

Multiple Agency Fiscal Note Summary

Bill Number: 5637 SB	Title: Health insurance coverage
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Estimated Cash Receipts

Agency Name	2005-07		2007-09		2009-11	
	GF- State	Total	GF- State	Total	GF- State	Total
Office of State Treasurer	Non-zero but indeterminate cost. Please see discussion."					
Washington State Health Care Authority	0	58,967,241	0	77,570,770	0	77,570,770
Total \$	0	58,967,241	0	77,570,770	0	77,570,770

Local Gov. Courts *						
Local Gov. Other **						
Local Gov. Total						

Estimated Expenditures

Agency Name	2005-07			2007-09			2009-11		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Washington State Health Care Authority	20.5	0	52,225,309	25.5	0	99,410,770	25.5	0	99,410,770
Office of Insurance Commissioner	.0	0	0	.0	0	0	.0	0	0
Department of Social and Health Services	.0	0	0	.0	0	0	.0	0	0
Employment Security Department	9.1	1,127,563	1,895,005	10.0	0	1,534,884	10.0	0	1,534,884
Total	29.6	\$1,127,563	\$54,120,314	35.5	\$0	\$100,945,654	35.5	\$0	\$100,945,654

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

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Prepared by: Elise Greef, OFM	Phone: 360-902-0539	Date Published: Final 2/24/2005
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

Individual State Agency Fiscal Note

Bill Number: 5637 SB	Title: Health insurance coverage	Agency: 090-Office of State Treasurer
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.

Estimated Expenditures from:

	FY 2006	FY 2007	2005-07	2007-09	2009-11
Fund					
Total \$					

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/13/2005
Agency Preparation: Dan Mason	Phone: 360-902-9090	Date: 02/15/2005
Agency Approval: Dan Mason	Phone: 360-902-9090	Date: 02/15/2005
OFM Review: Deborah Feinstein	Phone: 360-902-0614	Date: 02/16/2005

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

SB 5637 creates the basic health plan employer fee account. Earnings from investments will be credited to the general fund.

Earnings from investments:

The amount of earnings by an account is a function of the average daily balance of the account and the earnings rate of the investment portfolio. The average daily balance is a function of the beginning balance in the account and the timing & amount of receipts, disbursements, & transfers during the time period in question. Accordingly, even with a beginning balance of zero, two accounts with the same overall level of receipts, disbursements, and transfers can have different average balances, and hence differing earnings.

There will be an impact to the earnings; however, the actual earnings will be determined more by the impact to the average daily balance than the amount of increases or decreases in receipts, disbursements, and transfers. Currently, estimated earnings are indeterminable. Without projected monthly estimates of receipts, disbursements, and transfers, OST is unable to estimate the changes to the average balance of the account and the impact to earnings.

Based on the November 2004 Revenue Forecast, the net rate for estimating earnings for FY 05 is 1.70%, FY 06 is 2.72%, and FY 07 is 2.99%. Approximately \$17,000 in FY 05, \$27,200 in FY 06, and \$29,900 in FY 07 in net earnings and \$5,000 in OST management fees would be gained or lost annually for every \$1 million increase or decrease in average daily balance.

Debt Limit:

There will be an impact on the Debt Service Limitation calculation. Any change to the earnings credited to the general fund will change, by an equal amount, General State Revenues.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

SB 5637 creates the basic health plan employer fee account. Earnings from investments will be credited to the general fund.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years					
Total:					

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5637 SB	Title: Health insurance coverage	Agency: 107-Wash State Health Care Authority
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2006	FY 2007	2005-07	2007-09	2009-11
Basic Health Plan Trust	(5,067,000)	(10,527,000)	(15,594,000)	(21,840,000)	(21,840,000)
Account-Non-Appropriated 172-6					
EMPLOYER FEE ACCOUNT-State NEW-1	24,854,363	49,706,878	74,561,241	99,410,770	99,410,770
Total \$	19,787,363	39,179,878	58,967,241	77,570,770	77,570,770

Estimated Expenditures from:

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	15.5	25.5	20.5	25.5	25.5
Fund					
Basic Health Plan Trust	(5,067,000)	(10,527,000)	(15,594,000)	(21,840,000)	(21,840,000)
Account-Non-Appropriated 172-6					
Health Services Account-State 760-1	5,067,000	10,527,000	15,594,000	21,840,000	21,840,000
Employer Fee Account-State NEW-1	2,518,431	49,706,878	52,225,309	99,410,770	99,410,770
Total \$	2,518,431	49,706,878	52,225,309	99,410,770	99,410,770

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/13/2005
Agency Preparation: Dale Fry	Phone: (360) 923-2741	Date: 02/24/2005
Agency Approval: Pete Cutler	Phone: (360) 923-2720	Date: 02/24/2005
OFM Review: Elise Greef	Phone: 360-902-0539	Date: 02/24/2005

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

See attached narrative.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

See attached narrative and impact tables.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

See attached narrative and impact tables.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	15.5	25.5	20.5	25.5	25.5
A-Salaries & Wages	559,888	845,902	1,405,790	1,691,804	1,691,804
B-Employee Benefits	129,894	196,249	326,143	392,498	392,498
C-Personal Serv Contr	84,000		84,000		
E-Goods and Services	484,822	525,954	1,010,776	1,051,908	1,051,908
G-Travel	5,164	8,492	13,656	16,984	16,984
J-Capital Outlays	127,100	77,900	205,000		
M-Inter Agency Fund Transfers					
N-Grants, Benefits Services	1,127,563	48,052,381	49,179,944	96,257,576	96,257,576
P-Debt Service					
S-Interagency Reimbursement					
T-Intra-Agency Reimbursement					
Total:	\$2,518,431	\$49,706,878	\$52,225,309	\$99,410,770	\$99,410,770

III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2006	FY 2007	2005-07	2007-09	2009-11
Fee Support FTEs	33,173	15.5	25.5	20.5	25.5	25.5
Total FTE's		15.5	25.5	20.5	25.5	25.5

III. C - Expenditures By Program (optional)

Program	FY 2006	FY 2007	2005-07	2007-09	2009-11
Program Support (010)					
Basic Health (020)					
Community Health Services (030)					
PEBB (040)					
UMP (050)					
Health Care Planning (060)					
BH Benefits (070)					
WSHIP/HCTC (080)					
Prescription Drug (090)					
Employer Fee Account (NEW)	2,518,431	49,706,878	52,225,309	99,410,770	99,410,770
Total \$	2,518,431	49,706,878	52,225,309	99,410,770	99,410,770

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

See attached Narrative.

