

# Multiple Agency Fiscal Note Summary

|                             |                                     |
|-----------------------------|-------------------------------------|
| <b>Bill Number:</b> 5222 SB | <b>Title:</b> Whole WA health trust |
|-----------------------------|-------------------------------------|

## Estimated Cash Receipts

| Agency Name                              | 2019-21  |               | 2021-23      |               | 2023-25      |               |
|--|--|---------------|--------------|---------------|--------------|---------------|
|  | GF- State  | Total         | GF- State    | Total         | GF- State    | Total         |
| Office of State Treasurer                | Non-zero but indeterminate cost and/or savings. Please see discussion. |               |              |               |              |               |
| Office of Attorney General               | 0  | 2,345,000     | 0            | 2,205,000     | 0            | 3,273,000     |
| Washington State Health Care Authority   | Non-zero but indeterminate cost and/or savings. Please see discussion. |               |              |               |              |               |
| Office of Administrative Hearings        | 0  | 0             | 0            | 0             | 0            | 517,446       |
| Department of Revenue                    | (35,300,000)   | 1,056,400,000 | (84,200,000) | 2,540,300,000 | (89,300,000) | 6,817,200,000 |
| Department of Social and Health Services | Non-zero but indeterminate cost and/or savings. Please see discussion. |               |              |               |              |               |
| Department of Health                     | Non-zero but indeterminate cost and/or savings. Please see discussion. |               |              |               |              |               |
| University of Washington                 | Non-zero but indeterminate cost and/or savings. Please see discussion. |               |              |               |              |               |
| Employment Security Department           | Non-zero but indeterminate cost and/or savings. Please see discussion. |               |              |               |              |               |
| <b>Total \$</b>                          | (35,300,000)   | 1,058,745,000 | (84,200,000) | 2,542,505,000 | (89,300,000) | 6,820,990,446 |

|                     |  |  |  |  |  |  |
|---------------------|--|--|--|--|--|--|
| Local Gov. Courts   |  |  |  |  |  |  |
| Loc School dist-SPI |  |  |  |  |  |  |
| Local Gov. Other    |  |  |  |  |  |  |
| Local Gov. Total    |  |  |  |  |  |  |

## Estimated Operating Expenditures

| Agency Name                              | 2019-21  |          |                   | 2021-23      |          |                   | 2023-25      |          |                   |
|--|--|----------|-------------------|--------------|----------|-------------------|--------------|----------|-------------------|
|  | FTEs   | GF-State | Total             | FTEs         | GF-State | Total             | FTEs         | GF-State | Total             |
| Office of State Treasurer                | Non-zero but indeterminate cost and/or savings. Please see discussion. |          |                   |              |          |                   |              |          |                   |
| Office of Attorney General               | 8.5  | 0        | 2,345,000         | 8.1          | 0        | 2,205,000         | 12.1         | 0        | 3,273,000         |
| Office of Financial Management           | .0   | 0        | 0                 | .0           | 0        | 0                 | .0           | 0        | 0                 |
| Washington State Health Care Authority   | Non-zero but indeterminate cost and/or savings. Please see discussion. |          |                   |              |          |                   |              |          |                   |
| Office of Administrative Hearings        | .0   | 0        | 0                 | .0           | 0        | 0                 | 2.0          | 0        | 517,446           |
| Department of Revenue                    | 57.7   | 0        | 15,114,900        | 83.0         | 0        | 20,199,800        | 108.1        | 0        | 21,041,600        |
| Office of Insurance Commissioner         | .4   | 0        | 38,953            | (10.1)       | 0        | (2,702,790)       | (10.9)       | 0        | (2,875,138)       |
| Department of Labor and Industries       | .0   | 0        | 0                 | .0           | 0        | 500,000           | .0           | 0        | 0                 |
| Department of Social and Health Services | Non-zero but indeterminate cost and/or savings. Please see discussion. |          |                   |              |          |                   |              |          |                   |
| Department of Health                     | Non-zero but indeterminate cost and/or savings. Please see discussion. |          |                   |              |          |                   |              |          |                   |
| University of Washington                 | Non-zero but indeterminate cost and/or savings. Please see discussion. |          |                   |              |          |                   |              |          |                   |
| Employment Security Department           | .0   | 0        | 115,000           | 54.5         | 0        | 28,047,509        | 128.9        | 0        | 35,154,950        |
| <b>Total \$</b>                          | <b>66.6</b>  | <b>0</b> | <b>17,613,853</b> | <b>135.5</b> | <b>0</b> | <b>48,249,519</b> | <b>240.2</b> | <b>0</b> | <b>57,111,858</b> |

## Estimated Capital Budget Expenditures

| Agency Name                              | 2019-21  |          |          | 2021-23    |          |          | 2023-25    |          |          |
|--|--|----------|----------|------------|----------|----------|------------|----------|----------|
|  | FTEs   | Bonds    | Total    | FTEs       | Bonds    | Total    | FTEs       | Bonds    | Total    |
| Office of State Treasurer                | .0   | 0        | 0        | .0         | 0        | 0        | .0         | 0        | 0        |
| Office of Attorney General               | .0   | 0        | 0        | .0         | 0        | 0        | .0         | 0        | 0        |
| Office of Financial Management           | .0   | 0        | 0        | .0         | 0        | 0        | .0         | 0        | 0        |
| Washington State Health Care Authority   | .0   | 0        | 0        | .0         | 0        | 0        | .0         | 0        | 0        |
| Office of Administrative Hearings        | .0   | 0        | 0        | .0         | 0        | 0        | .0         | 0        | 0        |
| Department of Revenue                    | .0   | 0        | 0        | .0         | 0        | 0        | .0         | 0        | 0        |
| Office of Insurance Commissioner         | .0   | 0        | 0        | .0         | 0        | 0        | .0         | 0        | 0        |
| Department of Labor and Industries       | .0   | 0        | 0        | .0         | 0        | 0        | .0         | 0        | 0        |
| Department of Social and Health Services | .0   | 0        | 0        | .0         | 0        | 0        | .0         | 0        | 0        |
| Department of Health                     | .0   | 0        | 0        | .0         | 0        | 0        | .0         | 0        | 0        |
| University of Washington                 | Non-zero but indeterminate cost and/or savings. Please see discussion. |          |          |            |          |          |            |          |          |
| Employment Security Department           | .0   | 0        | 0        | .0         | 0        | 0        | .0         | 0        | 0        |
| <b>Total \$</b>                          | <b>0.0</b>   | <b>0</b> | <b>0</b> | <b>0.0</b> | <b>0</b> | <b>0</b> | <b>0.0</b> | <b>0</b> | <b>0</b> |

## Estimated Capital Budget Breakout

NONE

|  |
|--|
|  |
|--|

|                                     |                                 |   |
|-------------------------------------|---------------------------------|---|
| <b>Prepared by:</b> Kathy Cody, OFM | <b>Phone:</b><br>(360) 902-9822 | <b>Date Published:</b><br>Final 2/27/2019 |
|-------------------------------------|---------------------------------|---|

# Individual State Agency Fiscal Note

|                             |                                     |  |
|-----------------------------|-------------------------------------|--|
| <b>Bill Number:</b> 5222 SB | <b>Title:</b> Whole WA health trust | <b>Agency:</b> 090-Office of State Treasurer |
|-----------------------------|-------------------------------------|--|

## Part I: Estimates

No Fiscal Impact

**Estimated Cash Receipts to:**

**Non-zero but indeterminate cost. Please see discussion.**

**Estimated Operating Expenditures from:**

**Non-zero but indeterminate cost. Please see discussion.**

*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.

|  |                              |                         |
|--|------------------------------|-------------------------|
| <b>Legislative Contact:</b> Evan Klein | <b>Phone:</b> 786-7483       | <b>Date:</b> 01/17/2019 |
| <b>Agency Preparation:</b> Dan Mason   | <b>Phone:</b> (360) 902-8990 | <b>Date:</b> 01/20/2019 |
| <b>Agency Approval:</b> Dan Mason      | <b>Phone:</b> (360) 902-8990 | <b>Date:</b> 01/20/2019 |
| <b>OFM Review:</b> Ramona Nabors       | <b>Phone:</b> (360) 902-0547 | <b>Date:</b> 02/16/2019 |

## 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 5222 creates the reserve account, displaced worker training account, benefits account, and Washington health trust enforcement account coupled with the general fund as the recipient of the investment earnings for all four funds.

### 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.*

Projected cash flows are currently unavailable; therefore, estimated earnings from investments are indeterminable. Earnings for an account are a function of the average daily balance of the account and the earnings rate of the investment portfolio. Two accounts with the same overall level of receipts, disbursements, and transfers can have different average daily balances, and hence different earnings. Based on the November 2018 revenue forecast, assume approximately \$27,200 in FY 20, \$32,500 in FY 21, \$33,300 in FY 22, and \$34,300 in FY 23 in net earnings would be gained or lost annually for every \$1 million shift in average daily cash balances.

There may be an impact on the debt service limitation calculation. Any change to the investment earnings credited and transfers to the general fund will change, by an equal amount, general state revenues.

### 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.*

The whole Washington health trust is created and must be governed by a board of trustees. The board shall adopt rules under which reserve funds may be prudently invested subject to advice of the state treasurer and the director of the department of financial management.

Three advisory committees are created:

1. A finance committee; the office of the state treasurer is a member.
2. A citizen committee.
3. A provider committee.

Costs are indeterminate. The new assignments may require additional resources in order to engage in the efforts associated with consultation and committee work.

## Part III: Expenditure Detail

## 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.*

# Individual State Agency Fiscal Note

|                             |                                     |   |
|-----------------------------|-------------------------------------|---|
| <b>Bill Number:</b> 5222 SB | <b>Title:</b> Whole WA health trust | <b>Agency:</b> 100-Office of Attorney General |
|-----------------------------|-------------------------------------|---|

## Part I: Estimates

No Fiscal Impact

### Estimated Cash Receipts to:

| ACCOUNT   | FY 2020   | FY 2021   | 2019-21   | 2021-23   | 2023-25   |
|---|-----------|-----------|-----------|-----------|-----------|
| Legal Services Revolving Account-State<br>405-1 | 1,162,000 | 1,183,000 | 2,345,000 | 2,205,000 | 3,273,000 |
| <b>Total \$</b>                                 | 1,162,000 | 1,183,000 | 2,345,000 | 2,205,000 | 3,273,000 |

### Estimated Operating Expenditures from:

|   | FY 2020   | FY 2021   | 2019-21   | 2021-23   | 2023-25   |
|---|-----------|-----------|-----------|-----------|-----------|
| FTE Staff Years                                 | 8.4       | 8.6       | 8.5       | 8.1       | 12.2      |
| <b>Account</b>                                  |           |           |           |           |           |
| Legal Services Revolving<br>Account-State 405-1 | 1,162,000 | 1,183,000 | 2,345,000 | 2,205,000 | 3,273,000 |
| <b>Total \$</b>                                 | 1,162,000 | 1,183,000 | 2,345,000 | 2,205,000 | 3,273,000 |

*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: Evan Klein | Phone: 786-7483       | Date: 01/17/2019 |
| Agency Preparation: Cam Comfort | Phone: (360) 664-9429 | Date: 02/01/2019 |
| Agency Approval: Dianna Wilks   | Phone: 360-709-6463   | Date: 02/01/2019 |
| OFM Review: Cheri Keller        | Phone: 360-902-0563   | Date: 02/08/2019 |

## 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.*

Fiscal Impact is \$50,000 or greater per fiscal year in the current biennium or in subsequent biennia.

Section 101 states legislative intent.

Section 103 is a new section creating the Whole Washington Health Trust (Trust) within Department of Health (DOH).

Section 104 is a new section requiring that a Board of Trustees (Board) govern the Trust.

Section 105 is a new section requiring the Board to establish three standing advisory committees.

