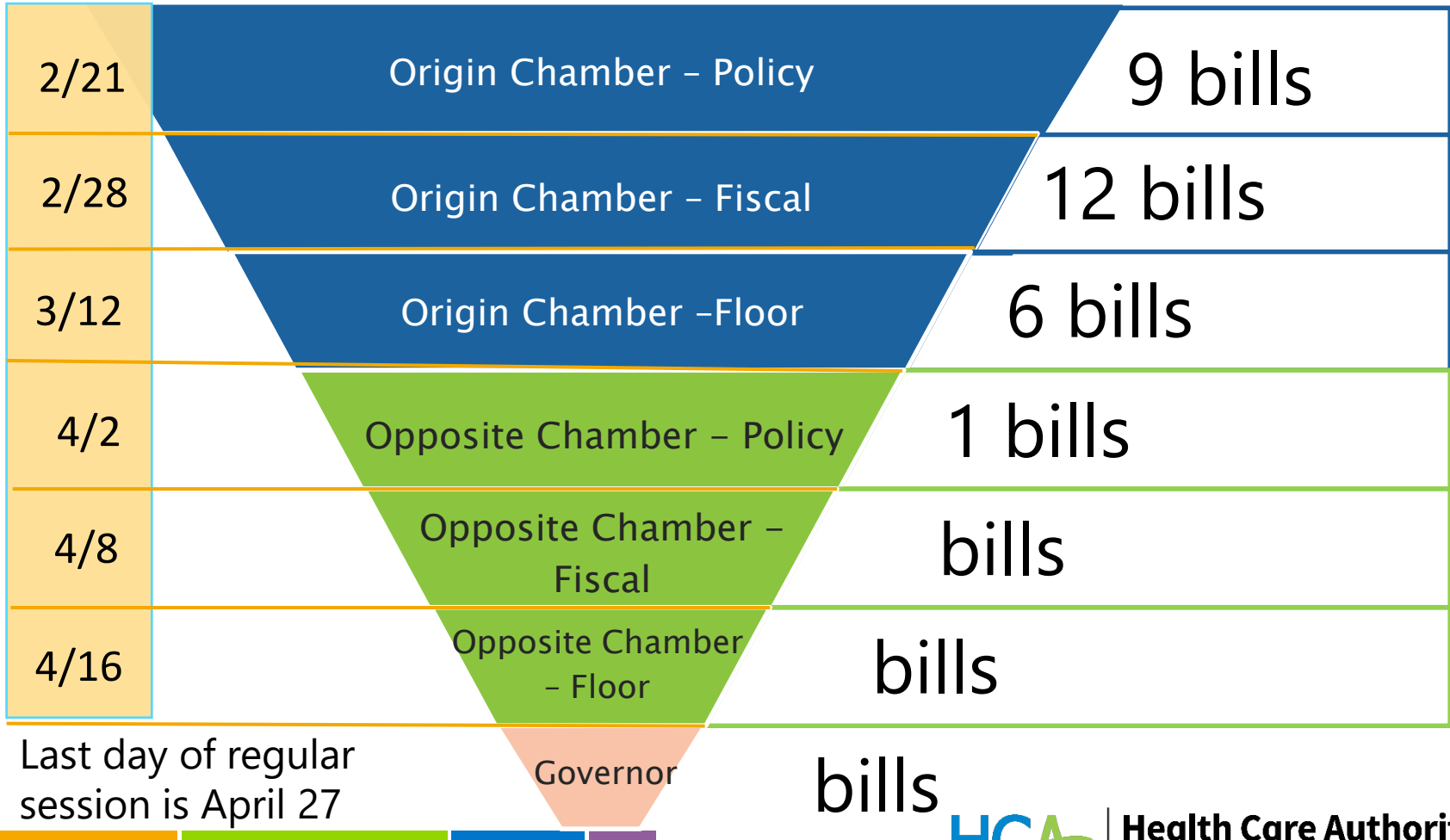
Bill Analyses by ERB Division

	ERB Lead	ERB Support	
High Priority	33	32	65
Low Priority	27	73	100
	60	105	165

Fiscal Notes	25	39	
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As of 2/27/25

ERB Lead High Priority Bill Status



Agency Requested Legislation

- ▶ House Bill (HB) 1123/Senate Bill (SB) 5083 – Ensuring access to primary care, behavioral health, and affordable hospital services
- ▶ SB 5478 – Benefits to be offered by the PEB Board

Current Legislation

Administrative

- ▶ ~~HB 1069/SB 5044~~ – Allowing collective bargaining over contributions for certain supplemental retirement benefits
- ▶ HB 1076 – Health technology assessment programs
- ▶ ~~HB 1330/SB 5086~~ – ~~PEBB & SEBB consolidation~~
- ▶ SB 5579 – Health plan carrier, facilities, and provider public statement prohibition

Current Legislation (*cont.*)

Providers

- ▶ ~~HB 1124/SB 5112 – Prescribing psychologists~~
- ▶ HB 1114 – Respiratory care compact
- ▶ HB 1430 – ARNP & PA reimbursement
- ▶ ~~HB 1520/SB 5513 – Expanding pharmacists' scope of practice~~

Current Legislation (*cont.*)

Health Plan Coverage

- ▶ ~~HB 1062 – Biomarker testing~~
- ▶ HB 1090/SB 5498 – Contraceptive coverage
- ▶ ~~HB 1129/SB 5121 – Fertility-related services~~
- ▶ ~~SB 5075 – Cost sharing for prenatal and postnatal care~~
- ▶ HB 1669/SB 5629 – Coverage for prosthetic limbs and custom orthotic braces

Current Legislation (*cont.*)

Pharmaceutical

- ▶ HB 1186 – Hospital and health care entities medication dispensing
- ▶ SB 5019 – Prepackaged medication distribution
- ▶ HB 1971 – Increasing access to hormone replacement therapy

Questions?

Cade Walker

Policy, Rules, and Compliance Section Manager

Employees and Retirees Benefits Division

Cade.Walker@hca.wa.gov

TAB 5

Budget Reduction Options

Tanya Deuel
ERB Finance Manager
Finance Services and
Health Care Purchasing

David Iseminger
Director
ERB Division
March 6, 2025

Revenue Forecast

- ▶ Based on the state's November revenue forecast, there is a projected \$12 billion deficit over the next four fiscal years
- ▶ The next update from the Economic and Revenue Forecast Council is expected March 18, 2025

Spending Freeze in Effect

- ▶ On December 2, 2024, Governor Inslee directed all agencies under his direction and control to freeze non-essential hiring and spending, including:
 - ▶ Employees for positions not related to public safety or other non-discretionary activities
 - ▶ Non-essential service contracts
 - ▶ Goods and equipment
 - ▶ Travel

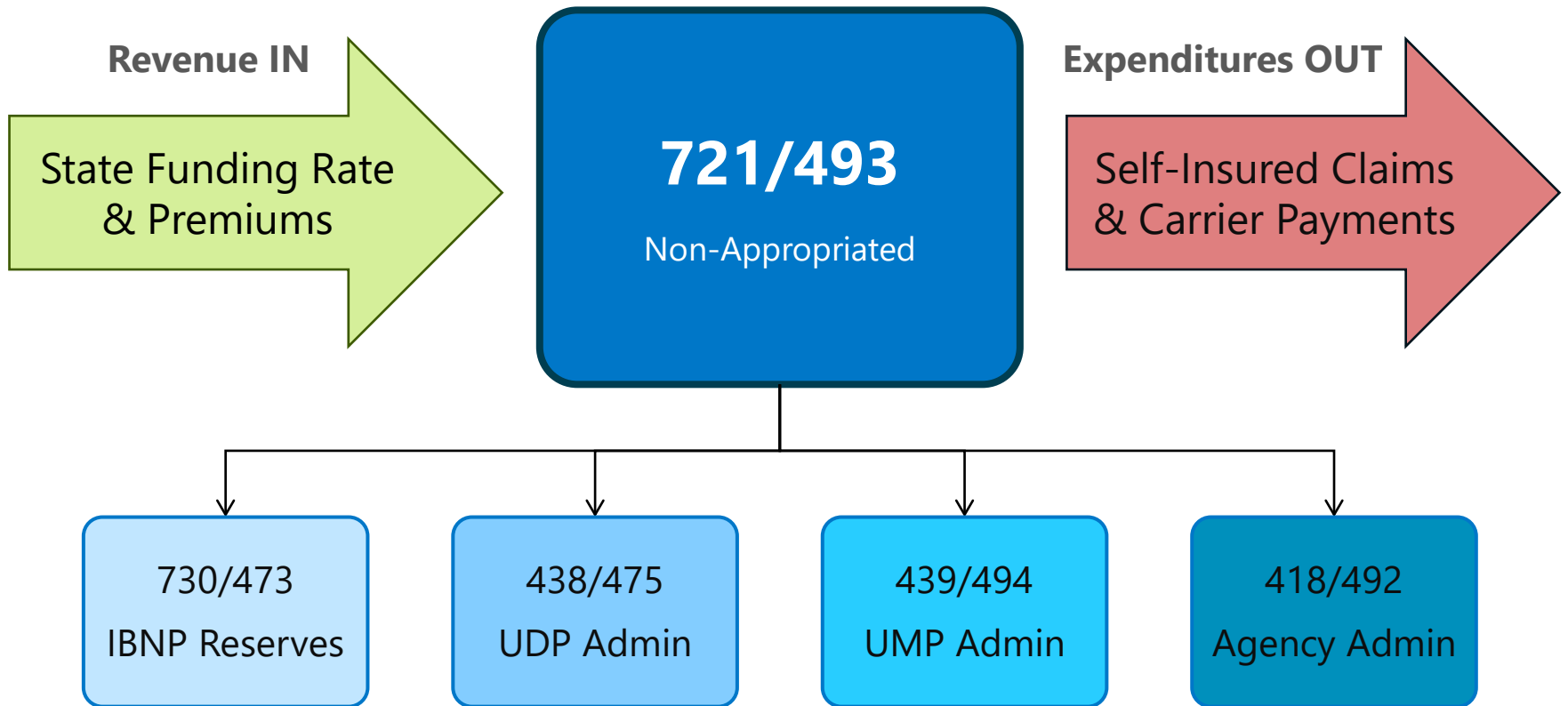
Reduction Targets

- ▶ On January 24, 2025, the Office of Financial Management (OFM) directed state agencies to identify and submit operating budget reduction proposals, based on Governor Ferguson's 2025-27 budget priorities
- ▶ Agencies must identify a six percent (6%) spending reduction starting with, but not limited to:
 - ▶ Consolidating management positions (10% to 25%)
 - ▶ Pausing all possible legislative reports and make reductions to contracts
 - ▶ Restricting equipment purchases
 - ▶ Reducing travel
 - ▶ Evaluating programs that were partially or fully implemented since 2020