HCA Fiscal Note

Bill Number: SB 5637

Large Employer Fee

HCA Request #:05-37

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

This bill creates three new programs within Basic Health (BH): a fee support program, a premium assistance program, and a new small employer group program. In addition, it limits the current regular subsidized member premiums to no more than 20% of plan rate.

Fee support program: Health Care Authority (HCA) must determine a fee from a specified formula in the bill that is based on the regular subsidized benchmark rate and the per capita cost to administer this program. This fee will be imposed on all large employers beginning January 2006 and will be paid on a quarterly basis. Employers may reduce their total fee responsibility by paying health care costs for their employees. Employers whose employee health care spend does not equal or exceed the fee assessment must remit the net to Employee Security Department (ESD) for deposit in a BH Employer Fee Account. Funds in the new account would be spent by HCA to administer the fee support program and provide coverage through BH to fulltime employees of large employers that paid their fee.

Definitions.

- The fee is defined as 85% of the regular subsidized BH benchmark plus the per capita administrative costs (HCA's and ESD's together) of the fee support program all divided by 86. This 86 is the number of hours worked per month by an employee of a large employer that defines "fulltime employee".
- A large employer is one that in the last quarter had 50 or more employees, fulltime or part-time, employed in Washington State.
- Health care costs are those incurred by an employer on behalf of its employees that are an allowable business expense deduction for tax purposes with the Internal Revenue Service (IRS).
- The fee support BH program enrolls, funds permitting, fulltime employees (no dependents and no part-time employees) of employers that pay their fee, at a member premium of 15% of the fee support benchmark rate, which rate may or may not be the same as the regular subsidized benchmark rate used to calculate the fee.

HCA assumes that with fee liability beginning in January 2006, there would not be a stable collection of funds in the Employer Fee Account until the end of the second calendar quarter, that applications could then begin to be processed, and that actual coverage in the program would begin, at the earliest, in July 2006. HCA also believes that operational considerations may extend this timeline.

Premium assistance program: HCA may accept applications from individuals who work for small employers and who purchase their employer's health benefit plan, for assistance in paying their health insurance premiums. A small employer is defined as one where

- during at least 50% of the work days in the past quarter
- there were no more than 50 employees
- with a work week of 30 or more hours
- and where the majority of eligible employees are employed in Washington State.

Its health benefit plan must meet minimum coverage standards to be defined by HCA in rule and certified by the Office of the Insurance Commissioner (OIC). Applicants would have to meet BH regular subsidized eligibility requirements, and the amount of premium assistance

HCA Fiscal Note

Bill Number: SB 5637

Large Employer Fee

HCA Request #:05-37

would be the lesser of the employee's premium or the state subsidy for that employee if the employee were enrolled in regular subsidized BH. HCA may accept premium assistance applications only when the biennial appropriation is sufficient to support 100,000 subsidized or fee supported enrollees. Since fee support enrollment does not require an appropriation, HCA assumes that the minimum enrollment requirement is based solely on the regular subsidized population. HCA also assumes that the first premium assistance enrollment would begin in January 2006 to match the annual health plan procurement cycle.

Small employer group program: This program has three implementation prerequisites

- HCA must decide to offer the product,
- funds are available from savings accrued by the conversion of regular subsidized BH enrollees to fee support BH enrollees, and
- the legislature appropriates the savings for this purpose.

Assuming all three conditions are met, BH coverage would be available at regular subsidized rates to employees (and dependents) that have salary/wages less than 200% Federal Poverty Level (FPL) adjusted for a family of three, and who are employed by a small employer that certifies that at least 75% of its employees meet that wage criteria. A small employer is defined in the same way as for the premium assistance program above. HCA may require a substantial majority of the eligible employees of the qualified employer to enroll, and the BH product would be purchased through the regular subsidized pool even though the employee's income eligibility is not the same as for regular subsidized BH. (Regular subsidized BH eligibility depends on total *income*, not *wages/salary*.) For employees of qualifying employers, the total plan rate would be split, 20% from employee, 40% from employer, and 40% from the state.

Since savings from fee support enrollment conversion could not begin until after July 2006 when fee support enrollment begins, HCA assumes this program would begin no earlier than January 2007 to match annual procurement activities. With the operational and actuarial uncertainties that may result from the implementation of one or both of the other two programs and their impact on regular subsidized BH, HCA believes that it would not offer this product in the 05-07 biennium.

II. B – Cash Receipts Impact

Subscriber premium cap

- In FY 06, Fund 172, BH Trust Account, will see a reduction in member premiums of \$5.1 million due to the 20% cap on regular subsidized member premium. In FY 07 and succeeding years, the reduction is \$10.5 million. Compensating appropriations would have to be made to Fund 760, Health Services Account, to compensate for the loss of receipts to Fund 172 or regular subsidized enrollment would need to be reduced. HCA assumes the Fund 760 appropriation would be made.