Section 108 is a new section requiring the Board to establish a single comprehensive essential benefits package covering essential health benefits. DOH must regularly evaluate the adequacy of the essential health benefits and recommend to the Legislature improvements or adjustments.

Section 109 is a new section requiring the Board to adopt rules applying to qualified providers.

Section 110 is a new section applying to pharmaceuticals, medical equipment, and biologicals, and requiring that the Board establish a prescription drug formulary system.

Section 111 is a new section providing enrollment eligibility criteria.

Section 112 is a new section addressing coverage use and availability.

Section 113 is a new section addressing federal waivers and programs, and imposing various responsibilities on the Health Care Authority (HCA) and the Governor.

Section 114 adds a new section to RCW 82.02 authorizing employers to apply for an exemption from the health security assessment established in Section 202 and the personal health assessment established in Section 203.

Section 115 is a new section imposing various obligations on the Board and the HCA regarding enrollment conditional provisions.

Section 116 is a new section addressing administrative cost controls.

Section 117 is a new section requiring the Board to contract annually for an actuarial analysis and to report annually to the Legislature, starting May 15, 2021.

Section 125 is a new section requiring the Board to seek annual audits from the State Auditor and contract with the State Auditor for performance audits every two years. The Board must adopt bylaws and other appropriate governance documents.

Section 126 is a new section addressing federal employee benefit plans.

Section 127 is a new section requiring the Board to submit a proposal to the Legislature, by January 1, 2023, to integrate current and future federally qualified trusts that chose to participate in the trust.

Section 128 is a new section requiring the Board to coordinate with the Department of Labor and Industries, and report to the Legislature, by January 1, 2023, on the coordination of essential health benefits for injured workers under the trust.

Sections 201 through 251 address assessments and revenues. For purposes of these sections, the “Department” is defined as the Department of Employment Security (ESD). Sections 202 and 203 add new sections to RCW 82.02 imposing, respectively, a health security assessment and a personal health assessment. Both assessments begin January 1, 2024. Section 250 authorizes DES’s Commissioner to adopt rules interpreting and implementing the provisions of this chapter.

Sections 301 through 322 address a capital gains assessment. Section 302 is a new section imposing an excise tax, beginning January 1, 2020, for the privilege of selling or exchanging long-term capital assets. Section 320 authorizes ESD and the Department of Revenue to adopt rules for the administration and enforcement of this act.

Section 402 provides various effective dates.

Section 403 provide a contingent effective date for Section 115.

Section 404 is a severability clause.

## **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.*

Cash receipts are assumed to equal the Legal Service Revolving Account (LSRA) cost estimates. These will be billed through the revolving account to the client agency.

The client agencies are ESD, UW, DOH and HCA. The AGO will bill all clients for legal services rendered.

These cash receipts represent the AGO’s authority to bill and are not a direct appropriation to the AGO. The direct appropriation is reflected in the client agencies’ fiscal note. Appropriation authority is necessary in the AGO budget.

### **AGO AGENCY ASSUMPTIONS:**

DOH will be billed:

FY 2020 and in each FY thereafter: 2.5 AAG and 1.25 LA at a cost of \$579,000

ESD will be billed:

FY 2021 and FY 2022: 0.50 AAG and 0.25 Legal Assistant (LA) at a cost of \$115,000.

FY 2023 and FY 2024: 1.0 AAG and 0.50 LA at a cost of \$232,000.

FY 2025 and in each FY thereafter: 5.11 AAG and 2.56 LA at a cost of \$1,183,000.

University of Washington will be billed:

FY 2020: 2.5 AAG at a cost of \$468,000.

FY 2021: 2.0 AAG at a cost of \$374,000.

FY 2022 and in each FY thereafter: 1.25 AAG at a cost of \$235,000.

HCA will be billed:

FY 2020 and in each FY thereafter: 0.5 AAG and 0.25 LA at a cost of \$115,000 in

## 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.*

AGO Agency Assumptions:

1. Except as provided in Section 402, this bill is assumed effective 90 days after the end of the 2019 legislative session.
2. This request does not include cost of living salary increases identified in the Governor's proposed 2019-21 budget.
3. The AGO Government Compliance & Enforcement (GCE) division has reviewed this bill and determined it will not significantly increase the division's workload in representing OIC. The majority of new work as a result from this bill will fall to DOH and DES. OIC will require advice from GCE concerning their role in considering possible solutions for long term care enrollees under new Section 108. GCE assumes that advice will be minimal and handled within existing resources. Costs are not included in this request.
4. The AGO Labor & Industries (LNI) division has reviewed this bill and determined it will not increase or decrease the division's workload in representing the Department of Labor & Industries (L&I). This bill only requires coordination between L&I and a newly created entity to provide a report to the governor and the legislature. New legal services are assumed to be nominal and costs are not included in this request.
5. The AGO Revenue & Finance (REV) division and the Solicitor General's Office have reviewed this bill and determined it will not significantly increase the division's workload in representing DOR. Although this bill will impose an excise tax on certain long-term capital gains, any challenge to the excise tax will be handled as part of the 50 to 70 new cases that REV typically receives each year. Consequently, new legal services are assumed to be nominal and costs are not included in this request.

Assumptions for the AGO Agriculture & Health (AHD) Legal Services for DOH and the Board:

1. The AGO will bill DOH for legal services based on the enactment of this bill.
2. This bill creates a statewide health financing entity available to all residents and some nonresidents. The AGO will be required to provide extensive advice interpreting the new law and promulgating rules and policies on many aspects of this complex new program, including: creation of the Board, creation of three advisory committees, establishment of an essential benefits package, seeking necessary waivers from federal and state agencies, establishment of premiums, procurement of data, claims, enrollment, and other IT systems, establishment of appeals procedures, negotiation of reimbursement rates with providers, negotiation of drug, equipment, and biologicals prices, establishment of a drug formulary, and many other areas.
3. This bill requires the AGO to represent the Board and/or DOH in potential litigation over procurement,



benefit eligibility, claims processing, provider reimbursement rates and utilization, and potential challenges to the substance of the law itself.

4. The AGO's fiscal impact assumptions are based principally on the 2018 Supplemental Budget Decision Package submitted to fund needed legal services for the newly created School Employees Benefits Board (SEBB). The legal services required for the implementation of the SEBB are similar, though likely smaller in scope given that the new Trust created under this bill would be statewide.

5. The SEBB Decision Package was based on the actual FTE levels for AAGs providing legal services to a comparable agency with similar duties, the Public Employees Benefits Board. Between June 2015 and June 2017, the routine legal work for the PEBB averaged 2.0 Assistant Attorney's General (AAG) FTEs that were strictly dedicated to advice and litigation, plus additional support from Paralegals (PL) for litigation. The AGO's assumptions are 2.5 AAGs, not 2.0, because of the broader scope of the program created under this bill and corresponding increased complexity.

6. The AGO assumes similar litigation costs as it assumed in the SEBB Decision Package. The AGO is anticipating that the Trust will perform several procurements for claims administration, enrollment, payment, and other IT systems. Based on experience with managed care procurements, litigation regarding health care procurement is document intensive, highly contested, and can span years. The cases are typically high exposure and complex litigation. For example:

\* A single case with a managed care organization that challenged a procurement in the Medicaid program recently accounted for 1.63 AAG and 1.47 PL over less than 18 months.

\* Class action litigation challenging the Uniform Medical Plan's medical policy for expensive Hepatitis C drugs accounted for 1.0 AAG and 0.26 PL over a 16-month period.

\* Defense of class action litigation challenging the Uniform Medical Plan's implementation of coverage decisions made by the State's Health Technology Clinical Committee (HTCC) accounted for 0.54 AAG and 0.23 PL in Fiscal Year 2017. The work on this case is ongoing.

7. The AGO will also represent the Board and/or DOH in administrative litigation over benefit eligibility, benefit claims, and payments. This anticipated litigation was also built into the SEBB decision package.

8. Total workload impact: 2.5 AAG and 1.25 LA at a cost of \$579,000 in FY 2020 and in each FY thereafter.

Assumptions for the AGO Licensing & Administrative Law (LAL) Legal Services for ESD:

1. The AGO will bill ESD for legal services based on the enactment of this bill.

2. It is anticipated that before performing substantial work requiring legal services on rulemaking or vendor contracting for implementing this law, ESD will await its completion of rulemaking for the paid family and medical leave law, on which rules for this new program would likely be partially based. Therefore, any new legal services relating to the enactment of this bill will be provided within existing resources in FY2020.

3. In FY2021 and 2022, LAL will assist with legal advice on vendor bid process development and review, contract negotiations, and assistance with rulemaking under Sections 202, 204, and 320—in coordination with

DOR and DOH.

4. In FY2023 and 2024, LAL will assist with legal advice on contract negotiations and contract management, rulemaking under Sections 202, 204, and 320 (in coordination with DOR and DOH), operational process development and review, and developing resources and providing training to staff in preparation for appeals assumed to begin in Spring 2024.

5. Beginning FY2025 and in each Fy thereafter, ESD anticipates 687 appeals per year from assessments issued under Sections 215 and 230.47, given the complexity of this program's three different revenue sources; each with different exemptions, rates, and impacted employers and employees. LAL will handle one-third of these appeals (assuming 230 appeals per year), requiring 40 hours of Assistant Attorney General (AAG) time per case. Legal services include, but is not limited to reviewing file, gathering and submitting exhibits and witness lists, hearing preparation, motions, briefing, hearing, and post-hearing communications and petitions.

3. Total workload impact:

FY 2021 and FY 2022: 0.50 AAG and 0.25 Legal Assistant (LA) at a cost of \$115,000.

FY 2023 and FY 2024: 1.0 AAG and 0.50 LA at a cost of \$232,000.

FY 2025 and in each FY thereafter: 5.11 AAG and 2.56 LA at a cost of \$1,183,000.

Assumptions for the AGO University of Washington (UOW) Legal Services for UW:

1. The AGO will bill UW for legal services based on the enactment of this bill.
2. FY 2020 (2.5 AAG) and FY 2021 (2.0 AAG): Legal services will include, but is not limited to advising UW on emerging employee benefits questions, deductions, HR questions, impact on collective bargaining agreements and other labor issues. Also, UOW will advise UW's healthcare enterprise (UW Medicine) on the implementation of the new plan.
3. FY 2022 and in each FY thereafter (1.25 AAG): Legal services will include, but is not limited to continuing advice on HR, employment, benefits, and labor questions. Also, continuing advice to UW Medicine.
4. Special Assistant Attorney General costs are assumed to be projected and funded to UW. UW is assumed to pay these costs without them filtering through the AGO's Legal Services Revolving Account.
5. Total workload impact:
  - FY 2020: 2.5 AAG at a cost of \$468,000.
  - FY 2021: 2.0 AAG at a cost of \$374,000.
  - FY 2022 and in each FY thereafter: 1.25 AAG at a cost of \$235,000.

Assumptions for the AGO Social & Health Services (SHO) Legal Services for HCA:

1. The AGO will bill HCA for legal services based on the enactment of this bill.
2. HCA has determined that they will likely need litigation and client advice support to implement this bill, but they do not know how much.

3. HCA has determined the agency's role is unclear in the bill. HCA is assumed to submit a fiscal note impact stating that the cost is indeterminate. However, AGO legal services projections are plausible and included in the AGO's fiscal note.
4. Based on the HCA's determination regarding their role in implementing this bill, there is a need for more AAG support throughout the implementation process and for any subsequent litigation.
5. The AGO projects HCA will require 0.5 AAG to support this bill.
6. Total workload impact: 0.5 AAG and 0.25 LA at a cost of \$115,000 in FY 2020 and in each Fy thereafter..

Note: Agency administration support FTEs are included in the tables below, using a Management Analyst 5 as a representative classification.