Budget Reduction Instructions

- ▶ OFM sent agencies budget reduction targets based on their specific funding
- ▶ The PEBB and SEBB Programs are not directly funded by General-Fund State (GF-S) appropriations, therefore a specific reduction target was not provided for every program account
 - ▶ A six percent (6%) reduction was targeted on the PEBB and SEBB Program agency administrative accounts
 - ▶ However, the agency was asked to identify options for the other program accounts to contribute to addressing the total state deficit

PEBB and SEBB Funding Stream



2025-27 Proposed Budget Prior to Reduction

Program	Account	Title	2025-27 Total
PEBB	418	State Health Care Authority Admin Acct	\$ 50,000,000
SEBB	492	School Employees Insurance Admin Acct	\$ 37,000,000
Subtotal - Agency Admin			\$ 87,000,000
PEBB	438	Uniform Dental Plan Benefits Admin	\$ 16,700,000
PEBB	439	Uniform Medical Plan Benefits Admin	\$ 157,700,000
SEBB	475	SEBB Dental Benefits Admin Acct	\$ 14,200,000
SEBB	494	SEBB Medical Benefits Admin Acct	\$ 63,000,000
PEBB	721	Public Employees' and Retirees Insurance Acct	\$ 7,165,900,000
SEBB	493	School Employees' Insurance Acct	\$ 5,208,500,000
Subtotal - Benefits (and related admin)			\$ 12,626,000,000
Total			\$ 12,713,000,000

Numbers are rounded

HCA's Budget Reduction Submission

- ▶ The submitted budget reduction scenarios are not a formal proposal
- ▶ HCA's ultimate goal is to preserve health care services for Washington residents to the extent possible, while the state addresses a significant budget deficit
- ▶ OFM and HCA will continue working together to refine reduction scenarios for the Governor and the Legislature to consider for both the 2025-27 and 2027-29 biennial budgets

HCA's Budget Reduction Submission (*cont.*)

- ▶ Several options require changes to state law
- ▶ Several options have potential collective bargaining agreement impacts
- ▶ Some options could be approved solely by Board action
- ▶ Few options exist for the PEBB and SEBB Programs to make significant contributions in the next year
 - ▶ Most aspects of the program align with the calendar year, which is the midpoint of the state fiscal year
 - ▶ Due to collective bargaining timelines, it's assumed the earliest certain changes could be implemented is January 1, 2028

Submission Topics

- ▶ Administrative (PEBB 418/SEBB 492 accounts)
 - ▶ Full time employee (FTE)/staffing reductions
 - ▶ Contracts (e.g., actuarial variance)
 - ▶ Goods and services
 - ▶ Travel

- ▶ Third-Party Administrators (TPAs) (PEBB 438 & 439 accounts)
 - ▶ Reflects statewide staff reduction assumption impacts on self-insured plan enrollments

- ▶ Benefits (PEBB 721/SEBB 493 accounts)
 - ▶ Eliminate the wellness program
 - ▶ Both the WebMD portal and the incentive

Submission Topics (*cont.*)

- ▶ State Funding (PEBB 721/SEBB 493 accounts)
 - ▶ Reduce the amount of Premium Stabilization Reserves (PSR) held in the fund balance
 - ▶ Reduce the Employer Medical Contribution (EMC) and increase employee premiums
 - ▶ Apply an employee premium to dental
 - ▶ Add a monthly \$25 per account dependent surcharge to accounts that have more than two children

- ▶ Retiree (PEBB 721/SEBB 493 accounts)
 - ▶ Eliminate or reduce the Medicare Explicit Subsidy

Governor Ferguson's February 27 Budget Reduction Proposal

- ▶ On February 27, 2025, Governor Ferguson announced his recommendations to the Legislature for budget reductions based on state agency scenarios submitted on February 6
- ▶ For the PEBB & SEBB Programs, the following were included:
 - ▶ Six percent (6%) agency administrative budget reductions to PEBB 418 and SEBB 492 accounts
 - ▶ Reducing PSR held in the fund balance
- ▶ No other agency submitted scenarios were included
- ▶ Reductions are in addition to Governor Inslee's proposed budget, which included the following:
 - ▶ UMP Plus closure, effective 12/31/2025
 - ▶ Excess Employer Paid Long Term Disability (LTD) Claims Fluctuation Reserves (CFR) deposited in the General Fund

Questions?

David Iseminger, Director
Employees and Retirees Benefits Division
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Finance Services and Healthcare Purchasing
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Appendix

Governor Directive 24-19

Freeze on Hiring, Services Contracts, Goods and Equipment Purchases, and Travel



STATE OF WASHINGTON
— OFFICE OF GOVERNOR JAY INSLEE —

DIRECTIVE OF THE GOVERNOR

24-19

Date: December 2, 2024
To: Executive and Small Cabinet Agency Directors
From: Governor Jay Inslee
Subject: Freeze on Hiring, Services Contracts, Goods and Equipment Purchases, and Travel

Because the latest revenue forecasts show the cost and need for services are increasing faster than revenue, the state is facing a significant operating budget deficit.

Effective December 2, 2024, for all agencies under my direction and control, I am directing a freeze on the following: (1) hiring not related to public safety or other non-discretionary activities as listed below, (2) execution of non-essential services contracts, (3) discretionary purchasing of goods and equipment, and (4) travel.

Exempt from the freeze is hiring to fill vacancies in critical areas. Also, services contracts, goods and equipment purchases, and travel that are necessary to continue critical services or agency operations are exempt from the freeze.

Agencies shall comply with instructions issued by the Office of Financial Management (OFM) regarding this directive. All questions related to this directive should be directed to OFM.

Hiring

The hiring freeze does not apply to positions that:

- directly impact public safety,
- are essential to the health and welfare activities of state government,
- generate revenue, or
- are required to meet statutory mandates or federal requirements.

While implementing this order, agencies shall comply with the appropriate collective bargaining agreement provisions.

Services contracts

The freeze on services contracts does not include contracts, contract amendments, or other agreements:

- costing less than \$10,000,
- related to the protection of life or public safety,
- tax collection or other revenue-generating activities,
- those funded exclusively from private or federal funding sources, or
- approved information technology projects.

Goods and equipment purchases

The freeze on goods and equipment purchases does not apply to equipment:

- costing less than \$10,000,
- necessary to protect life or public safety,
- necessary to carry out the core functions of the agency, or
- funded by private or federal grants.

Travel

The freeze on travel does not apply to the following:

- essential to the responsibilities of a position,
- necessary to protect life or public safety,
- tax collection or other revenue-generating activities, or
- funded by private or federal grants.

Guidance to other agencies

I recognize the practical difficulties of implementing this directive to maintain the financial health of the state. I call upon non-cabinet agencies, higher education institutions, boards and commissions, and other separately elected officials to impose similar restrictions within their agencies and jurisdictions.

While this is a difficult endeavor, I ask each agency to participate and use common sense, good judgment, and creativity to accomplish the ultimate goal of this directive to capture immediate savings through spending reductions not related to the public safety and essential health and welfare of Washingtonians.

This directive will remain in effect until rescinded.

OFM Direction to Agencies on 2025-27 Budget Reduction Proposals



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

January 24, 2025

TO: Agency Directors
Statewide Elected Officials
Presidents of Higher Education Institutions

FROM: K.D. Chapman-See
Director

SUBJECT: DIRECTION TO AGENCIES ON 2025-27 BUDGET REDUCTION PROPOSALS

As you know, the state faces a significant operating budget deficit of at least \$12 billion over the next four-year outlook period due to slowing revenue growth and increasing costs to meet the ongoing needs of Washingtonians. Agencies have stepped up with early actions by proposing budget reductions in November at the Office of Financial Management's (OFM) direction and by freezing non-essential hiring and spending in response to Governor Inslee's December 2, 2024, directives. In the meantime, revenue collections have come in lower than the November forecast.

It is clear that addressing this budget shortfall will require further reductions and careful prioritization of state spending in collaboration with the Legislature, agencies, and state employees.

Governor Ferguson recently released his budget priorities for the 2025 legislative session. He plans to propose addressing our collective challenge of delivering a balanced budget first by prioritizing savings and efficiency. While these reductions will undoubtedly be challenging, Governor Ferguson knows agency leaders, budget officers and state employees are best positioned to understand how they can reduce spending in their agencies while continuing to best meet the needs of their customers and clients.

To that end, I direct cabinet agencies to identify additional operating budget reductions for the 2025-27 biennial budget and presumed to continue through the 2027-29 biennial budget. The savings are in addition to those included in Governor Inslee's budget proposal; however, reduction options previously submitted to OFM and the Legislature but not included in Governor Inslee's proposal may be included, particularly when aligned with the strategies prioritized below.

Transportation budget agencies are working to identify five percent reductions at the request of the Legislature. Those transportation budget reduction proposals should be shared with OFM before they are submitted to the Legislature in lieu of making separate proposals via this exercise.

Reduction targets

Cabinet agencies must identify spending reductions of at least six percent from the 2025-27 biennial appropriations in Governor Inslee's budget proposal, with the following exceptions:

- No reductions to agencies serving K-12 students, community and technical colleges, the Washington State Patrol, Department of Corrections, and Criminal Justice Training Commission.
- Entitlements that are cash benefits to residents are excluded.

Four-year public higher education institutions are urged to identify spending reductions of at least three percent of their Near-General Fund appropriations. Similarly, independent boards and commissions and separately elected officials are urged to identify and propose to OFM reductions for their agencies of at least six percent.

You will receive your agency's budget reduction targets from the OFM senior budget advisors. Please work with your budget advisor to propose options by **February 6, 2025**.