Fee supported program

- BH Employer Fee Account is expected to receive \$24.9 million from fee assessments in FY 06. In succeeding years the figure nearly doubles to \$49.7 million.

Premium Assistance program

HCA assumes there would be no receipts. See the Expenditures section below.

HCA Fiscal Note

Bill Number: SB 5637

Large Employer Fee

HCA Request #:05-37

Small Employer Group Program

HCA assumes there would be no receipts. See Expenditures section below.

II. C - Expenditures

Subscriber Premium Cap

- Fund 172, BH Trust Account, will see an FY 06 reduction in member premium expenditures of \$5.1 million due to the 20% member premium cap. In FY 07 and succeeding years, the reduction is \$10.5 million.
- Fund 760, Health Services Account, would see compensating increases in expenditures.

Fee Support Program

This proposal could have wide ranging effects on incentives for groups to provide employer insurance and/or individual insurance. It could influence other aspects of the insurance market. For the purposes of this fiscal note, HCA has assumed no specific impact on the large employer group insurance market.

The bill provides HCA the flexibility of conducting either a separate procurement for this population, or a single procurement in conjunction with the regular subsidized population. Until more on the risks associated with the fee support program are known, and in order to develop a product focused on the population to be served, HCA assumes that the fee support bid rates would be distinct from the regular subsidized rates.

There are several key estimates that factor into calculating enrollment and expenditures in the fee support program.

- The most critical is the amount large employers already expend on health care for their employees.
 - If the employer offers only catastrophic coverage, this figure may be less than \$200 per member per month (pmpm). If the coverage is more comprehensive, it may be greater than \$300. HCA has assumed a mid-range number of \$243 pmpm based on research done by the OIC for an unrelated bill. For reference, the state, which fits the definition of a large employer, will spend approximately \$364 per employee per month in CY 06.
 - If the employer spends this amount on just employees, then all that remains is to count the number of covered employees. However, if the employer also extends coverage to the employee's dependents, then they must be included in the count. The actuarial family size typically used in such calculations is 2.24, and HCA has assumed that large employers do generally cover dependents as well as employees.
- The second key estimate is the administrative cost to run the program, which will include actions by HCA and ESD to share data, calculate the fee, assess the fee, collect the fee, enforce collection, audit remittances, resolve employer appeals, and administer employee health care coverage. While ESD's costs are dependent more on the number of large employers, which is known, HCA's costs depend more on the number of enrollees, which is not known. HCA estimates that in the case where the employer health care spend is small, which will generate a large fee assessment revenue, there could be as many as 50,000 fee support enrollees. Even if the employer spend is large, HCA estimates that there will be enough fee revenue from large employers that do not provide health coverage at all, to support 20,000 enrollees. The administrative

HCA Fiscal Note

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Large Employer Fee

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infrastructure required to implement programs to serve populations of these sizes is significant. Building this infrastructure will take time, and it may be difficult to have everything in place before July 2006, the assumed first enrollment date. For purposes of this fiscal note, HCA assumes that assessment and payment of the fees to ESD will begin on time, and actual enrollment will occur in July 2006.

- The third key estimate is the rate that BH health plans would bid for fee support enrollees. HCA, along with its actuaries, Milliman USA, estimate that the CY 06 benchmark rate for this separate population would be \$218 pmpm. This estimate is based on like commercial populations and differences in benefits costs between them and the low income BH population.

HCA assumes the mechanics of the fee support program are as follows:

- ESD would provide to HCA data on the number of fulltime employees of large employers in the state based on recent historical records.
- HCA would combine this figure with the estimated administrative costs for the program and the regular subsidized benchmark rate for the upcoming calendar year, and calculate the employee-hour fee that ESD will use to assess all large employers. HCA's initial estimate is that the figure would be approximately \$2.17 per employee-hour in CY 06.
- Each large employer would calculate its total fee by multiplying this assessment by 86 for every employee that works 86 hours per month or more, and by every hour worked for employees that work less than 86 hours per month. The sum would be the monthly total fee assessment for that employer.
- Each large employer would calculate the monthly costs for health care coverage it provides for its employees as allowed by tax code and would subtract that amount from the total fee assessment. The difference, not less than zero, would be remitted to ESD.
- When a fulltime employee applies to HCA for BH coverage, HCA would verify that the applicant is a fulltime employee of a large employer that paid a fee to ESD. Then it would enroll him/her in the fee support BH program. HCA would collect the monthly premium due from the enrollee, set at 15% of the fee support benchmark rate, and combine it with funds in the Employer Fee Account to pay the health plan selected by the enrollee. The rate charged by the health plan would be based on the risk pool of expected enrollees and would be contracted for by HCA as it does for the regular subsidized risk pool. The pools would not be linked for rating purposes.
- To complete the process, ESD would assess, collect, audit, enforce, and deposit fees collected in the Employer Fee Account on a quarterly basis, from which disbursements would be made by HCA for BH coverage costs and program administration. HCA would periodically verify that enrollees continue to be eligible by certifying employment with a large employer and fulltime employee status.
- HCA would also track and calculate the savings, if any, that resulted from a fee support enrollee having come from the regular subsidized rolls so that the amount could be applied towards the BH small employer group program. Switching between programs would likely occur only to fulltime employees already enrolled in regular subsidized BH who are at the top of the BH income band. Since these enrollees would be paying up to 20% of the regular subsidized benchmark rate, they could pay less at the fixed 15% of the fee support benchmark rate, provided that the two benchmark rates are similar. For CY 06, HCA and its actuaries, Milliman USA, estimate that the regular subsidized benchmark rate to be approximately \$219 pmpm and the fee support benchmark rate to be approximately \$218 pmpm.