### Part III: Expenditure Detail

#### III. A - Operating Budget Expenditures

| Account         | Account Title                       | Type  | FY 2020   | FY 2021   | 2019-21   | 2021-23   | 2023-25   |
|-----------------|-------------------------------------|-------|-----------|-----------|-----------|-----------|-----------|
| 405-1           | Legal Services<br>Revolving Account | State | 1,162,000 | 1,183,000 | 2,345,000 | 2,205,000 | 3,273,000 |
| <b>Total \$</b> |                                     |       | 1,162,000 | 1,183,000 | 2,345,000 | 2,205,000 | 3,273,000 |

#### III. B - Expenditures by Object Or Purpose

|                                  | FY 2020   | FY 2021   | 2019-21   | 2021-23   | 2023-25   |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|
| FTE Staff Years                  | 8.4       | 8.6       | 8.5       | 8.1       | 12.2      |
| A-Salaries and Wages             | 752,000   | 765,000   | 1,517,000 | 1,420,000 | 2,104,000 |
| B-Employee Benefits              | 251,000   | 256,000   | 507,000   | 480,000   | 714,000   |
| C-Professional Service Contracts |           |           |           |           |           |
| E-Goods and Other Services       | 137,000   | 144,000   | 281,000   | 271,000   | 405,000   |
| G-Travel                         | 9,000     | 9,000     | 18,000    | 17,000    | 25,000    |
| J-Capital Outlays                | 13,000    | 9,000     | 22,000    | 17,000    | 25,000    |
| <b>Total \$</b>                  | 1,162,000 | 1,183,000 | 2,345,000 | 2,205,000 | 3,273,000 |

#### III. C - Operating FTE 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 2020 | FY 2021 | 2019-21 | 2021-23 | 2023-25 |
|----------------------------|---------|---------|---------|---------|---------|---------|
| Assistant Attorney General | 103,560 | 5.5     | 5.5     | 5.5     | 5.0     | 7.3     |
| Legal Assistant 3          | 51,004  | 1.5     | 1.8     | 1.6     | 1.9     | 3.0     |
| Management Analyst 5       | 77,614  | 1.4     | 1.4     | 1.4     | 1.2     | 1.8     |
| <b>Total FTEs</b>          |         | 8.4     | 8.6     | 8.5     | 8.1     | 12.2    |

#### III. D - Expenditures By Program (optional)

| Program   | FY 2020   | FY 2021   | 2019-21   | 2021-23   | 2023-25   |
|---|-----------|-----------|-----------|-----------|-----------|
| Agriculture & Health Division (AHD)             | 579,000   | 579,000   | 1,158,000 | 1,158,000 | 1,158,000 |
| Licensing & Administrative Law Division (LAL)   |           | 115,000   | 115,000   | 347,000   | 1,415,000 |
| Social & Health Services Olympia Division (SHO) | 115,000   | 115,000   | 230,000   | 230,000   | 230,000   |
| University of Washington Division (UOW)         | 468,000   | 374,000   | 842,000   | 470,000   | 470,000   |
| <b>Total \$</b>                                 | 1,162,000 | 1,183,000 | 2,345,000 | 2,205,000 | 3,273,000 |

### Part IV: Capital Budget Impact

NONE

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.*

None

# Individual State Agency Fiscal Note

|                             |                                     |   |
|-----------------------------|-------------------------------------|---|
| <b>Bill Number:</b> 5222 SB | <b>Title:</b> Whole WA health trust | <b>Agency:</b> 105-Office of Financial Management |
|-----------------------------|-------------------------------------|---|

## 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: Evan Klein | Phone: 786-7483       | Date: 01/17/2019 |
| Agency Preparation: Jim Jenkins | Phone: 360-902-0403   | Date: 01/23/2019 |
| Agency Approval: Aaron Butcher  | Phone: 360-902-0406   | Date: 01/23/2019 |
| OFM Review: Bryan Way           | Phone: (360) 902-0650 | Date: 01/24/2019 |

## 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.*

Sec. 105- The Office of Financial Management (OFM) is required to be a member of a finance committee, appointed by the whole Washington health trust board of trustees.

The finance committee shall recommend specific details for major budget decisions and for appropriations, taxes, and other funding legislation necessary to conduct the operations of the whole Washington health trust.

This work can be accomplished within current resources by temporarily reprioritizing workload.

### 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.*

### 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

## 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.*

# Individual State Agency Fiscal Note

|                             |                                     |   |
|-----------------------------|-------------------------------------|---|
| <b>Bill Number:</b> 5222 SB | <b>Title:</b> Whole WA health trust | <b>Agency:</b> 107-Washington State Health Care Authority |
|-----------------------------|-------------------------------------|---|

**Part I: Estimates**

No Fiscal Impact

**Estimated Cash Receipts to:**

**Non-zero but indeterminate cost. Please see discussion.**

**Estimated Operating Expenditures from:**

**Non-zero but indeterminate cost. Please see discussion.**

*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: Evan Klein    | Phone: 786-7483       | Date: 01/17/2019 |
| Agency Preparation: Crystal Lester | Phone: 360-725-1447   | Date: 02/11/2019 |
| Agency Approval: Rene Newkirk      | Phone: 360-725-1307   | Date: 02/11/2019 |
| OFM Review: Robyn Williams         | Phone: (360) 902-0575 | Date: 02/12/2019 |

## **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.*

Please 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.*

Please see attached narrative.

### **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.*

Please see attached narrative.

## **Part III: Expenditure Detail**

## **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.*

Please see attached narrative.



# HCA Fiscal Note

Bill Number: SB 5222

HCA Request #: 19-16

## Part II: Narrative Explanation

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

This bill creates the Whole Washington Health Trust (Trust) within the Washington State Department of Health (DOH) to ensure all Washington residents can enroll in nonprofit health insurance coverage providing an essential set of health benefits.

Section 109 directs the Health Care Authority (HCA) to provide staff support to the Board of Trustees (Board). It is assumed that this staff support will extend to activities of the three standing committees of the Board and any special committees created by the Board. The Board will establish a single comprehensive essential benefits package covering essential health benefits to be financed by the Trust, seek all necessary waivers so that current federal and state payments for health services to residents will be paid directly to the Trust, and establish premiums necessary to operate the Trust.

Section 113 directs HCA to determine the state and federal laws that need to be repealed, amended, or waived to implement the Trust.

Section 113(3) directs HCA beginning November 15, 2020, to submit annual progress reports regarding the development of the waiver applications. The report due in 2021 must include a list of any statutory changes necessary to implement the waivers.

Section 115 directs HCA to apply to the U.S. Department of Health and Human Services (DHHS) for a waiver from the provisions of the Federal Patient Protection and Affordable Care Act (ACA) to:

- (a) suspend the operation of the Washington Health Benefit Exchange (HBE);
- (b) enable the state to receive appropriate federal funding in lieu of the federal premium tax credits, federal cost-sharing subsidies, and other federal payments and tax credits resulting from current HBE operations.

Section 402 states that Section 109 and 113 take effect March 1, 2020.

Section 403 states that Section 115 takes effect when fifty-one percent of residents are enrolled in health insurance coverage managed by HCA, an entity within HCA, or the Trust Board.

### II. B - Cash Receipts Impact

Indeterminate.

### II. C – Expenditures

Indeterminate.

HCA assumes the board support and waiver work will begin July 1, 2019, the waiver will be submitted to the DHHS by January 1, 2021, and DHHS will take between three to twelve months to review and make a determination on the waiver.

Currently, there are no federal guidelines or established processes for requesting such a waiver. HCA expects the need for dedicated professional staff resources with in-depth knowledge of relevant federal laws, regulations, and procedures to engage with the DHHS to develop a waiver that would be viable for consideration and approval. In addition, given the comprehensiveness of the waiver's scope, HCA

## HCA Fiscal Note

Bill Number: SB 5222

HCA Request #: 19-16

anticipates the need for actuarial analyses for purposes of establishing cost neutrality and meeting other requirements that DHHS may impose.

### **Assumptions:**

- 1.0 Substantial agency resources will be required to conduct the research, development, submission, and negotiation of waivers and other processes at the federal and state level to implement these changes.
- 2.0 There will need to be revisions to the Affordable Care Act at the federal level – as well as their impact on development work toward a waiver -- in the next year which are unknown.
- 3.0 Recent experience in development and negotiations with the federal government on the State Health Care Innovation Plan, Health Homes Initiative, and the Medicaid Transformation Demonstration Project provide benchmarks for resource costs/fiscal impacts for the submission of a waiver to the federal government. This bill calls for obtaining a waiver for provisions of the Medicare Statute, the Medical Assistance Statute, Title XIX of the Federal Social Security Act, the US Public Health Services Act, and the Children's Health Insurance Program, along with negotiating with federal agencies and Congress to review and amend programs and revenue code to align with this program's needs. Resource costs for this work are likely to be 3-4 times greater than those incurred for previous initiatives and waivers, which involved a single agreement with the federal government.
- 4.0 Under the assumption that the Public Employees Benefit Board (PEBB) and School Employees Benefit Board (SEBB) continues its current operations in HCA under this bill, the impact is contained in the provisions that by 11/1/2021, the PEBB Program will contract with the Board in order to enroll residents who are eligible for essential health benefits coverage through a state health program (section 112 subsection 7). In this case, the Trust would not eliminate or replace the coverage received by PEBB and SEBB enrollees, who would access the Trust only on a voluntary basis as secondary coverage.
- 5.0 Upon the suspension of HBE, HCA is authorized to use the existing HBE resources to facilitate residents' ability to compare and purchase supplemental health insurance.
  - If CMS does not approve a waiver of federal medical assistance provisions to fully implement this legislation of the statute The healthplanfinder will need to be maintained to continue enrolling Medicaid applicants or substantial resources will be needed to do so manually.

### **Part IV: Capital Budget Impact**

None.

### **Part V: New Rule Making Required**

New rules may be required by HCA with the establishment of the Trust and to meet conditions of the waiver identified in the bill.

# HBE Fiscal Note

Bill Number: 5222 SB

HCA Request #: 19-03-01

## Part II: Narrative Explanation

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

This bill creates a new entity within the Department of Health, the Whole Washington Health Trust (Trust), to provide a set of essential health benefits to all residents of Washington State.

The Trust's board would establish a benefit package of health services which must constitute minimum essential coverage. These benefits would be secondary to private health insurance coverage. Additionally, the board would be required to contract for an effective enrollment mechanism.

Section 112 requires the board to establish premiums and cost-sharing for eligible individuals enrolled in the new benefits package which would be offered through the Health Benefit Exchange (Exchange) and collect such premiums from eligible enrollees. If an individual is eligible for premium subsidies or cost-sharing reductions, as defined by the Affordable Care Act (ACA), then premium and cost-sharing amounts for trust coverage may not exceed such amounts.

This section would require an entity in the state to assess eligibility for APTC and CSRs under the ACA, currently the function of the Exchange. While not definitive, this section suggests that the Exchange may be required to facilitate enrollment into coverage through the trust until a coverage threshold is met (see Sec 403).

Section 115 requires the Health Care Authority (HCA) to submit a 1332 waiver with Health and Human Services which suspends the operation of the Exchange. This would require the Exchange to shutdown current systems and facilitate any transfer of information or infrastructure as required by an approved waiver.

Section 112 directs all premiums and assessment payments associated with Trust plans to be collected by the trust and deposited in a new benefits account created in section 123.

Section 403 indicates that section 115 is effective when fifty-one percent of Washington residents are enrolled in coverage managed by the either the Health Care Authority, an entity within the Health Care Authority, or the Whole Washington Health Trust Board. At such time, the HCA would be required to submit a waiver suspending Exchange operations.