In addition to Near-General Fund spending, agencies should include all funds except those used directly for revenue collections, used for very specific purposes such as the industrial insurance funds, and those used for regulation of financial services, and direct pass-through funds for clients. Please include proposals to use other funds in lieu of Near-General Fund.

Reductions to identify

To achieve these budget reductions, agencies will focus first on programs not achieving intended objectives or delivering meaningful results for the people of Washington. This approach asks agency leaders to make the difficult choices to streamline their teams and carefully consider program effectiveness. However, it is understood that in many agencies, savings at this level will require reductions to programs as well as administration and overhead. Agencies should prioritize maintaining services and programs that directly assist Washingtonians, particularly our most vulnerable residents and overburdened communities, and maximizing federal funding to the greatest extent possible.

Agencies must identify additional savings over four years in the spreadsheet referenced below, starting with but not limited to the following strategies:

- Consolidate management positions (10% to 25% within each agency)
- Reduce administrative, executive, and externally focused positions that are not essential to the delivery of government services (10% to 25% within each agency)
- Pause all possible legislative reports and make appropriate reductions in personnel or service contracts to reflect this reduction in workload
- Restrict equipment purchases to those necessary for basic agency functions and health and safety
- Reduce out-of-state travel by at least 50% and reduce in-state travel by at least 25%
- Evaluate programs that were implemented since 2020 or are not fully implemented, including pilots
- Evaluate programs originally funded one-time with federal COVID dollars.

As mentioned in Governor Ferguson's budget priorities report, the following programs should also be considered to evaluate if efficiencies and savings can be identified:

- Agency working groups and advisory committees or groups that are more than four years old and may have achieved a substantial portion of their mission
- Small programs that serve fewer than 1,000 customers every year
- Any program that does not track and publish performance measures.

Other considerations

Agencies should consider the following:

- Central services charge programs (can they be reduced or would the action drive up other central service costs?)

- Offsets to savings (does the reduction to one program move the problem and cost to another program or agency?)
- Overlapping programs (does the reduction cross programs and/or agencies?)
- Timing of savings (amount of time implementation would take)
- Statutory changes required to implement the savings (and if so, what those changes are)
- Continued protections for the most vulnerable Washingtonians and how reduction proposals would impact access for those who have been historically marginalized and or faced systemic barriers to services or opportunity.

Information to OFM by February 6, 2025

For each of these programs and activities identified, include the following information in the attached spreadsheet:

- Program or activity
- Description of program and impact, including the impact on residents if the program or activity is eliminated or reduced
- Total cost and funded amount of the program, including carryforward level and new funding in Governor Inslee's proposed operating budget
- Fund sources
- FTE impact
- Legislative statutory changes required for implementation
- Timeframe of when the change could be implemented
- Additional back up if necessary.

Please work with your [OFM budget advisor](#) to identify and quantify savings from these actions and identified changes that would lead to savings and submit options to your budget advisor by **February 6, 2025**.

Although this budget savings options exercise is required for all agencies, boards and commissions that report directly to the governor, I urge the presidents of higher education institutions, other independent boards and commissions, and our separately elected officials to undertake a similar budget savings exercise for their agencies and institutions and submit their proposals to OFM along the same timeline.

Thank you for your work. Your cooperation and ideas are essential to develop a sustainable budget that addresses the core needs of the state.

Governor Ferguson Budget Priorities for 2025-27

GOVERNOR-ELECT BOB FERGUSON BUDGET PRIORITIES FOR 2025-2027



Budget Savings | Public Safety | Housing | Affordability

Letter from the Governor-elect:



Dear Fellow Washingtonians,

Major challenges demand leadership.

Washington state faces a budget shortfall of at least \$12 billion over the next four years. Measured in dollars, this is largest budget deficit in state history.

I look forward to leading a state filled with hardworking people ready to solve problems and look to the future. I plan to lead by taking our biggest challenges head-on. I plan to make hard choices. I plan to deliver responsible, common-sense results. I will act and fight against inaction. Failing to act or delaying decisions will only create greater challenges for us in the future.

This challenge demands urgency.

I am releasing my budget priorities for the upcoming legislative session to contribute to the collective challenge of delivering a balanced budget that protects our values.

I am prioritizing budget savings and efficiencies. As a first step, I propose reducing state agency spending by at least \$4 billion. This report presents a framework for achieving those savings. The savings identified here are separate from, or in addition to, the billions in savings identified in Governor Inslee's proposed 2025-2027 operating budget.

These cuts will not impact basic education. In fact, I intend to increase the percentage of the budget going to support our K-12 students. They will not impact our public safety agencies – the Washington Department of Corrections, Criminal Justice Training Commission and Washington State Patrol.

These reductions will be challenging, but ultimately, I believe they will improve our capacity to serve the people. I hired agency directors who share this vision, and I know our dedicated state employees will rise to meet the challenge. I have included the framework I will ask my agency heads to use to achieve these reductions, including evaluating certain programs through a zero-based budgeting approach.

To protect our values in this challenging budget environment, we must be willing to right-size government and prioritize our spending.

Washingtonians care about our values and core freedoms. And we are willing to work to protect those values and freedoms. We must review every program in state government through the following lens: *Is this program more important than guaranteeing universal school lunches to every Washington student? Is it more important than childcare access for small business employees?*

This is just the start.

I will work with my leadership team to identify additional efficiencies for the people of Washington. I am asking the Legislature and state employees to help me in this effort. I invite legislative budget writers and their colleagues to partner with me in identifying any state programs not achieving intended objectives or delivering meaningful results for the people of Washington.

Washingtonians expect that we will increase revenue as a last resort.

I will not contemplate additional revenue options until we have exhausted efforts to improve efficiency.

We must lean into this challenge and make hard choices, and we must continue to move forward.

My priorities include critical new investments in local law enforcement, housing construction, ferry performance, and policies that make Washington more affordable for families. I traveled to all of Washington's 39 counties and Washingtonians need urgent action on these issues.

My budget priorities deliver on each of these issues. These achievable investments will deliver real results that will make Washington a better place to live.

- Public Safety: I am proposing a \$100 million per biennium grant program to increase the number of well-trained law enforcement officers in Washington state. It is not acceptable that we rank dead last in the country in law enforcement officers per capita. I am also proposing \$5 million to clear the backlog of approximately 15,000 cases at the Washington State Toxicology Laboratory. This backlog is delaying justice for cases across the state.
- Housing: The housing crisis is impacting families in communities in every region of the state. We must build more than 1.1 million units of housing in the next 20 years to meet the anticipated growth and start to reduce the cost of housing. I support investing \$600 million in the capital budget to build more housing across the state to reduce the cost of homes for Washington families. Importantly, these investments do not impact the state operating budget.
- Ferries: I am supporting nearly \$20 million to support crew recruitment and retention and increase service to island communities.
- Affordability: I am proposing \$240 million per biennium to guarantee universal school lunches for every Washington student. This will improve wellness, learning, and reduce costs for thousands of Washington families. I am also proposing an expansion of childcare eligibility for employees at small businesses — a policy that will support our small businesses that drive our economy while making it less expensive to raise a family.

In total, I am proposing approximately \$800 million in new spending from the operating budget against \$4.4 billion in new savings and fund transfers.

This report outlines my budget principles that will help us achieve balanced, responsible budgets that protect our values and deliver good government for the people. These principles stop reliance on unreasonable revenue growth projections in the ensuing biennium, avoid policy bills that unsustainably increase spending outside the four-year outlook, support fair compensation and affordable benefits for state employees, and ensure strong budget reserves.

By prioritizing our spending, right-sizing government, working in collaboration with communities and state employees, and making investments that improve lives – and always centering Washingtonians in every decision – we will balance our budget and make Washington a better place to live and work.

Sincerely,



BOB FERGUSON

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Governor-elect Ferguson on Governor Inslee’s 2025-2027 Proposed Budgets:

“Governor Inslee proposed billions of dollars in new spending priorities in his budgets. I am going line-by-line through his spending priorities with experts and budget leaders to see which I agree with. That review will continue for weeks. At this time, I can say that I agree with some of those decisions, including the housing investments that are outlined in this report. Others require additional scrutiny. While these investments have merit, we cannot afford all of them in this budget climate. Regarding revenue, I am focused on identifying opportunities for savings first and will only focus on revenue after we have scrubbed the budget for savings and reductions. I am deeply skeptical that we can rely on balancing the budget through an untested wealth tax.”

SAVINGS AND EFFICIENCIES

\$4.4 BILLION IN BUDGET REDUCTIONS

Governor-elect Bob Ferguson has identified a path to achieve \$4.4 billion in budget savings and fund transfers across the next two biennia. These ongoing savings are in addition to the approximately \$3 billion in one-time savings and delayed investments identified in Governor Jay Inslee's 2025-2027 proposed operating budget.

State law requires Washington to adopt a 4-year balanced budget every biennium. Consequently, the figures in this report are 4-year numbers unless otherwise designated.

Washington adopts three budgets every biennium:

an operating budget, a capital budget, and a transportation budget. The investments and savings identified in this report regard the state operating budget except where otherwise designated.



Across-the-board budget reduction targets

Total Savings: \$4 billion

Most State Agencies:

6 percent

4-year Higher Education Institutions:

3 percent

Basic Education:

No reduction

Community and Technical Colleges:

No reduction

Public Safety Agencies (Department of Corrections, Washington State Patrol, Criminal Justice Training Commission):

No reduction

Pass-through entitlement benefits delivered by state agencies to eligible Washingtonians:

No reduction

Governor-elect Ferguson's proposal would achieve ongoing budget savings of \$4 billion over the four-year budget period by evaluating state agency spending and making reductions equivalent to approximately 6 percent of operational expenditures. Governor-elect Ferguson begins this process with his own longtime agency — the Attorney General's Office.

Importantly, this proposal assumes no additional savings from reductions to K-12 education. Governor-elect Ferguson maintains his commitment that Washington must increase, not decrease, the portion of the budget that supports K-12 education as the state's paramount duty. State public safety agencies and our state's community and technical education system would also not be impacted. Achieving these reduction targets will require a combination of administrative and programmatic reductions. Some of the latter will require legislation.