HCA Fiscal Note

Bill Number: SB 5637

Large Employer Fee

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Based on state averages, total large employer health care expenditures will likely exceed the total fees assessed. This implies that there would be no fee assessment revenue at all, even to cover the overhead administrative costs of the program. However, this is on an average basis. Since some large employers spend more than their assessment on health care, but are not credited for amounts above the assessment, and since there do exist some large employers that do not offer health insurance at all to their employees, and therefore would have to pay their assessment, it is expected that there will be revenue into the Employer Fee Account. HCA estimates that \$4.1million per month would be collected by ESD from large employers that do not offer health insurance coverage to their employees, which would pay for administration and coverage for approximately 20,000 fee support enrollees. If there are many large employers that do offer health care coverage to their employees, but through less costly catastrophic plans, fee assessment revenue could support many more, perhaps 50,000 enrollees. HCA has assumed the minimum enrollment of 20,000 fee support enrollees for calculating administrative costs for the program.

Since the fee support program is completely separate from the regular subsidized program, BH would have to manage this population as a distinct program. This would require separate health plan procurement, communications materials, applications processing, periodic eligibility certifications, premium schedules, system tables, enrollee billing, and cost accounting. Based on an enrollment of 20,000, HCA would require the following resources:

- 1.0 FTE, WMS 2, Program Manager, for overall program management
- 3.0 FTEs, Supervisors/Health Insurance Benefits Specialist (HIBS) 4, for program management, appeals, and training.
- 17.0 FTEs, Office staff/HIBS 2, for operations, applications processing, certifications, call center, outreach, and administrative support.
- 2.0 FTEs, Financial Analyst 2 & 4, for accounting.
- 1.0 FTEs, WMS 2, Finance and Budget Rates Analyst, for procurement and rate setting.
- 1.5 FTEs, Public Information Officer 2 and 3, for development and implementation of new marketing materials and enrollee communications, both in print and online
- \$300,000, communications for printing, postage, translation fees, monthly billing statements, correspondence, and print and radio advertising.
- 84,000 for systems modifications, one time
- \$45,000, additional systems account transactions, ongoing
- \$25,000, actuarial support for population analysis and rate development
- ESD estimates an additional \$770,000 for their role in the fee support program

Given all of the above assumptions, the impacts for enrollment of 20,000 are:

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Employer Fee Account Expenditure	\$2,518,431	\$49,706,878	\$49,705,385	\$49,705,385	\$49,705,385	\$49,705,385

There will be a significant FY 06 mismatch in revenue/expenditure due to assessments and collections beginning in Jan 06, whereas, enrollment would begin in Jul 06. This initial variance would be used to keep the account in balance should revenue fall unexpectedly while enrollment levels remain constant.

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Large Employer Fee

HCA Request #:05-37

Premium Assistance Program

New enrollment is accepted into this program only when the biennial appropriation is sufficient to support 100,000 subsidized enrollees. Since the bill limits regular subsidized premiums to 20% of plan rate, which is a reduction in the present maximum of 54%, there would need to be a corresponding increased appropriation to maintain the 100,000 member enrollment. For purposes of this fiscal note, HCA assumes that the appropriation would be made and subsidized enrollment maintained at 100,000.

The number of probable enrollees in this program is very difficult to assess. The candidate population consists of employees

- of small employers that offer health insurance
- who meet regular subsidized eligibility requirements.

If an eligible employee is already enrolled in regular subsidized BH, the person's premium could be reduced by switching to the employer plan, as long as the employer plan's member premium is less than the regular subsidized BH plan rate, \$219 pmpm in CY 06. If such an employee is eligible for regular subsidized BH, but not enrolled, he/she could enroll in the employer plan at no cost at all if the employer plan's member premium is less than the regular subsidized state subsidy, \$167 pmpm in CY 06.

State savings would occur only when such an employee replaced a regular subsidized enrollee through natural membership turnover. By statute, BH is required to give enrollment priority to regular subsidized enrollees, and since the demand for regular subsidized enrollment exceeds and is expected to continue to exceed the 100,000 member limit, there could be no enrollment in the premium assistance program. Therefore, HCA assumes that this program will not be implemented in the next biennium. The following is provided as background information regarding what it would take to run this program.

Eligibility for premium assistance is dependent upon BH regular subsidized eligibility and employment with a small employer whose health care coverage is certified by the OIC as meeting standards established by HCA. HCA assumes that the application process would have to include

- annual verification from ESD that the employer qualifies as a small employer
- semi-annual verification that the applicant is employed
- annual OIC certification that the plan meets HCA standards, and
- monthly verification that the employee is enrolled in the employer's health plan.

BH would have to generate separate communications materials, process applications, and track certifications for this group separately from all others. And since the level of premium assistance is the lesser of the employee's premium and the state subsidy that would result if the employee belonged to regular subsidized BH, HCA would have to set up a variable schedule of assistance to allow for varying employee premium costs.

By surveying several other states' equivalent premium assistance programs, HCA estimates that 2,000 members may enroll.

In order to comply with the bills' directive to minimize the administrative burden on the employers, HCA assumes that the premium assistance would be sent to the enrollees directly. If payment were made to the employers or the carriers, the employers would have to carefully track employee deductions and plan payments and may find the administrative aspects of the program complicated.

HCA Fiscal Note

Bill Number: SB 5637

Large Employer Fee

HCA Request #:05-37

New Small Employer Group Program

HCA estimates that the costs of administering the new small employer group program would be similar to those in the fee support program. However, because the fee support program would not begin enrollment until July 2006, and funds available for this program depend on savings from regular subsidized BH enrollees moving to the fee support program, it is unlikely that a sound forecast of these savings and an appropriation made of them by the legislature will be possible in FY 07. Therefore, this note assumes that the small employer group program would not be implemented in the next biennium. The following is provided as background information regarding what it would take to run this program.