### II. B - Cash Receipts Impact

Indeterminate. If the Exchange suspended operations, The Exchange's Health Benefit Exchange Account (Fund 17T) would no longer collect revenue from Qualified Health Plans (QHP) and Qualified Dental Plans (QDP). This revenue is made up of the 2 percent premium tax and the carrier assessment collected on all QHP and QDP currently offered on the Exchange. Actual revenue impacts would be dependent on when the Exchange suspended operations and when Qualified Health Plans and Qualified Dental Plans were no longer offered on the Exchange's Healthplanfinder platform. Currently, the Exchange is estimated to bring in \$33.7M in revenue for Fund 17T in FY2020.

### II. C - Expenditures

Indeterminate. Offering the Trust's essential health benefits package on the exchange would likely require functionality changes to provide consumers with a shopping experience showing and allowing

## HBE Fiscal Note

Bill Number: 5222 SB

HCA Request #: 19-03-01

enrollment into both Trust plans and QHP coverage, as the bill does not prohibit dual enrollment. Additionally, changes to eligibility determination systems would be required to account for Advanced Premium Tax Credit/Cost Share Reduction (APTC/CSR) eligibility and new Trust eligibility standards.

As specified in section 403, at such time that fifty-one percent of Washington residents are enrolled in coverage managed by the either the Health Care Authority, an entity within the Health Care Authority, or the Whole Washington Health Trust Board, the Health Care Authority shall submit a 1332 waiver with Health and Human Services which suspends the operation of the Exchange. This would require the Exchange to shutdown current systems and facilitate any transfer of information or infrastructure as required by an approved waiver.

If the Health Care Authority receives approval the required waiver identified in section 115, the Exchange would suspend operations resulting in costs for an organization and systems shut down. The actuals costs to suspend operations would be dependent on the waiver approval date, the final suspension of activities schedule, and identifying which Exchange resources would continue to be utilized by the Trust or HCA for ongoing enrollment and eligibility activities in Washington State.

### **Part IV: Capital Budget Impact**

None.

### **Part V: New Rule Making Required**

None.

# Individual State Agency Fiscal Note

|                             |                                     |  |
|-----------------------------|-------------------------------------|--|
| <b>Bill Number:</b> 5222 SB | <b>Title:</b> Whole WA health trust | <b>Agency:</b> 110-Office of Administrative Hearings |
|-----------------------------|-------------------------------------|--|

## Part I: Estimates

No Fiscal Impact

### Estimated Cash Receipts to:

| ACCOUNT  | FY 2020 | FY 2021 | 2019-21 | 2021-23 | 2023-25 |
|--|---------|---------|---------|---------|---------|
| Administrative Hearings Revolving<br>Account-State 484-1 |         |         |         |         | 517,446 |
| <b>Total \$</b>  |         |         |         |         | 517,446 |

### Estimated Operating Expenditures from:

|  | FY 2020 | FY 2021 | 2019-21 | 2021-23 | 2023-25 |
|--|---------|---------|---------|---------|---------|
| FTE Staff Years  | 0.0     | 0.0     | 0.0     | 0.0     | 2.1     |
| <b>Account</b>   |         |         |         |         |         |
| Administrative Hearings Revolving<br>Account-State 484-1 | 0       | 0       | 0       | 0       | 517,446 |
| <b>Total \$</b>  | 0       | 0       | 0       | 0       | 517,446 |

*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: Evan Klein       | Phone: 786-7483       | Date: 01/17/2019 |
| Agency Preparation: Deborah Feinstein | Phone: 360-407-2717   | Date: 02/13/2019 |
| Agency Approval: Deborah Feinstein    | Phone: 360-407-2717   | Date: 02/13/2019 |
| OFM Review: Bryan Way                 | Phone: (360) 902-0650 | Date: 02/15/2019 |

## 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.

This legislation creates a single nonprofit health financing entity called the Whole Washington Health Trust. Part II of the legislation is on assessments and revenues including appeal processes.

### 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.

As a central service agency, OAH bills referring agencies for its costs and collects the revenue into the Administrative Hearings Revolving Account. Cash receipts are assumed to equal costs. OAH will bill the Employment Security Department (ESD) for the costs related to this proposed legislation.

These cash receipts represent the OAH's authority to bill and are not a direct appropriation to OAH. Appropriation authority is necessary in OAH's budget.

### 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.

The Department of Employment Security estimates there to be about 687 appeals per year beginning in FY 2025. These are complex appeals and are projected to take about 5 administrative law judge hours per appeal plus supervisory, support and administrative staff time.

#### Workforce Assumptions:

- \* Ratio of 1 line ALJ to .15 Senior ALJ to 0.5 legal support to 0.25 administrative support.
- \* Average ALJ salary for line ALJ and senior ALJ used
- \* Legal support staff assumed to be Legal Assistant 2 - range 40 step L.
- \* Administrative support used a representative class of Management Analyst 4 - range 58 step L.
- \* Benefit rates were analyzed by job class using SPS data.
- \* Goods and services, travel and on-going capital outlays were projected based on historical data for each of the job classes.

#### Total Workload Impact:

FY 2025 and each fiscal year thereafter: 2.15 Administrative Law Judge at a cost of \$305,515; 0.32 Senior Administrative Law Judge at a cost of \$52,092; 1.08 Legal Assistant 2 at a cost of \$95,323. Agency administrative support is included using 0.54 FTE of a Management Analyst 4 as a representative at a cost of \$64,516. Total cost: \$ 517,446.

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

| Account         | Account Title                             | Type  | FY 2020 | FY 2021 | 2019-21 | 2021-23 | 2023-25 |
|-----------------|---|-------|---------|---------|---------|---------|---------|
| 484-1           | Administrative Hearings Revolving Account | State | 0       | 0       | 0       | 0       | 517,446 |
| <b>Total \$</b> |   |       | 0       | 0       | 0       | 0       | 517,446 |

**III. B - Expenditures by Object Or Purpose**

|                                      | FY 2020 | FY 2021 | 2019-21 | 2021-23 | 2023-25 |
|--------------------------------------|---------|---------|---------|---------|---------|
| FTE Staff Years                      |         |         |         |         | 2.1     |
| A-Salaries and Wages                 |         |         |         |         | 315,734 |
| B-Employee Benefits                  |         |         |         |         | 111,337 |
| C-Professional Service Contracts     |         |         |         |         |         |
| E-Goods and Other Services           |         |         |         |         | 81,700  |
| G-Travel                             |         |         |         |         | 3,773   |
| J-Capital Outlays                    |         |         |         |         | 4,902   |
| M-Inter Agency/Fund Transfers        |         |         |         |         |         |
| N-Grants, Benefits & Client Services |         |         |         |         |         |
| P-Debt Service                       |         |         |         |         |         |
| S-Interagency Reimbursements         |         |         |         |         |         |
| T-Intra-Agency Reimbursements        |         |         |         |         |         |
| 9-                                   |         |         |         |         |         |
| <b>Total \$</b>                      | 0       | 0       | 0       | 0       | 517,446 |

**III. C - Operating FTE 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 2020 | FY 2021 | 2019-21 | 2021-23 | 2023-25 |
|---------------------------------|---------|---------|---------|---------|---------|---------|
| Administrative Law Judge        | 90,000  |         |         |         |         | 1.1     |
| Legal Assistant 2               | 46,188  |         |         |         |         | 0.5     |
| Management Analyst 4            | 72,036  |         |         |         |         | 0.3     |
| Senior Administrative Law Judge | 105,000 |         |         |         |         | 0.2     |
| <b>Total FTEs</b>               |         |         |         |         |         | 2.1     |

**Part IV: Capital Budget Impact**

NONE

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.*

None.

# Department of Revenue Fiscal Note

|                             |                                     |  |
|-----------------------------|-------------------------------------|--|
| <b>Bill Number:</b> 5222 SB | <b>Title:</b> Whole WA health trust | <b>Agency:</b> 140-Department of Revenue |
|-----------------------------|-------------------------------------|--|

## Part I: Estimates

No Fiscal Impact

### Estimated Cash Receipts to:

| Account  | FY 2020 | FY 2021       | 2019-21       | 2021-23       | 2023-25       |
|--|---------|---------------|---------------|---------------|---------------|
| GF-STATE-State<br>01 - Taxes 05 - Bus and Occup Tax                    |         | (35,300,000)  | (35,300,000)  | (84,200,000)  | (89,300,000)  |
| Reserve Acct - Source Capital Gains-State<br>00 - 00 -                 |         | 1,091,700,000 | 1,091,700,000 | 2,618,100,000 | 2,775,000,000 |
| Reserve Acct - Source Health Security<br>Assessment-State<br>00 - 00 - |         |               |               |               | 4,117,300,000 |
| Reserve Acct - Source Self Employment Excise<br>Tax-State<br>00 - 00 - |         |               |               | 6,400,000     | 14,200,000    |
| <b>Total \$</b>  |         | 1,056,400,000 | 1,056,400,000 | 2,540,300,000 | 6,817,200,000 |

### Estimated Expenditures from:

| Account         | FY 2020   | FY 2021    | 2019-21    | 2021-23    | 2023-25    |
|-----------------|-----------|------------|------------|------------|------------|
| FTE Staff Years | 30.3      | 85.1       | 57.7       | 83.0       | 108.1      |
| NEW-State NEW-1 | 4,349,900 | 10,765,000 | 15,114,900 | 20,199,800 | 21,041,600 |
| <b>Total \$</b> | 4,349,900 | 10,765,000 | 15,114,900 | 20,199,800 | 21,041,600 |

### Estimated Capital Budget Impact:

NONE

*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: Evan Klein    | Phone: 786-7483       | Date: 01/17/2019 |
| Agency Preparation: Sara del Moral | Phone: 360-534-1525   | Date: 02/27/2019 |
| Agency Approval: Kim Davis         | Phone: 360-534-1508   | Date: 02/27/2019 |
| OFM Review: Kathy Cody             | Phone: (360) 902-9822 | Date: 02/27/2019 |

Request # 5222-1-1



## 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.*

#### HEALTH SECURITY ASSESSMENT AND SELF-EMPLOYMENT EXCISE TAX

##### CURRENT LAW:

There is no Washington State entity that provides health coverage for all Washington residents. There are no assessments or taxes generating funds allocated to such an entity.

##### PROPOSAL:

The Whole Washington Health Trust (trust) is created within the Department of Health, for the purpose of providing health coverage for all Washington residents.

The Health Security Assessment is imposed upon employers and sole proprietors. The assessment equals 10.5 percent of employee wages, and is administered by the Department of Revenue.

- Firms with fewer than 50 employees may apply to the Department for a waiver or reduction in the Health Security Assessment.

- Each employer that offers its employees affordable minimum essential coverage, as defined by the federal Patient Protection and Affordable Care Act, may apply to the Department of Revenue for an exemption.

- Similarly, sole proprietors may apply for an exemption from the Personal Health Assessment, if they are enrolled minimum essential coverage, as defined by the federal Patient Protection and Affordable Care Act.

Exemptions are also provided for:

- Individuals age 18 or younger.
- Individuals with dual eligibility for Medicare and Medicaid.
- Native Americans who choose not to enroll in the trust.

##### EFFECTIVE DATE:

January 1, 2024

##### PROPOSAL:

An excise tax is imposed upon sole proprietors. The tax equals 2 percent of adjusted net earnings from self-employment, and is administered by the Department of Revenue.

##### EFFECTIVE DATE:

January 1, 2022

#### CAPITAL GAINS TAX

##### CURRENT LAW:

There is no capital gains tax under current law.

##### PROPOSAL:

Beginning January 1, 2020, a tax is imposed on all individuals for the privilege of selling or exchanging long-term capital assets, or of receiving Washington capital gains. The tax equals 8.5 percent multiplied by the individual's Washington capital gains, and is applied to long-term net capital gains above \$15,000.

Each taxpayer with long-term net capital gains or net self-employment income above \$15,000 must file a return with the Department of Revenue.