Agency leaders are best positioned to know which programs and personnel are most effectively serving the people. Across-the-board reduction targets empower agency leaders to make the hard choices necessary to streamline their teams and prioritize their most effective programs. Governor-elect Ferguson will ask agency leaders to prioritize maintaining services that directly assist Washingtonians and maximize federal funding and to focus reductions to administration and overhead to the greatest extent possible. He will ask hardworking state employees to partner with him and identify programs that are not working.

The day after taking office, Governor-elect Ferguson will begin working with his cabinet agencies to develop plans to achieve these efficiencies. He will ask agencies to start with the following strategies to achieve administrative reductions:

- Consolidate management positions (10 to 25 percent);
- Reduce (10 to 25 percent) administrative, executive, and externally-focused positions that are not essential to the delivery of government services;
- Pause all possible legislative reports and make appropriate reductions in personnel or service contracts to reflect this reduction in workload;
- Restrict equipment purchases; and
- Reduce out-of-state travel by at least 50 percent and reduce in-state travel by at least 25 percent.

In addition to administrative reductions, Governor-elect Ferguson will ask agency leadership to work with the Office of Financial Management to evaluate and, where possible, conduct a zero-based budgeting review of certain programs, working groups and studies, starting with:

- Programs that have just launched or are not fully implemented, including pilots;
- Programs originally funded on a one-time basis using federal COVID-era dollars;
- Agency working groups and advisory committees or groups that are more than four (4) years old and may have achieved a substantial portion of their mission;
- Small programs that serve fewer than 1,000 customers every year;
- Any program that does not track and publish performance measures; and
- Legislatively-directed studies.

Governor-elect Ferguson will work with the Office of Financial Management and cabinet agencies to finalize details of his across-the-board reductions proposal and to provide his framework to legislative budget writers as they begin their work in the coming days.

Tobacco Master Settlement Agreement “Diligent Enforcement” Settlement

TOTAL SAVINGS: \$315 million

The Tobacco Master Settlement Agreement requires the signatory tobacco companies to pay Washington State millions of dollars annually, in perpetuity. In return, Washington must “diligently enforce” laws against tobacco companies that are not parties to the Master Settlement Agreement, or receive reduced payments. Disputes over this diligent enforcement go to arbitration. The Attorney General’s Office and signatory tobacco companies have entered into negotiations to settle these “diligent enforcement” disputes for every year from 2005 through 2032. This settlement will lead to a one-time payment to Washington of approximately \$315 million that has been held in escrow.



Transferring Excess Fund Balances of Regulatory and Enforcement Agencies

TOTAL SAVINGS: \$75 million

As a result of a decade of successful legal victories, the Attorney General’s Office has a fund balance of more than \$70 million in its account that supports its Consumer Protection Division and other civil law enforcement divisions. The annual budget for these agencies is approximately \$36 million. These divisions must maintain a fund balance to support one calendar year without any recovery due to the nature of their work and the reliance on large recoveries that occur on an irregular basis. Ideally, they would maintain a fund balance to support two calendar years without any recoveries, but in light of the budget crisis, they can sustain a sweep of up to \$35 million. Governor-elect Ferguson is committed to ensuring that the Attorney General’s Office always has the resources it needs to conduct its consumer protection, civil rights, and other civil enforcement work, including federal litigation to protect Washingtonians’ rights and environment.

As a result of the Office of the Attorney General’s unanimous victory over Meta at the Washington State Court of Appeals Division I, Meta owes more than \$35 million in penalties and attorney fees to the Public Disclosure Transparency Account. Meta has the right to appeal this ruling up to the Washington State Supreme Court and must pay 12 percent interest on the \$24.6 million penalty while it appeals. This case is expected to resolve within the biennium, and these resources should be used to address the budget shortfall.

NEW INVESTMENTS: PUBLIC SAFETY, HOUSING, FERRIES, AND AFFORDABILITY

PUBLIC SAFETY

\$100 Million per biennium for a Grant to Support Local Law Enforcement Agencies Hiring More Well-Trained Law Enforcement Officers

TOTAL COST: \$200 million

Washington state ranks last in the country in law enforcement officers per capita. Washington must urgently support local law enforcement efforts to hire more well-trained law enforcement officers through salaries and hiring bonuses. These funds must be reserved for new peace officers, not lateral hires from other law enforcement agencies.

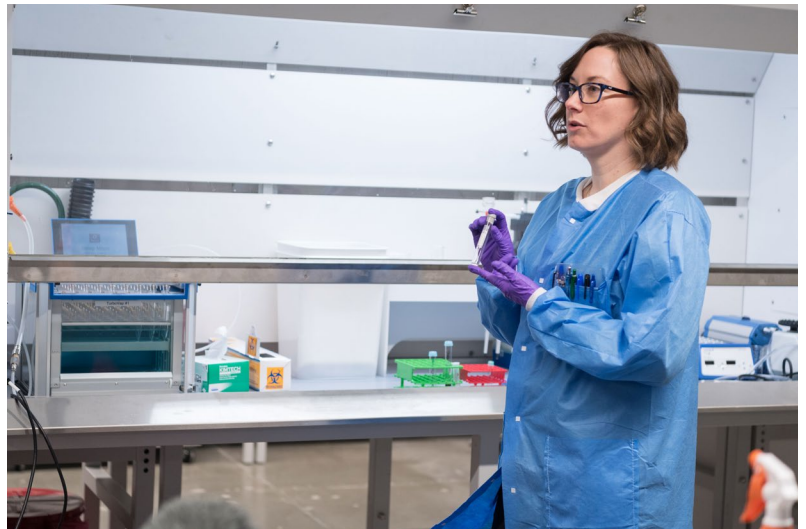


Increase Resources to Address the Backlog at the Washington State Patrol Toxicology Laboratory

TOTAL COST: \$5 million

In 2023, Washington eliminated its backlog of more than 10,000 sexual assault kits in the State Crime Laboratory thanks to a partnership between Governor-elect Ferguson, the Washington State Patrol and the Legislature. This was achieved in part by outsourcing testing to accredited private laboratories.

Now a significant backlog of approximately 15,000 cases has developed at the State Toxicology Laboratory that performs all necessary toxicology procedures requested by coroners, medical examiners, and prosecuting attorneys. This backlog is impacting the pursuit of justice across the state.



In 2023, the State Patrol observed a 22% increase in submitted death investigation casework, with a 13% overall submission increase for all case types, including DUI's. Submissions continued to increase in 2024. Without additional resources, the backlog is expected to increase. This will delay the turnaround time to complete toxicology testing in all case types. This will delay the adjudication of DUI cases and reduce public safety on roadways.

This funding will allow the Toxicology Laboratory to hire one full-time Laboratory Technician and provide funding for the outsourcing of comprehensive toxicology testing for 6,000 death investigation cases per year to an accredited laboratory.

HOUSING

Increasing Housing Availability and Affordability

TOTAL COST: > \$600 million in the Capital Budget

In the next 20 years, Washington will need 1.1 million more homes, at least half of which will need to be affordable for residents at the lowest income levels. We must immediately address that need, which is why Governor-elect Ferguson has set a bold and necessary goal of building 200,000 housing units in Washington over the next four years.



Housing costs increasingly burden working families, making it difficult for adults to absorb essential costs such as childcare and groceries. Almost half of Washington renters spend more than 30% of their income on housing costs, with a quarter of Washington renters paying more than 50% of their income on housing costs.

This is a crisis – but we can address it by both making strategic budget investments and policy changes that lead to more affordable housing and a more just system for all.

The proposed 2025–27 budgets continue to add investments for building more affordable housing units, while incentivizing local governments to help by making it easier to get building permits and lowering fees for new utility connections.

Governor-elect Ferguson proposes the following specific budget investments, as contained within Governor Inslee’s proposed 2025-27 capital budget, as an initial step in his overall plan to address the housing shortage, housing costs, and housing justice:

Make historic investment in Housing Trust Fund

TOTAL COST: Capital Budget - (\$536 million State Building Construction Account)

The Housing Trust Fund (HTF) program provides financial assistance for developing new affordable housing units and preserving existing units. This program assists local governments and nonprofits by providing housing funds to meet basic needs for thousands of low-income individuals and families. This historic investment preserves over 1,300 existing affordable units and creates approximately 5,100 new affordable housing units.

The Housing Trust Fund provides financial support to marginalized communities, including a new allocation for developing additional affordable housing units for Tribal communities, who have consistently faced increased barriers to accessing affordable housing.

The funds also continue the construction of new affordable housing for people with intellectual and developmental disabilities, creating new opportunities for low-income homeownership, and accommodating the Apple Health and Home Permanent Supportive Housing program.

Apple Health and Home Permanent Supportive Housing pairs highly vulnerable, Medicaid-eligible individuals with housing supports. The 2022 program operates in coordination with the Health Care Authority and Department of Social and Health Services. This investment continues funding for the rapid acquisition or construction of permanent housing, rental support, and other wrap-around services for program participants.

This investment also provides \$20 million for the Rapid Capital Housing Acquisition program for the Department of Commerce to quickly purchase and convert properties into suitable enhanced emergency shelters, permanent housing, youth housing, or shelter for people experiencing sheltered or unsheltered homelessness.



Extend affordable housing through Connecting Housing to Infrastructure Program

TOTAL COST: Capital Budget - (\$65 million State Building Construction Account)

The Connecting Housing to Infrastructure Program (CHIP) supports affordable housing development by funding utility connections and reducing related fees for affordable and multifamily units.

With the proposed new funding, CHIP will expand on its previous successes by assisting in the creation of over 5,850 new affordable housing units. Vulnerable populations struggling to access affordable housing will benefit from local governments incentivized to invest in affordable housing.

Creating the Supporting Housing Affordability Infrastructure Program

TOTAL COST: Capital Budget - (\$10 million State Building Construction Account)

This proposal supports funding the Supporting Housing Affordability Infrastructure Program, which will work in tandem with the Connecting Housing to Infrastructure Program to address root causes of housing instability in Washington.

The proposed funding creates a pilot program to help local governments cover costs like impact fees and other requirements for new affordable housing projects. These projects include transportation, parks, schools, or fire facilities that benefit low-income households. This investment helps create 700 new affordable housing units.