Enrollment requires that the employer certify annually that at least 75% of its employees have wages or salary (not family income) at or below 200% FPL for a family of three. HCA assumes that ESD would annually certify the employer as a small employer, and that the employer would certify that his/her work force meets the FPL criteria, but that HCA would also have to periodically require documentation of wages or salary from employees who are enrolling. HCA also assumes that it would require at least 75% of the employer's employees enroll in BH, similar to its current employer group product. Because the state contributes 40% of the plan premium for the employees whose wage or salary income is no more than 200% FPL, and contributes nothing if this condition is not met, the premium structure for these enrollees is different from all other BH populations. Therefore, application, enrollment, and tracking in the system would also need to be different.

HCA assumes that no separate procurement for this group is required, since it is considered part of the regular subsidized pool for rating purposes. HCA has made no assumption about whether the introduction of enrollees into the regular subsidized risk pool who do not meet regular subsidized eligibility requirements would influence rates charged by the BH plans. HCA also assumes that the introduction of this new program would not reduce participation in the current employer group product.

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

Major rewrite of several WACs.

HCA Fiscal Note

Bill #: SB 5637

Summary of impacts

HCA Request: 05-37

FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
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Revenue		Fund										
PEBB		721	\$	-	\$	-	\$	-	\$	-	\$	-
BH												
Regular Subsidized Member Premiums	172		\$	(5,067,000)	\$	(10,527,000)	\$	(10,920,000)	\$	(10,920,000)	\$	(10,920,000)
State Subsidy	760		\$	-	\$	-	\$	-	\$	-	\$	-
HCTC Premiums	761		\$	-	\$	-	\$	-	\$	-	\$	-
Employer Fee Account	New 1		\$	24,854,363	\$	49,706,878	\$	49,705,385	\$	49,705,385	\$	49,705,385
Grand Total Revenue			\$	19,787,363	\$	39,179,878	\$	38,785,385	\$	38,785,385	\$	38,785,385

Expenditures		Fund										
PEBB												
Total PEBB Benefits Increase	721		\$	-	\$	-	\$	-	\$	-	\$	-
Additional Administrative Costs:	418		\$	-	\$	-	\$	-	\$	-	\$	-
Additional Administrative Costs:	439		\$	-	\$	-	\$	-	\$	-	\$	-
Additional Administrative Costs:	438		\$	-	\$	-	\$	-	\$	-	\$	-
Total PEBB Benefits and Administration			\$	-	\$	-	\$	-	\$	-	\$	-
BH												
Regular Subsidized Member Premiums	172		\$	(5,067,000)	\$	(10,527,000)	\$	(10,920,000)	\$	(10,920,000)	\$	(10,920,000)
State Subsidy	760		\$	5,067,000	\$	10,527,000	\$	10,920,000	\$	10,920,000	\$	10,920,000
HCTC Premiums	761		\$	-	\$	-	\$	-	\$	-	\$	-
Employer Fee Account	New 1		\$	2,518,431	\$	49,706,878	\$	49,705,385	\$	49,705,385	\$	49,705,385
Total Basic Health			\$	2,518,431	\$	49,706,878	\$	49,705,385	\$	49,705,385	\$	49,705,385
Grand Total Expenditures			\$	2,518,431	\$	49,706,878	\$	49,705,385	\$	49,705,385	\$	49,705,385

HCA Fiscal Note

Bill #: SB 5637

Fee Calculation

HCA Request: 05-37

FEE SUPPORT (FS) BASIC HEALTH (BH) COST ANALYSIS

FY 06 Admin FY 07 Admin FY 08 Admin

CY 05 regular subsidized BH benchmark (adult) rate, pmpm	\$ 203.52
CY 06 medical rate trend	7.8%
Large Employer Fee Share	85.0%
CY 06 Employer Fee Rate Basis	\$ 186.49
HCA Estimated Annual Admin Cost, steady state	\$ 1,576,597
ESD Estimated Annual Admin Cost, steady state	\$ 767,442
Large Employer FTEs (Employees > 86 hours/month)	1,158,092
Per capita admin fee per month	\$ 0.17
Large Employer Fee per FTE, steady state	\$ 186.65
Large Employer Hourly Divisor	86.0
Large Employer Employee-hour Fee, steady state	\$ 2.17

Large Employer FTEs	1,158,092
Hourly Weighting Factor	86.0
Large Employer PTEs	366,627
Hourly Weighting Factor	25.8
Total Large Employer Fee Assessment per month, steady state	\$ 236,692,309

Large employer total FTEs & PTEs	1,524,719
% all employees insured by large employers	62%
Total Large Employer Employees Insured	939,264
Estimated Large Employer Health Coverage Cost, pepm	\$ 461.80
Total Large Employer Healthcare Expenditure per month, steady state	\$ 433,748,678

Fee-support NET REVENUE from large employers per month, steady state	\$ -
Admin cost (HCA & ESD) per month, steady state	\$ 195,337
Net Fee-Support Cash Flow, all sources, per month, steady state	\$ (195,337)

CY 06 Fee-support Actuarial Benchmark Rate	\$ 218.00
% premium paid by enrollee	15.0%
CY 06 Fee-Support Enrollee Premium	\$ 32.70

CY 06 Fee Support Expenditure pmpm, all enrollees	\$ 185.30
--	------------------

Total Fee-Support Monthly Enrollment, steady state	-
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Estimated Minimum Fees Assessed and Paid	
Large Employer FTEs	1,158,092
FTE hourly weighting factor	86.0
Large Employer PTEs	366,627
PTE hourly weighting factor	25.8
% employees of large employers that do not offer health coverage	1.8%
CY 06 Large Employer Minimum Total Uninsured Employee Hours per month	1,908,461