The capital gains tax does not apply to gains from the sale or exchange of the following:

- Any residential dwelling with three or fewer units.
- Retirement accounts.

- Assets subject to eminent domain or the imminent threat of eminent domain.
- Cattle, horses, or breeding livestock held for more than 12 months by qualifying farmers.
- Agricultural land by an individual who has regular, continuous, and substantial involvement in the agriculture under the criteria for material participation in Internal Revenue Code (IRC) section 469(h) for the 10 years prior to the date of the sale or exchange.
- Property used in a business if the property qualifies for an income tax deduction under IRC sections 167 or 179.
- Timber and timberland, including the cutting or disposal of timber qualifying for capital gains treatment under IRC section 631(a) or (b). This exemption also applies to the receipt of Washington capital gains as dividends and distributions from real estate investment trusts derived from gains from the sale or exchange of timber or timberland.

Rules of allocation:

- Adjusted capital gains from the sale or exchange of real property are allocated to this state if the real property or a majority of the fair market value of the real property is located in this state at the time of sale or exchange.
- Adjusted capital gains from the sale or exchange of tangible personal property are allocated to this state if either:
  1. The property was located in this state at the time of the sale or exchange; or
  2. The property was not located in this state at the time of the sale or exchange but:
    - a. The property was located in the state at any time during the taxable year in which the sale or exchange occurred or the immediately preceding taxable year;
    - b. The taxpayer was a Washington resident at the time of the sale or exchange; and
    - c. The taxpayer is not subject to the payment of an income or excise tax on the adjusted capital gains to another jurisdiction.
- Adjusted capital gains from the sale or exchange of intangible personal property are allocated to this state if the taxpayer was domiciled in this state at the time of sale or exchange.

Individuals are allowed a credit equal to the amount of tax paid to another taxing jurisdiction on capital gains derived from sources within the other taxing jurisdiction to the extent the capital gains are included in the measure of the Washington capital gains tax.

A business and occupation (B&O) tax deduction is created to avoid taxing the same amounts under both the B&O and capital gains taxes.

Washington capital gains tax returns and payments are due at the same time that the taxpayer's federal income tax return for the taxable year is due. Individuals receiving a federal tax filing extension also qualify for a state capital gains tax filing extension, but the tax is still due on the original filing date.

A statutory deduction is provided for amounts that the state is prohibited from taxing under federal law or the constitutions of the United States or state of Washington.

EFFECTIVE DATE

January 1, 2020

MISCELLANEOUS PROVISIONS

The tax preferences in this legislation are subject to the transparency and 10-year expiration date provisions of RCW 82.32.805 and 82.32.808.

Revenues derived from the Health Security Assessment and the capital gains tax are deposited into the following accounts, which are created under this legislation:

- Reserve Account.
- Benefits Account.

## 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.*

### CAPITAL GAINS TAX

#### ASSUMPTIONS:

Approximately 80,000 taxpayers pay capital gains taxes for taxes due in 2021.

- The law takes effect on January 1, 2020, and the first annual returns are due April 15, 2021.
- No estimated payments or withholdings are made during the year.
- Compliance is 90 percent in the first year and 95 percent thereafter.
- Capital gains (CG) adjustment & growth rate: We assume the base year CG is equal to the 10-year average CG.
- Growth rate in CG, 10-year average: We assume the growth rate is the lesser of the following two values:
  - 1) The average growth rate for 10-year avg. CG for the last 10 years, and
  - 2) The growth rate predicted using the growth rates for 10-year average equities.

Approximately 50% of capital gains subject to this tax are also taxable under the B&O tax, and therefore qualify for a deduction.

Five percent of pass-through gains/losses reported as capital gains to the IRS qualify for an exemption.

- All capital gains resulting from sales of residences are exempted.
- Tax preferences expire on January 1, 2031.

#### DATA SOURCES:

- Internal Revenue Service (IRS) - Personal income tax returns data, Federal Tax Year 2016, source for capital gains amounts.
- IRS / Statistics of Income (SOI) - Capital gains summary statistics, 2010 to 2012, source for asset types yielding CG.
- Department of Revenue - Business & occupation tax summary statistics, 2017, source for industry types
- I.H.S. / Global Insights, November 2018 forecast, source for equities growth rate
- Office of Financial Management population growth forecast, November 2017, source for returns growth rate

### HEALTH SECURITY ASSESSMENT

#### ASSUMPTIONS:

Approximately 46,000 firms pay the assessment in fiscal year 2024.

- The law takes effect on January 1, 2024, and the first monthly returns are due February 20, 2024.
- Compliance is 90 percent in the first year and 95 percent thereafter.

Half of all firms with fewer than 50 employees receive the Financial Hardship Waiver until it expires.

The maximum wages subject to an assessment Section 201(21) are assumed to be greater than the wages paid by each taxpayer.

- Each firm has at least one part-time employee.
- Workers with dual eligibility for Medicare and Medicaid make up 1 percent of the workforce.
- Self-employed individuals do not receive wages; therefore, they are not subject to the assessment.
- All revenues are deposited to the Reserve Account.
- Tax preferences expire on January 1, 2035.

#### DATA SOURCES:

- Employment Security Department (ESD) wage data, 2017, source for firm counts and total wages.
- ESD Employee Benefits Report, 2013, source for percent of firms offering health insurance.
- U.S. Bureau of Labor Statistics, Current Population Survey, 2018, source for percentage of workers that are part-time or full-time.
- Economic Revenue & Forecast Council, Sep. 2018 forecast, source for income growth rate.
- Office of Financial Management population growth forecast, November 2017, source for returns growth rate
- U.S. Equal Employment Opportunity Commission, American Indians and Alaskan Natives in the American Workforce.

SELF-EMPLOYMENT EXCISE TAX

ASSUMPTIONS:

Beginning in fiscal year 2023, approximately:

- 13,000 individuals file.
- 10,000 individuals pay the tax.
- The law takes effect on January 1, 2022, and the first annual returns are due April 15, 2023.
- No estimated payments or withholdings are made during the year.
- Compliance is 90 percent in the first year and 95 percent thereafter.

Adjusted net earnings from self-employment are calculated from the net earnings from self-employment by taking the following steps:

- Subtract \$15,000.
- Reduce the result by 25 percent.
- The minimum possible value for “adjusted net earnings from self-employment” is zero.

The effective federal tax rate for self-employment earnings, on average across all taxpayers, is 12.8 percent.

- All revenues are deposited to the Reserve Account.
- Tax preferences expire on January 1, 2033.

DATA SOURCES:

- Internal Revenue Service (IRS) - Personal income tax returns data, Federal Tax Year 2016, source for self-employment tax amount and total income.
- U.S. Census Bureau, Health Insurance in the United States: 2017, source for percentage of people who are uninsured.
- ThisMatter.com, source for effective tax rate on self-employment income.
- Economic Revenue & Forecast Council, Sep. 2018 forecast, source for income growth rate.
- Office of Financial Management population growth forecast, November 2017, source for returns growth rate

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

|           |    |           |
|-----------|----|-----------|
| FY 2020 - | \$ | 0         |
| FY 2021 - | \$ | 1,056,400 |
| FY 2022 - | \$ | 1,248,500 |
| FY 2023 - | \$ | 1,291,800 |
| FY 2024 - | \$ | 2,471,400 |
| FY 2025 - | \$ | 4,345,800 |

LOCAL GOVERNMENT IMPACT: None.

**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.*

ASSUMPTIONS:

Part II - Health Security Assessment and Personal Health Assessment

- The Department will coordinate with the Employment Security Department to identify impacted taxpayers, create return expectations, verify information provided on exemption waiver requests, and verify reporting.

### Section 202 - Health Security Assessment (HSA)

- 47,300 firms will apply for exemption from the HSA as they are already providing for affordable minimum essential coverage as found in Section 114.
- 42,000 firms that would be subject to the HSA will apply for the hardship waiver found in Section 202(4).
- 46,000 firms paying wages will report the HSA.

### Section 203 - Personal Health Assessment (PHA)

- 120,000 sole proprietors will apply for exemption from the PHA as they are already providing for affordable minimum essential coverage as found in Section 114.
- 10,000 sole proprietors will be report the PHA.

### Part III - Capital Gains Assessment

- 80,000 taxpayers will be affected by Part III of this legislation.
- Taxpayers will not be required to make estimated payments.

### FIRST YEAR COSTS:

The Department will incur total costs of \$4,350,100 in Fiscal Year 2020. These costs include:

Labor Costs - Time and effort equates to 30.3 FTEs.

#### Part II - Health Security Assessment and Personal Health Assessment

- Provide technical advice, interpretation and analysis during the implementation process.
- Program, setup, test and verify computer systems to accept taxpayer applications for exemptions and hardship waivers, returns and other required information and process reporting information for collection, audit, and refund purposes.
- Update and maintain hard copy and online educational and informational materials.
- Create a special notice and update website and published information.
- Respond to letter ruling requests and email inquiries.
- Hear additional administrative reviews.
- Adopt three new administrative rules.
- Amend one administrative rule.

#### Part III - Capital Gains Assessment

- Provide technical advice, interpretation and analysis during the implementation process.
- Program, setup, test and verify computer systems to accept taxpayer returns and other required information and process reporting information for collection, audit, and refund purposes.
- Answer phone calls and counter inquiries on tax questions and tax return preparation from businesses, individuals, and accountants.
- Update and maintain hard copy and online educational and informational materials.
- Create a special notice and update website and published information.
- Respond to letter ruling requests and email inquiries.
- Adopt two new administrative rules.

Object Costs - \$1,230,200.

#### Part II - Health Security Assessment and Personal Health Assessment

- Contract computer system programming.
- Purchase additional server equipment.

- Acquire informational brochures for field offices.

Part III - Capital Gains Assessment

- Contract computer system programming.
- Purchase additional server equipment.
- Print and mail a special notice to affected taxpayers.
- Print and mail returns, assessments, penalty waivers, amended returns, refunds, and correspondence.

SECOND YEAR COSTS:

The Department will incur total costs of \$10,765,000 in Fiscal Year 2021. These costs include:

Labor Costs - Time and effort equates to 85.1 FTEs.

Part II - Health Security Assessment and Personal Health Assessment

- Provide technical advice and interpretation services.
- Ongoing programming and testing of computer systems.
- Answer phone calls and counter inquiries on tax questions and tax return preparation from businesses, individuals, and accountants.
- Update and maintain hard copy and online educational and informational materials.
- Respond to letter ruling requests and email inquiries.
- Establish new reporting accounts.
- Create new paper applications, design/develop new templates and forms and redesign paper tax returns.
- Process exemption and hardship applications, process paper correspondence, respond to web messages, correspond with taxpayers, answer telephone questions and assist taxpayers with filing applications.
- Hear additional administrative reviews.
- Increase in human resource and administrative functions to service new employees.

Part III - Capital Gains Assessment

- Provide technical advice and interpretation services.
- Ongoing programming and testing of computer systems.
- Answer phone calls and counter inquiries on tax questions and tax return preparation from businesses, individuals, and accountants.
- Update and maintain hard copy and online educational and informational materials.
- Respond to letter ruling requests and email inquiries.
- Establish new reporting accounts for capital gains taxpayers.
- Process paper returns and associated work items.
- Resolve error and out of balance returns, conduct desk audits, prepare refunds and assessments.
- Collect delinquent assessments as a result of return errors.
- Hear additional administrative reviews.

Object Costs - \$3,121,900.

Part II - Health Security Assessment and Personal Health Assessment

- Contract computer system programming.
- Purchase additional server equipment.
- Acquire informational brochures for field offices.
- Print and mail a special notice to sole proprietors who do not file returns electronically.

- Acquired additional agent seat licenses for the Telephone Information Center.

Part III - Capital Gains Assessment

- Contract computer system programming.
- Purchase additional server equipment.
- Printing and mailing returns, assessments, penalty waivers, amended returns, refunds, and correspondence.
- Legal assistance from the Office of the Attorney General.