FERRIES

Improve Washington State Ferries' Performance

TOTAL COST: \$19.2 million in the Transportation Budget

Our ferries are an economic lifeline for families, communities, and businesses. Washingtonians rely on our marine highway system to access essentials like health care, childcare, educational opportunities, and jobs. Ferries support a critical part of the quality of life for so many Washingtonians.

We must commit to fixing our ferry system by improving reliability.

Persistent crew shortages have contributed to the disruption of services and on-time reliability and performance of Washington State Ferries.

Governor Inslee's proposed 2025-2027 transportation budget invests \$19.2 million that supports crew recruitment and retention, renews year-round daily interisland services in the San Juans, and increases winter service to match fall and spring levels on the Anacortes-San Juan Island route.

This investment will improve service reliability for those who depend on ferries.



AFFORDABILITY

Universal Free School Lunches

TOTAL COST: \$480 million

Hunger is a barrier to learning and every child deserves access to healthy meals at school. Free meals at school eases the financial burden on working families.

Regardless of our State financial situation, feeding children should always be one of our highest priorities. Today one in seven children in Washington face hunger, one in five military families face food insecurity, and hunger disproportionately affects communities of color. These statistics are simply unacceptable.

Hunger also affects student achievement and focus at school. Research shows that children's learning outcomes suffer when they regularly experience hunger and that nearly every aspect of physical and mental function is impacted as well. Hunger affects concentration, memory, mood, and motor skills – all of which a child needs to be able to be successful in school. Nutritional deficiencies can also have an impact on a student's academic achievement. Access to a healthy school breakfast and lunch can make a world of difference for children in school and have a long-lasting impact on their ability to learn.



Washington has the fourth-highest average weekly grocery bill among the 48 contiguous U.S. states, according to an [analysis of Census data by HelpAdvisor](#). The report found that the average family in Washington paid approximately \$1,150 monthly on groceries in 2023.

Governor-elect Ferguson's priorities include expanding the "Meals for Kids" program to ensure universal free breakfast and lunch are available to every student in every public school in the State of Washington. Access to a healthy meal at breakfast and lunch will no longer be determined by where a student's family lives. This initiative will invest \$120 million annually into the school breakfast and lunch programs – which will improve student health, reduce hunger, and improve student achievement and behavior.

This plan expands access to free meals for all 1.1 million public school students in the state – allowing 325,000 new students to access the program.

When students participate in this type of meal program, families save nearly \$1,200 annually. This allows working families the flexibility to put money in savings or toward addressing other important family needs.

This program will also create efficiencies for schools. School workers will gain time previously spent collecting school lunch fees, tracking and collecting unpaid meal debts, and other time-consuming procedures currently required. These time-intensive tasks take school personnel away from their primary duty to serve students.

CHILDCARE

Expand Affordable Childcare Access for Small Business Employees

TOTAL COST: \$100 million

Washington's affordable childcare program, Working Connections, allows families making less than a certain amount of money to qualify for lower-cost care for their kids from infancy to age 12. Washingtonians eligible for this program receive subsidies for care tied to their income. The goal is that no more than 7 percent of their household income is spent on childcare.

In 2021, the Fair Starts for Kids Act increased income limits, raised provider pay and capped monthly copays for that program. Currently, families earning up to 60 percent of the state's median income — nearly \$73,000 for a family of four — can enroll their children in Working Connections.

Washington is slated to raise the income threshold for access to the Working Connections program on July 1, 2025. With the expansion to 75 percent of the state's median income, a family of four making about \$91,200 will be eligible for the program.

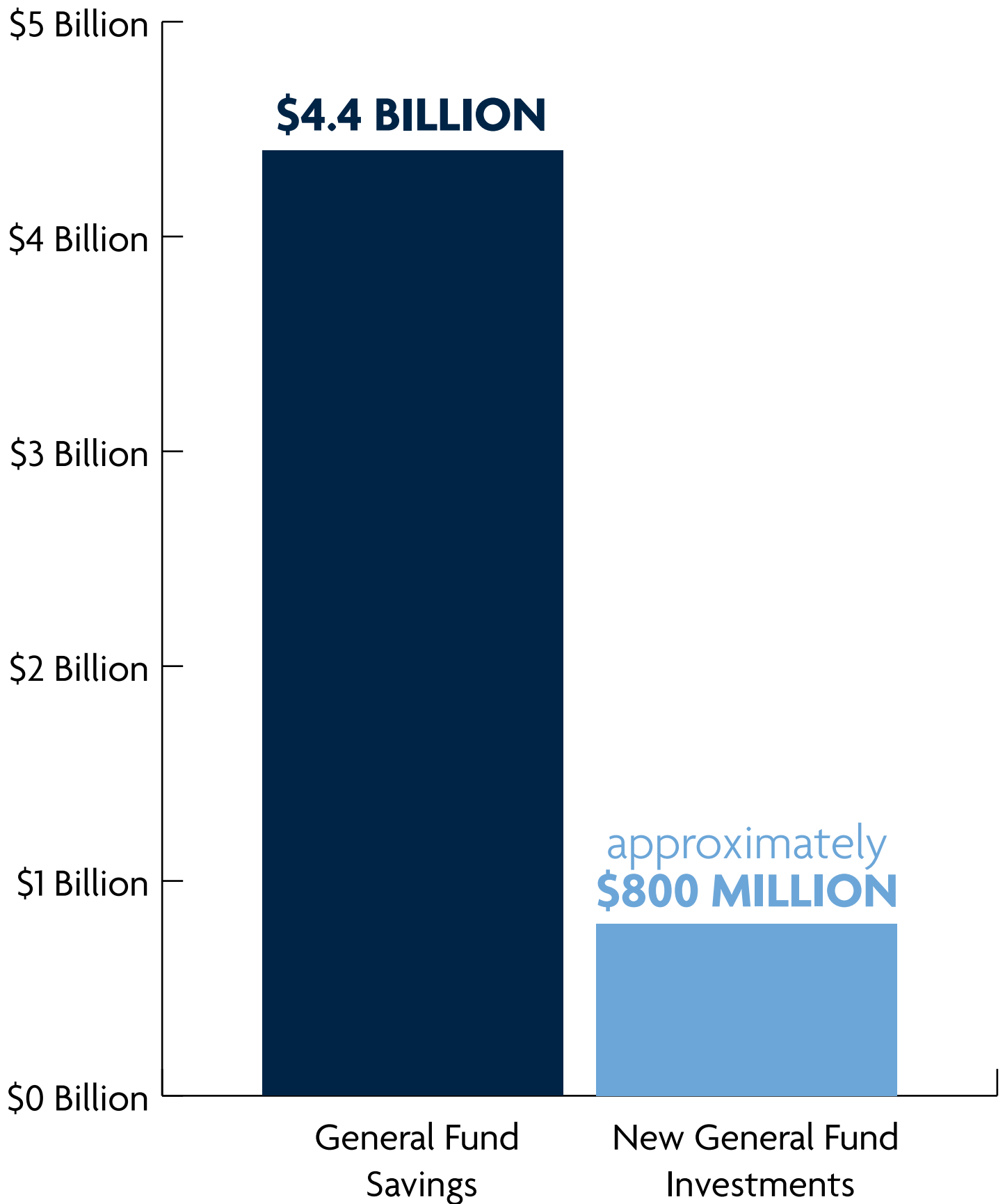
Governor Inslee's proposed 2025-2027 operating budget would delay that expansion over the next four years to save \$296 million.

Governor-elect Ferguson proposes to allow that expansion to go forward for Washington families where one parent works for a small business and the household income is up to 75 percent of the state median income. This will help families and small businesses thrive.

For example, a single parent with one child earning less than \$65,000 – or \$30-an-hour – will qualify for affordable childcare.

This policy will make it more affordable to live in Washington for tens of thousands of families. It will also support small business growth, who will find it easier to recruit and retain talented employees.

GENERAL FUND SAVINGS AND INVESTMENTS



WASHINGTON STATE BUDGET TIMELINE

2024

June

OFM issues budget instructions

September

Agencies submit budget requests

Fall

OFM Reviews budget requests for governor's decisions

November

Governor proposes budget to Legislature

2025

January

Governor-elect budget priorities
Legislature convenes

February/March

Revenue and caseload forecasts

April 2025

Legislature passes budget

June-July 2025

Agencies submit detailed spending plans

July 1, 2025

Biennial budget takes effect

BUDGET PRINCIPLES

Governor-elect Ferguson’s fiscal priorities for the 2025-2027 biennium extend beyond identifying necessary budget savings and making critical investments. He is focused on responsible budgeting principles to avoid future budget crises like this one and lay a sustainable foundation for Washington’s future.

Avoid Legislation that Includes Spending Hikes after the Outlook Biennium

The budget shortfall is caused in part by policies that delayed implementation beyond the four-year outlook. The Fair Starts for Kids Act is one of the largest examples but is not the only one. These well-intentioned policies create a fiscal bow wave in future biennia that contribute to budget shortfalls. They undermine the spirit of the four-year balanced budget requirement. They obligate future Legislatures. We must cease passing legislation that delays implementation beyond the ensuing biennium.

Increase the Percentage of the Operating Budget Funding for Basic Education

Governor Inslee’s proposed FY 2025-2027 budget invests \$33.3 billion out of a \$79.5 billion budget toward K-12 schools, or 41.9% of the total budget.

That percentage is unacceptable. The final budget must invest a higher percentage of the total budget toward K-12 education.

The Washington State Constitution declares that “It is the paramount duty of the state to make ample provision for the education of all children residing within its borders, without distinction or preference on account of race, color, caste, or sex.”

Washington must increase, not decrease, the portion of the budget that supports K-12 education.

Ensuring Strong Budget Reserves

Prudent fiscal leadership means ensuring that the state has adequate budget reserves to respond in times of crisis and to weather economic uncertainty. Draining the Rainy Day fund is an unsustainable budget practice with long-term consequences toward maintaining our bond rating.

The Legislature has routinely relied on assuming the maximum 4.5 percent revenue growth factor allowed for under the four-year balanced budget outlook law for the third and fourth years, exceeding the projections of the Economic & Revenue Forecast Council. The unreasonable assumption of 4.5 percent revenue growth for the current biennium materially contributed to our current budget shortfall.