Large Employer Employee-hour Fee, steady state	\$ 2.17
--	---------

Large Employer Fees Collected, minimum, steady state, per month	\$ 4,142,115
Admin, steady state	\$ 195,337
Net Fee Support Revenue, steady state, per month	\$ 3,946,779

CY 06 fee support expenditure, pmpm	\$ 185.30
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Minimum Fee Support Enrollees, steady state 21,299

ESD Total Employees in Large Firms	1,646,928
ESD % that work > 86 hrs/week	70%
Total Large Employer FTEs	1,158,092

\$ 1,390,868	\$ 1,654,497	\$ 1,576,597
\$ 1,127,563	\$ 767,442	\$ 767,442

ESD Total Employees in Large Firms	1,646,928
ESD % that work < 86 hrs/week	30%
% factor for PTE double-counting	75%
Total Large Employer PTEs	366,627

OIC ave employer single coverage	\$ 242.54
Actuarial family size	2.24
Average % premium paid by employee	85%
Employer Health Cost, pepm	\$ 461.80
www.statehealthfacts.org	

HCA Fiscal Note

Bill #: SB 5637

HCA Request: 05-37

Cost Impact on BH for limiting subscriber premiums to no more than 20% of plan rate

Notes:

Based on BH premium projections with actuals through October 2004. Administrative costs are included in figures below.

Regular Subsidized, based on Oct 04 data	CY 05	CY 06	CY 07	CY 08	CY 09	CY 10	CY 11	CY 12
Average total enrollment	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Average plan rate (pmpm)	\$ 190.04	\$ 207.05	\$ 225.32	\$ 225.32	\$ 225.32	\$ 225.32	\$ 225.32	\$ 225.32
Average subscriber premium (pmpm)	\$ 35.60	\$ 37.55	\$ 39.68	\$ 39.68	\$ 39.68	\$ 39.68	\$ 39.68	\$ 39.68
Average state share (pmpm)	\$ 154.44	\$ 169.50	\$ 185.64	\$ 185.64	\$ 185.64	\$ 185.64	\$ 185.64	\$ 185.64

Average enrollment increase	0	0	0	0	0	0	0	0
Average plan rate increase (pmpm)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average subscriber premium increase (pmpm)	\$ -	\$ (8.45)	\$ (9.10)	\$ (9.10)	\$ (9.10)	\$ (9.10)	\$ (9.10)	\$ (9.10)
Average state share increase (pmpm)	\$ -	\$ 8.45	\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10

Communications increase (total dollars)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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HCTC, based on 05-07 ML estimate

Average enrollment	300	800	800	800	800	800	800	800
Total annual plan costs	\$ 624,040	\$ 1,809,355	\$ 1,809,355	\$ 1,809,355	\$ 1,809,355	\$ 1,809,355	\$ 1,809,355	\$ 1,809,355
Average total cost increase	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Benefits Total Costs, FY basis

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12
Health Services Acct (Fund 760-1 total dollars)	\$ 5,067,000	\$ 10,527,000	\$ 10,920,000	\$ 10,920,000	\$ 10,920,000	\$ 10,920,000	\$ 10,920,000
BH Trust Acct (Fund 172 total dollars)	\$ (5,067,000)	\$ (10,527,000)	\$ (10,920,000)	\$ (10,920,000)	\$ (10,920,000)	\$ (10,920,000)	\$ (10,920,000)
BH Subscription Acct (Fund 761 total dollars)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL COST IMPACT	\$ 0	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)

Notes:

HCA Fiscal Note
Table 3, Other Admin

Other Admin

HCA Request: 05-37

SIX YEAR EXPENDITURE ESTIMATE FOR:		Title: Large Employer Fee									Six
Bill #: SB 5637	1st			2nd			3rd			Year	
HCA Request: 05-37	FY06	FY07	Biennium	FY08	FY09	Biennium	FY10	FY11	Biennium	Total	
FTE	15.5	25.5	20.5	25.5	25.5	25.5	25.5	25.5	25.5	23.8	
Salaries	559,888	845,902	1,405,790	845,902	845,902	1,691,804	845,902	845,902	1,691,804	4,789,398	
Benefits	129,894	196,249	326,143	196,249	196,249	392,498	196,249	196,249	392,498	1,111,139	
Personal Service Contracts	84,000	0	84,000	0	0	0	0	0	0	84,000	
Goods and Services	484,822	525,954	1,010,776	525,954	525,954	1,051,908	525,954	525,954	1,051,908	3,114,592	
1. Supplies	8,634	14,204	22,838	14,204	14,204	28,408	14,204	14,204	28,408	79,654	
2. Telephone	5,317	8,747	14,064	8,747	8,747	17,494	8,747	8,747	17,494	49,052	
3. Facilities Mgmt. (EC, ED, & EK)	79,546	130,866	210,412	130,866	130,866	261,732	130,866	130,866	261,732	733,876	
4. Printing / Copies	3,085	5,075	8,160	5,075	5,075	10,150	5,075	5,075	10,150	28,460	
5. Employee Training	5,921	9,741	15,662	9,741	9,741	19,482	9,741	9,741	19,482	54,626	
6. Personnel Service Charge	3,919	5,921	9,840	5,921	5,921	11,842	5,921	5,921	11,842	33,524	
7. Data Processing Charges "EL"	43,400	71,400	114,800	71,400	71,400	142,800	71,400	71,400	142,800	400,400	
8. Attorney General Revolving Fund "EM"	10,000	10,000	20,000	10,000	10,000	20,000	10,000	10,000	20,000	60,000	
9. Increased IS Account Maintenance	0	45,000	45,000	45,000	45,000	90,000	45,000	45,000	90,000	225,000	
10. Communications	300,000	200,000	500,000	200,000	200,000	400,000	200,000	200,000	400,000	1,300,000	
11. Actuarial Support	25,000	25,000	50,000	25,000	25,000	50,000	25,000	25,000	50,000	150,000	
12. "SPECIAL" Goods & Services	0	0	0	0	0	0	0	0	0	0	
13. "SPECIAL" Goods & Services	0	0	0	0	0	0	0	0	0	0	
14. "SPECIAL" Goods & Services	0	0	0	0	0	0	0	0	0	0	
Travel	5,164	8,492	13,656	8,492	8,492	16,984	8,492	8,492	16,984	47,624	
Equipment	127,100	77,900	205,000	0	0	0	0	0	0	205,000	
Other -	0	0	0	0	0	0	0	0	0	0	
Other -	0	0	0	0	0	0	0	0	0	0	
Other -	0	0	0	0	0	0	0	0	0	0	
Total	1,390,868	1,654,497	3,045,365	1,576,597	1,576,597	3,153,194	1,576,597	1,576,597	3,153,194	9,351,753	