THIRD YEAR COSTS:

The Department will incur total costs of \$11,159,800 in Fiscal Year 2022. These costs include:

Labor Costs - Time and effort equates to 83.7 FTEs.

Part II - Health Security Assessment and Personal Health Assessment

- Provide technical advice and interpretation services.
- Ongoing programming and testing of computer systems.
- Answer phone calls and counter inquiries on tax questions and tax return preparation from businesses, individuals, and accountants.
- Update and maintain hard copy and online educational and informational materials.
- Respond to letter ruling requests and email inquiries.
- Establish new reporting accounts.
- Create new paper applications, design/develop new templates and forms and redesign paper tax returns.
- Process exemption and hardship applications, process paper correspondence, respond to web messages, correspond with taxpayers, answer telephone questions and assist taxpayers with filing applications.
- Hear additional administrative reviews.
- Increase in human resource and administrative functions to service new employees.

Part III - Capital Gains Assessment

- Provide technical advice and interpretation services.
- Ongoing programming and testing of computer systems.
- Answer phone calls and counter inquiries on tax questions and tax return preparation from businesses, individuals, and accountants.
- Update and maintain hard copy and online educational and informational materials.
- Respond to letter ruling requests and email inquiries.
- Establish new reporting accounts for capital gains taxpayers.
- Process paper returns and associated work items.
- Resolve error and out of balance returns, conduct desk audits, prepare refunds and assessments.
- Collect delinquent assessments as a result of return errors.
- Hear additional administrative reviews.

Object Costs - \$4,106,500.

Part II - Health Security Assessment and Personal Health Assessment

- Contract computer system programming.
- Purchase additional server equipment.
- Acquire informational brochures for field offices.

Part III - Capital Gains Assessment

- Contract computer system programming.
- Purchase additional server equipment.
- Printing and mailing returns, assessments, penalty waivers, amended returns, refunds, and correspondence.
- Legal assistance from the Office of the Attorney General.

FOURTH YEAR COSTS:

The Department will incur total costs of \$9,040,000 in Fiscal Year 2023. These costs include:

Labor Costs - Time and effort equates to 82.3 FTEs.

Part II - Health Security Assessment and Personal Health Assessment

- Provide technical advice and interpretation services.
- Ongoing programming and testing of computer systems.
- Answer phone calls and counter inquiries on tax questions and tax return preparation from businesses, individuals, and accountants.
- Update and maintain hard copy and online educational and informational materials.
- Respond to letter ruling requests and email inquiries.
- Establish new reporting accounts.
- Process exemption and hardship applications, process paper correspondence, respond to web messages, correspond with taxpayers, answer telephone questions and assist taxpayers with filing applications.
- Process Personal Health Assessment returns from sole proprietors.
- Review and prepare complex refunds, issue assessments, respond to web messages, correspond and assist taxpayers with reporting, conduct account examinations, monitor reports and prepare statistics.
- Collect delinquent assessments as a result of return errors.
- Hear additional administrative reviews.
- Increase in human resource and administrative functions to service new employees.

Part III - Capital Gains Assessment

- Provide technical advice and interpretation services.
- Ongoing programming and testing of computer systems.
- Answer phone calls and counter inquiries on tax questions and tax return preparation from businesses, individuals, and accountants.
- Update and maintain hard copy and online educational and informational materials.
- Respond to letter ruling requests and email inquiries.
- Establish new reporting accounts for capital gains taxpayers.
- Process paper returns and associated work items.
- Resolve error and out of balance returns, conduct desk audits, prepare refunds and assessments.
- Collect delinquent assessments as a result of return errors.
- Hear additional administrative reviews.

Object Costs - \$2,117,500.

Part II - Health Security Assessment and Personal Health Assessment

- Contract computer system programming.
- Purchase additional server equipment.
- Acquire informational brochures for field offices.



- Print and mail a special notice to employers subject to the HSA.
- Print and mail tax returns to taxpayers who not file returns electronically.
- Acquired additional agent seat licenses for the Telephone Information Center.

Part III - Capital Gains Assessment

- Contract computer system programming.
- Purchase additional server equipment.
- Print and mail returns, assessments, penalty waivers, amended returns, refunds, and correspondence.

**Part III: Expenditure Detail**

**III. A - Expenditures by Object Or Purpose**

|                                  | FY 2020            | FY 2021             | 2019-21             | 2021-23             | 2023-25             |
|----------------------------------|--------------------|---------------------|---------------------|---------------------|---------------------|
| FTE Staff Years                  | 30.3               | 85.1                | 57.7                | 83.0                | 108.1               |
| A-Salaries and Wages             | 1,979,900          | 4,824,600           | 6,804,500           | 9,110,300           | 12,032,200          |
| B-Employee Benefits              | 593,900            | 1,447,500           | 2,041,400           | 2,733,300           | 3,610,100           |
| C-Professional Service Contracts | 1,000,000          | 3,000,000           | 4,000,000           | 6,000,000           | 2,000,000           |
| E-Goods and Other Services       | 499,500            | 1,051,700           | 1,551,200           | 1,907,200           | 2,621,400           |
| G-Travel                         |                    | 1,000               | 1,000               | 23,100              | 112,500             |
| J-Capital Outlays                | 276,600            | 440,200             | 716,800             | 425,900             | 665,400             |
| <b>Total \$</b>                  | <b>\$4,349,900</b> | <b>\$10,765,000</b> | <b>\$15,114,900</b> | <b>\$20,199,800</b> | <b>\$21,041,600</b> |

**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 2020 | FY 2021 | 2019-21 | 2021-23 | 2023-25 |
|------------------------|---------|---------|---------|---------|---------|---------|
| ADM ASST 3             | 39,984  |         | 0.2     | 0.1     | 0.2     | 0.2     |
| COMMUNICATIONS CNSLT 4 | 60,636  | 0.5     | 0.3     | 0.4     |         |         |
| EMS BAND 4             | 115,593 | 0.0     |         | 0.0     |         |         |
| EMS BAND 5             | 135,039 | 0.0     |         | 0.0     |         |         |
| EXCISE TAX ASST        | 35,556  |         | 1.0     | 0.5     | 0.9     | 0.1     |
| EXCISE TAX EX 1        | 40,908  |         | 13.0    | 6.5     | 9.0     | 0.1     |
| EXCISE TAX EX 2        | 51,000  |         | 22.0    | 11.0    | 21.9    | 20.6    |
| EXCISE TAX EX 3        | 56,256  |         | 12.0    | 6.0     | 9.2     | 6.3     |
| EXCISE TAX EX 4        | 62,148  | 2.0     | 3.0     | 2.5     | 3.0     | 3.0     |
| FISCAL ANALYST 3       | 52,332  |         | 0.1     | 0.1     | 0.2     | 0.3     |
| FISCAL ANALYST 5       | 60,636  | 0.1     |         | 0.1     |         |         |
| FISCAL TECHNICIAN 3    | 36,372  |         | 0.1     | 0.1     | 0.1     | 0.4     |
| FORMS AND RECORDS      | 54,924  |         | 0.2     | 0.1     | 0.3     |         |
| ANALYST SUPV           |         |         |         |         |         |         |
| HUM RES CNSLT 4        | 63,684  |         | 0.5     | 0.3     | 0.5     | 1.0     |
| INFO TECH S/A S 6      | 85,668  | 2.0     | 2.0     | 2.0     | 1.0     | 1.0     |
| IT SPEC 3              | 63,684  | 0.5     |         | 0.3     |         |         |
| IT SPEC 4              | 70,320  | 2.0     | 2.0     | 2.0     | 1.0     | 1.0     |
| IT SPEC 5              | 77,616  | 2.0     | 2.0     | 2.0     | 1.0     | 1.0     |
| MGMT ANALYST1          | 45,096  | 0.1     |         | 0.0     |         |         |
| MGMT ANALYST4          | 63,684  | 1.2     | 1.2     | 1.2     |         |         |
| OFF ASST 3             | 33,132  |         | 0.2     | 0.1     | 0.3     | 0.4     |
| REVENUE AGENT 2        | 52,332  |         |         |         | 1.6     | 24.0    |
| REVENUE AGENT 3        | 57,708  |         |         |         | 1.0     | 4.0     |
| REVENUE AGENT 4        | 60,636  |         |         |         | 1.0     | 1.0     |
| REVENUE AUDITOR 3      | 62,148  |         |         |         |         | 5.2     |
| TAX INFO SPEC 1        | 40,908  | 7.0     | 8.0     | 7.5     | 15.0    | 20.0    |
| TAX INFO SPEC 3        | 53,592  | 1.0     | 1.0     | 1.0     | 1.0     | 2.0     |
| TAX INFO SPEC 4        | 60,636  | 3.0     | 3.0     | 3.0     | 3.0     | 4.0     |
| TAX POLICY SP 2        | 68,580  | 0.0     | 0.2     | 0.1     | 0.2     | 0.2     |
| TAX POLICY SP 3        | 77,616  | 5.4     | 6.7     | 6.1     | 5.6     | 5.4     |
| TAX POLICY SP 4        | 83,556  | 1.3     | 1.4     | 1.4     | 1.2     | 1.1     |
| WMS BAND 2             | 86,425  | 2.0     | 5.0     | 3.5     | 5.0     | 6.0     |
| WMS BAND 3             | 98,308  | 0.1     |         | 0.0     |         |         |
| <b>Total FTEs</b>      |         | 30.3    | 85.1    | 57.7    | 83.0    | 108.1   |

**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.

Should this legislation become law, the Department will undertake these rule-making actions:

**Part II - Health Security Assessment and Personal Health Assessment**

The Department will adopt three new rules under 458-20 WAC using the complex process. The Department will use the expedited rule-making process to amend WAC 458-20-224, titled: "Service & Other business activities". Persons affected by this rule-making would include employers and sole proprietorships.

**Part III - Capital Gains Assessment**

The Department will adopt two new rules under 458-20 WAC, one using the complex process and one using the standard

process. Persons affected by this rule-making would include service professionals, including lawyers, doctors, and investment fund managers; high-income earners; and persons with significant investments in equities and other capital assets.

# Individual State Agency Fiscal Note

|                             |                                     |   |
|-----------------------------|-------------------------------------|---|
| <b>Bill Number:</b> 5222 SB | <b>Title:</b> Whole WA health trust | <b>Agency:</b> 160-Office of Insurance Commissioner |
|-----------------------------|-------------------------------------|---|

**Part I: Estimates**

No Fiscal Impact

**Estimated Cash Receipts to:**

NONE

**Estimated Operating Expenditures from:**

|   | FY 2020 | FY 2021 | 2019-21 | 2021-23     | 2023-25     |
|---|---------|---------|---------|-------------|-------------|
| FTE Staff Years   | 0.0     | 0.7     | 0.4     | (10.1)      | (10.9)      |
| <b>Account</b>  |         |         |         |             |             |
| Insurance Commissioners Regulatory<br>Account-State 138-1 | 0       | 38,953  | 38,953  | (2,702,790) | (2,875,138) |
| <b>Total \$</b>   | 0       | 38,953  | 38,953  | (2,702,790) | (2,875,138) |

*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: Evan Klein       | Phone: 786-7483       | Date: 01/17/2019 |
| Agency Preparation: Mandy Weeks-Green | Phone: 360-725-7052   | Date: 01/22/2019 |
| Agency Approval: AnnaLisa Gellermann  | Phone: 360-725-7106   | Date: 01/22/2019 |
| OFM Review: Robyn Williams            | Phone: (360) 902-0575 | Date: 01/22/2019 |

## 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 5222 establishes the Whole Washington Health Trust (“the Trust”), an entity whose purpose is to create and fund a single-payer health plan that provides universal coverage of an essential health benefits (EHBs) package for all Washington residents. The bill would eliminate the existing individual commercial insurance marketplace (WAHBE) and substantially reduce the OIC’s regulatory and enforcement workload. As written, the bill is likely to result in job losses or reassignments within the Office of Insurance Commissioner (OIC).