This must stop.

Preserving sufficient revenues will help maintain Washington’s Aaa bond rating with Moody’s. This bond rating saves Washington money and makes it easier to borrow short-term bridge loans in case Washington is the victim of politically-motivated attacks on appropriations from the federal government. Washington will fight these unconstitutional attacks in court but may need to borrow capital while awaiting judicial rulings.



Support State Employees

Washington must provide modest cost of living adjustments for the hardworking state employees that provide the essential services that make Washington a great state to live and raise a family. State employees teach at our colleges and universities, operate our ferries and plow snow off our roads, inspect food for safety, provide skilled care to people in our veterans' homes and behavioral health facilities, supervise individuals detained in corrections institutions, protect our highways, and so much more. State dollars pay salaries for our K-12 teachers and for those providing care for our youngest learners and our senior citizens.

Staffing shortages can pose risks, increasing overtime costs or jeopardizing federal funding. Fair compensation, affordable benefits, and supportive workplaces are necessary to attract, retain, and motivate the skilled professionals who keep Washington running.

Washington must support the recruitment and retention of qualified, talented state employees by funding the 32 Collective Bargaining Agreements negotiated by the Office of Financial Management.



Agency-Identified Reductions for Fiscal Year 2025 and 2025-27 Biennium

Budget Savings Options 2025

Dollars in Thousands

Agency: Health Care Authority

Agency Priority H, M, L	Impact 1-5	Program/Activity	GF-5				Other Funds				FTE Change				Brief Description and Rationale	Effective Date (MM/YY)	Impacts of Reductions and Other Considerations	Law/Reg. Change Required (cite)			
			FY 25	FY 26	FY 27	FY 28	FY 29	FY 25	FY 26	FY 27	FY 28	FY 29	FY 25	FY 26					FY 27	FY 28	FY 29
	1	Agency admin reduction--A&B costs		\$3,250	\$3,250	\$3,250	\$3,250		\$8,125	\$8,125	\$8,125	\$8,125			position analysis under development	FTE Reductions	7/1/2025				
	1	Agency admin reduction--Travel reduction		\$87	\$87	\$87	\$87		\$218	\$218	\$218	\$218				40 percent reduction to all travel	7/1/2025				
	1	Agency admin reduction--Good and Services		\$700	\$700	\$700	\$700		\$1,750	\$1,750	\$1,750	\$1,750				Reduction to Agency goods and services purchases	Various				
	1	Agency admin reduction--Contracts		\$4,250	\$4,250	\$4,250	\$4,250		\$10,625	\$10,625	\$10,625	\$10,625				Reduction to Agency contracts	various				
	1	PEBB (A&B Costs)							\$525	\$525	\$525	\$525			position analysis under development	FTE Reductions	7/25				
	1	SEBB (A&B Costs)							\$415	\$415	\$415	\$415			position analysis under development	FTE Reductions	7/25				
	1	PEBB (Contract reductions)							\$260	\$510	\$510	\$510				Actuarial, Legal and Contractor Savings	7/25				
	1	SEBB (Contract reductions)							\$235	\$485	\$485	\$495				Actuarial, Legal and Contractor Savings	7/25				
	1	PEBB (Goods and Services)							\$450	\$450	\$450	\$450				Printing, reproduction and telecommunications	7/25				
	1	SEBB (Goods and Services)							\$250	\$250	\$250	\$250				Printing, reproduction and telecommunications	7/25				
	1	PEBB - Third-Party Administrator (TPA) Accounts							\$390	\$390	\$390	\$390				Reflects a statewide reduction of 10% WMS positions; a 25% reduction would equal ~\$980K.	7/25	Reductions in TPA account expenses will automatically occur for eliminated benefits eligible positions in state agencies and higher education institutions.			
		Health Care Cost Transparency Board--claim federal match		\$325	\$325	\$325	\$325									No change to program, leverage GF-F Medicaid for HCCTB	7/1/2025				
Apple Health Scenarios																					
	2	Eliminate Maternity Support Services		\$16,000	\$16,000	\$16,000	\$16,000		\$24,000	\$24,000	\$24,000	\$24,000				Eliminate optional Medicaid benefit. Serves approximately 36,000 clients	7/1/2025		SPA, RCW, and WAC		
	2	Eliminate reimbursement for CRT wheelchairs for NF residents		\$2,000	\$4,000	\$4,000	\$4,000		\$2,000	\$4,000	\$4,000	\$4,000				Eliminate reimbursement for Complex Rehabilitating Technology (CRT) wheelchairs.	1/1/2026		WAC		
	2	Eliminate Assisted Outpatient Treatment		\$1,100	\$2,200	\$2,200	\$2,200		\$790	\$1,500	\$1,500	\$1,500					1/1/2026		RCW, WAC		
	2	Eliminate Secure Withdrawal Management		\$1,500	\$3,100	\$3,100	\$3,100		\$2,400	\$4,900	\$4,900	\$4,900					1/1/2026		RCW, WAC		
	2	Eliminate Apple Health Expansion--Services		\$35,000	\$70,000	\$70,000	\$70,000									Eliminate state funded Apple Health Expansion program	1/1/2026		WAC and proviso		
	2	Eliminate Apple Health Expansion--Admin		\$2,500	\$5,000	\$5,000	\$5,000									Eliminate state funded Apple Health Expansion program	1/1/2026		WAC and proviso		
	4	Non-Native SUD encounters		\$22,300	\$44,600	\$44,600	\$44,600									Agency requested DP funded in the inslee proposal, provides GF-5 to reimburse tribal facilities at the full Indian Health Services All-inclusive rate for substance use disorder services provided to non-Native clients.	7/1/2025	Potential that CMS will require Washington to implement this change.	N/A		
		Cap laboratory reimbursement levels		\$3,000	\$6,000	\$6,000	\$6,000		\$7,000	\$15,000	\$15,000	\$15,000				Changes agency FFS rate schedule for certain lab reimbursement rates and establishes maximum fee schedule for managed care	1/1/2026		SPA, WAC and MC contract changes		
		Carve pharmacy out of managed care		\$7,500	\$15,000	\$15,000	\$15,000		\$13,000	\$26,000	\$26,000	\$26,000				This option is still being developed, the fiscal estimates are from a prior/dated analysis and represent the savings of repricing MC POS encounters to FFS.		This option has significant implementation considerations and timing concerns.	SPA, contract, and WAC		
		Eliminate GF-5 medical respite funding		\$2,200	\$2,200	\$2,200	\$2,200									Eliminates state-only funded program for medical respite however, medical respite is now covered under the Medicaid Transformation waiver. No impact to clients	7/1/2025				
		Implement site neutral payments for non-hospital based clinics		\$11,000	\$23,000	\$23,000	\$23,000		\$27,000	\$55,000	\$55,000	\$55,000				Reduces outpatient facility charges at off-campus hospital based clinics	1/1/2026		SPA, RCW, and WAC		
	1	Reduce (50%) community behavioral health services (formerly called BH personal care)		\$20,000	\$40,000	\$40,000	\$40,000		\$20,000	\$40,000	\$40,000	\$40,000				CBHS is a 1915I waiver services. Complete elimination of this program would have harmful consequences for severely mentally ill individuals. The focus of this waiver is to provide support for people with SMI who have not been able to stay out of jail, institutions, facilities, multiple times in the last 12 months, maintain current housing. HCA anticipates there will be approximately 2,700 clients enrolled in July 2025. This program intersects with DSHS/ALISA. This item is under development.	1/1/2026	Impacts DSHS program. Could result in increased hospital costs if AFHs and ALF are no longer willing to take clients with complex behaviors. AFH rates are bargained. There could be additional CBA implications that would delay any effective date.	SPA, Waiver, WAC		
		Eliminate required reimbursement for Cologuard		\$250	\$500	\$500	\$500		\$1,100	\$2,200	\$2,200	\$2,200				Eliminates mandatory coverage of Cologuard brand fecal tests.	1/1/2026		MC contract		
	1	Reduce Applied Behavior Analysis (ABA) rates		\$1,600	\$3,300	\$3,300	\$3,300		\$1,600	\$3,300	\$3,300	\$3,300				Reduces ABA rates that were increased effective Jan 1, 2024. *An increase of 20% in reimbursement rates for codes specific to individuals with complex behavioral health care needs (03627 and 03737). *An increase of 15% in reimbursement rates for all other billing codes on HCA's ABA fee schedule, except Q3014 which is a general telemedicine code and is not included in this rate increase.	1/1/2026		MC contract		
		COVID vaccine reimbursement and coverage policy changes		\$2,700	\$2,700	\$2,700	\$2,700		\$10,000	\$10,000	\$10,000	\$10,000				Currently scheduled for July 1, 2025	7/1/2025	Planned for Mid Year rate update.	MC contract		
		Eliminate ancillary services on admin day stays		\$400	\$800	\$800	\$800		\$1,200	\$2,200	\$2,200	\$2,200				Eliminates reimbursement for hospital ancillary services (labs, therapy, etc.) for patients on admin day stays	1/1/2026		RCW, SPA		
	1	Eliminate Foundational Community Supports Glide Path program		\$2,000	\$2,000	\$2,000	\$2,000									Program connects FCS Supported Employment enrollees with additional rental assistance. MTP waiver programs for health related social needs rental assistance is possible replacement	7/1/2025		Impacts Department of Commerce program		
	1	Reduce LTCC enhanced rate (50% reduction)		\$1,700	\$1,700	\$1,700	\$1,700		\$150	\$150	\$150	\$150				50 percent reduction to enhanced rate, does not impact base LTCC rate. The current rate enhancement is \$500.	7/1/2025		SPA		
	2	Eliminate grants for Alternative Response Teams		\$2,500	\$2,500	\$2,500	\$2,500		\$2,500	\$2,500	\$2,500	\$2,500				Program allows those 911 calls that can be safely diverted from first responders to be addressed with ARTs. Eliminate grant program, currently operating in 14 municipalities	7/1/2025				
	1	Reduce Recovery Navigator Program--50% reduction		\$6,000	\$12,000	\$12,000	\$12,000									Program was established as part of the state response to State v. Blake. Provides direct services and scope of program is statewide.	1/1/2026		RCW		
		Eliminate proposed expansion of Blake programs		\$11,000	\$6,700	\$6,700	\$6,700		\$700	\$500	\$500	\$500		3.5	4	4	4	Agency requested DP, expansion of Blake Bill programs	7/1/2025		N/A
	1	Adult Dental: Dentures: utilization frequency cap		\$223	\$221	\$221	\$221		\$306	\$304	\$304	\$304				increase allowed frequency from every 5 years to every 7 for full dentures and from every three years to every 5 years for partial.	7/1/2025		WAC		
	1	Adult OT/PT/ST (FFS): 50% reduction in max allowed units		\$495	\$995	\$995	\$995		\$499	\$1,000	\$1,000	\$1,000				Reduce current max allowed units for PT from 24 to 12, for OT from 24 to 12, and for ST from 6 to 3	1/1/2026		WAC		
		Eliminate Same Day Visit program		\$1,000	\$1,000	\$1,000	\$1,000									This program can be absorbed within the capacity of the reentry waiver	7/1/2025				
		Rate cap for urinalysis		\$92	\$356	\$351	\$351	\$351	\$339	\$1,294	\$1,270	\$1,270	\$1,270				Policy change being implemented on April 1, 2025 for FFS. MC impact for FY 25 are very small. HCA may not implement the MC reduction until July 2025. Current cap on tests is 16 per year. This caps urinalysis tests to 12 per year for clients except for client currently receiving 17 or more tests. It is assumed those clients are receiving more than the current cap due to medical necessity and they will continue receiving their current number of tests. HCA will implement a maximum fee schedule of \$101.84.				
		HIV antiviral prior authorization														under development					
		Roll back 100% adult dental rate increase that was implemented 6/1/2021.		\$10,600	\$10,600	\$10,600	\$10,600		\$27,300	\$27,300	\$27,300	\$27,300				This option would roll back the 100% adult dental rate increase implemented in July 1, 2021.	7/1/2025				
		Roll back an increase in reimbursement rate for preventive dental cleaning for children 13 and younger (D1120) that was implemented 1/1/2024.		\$1,935	\$1,935	\$1,935	\$1,935		\$2,015	\$2,015	\$2,015	\$2,015				The rate increase implemented was: Beginning January 1, 2024, increase the children's dental rate for procedure code D1120 by at least 40 percent above the medical assistance fee-for-service rate in effect on January 1, 2023.	7/1/2025	Reducing dental rates may reduce providers willingness to participate in Medicaid creating access to care challenges for clients. This option could result in more clients receiving services in FQHCs or RHCs. Reducing dental rates would not impact FQHCs or RHCs as HCA would still be required to pay them their full encounter rate. An increase in utilization at these clinics could off-set some of the savings given they are a higher cost setting.			
		Roll back increases in reimbursement rates for various children's dental services that were effective 1/1/2023.		\$20,800	\$20,800	\$20,800	\$20,800		\$21,430	\$21,430	\$21,430	\$21,430				The rate increases implemented were: *Increase Access to Baby and Child Dentistry (ABCD) rates by 40%. *Increase children's (Non-ABCD) dental rates with corresponding ABCD rates to the ABCD rate, plus an additional 10%. *Increase children's (Non-ABCD) dental rates without corresponding ABCD rates to 70% adult rate (if a corresponding adult rate is available), unless this results in a decrease, in which case the rate is unchanged.	7/1/2025				
		Roll back increases in various professional services reimbursement rates that were implemented 7/1/2024.		\$4,680	\$9,360	\$9,360	\$9,360		\$11,300	\$22,600	\$22,600	\$22,600				Rate increases implemented were: (a) Service categories including diagnostics, intense outpatient, opioid treatment programs, emergency room, inpatient and outpatient surgery, inpatient visits, low-level behavioral health, office administered drugs, and other physician services are increased up to 50 percent of Medicare rates. (b) Service categories including office and home visits and consults are increased up to 65 percent of Medicare rates. (c) Service categories including maternity services are increased up to 100 percent of Medicare rates.	1/1/2026		MC contract changes		