001-2 General Fund - Federal	0	0	0	0	0	0	0	0	0	0
NEW-1 Employer Fee Account	1,390,868	1,654,497	3,045,365	1,576,597	1,576,597	3,153,194	1,576,597	1,576,597	3,153,194	9,351,753
760-1 Health Services Acct	0	0	0	0	0	0	0	0	0	0
Total Funds	1,390,868	1,654,497	3,045,365	1,576,597	1,576,597	3,153,194	1,576,597	1,576,597	3,153,194	9,351,753

[illegible]

Individual State Agency Fiscal Note

Bill Number: 5637 SB	Title: Health insurance coverage	Agency: 160-Office of Insurance Commissioner
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Part I: Estimates

☒ **No Fiscal Impact**

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/13/2005
Agency Preparation: Kacy Scott	Phone: (360) 725-7041	Date: 02/15/2005
Agency Approval: Kacy Scott	Phone: (360) 725-7041	Date: 02/16/2005
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 02/16/2005

Individual State Agency Fiscal Note

Bill Number: 5637 SB	Title: Health insurance coverage	Agency: 300-Dept of Social and Health Services
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Part I: Estimates

☒ **No Fiscal Impact**

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/13/2005
Agency Preparation: Richard Pannkuk	Phone: 360 902 8171	Date: 02/14/2005
Agency Approval: Sue Breen	Phone: 360-902-8183	Date: 02/15/2005
OFM Review: Elise Greef	Phone: 360-902-0539	Date: 02/16/2005

Individual State Agency Fiscal Note

Bill Number: 5637 SB	Title: Health insurance coverage	Agency: 540-Employment Security Department
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND					
Total \$					

Estimated Expenditures from:

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	8.2	10.0	9.1	10.0	10.0
Fund					
General Fund-State 001-1	1,127,563	0	1,127,563	0	0
Basic Health Plan Employer Fee Account-Non-Appropriated NEW-6	0	767,442	767,442	1,534,884	1,534,884
Total \$	1,127,563	767,442	1,895,005	1,534,884	1,534,884

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/13/2005
Agency Preparation: Lois Smith	Phone: 360-902-9340	Date: 02/16/2005
Agency Approval: Dianne Mitchum	Phone: 360-902-9422	Date: 02/17/2005
OFM Review: Cheri Keller	Phone: 360-902-0553	Date: 02/17/2005

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 102 - Based on definitions in this section, ESD estimates that 6500 employers would be identified, along with 1.6 million employees. (Assumption: ESD will provide HCA information regarding large employers, their employees, and fees collected.)

Section 103 - ESD will collect and enforce collection of the fees established by HCA for large employers.

Section 104 - ESD will provide notice to large employers of the estimated fee for the calendar year. All fees collected will be deposited into the basic health plan employee fee account. If a large employer fails to pay the required fee, ESD will impose a penalty of two hundred percent of the amount of any fee that would have otherwise been paid, including interest.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

None for ESD. All fees collected will be deposited into the administrator's (HCA's) account.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

GENERAL ASSUMPTIONS

Based on the wording of Section 103, ESD and HCA are assuming that employers will start calculating fees due as of January 1, 2006 and transmit them on a quarterly basis starting in April, 2006. This means that realistically, funds to pay administrative costs will not be available until FY 2007. Therefore, start-up and administrative costs will need to be paid from the General Fund during FY 2006.

Administrative costs of the Unemployment Insurance tax system are financed through grants from the federal government under the provisions of Section 302(a) of the Social Security Act (SSA). The source of funds for the federal grants stem from taxes on employers under the Federal Unemployment Tax Act (FUTA), Section 3302. Any use of the UI tax mechanism to benefit a non-UI program requires a sharing of cost of collecting the tax. The basis for this position is Office of Management and Budget Circular A-87, Section C.2.a. In developing this fiscal note analysis, we considered whether to evaluate these new functions as a modification to the existing UI program, or as a separate unit. Due to the federal requirements of cost sharing, we determined that it would be least expensive if the functions of the new unit were autonomous from the current Unemployment Insurance tax system.

Space for this new unit can currently be accommodated within existing ESD offices. The WMS manager of the new unit, two central office tax specialists, rulemaking staff, computer system development staff and contractor, and desktop support staff would start on July 1, 2005, to work on the implementation of the legislation and the new computer system so notices can be sent to employers by December, 2005. Regional office tax specialists and administrative support staff would start on January 1, 2006, to prepare for and be trained on the collection of fees starting the following quarter.

A stand-alone, server-based SQL database system must be created for the new unit. This system will have disaster recovery and backup systems. All programming costs associated with the database system will be contracted out, due to the short timeframe that ESD has to implement Sections 101-104 of HB 5637, and the general lack of staff that ESD presently have to dedicate to a project of this magnitude.