Section 112: The Whole Washington Health Trust (Trust) will start offering (on November 1, 2021) to all Washington state residents “coverage” (defined in Section 101) in a “package” (detailed sec 107) that meets minimum essential coverage requirements and includes some, if not all, of the state benchmark essential health benefits. This coverage, package or “program” is not referred to as a “health plan” and therefore doesn’t appear to be under the jurisdiction of Title 48.

- We therefore assume that all coverage offered under the trust would no longer require review of rates, forms, or network access requirements by the Rates & Forms Division and that the OIC will not be enforcing laws related to this coverage.
- We also assume that the entire individual commercial market enrollment will migrate to the Trust offering as of January 1, 2022 because no issuer will stay in the market as a result of the Trust. Therefore, the OIC will no longer review work of rates, forms, provider contracts and network access specific to the individual market.
- OIC’s Consumer Advocacy Division is likely see a significant reduction in the submission of inquiries and complaints since the OIC is granted no authority to oversee the activities of the Trust.

Section 109: requires the Board to negotiate reimbursement with providers. Nothing in the bill appears to exempt these provider contracts from Title 48 provider contract review (RCW 48.42.030). We therefore assume that the Rates & Forms Division will be required to review these provider contracts, starting in 2020.

Section 126: allows ERISA plans (group market) to continue as long as the plans “conform” in benefits and cost to the Trust coverage. Small group coverage already conforms and has premiums than the individual market, however 75% of small group employers are likely to move to Trust coverage, reducing the OIC’s review of rate, form, provider contracts and network access for 75% of the small group market. Large group coverage either conforms or would require minimal change to conform and currently has lower premiums on average than the individual market, therefore it is likely that the large group market will stay intact with no impact on the OIC’s workload for large group market.

Section 108: Also makes long-term care covered, if a financial analysis shows ongoing sufficient funds would be available, which would reduce the need for commercial LTC insurance, however the costs of managing long-term care are significant and is likely to not be a viable option for some time.

### 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.*

### 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.*

SB 5222 establishes the Whole Washington Health Trust (“the Trust”), an entity whose purpose is to create and fund a single-payer health plan that provides universal coverage of an essential health benefits (EHBs) package for all Washington residents. The bill would eliminate the existing individual commercial insurance marketplace (WAHBE) and substantially reduce the OIC’s regulatory and enforcement workload. As written, the bill is likely to result in job losses or reassignments within the agency.

Section 112: The Whole Washington Health Trust (Trust) will start offering (on November 1, 2021) to all Washington state residents “coverage” (defined in Section 101) in a “package” (detailed sec 107) that meets minimum essential coverage requirements and includes some, if not all, of the state benchmark essential health benefits. This coverage, package or “program” is not referred to as a “health plan” and therefore doesn’t appear to be under the jurisdiction of Title 48.

- We therefore assume that all coverage offered under the trust would no longer require review of rates, forms, or network access requirements by the Rates & Forms Division and that the OIC will not be enforcing laws related to this coverage.
- We also assume that the entire individual commercial market enrollment will migrate to the Trust offering as of January 1, 2022 because no issuer will stay in the market as a result of the Trust. Therefore, the OIC will no longer review work of rates, forms, provider contracts and network access specific to the individual market.

Section 126: allows ERISA plans (group market) to continue as long as the plans “conform” in benefits and cost to the Trust coverage. Small group coverage already conforms and has premiums than the individual market, however 75% of small group employers are likely to move to Trust coverage, reducing the OIC’s review of rate, form, provider contracts and network access for 75% of the small group market. Large group coverage either conforms or would require minimal change to conform and currently has lower premiums on average than the individual market, therefore it is likely that the large group market will stay intact with no impact on the OIC’s workload for large group market.

#### Impact on the Rates & Forms Division:

- Actuarial staff:

We currently have one Actuary 4, two Actuary 3s, one Actuary 2, and two Actuarial Analysts 3s reviewing individual and small group rate filings. The Health Actuarial team spent the vast majority of the time in June through October reviewing the individual and small group rate filings, and some time from January through May to prepare for the checklists and material for the individual and small group rate filings – on average, in a year, here are the percentage of time attributable to prepare for and review of the individual and small group rate filings.

- o Individual rate filings:
  - 20% from Actuary 4
  - 25% from Actuary 3s
  - 25% from Actuary 2, and
  - 25% from Actuarial Analyst 3s
- o Small group rate filings:
  - 20% from Actuary 4
  - 25% from Actuary 3s
  - 25% from Actuary 2, and
  - 25% from Actuarial Analyst 3s
- o In addition, the team’s life actuary (an Actuary 3) also spent roughly 10% of his time helping with the individual and small group rate filings.

o Assuming that this bill will eliminates the entire individual market, and 75% small group market, here are the calculations of the negative impact of the FTEs:

$$\text{Actuary 4: } 1 \times 20\% + 1 \times 20\% \times 75\% = 0.35 \text{ FTE}$$

$$\text{Actuary 3: } 2 \times 25\% + 2 \times 25\% \times 75\% + 10\% \text{ (from life actuary)} = 0.98 \text{ FTE}$$

$$\text{Actuary 2: } 1 \times 25\% + 1 \times 25\% \times 75\% = 0.44 \text{ FTE}$$

$$\text{Actuarial Analyst 3: } 2 \times 25\% + 2 \times 25\% \times 75\% = 0.88 \text{ FTE}$$

o Therefore, the loss of number of FTEs from the Life and Health Actuarial unit annually starting in January 2021: 0.35 Actuary 4, 0.98 Actuary 3; 0.44 Actuary 2, and 0.88 Actuarial Analyst 3.

• Forms:

Currently our staff includes two Functional Program Analyst (FPA) 4s and four Functional Program Analyst (FPA) 3s who review individual and small group health plan form filings. OIC's individual and small group health plan filing season typically runs from the end of May through the end of October; with additional time between January and May each year preparing filing instructions, checklists, and analyst and industry training materials to incorporate changes to state and federal laws and regulations. On average, per year, the Health Forms Compliance Analysts spend the below percentage of time preparing for and reviewing individual and small group form filings:

o Individual:

20% FPA 4

25% FPA 3

o Small Group:

20% FPA 4

25% FPA 3

o Assuming the bill will eliminate the entire individual market, and 75% of the small group market, below is the potential impact to FTEs:

$$2 - \text{FPA 4s: } 2 \times 20\% + 2 \times 20\% \times 75\% = 0.7 \text{ FTE}$$

$$4 - \text{FPA 3s: } 4 \times 25\% + 4 \times 25\% \times 75\% = 1.75 \text{ FTE}$$

o Based on the above calculations, the loss of the number of FTEs in the Health Forms Compliance Unit is: .7 FPA4, and 1.75 FPA3 annually starting in January 2021.

• Provider Contract and Network Access:

Due to the closure of the individual market, all individual-market only provider networks will no longer require provider contract or network access review. Currently only two issuers are individual market only; we assume these issuers will withdraw from Washington State. One small issuer is only in the individual and small group markets; we assume this issuer will also withdraw from Washington State. The will end review of provider contracts and network access review for two individual market-only issuers and one individual/small group-only issuer.

There are currently 34 insurance carriers with provider networks in Washington State. The three that will no longer be in the market have only one network each. One MA3 reviews network access for all 34 carriers, most of which have multiple networks.

o MA3: 34 carriers x 0.029 FTE for the average carrier review. 3 carriers x 0.029 FTE = 0.087 annual

reduction in MA3 FTE.

- o FPA3: 3 FPA3s; 34 carriers x 0.029 FTE for the average carrier review. 3 carriers x 0.029 x 3 FPA3s = 0.261 annual reduction in FPA3 FTE (except see added work below)

Due to provider contract review not being exempted from Title 48, add review of provider contracts for Trust coverage. It is unknown how such provider contracts will be structured or which entity/entities will be contracting with providers. Assuming state-wide coverage area, essential health benefit coverage, providers both internal and external to Washington state, and new compensation structure negotiated by the Board, an extremely complex undertaking.

- o One-time start-up work – 2021, 2022: to timely review and approve provider contracts for Trust offering, 2 FPA3s for two years.
- o Ongoing – 2023 forward: to timely review and approve provider contracts for Trust offering, 1 FPA3 ongoing after two years.

Overall:

- Starting in January 2021, ongoing annual reduction in MA3 of 0.087
- January 2021-December 2022, 2 FPA3 – 0.261 FPA3 = additional 1.739 FPA3 FTE
- January 2023 ongoing additional 0.739 FPA3 FTE
- Tech Unit: Based upon the overall reduction in filings, one Insurance Tech 3 position would be fully eliminated starting January 2021.

The impact to the Consumer Protection Divisions is as follows: (the average touch time per case is 4.26 hours)

The Total number of L&D complaint cases closed annually: 3349

Total of those cases annually regarding individual health plan cases closed: 1621; 100% reduction based on closure of individual market or 1629 cases x 4.26 hours = 6939.54 hours / 1635 = 4.24 FTE FPA 3. In all calls Insurance Tech 3 manage the initial call handling and appropriate referrals and their touch time per case is 10 minutes x 1621 = 16,210 minute / 60 = 270.17 hours /1635 = .17 FTE Insurance Tech 3 reduction.

Total annual number of group health complaint cases closed: 1352.

22% reduction in cases based on number of projected carriers that will leave the market: 297 cases = 1243.92 hours .76 FTE FPA 3. In all calls Insurance Tech 3 manage the initial call handling and appropriate referrals and their touch time per case is 10 minutes x 297 = 2,970 minutes / 60 = 49.5 hours /1635 = .03 FTE Insurance Tech 3 reduction.

Total L&D small group complaint case closed annually: 376

Total projected decrease in small group market: 75 % x 376 = decrease in 282 cases = 1,201.32 hours = .73 FTE FPA 3. In all calls Insurance Tech 3 manage the initial call handling and appropriate referrals and their touch time per case is 10 minutes x 282 = 2,820 minutes / 60 = 47 hours /1635 = .03 FTE Insurance Tech 3 reduction.

One Time Training and New Process Development Time:

- 3 Functional Program Analyst 4s = 3 hours
- 6 Functional Program Analyst 3s = 6 hours
- 1 Insurance Technician 4s = 1 hour
- 5 Insurance Technician 3s = 5 hours



SB 5222 would also result in decreased expenditures (savings) to OIC based on a reduced regulatory and enforcement workload for Legal Affairs, SB 5222 will reduce the number of investigations and enforcement actions related to the individual health insurance market; the reduced caseload will affect investigators, staff attorneys, paralegals, and legal assistants.

In 2018, there were approximately 15 enforcement actions related to the individual health insurance marketplace, therefore it is likely that Legal Affairs would touch 15 fewer cases per year.

- Touch Time by Legal Staff x decrease in cases = FTE loss
  - Operations manager: 30 minutes x 15 cases = .00 FTE
  - Insurance Enforcement Specialist: 10 hours = .09 FTE
  - Paralegal: 15 hours .14 FTE
  - Legal Assistant: 30 minutes = .00 FTE
  
- It is estimated that 10% of the 10 cases will go to hearing (1.5)
  - Assigned Attorney time: 70 hours = .06 FTE
  - Insurance Enforcement Specialist time: 4.5 hours = .00 FTE
  - Paralegal II time: 63 hours: .06 FTE
  - Legal Assistant: 1.25 hour: .00 FTE

- Total FTE Time Loss:
  - Operations manager: 30 minutes x 15 cases = .00 FTE
  - Managing Attorney: .00 FTE
  - Insurance Enforcement Specialist: 10 hours = .15 FTE
  - Paralegal II: 15 hours .2 FTE
  - Legal Assistant: 30 minutes = .00 FTE

Ongoing Cost Reduction:  
 Salary, benefits and associated costs for .44 FTE Actuary 2, .98 FTE Actuary 3, .35 FTE Actuary 4, 6.74 FTE Functional Program Analyst 3, .70 FTE Functional Program Analyst 4, .09 FTE Management Analyst 3, 1.22 FTE Insurance Technician 3, .15 FTE Insurance Enforcement Specialist and .20 FTE Paralegal 2.