Accounts
PEBB 418/
SEBB 492

Accounts
PEBB
438/439

Agency Priority H, M, L	Impact 1-5	Program/Activity	GF-5				Other Funds				FTE Change				Brief Description and Rationale	Effective Date (MM/YY)	Impacts of Reductions and Other Considerations	Law/Reg. Change Required (cite)					
			FY 25	FY 26	FY 27	FY 28	FY 29	FY 25	FY 26	FY 27	FY 28	FY 29	FY 25	FY 26					FY 27	FY 28	FY 29		
		Roll back increases in adult primary care, pediatric primary care, pediatric critical care, neonatal critical care, and neonatal intensive care reimbursement rates that were implemented 10/1/2021.		\$13,100	\$26,200	\$26,200	\$26,200		\$22,200	\$44,400	\$44,400	\$44,400							Rate increases implemented were: (a) Increase the medical assistance rates for adult primary care services that are reimbursed solely at the existing medical assistance rates on a fee-for-service basis, as well as through managed care plans, by at least 15 percent above medical assistance rates in effect on January 1, 2019; (b) Increase the medical assistance rates for pediatric primary care services that are reimbursed solely at the existing medical assistance rates on a fee-for-service basis, as well as through managed care plans, by at least 21 percent above medical assistance rates in effect on January 1, 2019; (c) Increase the medical assistance rates for pediatric critical care, neonatal critical care, and neonatal intensive care services that are reimbursed solely at the existing medical assistance rates on a fee-for-service basis, as well as through managed care plans, by at least 21 percent above medical assistance rates in effect on January 1, 2019.	1/1/2026	The STCs for the 1115 waiver do include some provisions around having rates for certain services (primary care, obstetric care, some BH) at a specified Medicare threshold. HCA would need to do additional research to ensure that these rate decreases do not conflict with the STCs. (STC 16 https://www.medicaid.gov/medicaid/section-1115-demonstrations/downloads/wa-medicaid-transformation-ca-06302023.pdf)	MC contract changes	
		Roll back the 2% increase in adult primary care, pediatric primary care, pediatric critical care, neonatal critical care, and neonatal intensive care reimbursement rates that were implemented 1/1/2025.		\$1,055	\$2,110	\$2,110	\$2,110		\$2,046	\$4,092	\$4,092	\$4,092							Rate increases implemented were: (a) Increase the medical assistance rates for adult primary care services that are reimbursed solely at the existing medical assistance rates on a fee-for-service basis, as well as through managed care plans, by at least 2 percent above medical assistance rates in effect on January 1, 2023; (b) Increase the medical assistance rates for pediatric primary care services that are reimbursed solely at the existing medical assistance rates on a fee-for-service basis, as well as through managed care plans, by at least 2 percent above medical assistance rates in effect on January 1, 2023; (c) Increase the medical assistance rates for pediatric critical care, neonatal critical care, and neonatal intensive care services that are reimbursed solely at the existing medical assistance rates on a fee-for-service basis, as well as through managed care plans, by at least 2 percent above medical assistance rates in effect on January 1, 2023.	1/1/2026		MC contract changes	
		Reduce Behavioral Health Rates		\$3,000	\$6,000	\$6,000	\$6,000		\$6,000	\$12,000	\$12,000	\$12,000							This option is scalable. Amounts represent an across the board 1% decrease to MC and FFS rates.	1/1/2026	This option would reduce what is paid to providers.	SPA, MC contract changes	
		Reduce non-Medicaid behavioral health rates		\$1,000	\$2,000	\$2,000	\$2,000												This option is scalable. Amounts represent an across the board 1% decrease to the MCO wrap around and BHASO contracts.		This option would reduce what is paid to providers.		
		Eliminate Health Homes		\$6,645	\$13,290	\$13,290	\$13,290		\$11,550	\$23,101	\$23,101	\$23,101							This option would eliminate the MC and FFS Health Homes programs.	1/1/2026		SPA, WAC and MC contract changes	
Combined PEBB and SEBB Services																							
	4	Reduce Premium Stabilization Reserves (PSR)																	Premium Stabilization Reserves spread any underwriting gains or losses into following year's funding rate to reduce year over year volatility.	7/25			
		<i>Reduce PSR by 1% (from 7% to 6%)</i>							\$37,110	\$39,864	\$39,864	\$39,864											
		Reduce Employer Medical Contribution (EMC)																		The EMC is the state's contribution towards the medical insurance benefit. Currently the EMC is 85% of a specific benchmark plan; this percent split is the same in the separate PEBB and SEBB collective bargaining agreements.	1/28	The EMC's value is part of the collective bargaining agreement. The next bargaining cycle occurs in Summer 2026 to impact plan years 2028 and 2029.	
		<i>Reduce EMC to 84%</i>									\$26,264	\$52,528											
		<i>Reduce EMC to 83%</i>									\$50,654	\$101,308											
		<i>Reduce EMC to 82%</i>									\$76,169	\$152,338											
		<i>Reduce EMC to 81%</i>									\$103,146	\$206,292											
		<i>Reduce EMC to 80%</i>									\$127,762	\$255,525											
		Apply an Employer/Employee Split to Dental Premiums																		The state currently covers 100% of monthly premium for dental insurance.	1/28	The state's contribution is part of the collective bargaining agreement. The next bargaining cycle occurs in Summer 2026 to impact plan years 2028 and 2029.	
		<i>Apply 85/15 split to dental premiums for employees (currently 100% employer paid)</i>									\$23,838	\$49,555											
		Medicare Explicit Subsidy																		The state currently provides a monthly premium subsidy to Medicare retirees (from both PEBB and K-12 employers) enrolled in a PEBB Medicare plan. The value of the monthly subsidy is \$183 or 50% of the premium, whichever is less. Funding for the explicit subsidy is embedded in the PEBB & SEBB funding rates.	1/26	The maximum subsidy cap of \$183 has been in place since 2020. UMP Classic Medicare with Part D (PDP) has the highest enrollment and the current subsidy covers ~30% of the 2025 monthly premium. Fiscal analysis does not include impacts to contracting employer groups.	RCW 41.05.080 RCW 41.05.085 RCW 41.05.120
		<i>End the Medicare retiree subsidy</i>							\$114,518	\$242,279	\$242,279	\$242,279											
		<i>Reduce the Medicare retiree subsidy to \$90 per month</i>							\$86,495	\$126,661	\$126,661	\$126,661											
		Dependent Surcharge																		This would add a single, monthly per account (not per child) surcharge to accounts with 3 or more child dependents. This amount would be collected in addition to the monthly premium.	1/27	This is a potential program revenue option. Implementation date could vary based on enrollment system limitations.	
		<i>Add a \$25 monthly (per account) dependent surcharge to accounts with more than two children</i>								\$2,957	\$5,915	\$5,915											
		Wellness																		Currently, PEBB & SEBB subscribers can earn a \$125 incentive that reduces their deductible (or is a Health Savings Account deposit) by engaging on the SmartHealth online portal administered via a contract with WebMD.	1/28	The value of the financial incentive is part of the collective bargaining agreement. The next bargaining cycle occurs in Summer 2026 to impact plan years 2028 and 2029.	RCW 41.05.540
		Eliminate the program entirely <i>*Both the online portal costs and the \$125 incentive</i>									\$2,402	\$8,029											
		PT/OT/ST Benefit Limits in UMP Plans																		UMP plans in PEBB currently have a combined total annual limit of 60 visits for PT/OT/ST; UMP plans in SEBB currently have a combined total annual limit of 80 visits for PT/OT/ST. Average utilization is 10 visits	TBD	Analysis still ongoing	
		Increase the PEBB Program's maintenance eligibility rule requirement from 8 hours/month																		The minimum requirement for a PEBB employee to maintain benefits eligibility is being in pay status at least 8 hours in a month; there is no comparable maintenance eligibility rule in the SEBB program.	TBD	Analysis still ongoing	RCW 41.05.065 (4)(a) (b)
		TOTALS		\$225,751	\$366,774	\$366,774	\$366,774		\$240,339	\$371,894	\$372,308	\$372,723											