The Employment Security Department (ESD) shall provide the Health Care Authority (HCA) information regarding large employers and their employees from our existing TAXIS database. Any information about fees collected and status of employers' payments would be provided from the new database system established for the implementation of this bill.

Employers will pay fees on a quarterly basis. Employers will be able to appeal their fee. ESD will conduct audits of employer records at the employer's location when necessary.

ONGOING COSTS

NOTE: Ongoing rent and utilities costs are included in the goods and services FTE calculations.

- *WMS Band 2 Manager in central office (1 FTE)
- *Audit staff - Tax Specialist 3-ES (5 FTE - 2 in central office, 3 in regional offices). Regional audit staff would be supported with a travel budget of \$15,000.00 per year (\$5,000 per region)
- *Program Assistant (1 FTE) - assist WMS Manager with personnel duties, data sharing agreement monitoring, etc.
- *Administrative support staff in central office - Office Assistant Senior (1.5 FTE) - process paperwork, mailings, conducting data entry, and imaging preparation/scanning/processing.
- *IT Desktop support staff - ITAS 3 (0.1 FTE)
- *Database and imaging system maintenance staff - ITAS 4 (0.5 FTE)
- *Set up and monitor data sharing agreement between ESD and HCA for employer data and research, including cross matching, of Basic Health Plan and ESD data for auditing purposes - 1 week each year at WMS Band 2 (.02 FTE)
- *Software fees for imaging system modules: \$1,500/yr (for Office Assistant Senior)
- *Service Agreements for scanner maintenance: \$3,000/yr
- *Printing and mailing costs for annual fee notices and quarterly billing: \$48,415/yr (5 mailings/yr; only 3 during FY 2006 - annual and 2 quarterly billings)
- *Lock box rental fees: \$15,895/yr (starting April, 2006 - only 3 mos. in FY 2006)
- *Copying machine lease: \$1,225/yr
- *Appeal costs (annually): \$15,580 (\$190.00/appeal x 82 appeals) plus Review Judge (.02 FTE)
[Assumption: 25% of large employers (1625) will request a review of their rate and 5% of those (82) will formally appeal. The cost paid to the Office of Administrative Hearings for each appeal is estimated at \$190. Furthermore, 12 percent of these 82 employers (10) will request a formal Commissioner's review by a Review Judge (3.5 hrs/case x 10 cases=350 hrs)].

ONE-TIME COSTS

New unit set-up:

- *Rulemaking (assuming no travel): WMS Band 2 and ESPC2 (0.05 FTE each)
- *Workstation furniture: \$13,500 (\$1,500/work station for 9 staff)
- *Workstation configurations/wiring, etc.: \$3,710 (150 sq.ft. x \$2.75/sq.ft. x 9 workstations)
- *Desktop PCs (Hardware/Software): \$10,800 (\$1,800/workstation x 6 central office staff)
- *Laptop PCs with port replicator (Hardware/Software): \$9,000 (\$3,000/workstation x 3 regional audit staff)
- *Printers in regions: \$2,250 (\$750/printer x 3 regional audit staff)
- *Printers in central office: \$6485 (\$1,335-desktop, \$2,030-networked high speed BW; \$3,120- networked color)
- *Fax machine in central office: \$450
- *Microsoft Project licenses: \$1365 (Project Pro for WMS @ \$580, Project Web Access @ \$98 x 8 people, including IT development staff)
- *Software licenses for imaging system modules: \$9,600 (for Office Assistant Senior)
- *Acorde software licenses: \$5,000 (\$1,000/license x 5 new users)

Stand-alone, server-based SQL database system with disaster recovery and backup systems:

- *Hardware costs estimate: \$294,000.00
- *Contracted development programming: \$129,600 (1440 hrs @ \$90/hr)

NOTE: Increase in hourly rate over last year's fiscal note due to experience with recent contracts - higher-level programming skills required for this level of complexity commands a higher hourly rate.

- *Testing and oversight by ESD IT staff: ITAS5 full-time for 6 months

*System maintenance specialized software (for ITAS4): \$2,400

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	8.2	10.0	9.1	10.0	10.0
A-Salaries and Wages	388,169	444,831	833,000	889,662	889,662
B-Employee Benefits	105,183	120,537	225,720	241,074	241,074
C-Personal Service Contracts	129,600		129,600		
E-Goods and Services	141,704	186,435	328,139	372,870	372,870
G-Travel	8,058	15,639	23,697	31,278	31,278
J-Capital Outlays	354,849		354,849		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	\$1,127,563	\$767,442	\$1,895,005	\$1,534,884	\$1,534,884

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2006	FY 2007	2005-07	2007-09	2009-11
ES Program Assistant	37,608	1.1	1.1	1.1	1.1	1.1
ES Program Coordinator 2	45,816	0.1		0.0		
ES Tax Specialist 3	43,644	3.8	5.5	4.6	5.5	5.5
ITAS 3	51,864	0.1	0.1	0.1	0.1	0.1
ITAS 4	57,252	0.6	0.6	0.6	0.6	0.6
ITAS 5	63,192	0.6		0.3		
Office Assistant Senior	29,616	0.8	1.6	1.2	1.6	1.6
Review Judge	68,028	0.0	0.0	0.0	0.0	0.0
WMS Band 2 (data sharing)	55,000	0.0	0.0	0.0	0.0	0.0
WMS Band 2 (office)	63,000	1.1	1.1	1.1	1.1	1.1
WMS Band 2 (rulemaking)	58,000	0.1		0.0		
Total FTE's		8.2	10.0	9.1	10.0	10.0

Part IV: Capital Budget Impact

none

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Section 103: ESD must write rules to determine fee deductions and when quarterly transmittals of fees from employers are due.