Accounts
PEBB 721/
SEBB 493

Priority:
L = Low priority agency activity or program
M = Medium priority agency activity or program
H = High priority agency activity or program

Impact:
1 = Allows continuation of the program/activity at a reduced level
2 = Eliminates the ability to perform program objectives
3 = Eliminates agency function
4 = Long term implications (moves the problem to next biennium)
5 = Short term (reduction to one time increase)

TAB 6

Benefits 24/7 Update

Brett Mello
Chief Information Officer
Enterprise Technology Services

Jean Bui
Deputy Director
ERB Division
March 6, 2025

New Chief Information Officer Introduction

- ▶ Over 30 years in IT, 15+ years as a Chief Information Officer (CIO)
- ▶ Recently from health care provider market (hospitals, clinics, ancillary services)
- ▶ Expertise in technology and corporate strategy, organizational development, process improvement, communications

Recruitment of Key Positions

- ▶ IT ERB Team Lead
 - ▶ Recruitment in process
- ▶ Tester position for quality assurance
- ▶ Assessing options for further resources

2025 Stabilization Update

- ▶ Communications
- ▶ Updates include all populations
 - ▶ SEBB Program
 - ▶ PEBB Program
 - ▶ Non-Medicare
 - ▶ Medicare
- ▶ Larger impact issues
- ▶ Tracking metrics
 - ▶ Positive movement on tickets
 - ▶ Document backlog reduced
 - ▶ Accounting tickets
- ▶ Discrepancy report

Questions?

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Jean Bui, Deputy Director
Employees and Retirees Benefits (ERB) Division
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TAB 7

Open Enrollment Appeals Update

Bonnie Marshall
ERB Staff Attorney
Division of Legal Services
March 6, 2025

Overview

- ▶ Appeals overview
- ▶ Appeals processes
- ▶ Highlights for first quarter of 2025
 - ▶ Most common appeals
 - ▶ Trends

Appeals Overview

- ▶ Appeal = brief adjudicative proceeding (BAP)
 - ▶ Eligibility/enrollment determinations
 - ▶ Medical, dental, vision, wellness, Flexible Spending Arrangements (FSA) and Dependent Care Assistance Program (DCAP)
- ▶ Appeal is not:
 - ▶ Care/pharmacy
 - ▶ Service denials

Process for the SEBB Program

- ▶ Employee or retiree makes request of the SEBB Program
 - ▶ Program approves request
 - ▶ Program denies request and issues letter with appeal rights
 - ▶ **Appellant** timely requests BAP
 - Goes to SEBB Appeals Unit for processing
 - ▶ Appellant does not timely request BAP
 - Becomes final decision

Process for the Employer

- ▶ Employee makes request to the employer
 - ▶ Employer approves
 - ▶ Employer sends approval to SEBB Appeals Unit
 - Appeals Unit sends document to ERB Outreach and Training (O&T) unit for processing
 - ▶ Employer denies request
 - ▶ **Appellant** timely requests BAP
 - Goes to SEBB Appeals Unit for processing
 - ▶ Appellant does not timely request BAP
 - Becomes final decision

Process for the Office of Legal Affairs

- ▶ SEBB Appeals Unit within the Office of Legal Affairs (OLA) receives request
 - ▶ Appeals Unit issues confirmation letter
- ▶ Timely appeals are sent to paralegal for processing
 - ▶ Untimely (late) appeals are denied
 - ▶ Premature (early) appeals are denied
 - ▶ Appeals where there is no underlying program or employer decision are denied

Initial Order

- ▶ Initial order issued by Presiding Officer (attorney) within ten days
 - ▶ Presiding Officer may issue a continuance, which extends the timeline to issue an order
 - ▶ Initial order affirms program/employer decision
 - ▶ Right to review to request final order
 - Appellant may seek review within 21 days
 - Program may also seek review
 - ▶ Initial order overturns employer decision
 - ▶ Right to review for Appellant and Program

Final Order

- ▶ Reviewing Officer evaluates initial order and issues an agency final order
- ▶ Appellant or SEBB Program can seek reconsideration of final order or go straight to Superior Court

Appeals Trends

- ▶ Most appeals occur between January and April each year
- ▶ Most employee appeals concern
 - ▶ Spousal surcharges
 - ▶ Dependent enrollment
 - ▶ Plan change request
 - ▶ Dental
 - ▶ Medical
- ▶ Most retiree appeals concern (PEBB Program only)
 - ▶ Reinstatement

2025 Appeals Trends

through February 13, 2025

Type of Appeal	January		February	
	PEBB	SEBB	PEBB	SEBB
COBRA.LWOP Termination	1	4	1	0
Dependent	13	13	7	3
Disabled Dependent	1	0	0	0
Extended Dependent	1	0	0	0
FSA/DCAP	10	6	1	3
Lont Term Disability	0	0	0	0
Plan Change Request - Dental	16	10	3	5
Plan Change Request - Vision	2	0	0	0
Plan Change Request	20	6	10	4
Premium Payments	0	0	1	0
Refund Request	0	0	1	0
Retiree	1		2	
Retiree Coverage Applicant	10		3	
Retiree Termination	6		4	
Retro Term Request	3	0	15	0
Subscriber	2	3	2	1
Surcharge - Spousal	6	17	1	23
Waive Enrollment	2	3	0	1
PROGRAM TOTAL	94	62	51	40
GRAND TOTAL	156		91	

Appeal Readiness		
	Jan	Feb
Timely	156	90
Untimely	1	2
Premature	36	13

Questions?

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TAB 8

Provider Prior Authorization Process Legislation

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What is Prior Authorization?

- ▶ Prior authorization (PA), also referred to as preauthorization, is plan approval for coverage of specific services, supplies, or prescription drugs before claims are covered by the plan
- ▶ If prior authorization is not received for certain medical services or prescription drugs, the plan may deny the claim
- ▶ A list of medical services and drugs that require prior authorization is available on the Uniform Medical Plan (UMP) webpage and Preferred Drug List (PDL) or by contacting the carrier

Prior Authorization Goals

- ▶ Services and therapies received are safe, effective, and provide the highest value
- ▶ Reduced costs for members and the plan
- ▶ Ensure medications and services:
 - ▶ Are medically appropriate
 - ▶ Are clinically proven as effective for treatment of the condition

When Prior Authorization Applies

- ▶ Clear evidence of the hazards for certain conditions, treatments, or drugs exists
- ▶ Services or drugs are high cost and there are effective clinically proven alternatives available
- ▶ When drugs or services are only proven effective for specific conditions

Benefits of Prior Authorization

- ▶ Reducing costs to members by directing to lower cost and equally (or more) effective alternatives
- ▶ Ensuring the drug or service is clinically appropriate and safe
- ▶ Prevention of fraud, waste, and abuse
- ▶ Prior authorization renewals can ensure that continued treatment is medically necessary, resulting in positive outcomes with minimal side effects, and verifying adherence

Oversight Of Prior Authorization

- ▶ Reviewed by oversight committees
 - ▶ Medical Policy Committees for medical services
 - ▶ Pharmacy and Therapeutics (P&T) Committees
- ▶ Policies are evaluated annually or when additional clinical data is released warranting a re-evaluation of the coverage policy
- ▶ Often the requirement for prior authorization is discontinued if it is determined that prior authorization is achieving its desired result

Why Are We Seeing Increases In Prior Authorization Legislative Bills?

- ▶ Prior authorization can add to administrative burden:
 - ▶ Prior authorization process is time intensive
 - ▶ Additional staff often required
 - ▶ Can create delays in delivery of services

Recent Prior Authorization Law Changes

▶ RCW 48.43.0161 (HB 1357):

- ▶ Effective January 1, 2024, this bill required shortened processing timelines across state-regulated insurance plans for both health care services and prescription drugs
- ▶ Requires reduction in prior authorization turnaround to an annual average of one calendar day for urgent requests and an annual average of three calendar days for non-urgent requests
- ▶ Effective January 1, 2026, requires insurers and third-party administrators to create application programming interfaces that will connect to a physician's electronic health record system to enable a streamlined process for submitting requests to reduce administrative burden

Recent Prior Authorization Law Changes (*cont.*)

- ▶ Centers for Medicare and Medicaid Services (CMS) Interoperability and Preauthorization Final Rule (CMS-0057-F):
 - ▶ Effective January 1, 2026, seven days for standard cases and 72 hours for urgent cases
 - ▶ Effective January 1, 2027, allow for the exchange of patient information between payers

Questions?

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