**Part III: Expenditure Detail**

**III. A - Operating Budget Expenditures**

| Account         | Account Title                              | Type  | FY 2020 | FY 2021 | 2019-21 | 2021-23     | 2023-25     |
|-----------------|--|-------|---------|---------|---------|-------------|-------------|
| 138-1           | Insurance Commissioners Regulatory Account | State | 0       | 38,953  | 38,953  | (2,702,790) | (2,875,138) |
| <b>Total \$</b> |  |       | 0       | 38,953  | 38,953  | (2,702,790) | (2,875,138) |

**III. B - Expenditures by Object Or Purpose**

|                                      | FY 2020 | FY 2021 | 2019-21 | 2021-23     | 2023-25     |
|--------------------------------------|---------|---------|---------|-------------|-------------|
| FTE Staff Years                      |         | 0.7     | 0.4     | (10.1)      | (10.9)      |
| A-Salaries and Wages                 |         | 19,186  | 19,186  | (1,604,316) | (1,704,648) |
| B-Employee Benefits                  |         | 11,976  | 11,976  | (557,916)   | (595,462)   |
| C-Professional Service Contracts     |         |         |         |             |             |
| E-Goods and Other Services           |         | 7,791   | 7,791   | (540,558)   | (575,028)   |
| G-Travel                             |         |         |         |             |             |
| J-Capital Outlays                    |         |         |         |             |             |
| M-Inter Agency/Fund Transfers        |         |         |         |             |             |
| N-Grants, Benefits & Client Services |         |         |         |             |             |
| P-Debt Service                       |         |         |         |             |             |
| S-Interagency Reimbursements         |         |         |         |             |             |
| T-Intra-Agency Reimbursements        |         |         |         |             |             |
| 9-                                   |         |         |         |             |             |
| <b>Total \$</b>                      | 0       | 38,953  | 38,953  | (2,702,790) | (2,875,138) |

**III. C - Operating FTE 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 2020 | FY 2021 | 2019-21 | 2021-23 | 2023-25 |
|----------------------------------|---------|---------|---------|---------|---------|---------|
| Actuary 2                        | 121,056 |         | (0.2)   | (0.1)   | (0.4)   | (0.4)   |
| Actuary 3                        | 154,932 |         | (0.5)   | (0.3)   | (1.0)   | (1.0)   |
| Actuary 4                        | 175,320 |         | (0.2)   | (0.1)   | (0.4)   | (0.4)   |
| Functional Program Analyst 3     | 66,888  |         | 2.7     | 1.4     | (6.0)   | (6.7)   |
| Functional Program Analyst 4     | 73,908  |         | (0.2)   | (0.1)   | (0.7)   | (0.7)   |
| Insurance Enforcement Specialist | 82,092  |         | (0.2)   | (0.1)   | (0.2)   | (0.2)   |
| Insurance Technician 3           | 42,900  |         | (1.2)   | (0.6)   | (1.2)   | (1.2)   |
| Management Analyst 3             | 62,148  |         | (0.1)   | 0.0     | (0.1)   | (0.1)   |
| Paralegal 2                      | 65,292  |         | (0.2)   | (0.1)   | (0.2)   | (0.2)   |
| Senior Policy Analyst            | 96,504  |         | 0.7     | 0.3     |         |         |
| <b>Total FTEs</b>                |         |         | 0.7     | 0.3     | (10.1)  | (10.9)  |

**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.*

This bill would require a major rewrite of Title 284 WAC involving complex rulemaking. This will including an extensive analysis of affected federal law with rulemaking to implement affected requirements.

# Individual State Agency Fiscal Note

|                             |                                     |   |
|-----------------------------|-------------------------------------|---|
| <b>Bill Number:</b> 5222 SB | <b>Title:</b> Whole WA health trust | <b>Agency:</b> 235-Department of Labor and Industries |
|-----------------------------|-------------------------------------|---|

## Part I: Estimates

No Fiscal Impact

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

|                                 | FY 2020 | FY 2021 | 2019-21 | 2021-23 | 2023-25 |
|---------------------------------|---------|---------|---------|---------|---------|
| <b>Account</b>                  |         |         |         |         |         |
| Accident Account-State 608-1    | 0       | 0       | 0       | 250,000 | 0       |
| Medical Aid Account-State 609-1 | 0       | 0       | 0       | 250,000 | 0       |
| <b>Total \$</b>                 | 0       | 0       | 0       | 500,000 | 0       |

*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: Evan Klein   | Phone: 786-7483       | Date: 01/17/2019 |
| Agency Preparation: Bobby Kendall | Phone: 902-6980       | Date: 01/18/2019 |
| Agency Approval: Trent Howard     | Phone: 360-902-6698   | Date: 01/18/2019 |
| OFM Review: Anna Minor            | Phone: (360) 902-0541 | Date: 01/23/2019 |

## 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 128 of this bill states that by January 1, 2023, the board in coordination with the L&I, shall study and make a report to the governor and the legislature on the provision of medical benefits for injured workers under the trust.

### 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.

### 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.

This proposed bill increases expenditures to the Accident Account, 608, and the Medical Aid Account, 609. The following assumptions were used to estimate the resources requested to implement this bill.

L&I estimates \$500,000 for a third-party vendor contract to conduct the study and complete the report.

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

| Account         | Account Title       | Type  | FY 2020 | FY 2021 | 2019-21 | 2021-23 | 2023-25 |
|-----------------|---------------------|-------|---------|---------|---------|---------|---------|
| 608-1           | Accident Account    | State | 0       | 0       | 0       | 250,000 | 0       |
| 609-1           | Medical Aid Account | State | 0       | 0       | 0       | 250,000 | 0       |
| <b>Total \$</b> |                     |       | 0       | 0       | 0       | 500,000 | 0       |

### III. B - Expenditures by Object Or Purpose

|                                      | FY 2020 | FY 2021 | 2019-21 | 2021-23 | 2023-25 |
|--------------------------------------|---------|---------|---------|---------|---------|
| FTE Staff Years                      |         |         |         |         |         |
| A-Salaries and Wages                 |         |         |         |         |         |
| B-Employee Benefits                  |         |         |         |         |         |
| C-Professional Service Contracts     |         |         |         | 500,000 |         |
| E-Goods and Other Services           |         |         |         |         |         |
| G-Travel                             |         |         |         |         |         |
| J-Capital Outlays                    |         |         |         |         |         |
| M-Inter Agency/Fund Transfers        |         |         |         |         |         |
| N-Grants, Benefits & Client Services |         |         |         |         |         |
| P-Debt Service                       |         |         |         |         |         |
| S-Interagency Reimbursements         |         |         |         |         |         |
| T-Intra-Agency Reimbursements        |         |         |         |         |         |
| 9-                                   |         |         |         |         |         |
| <b>Total \$</b>                      | 0       | 0       | 0       | 500,000 | 0       |

## Part IV: Capital Budget Impact

NONE

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.*

None.

# Individual State Agency Fiscal Note

|                             |                                     |   |
|-----------------------------|-------------------------------------|---|
| <b>Bill Number:</b> 5222 SB | <b>Title:</b> Whole WA health trust | <b>Agency:</b> 300-Department of Social and Health Services |
|-----------------------------|-------------------------------------|---|

## Part I: Estimates

No Fiscal Impact

### Estimated Cash Receipts to:

**Non-zero but indeterminate cost. Please see discussion.**

### Estimated Operating Expenditures from:

**Non-zero but indeterminate cost. Please see discussion.**

*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: Evan Klein | Phone: 786-7483       | Date: 01/17/2019 |
| Agency Preparation: Bill Jordan | Phone: 360-902-8183   | Date: 01/23/2019 |
| Agency Approval: Dan Winkley    | Phone: 360-902-8236   | Date: 01/23/2019 |
| OFM Review: Robyn Williams      | Phone: (360) 902-0575 | Date: 01/23/2019 |

## 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 101 – This bill creates the Washington Health Security Trust to provide coverage for a set of health services for all residents.

Section 102 (16) – Long-term care is defined as institutional, residential, outpatient, or community based services that meet the individual needs of persons of all ages who are limited in their functional capacities or have disabilities and require assistance with performing two or more activities of daily living for an extended or indefinite period of time. These services include case management, protective supervision, in-home care, nursing services, convalescent, custodial, chronic, and terminally ill care.

Section 11 (3) – If a financial analysis demonstrates ongoing sufficient funds in the trust, long-term care shall be a covered benefit as of January 1, 2023.

Fiscal Impact – Indeterminate

Until it is determined what types of long-term care can be accessed through the trust, it is uncertain as to the impact on long-term care Medicaid services. There will be a need for a coordination of the benefits process that would normally be handled through Health Care Authority including any long-term care that can be accessed through the trust. If there is a long-term care benefit package created as part of the trust, it is unknown if Washington residents will choose to access or might delay access to those benefits through Medicaid.

Depending on benefit design and requirements, the legislation has the potential to drive a significant cost increase for long-term care.

### 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.*

### 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.*

Depending on benefit design and requirements, the legislation has the potential to drive a significant cost increase for long-term care.

## Part III: Expenditure Detail

## 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.*

Currently there are rules in place in allowing a reduction of Medicaid client cost of care by medical expenses. There will

need to be an analysis as to whether rule amendments will be needed as to any out of pocket cost by the Washington resident.

If a Medicaid waiver is granted through the federal government for the trust, there will be changes needed in rule making, state plan amendments and policy.



# Individual State Agency Fiscal Note

|                             |                                     |   |
|-----------------------------|-------------------------------------|---|
| <b>Bill Number:</b> 5222 SB | <b>Title:</b> Whole WA health trust | <b>Agency:</b> 303-Department of Health |
|-----------------------------|-------------------------------------|---|

## Part I: Estimates

No Fiscal Impact

**Estimated Cash Receipts to:**

**Non-zero but indeterminate cost. Please see discussion.**

**Estimated Operating Expenditures from:**

**Non-zero but indeterminate cost. Please see discussion.**

*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: Evan Klein | Phone: 786-7483       | Date: 01/17/2019 |
| Agency Preparation: Stacy May   | Phone: (360) 236-4532 | Date: 02/08/2019 |
| Agency Approval: Stacy May      | Phone: (360) 236-4532 | Date: 02/08/2019 |
| OFM Review: Bryce Andersen      | Phone: (360) 902-0580 | Date: 02/08/2019 |

## 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.*

A single non-profit health financing entity called the Washington Health Security Trust (Trust) is created within the Department of Health (DOH) to provide health coverage for a set of essential health benefits to all Washington residents. The Board of the Trust is created to govern the trust and is directed to establish the single comprehensive essential benefits package.

### 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.*

### 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.*

#### EXPENDITURES:

This proposed legislation is broader in scope than 2017's EHB 2242, which builds upon the existing Public Employee Benefits Board by establishing the School Employee Benefit Board (SEBB) and consolidating the purchasing of K-12 school employees' benefits into a single new risk pool within the Health Care Authority (HCA). In its fiscal note, HCA indicated an ongoing annual need of approximately \$7.2M to fund 50 FTEs, \$1.9M for contracted actuarial services, and \$1.7M for ongoing IT costs; one-time costs were estimated at \$30.1M in addition to a placeholder of \$9.0M for one-time IT costs to update their PAY 1 system. HCA estimated the SEBB would roughly double the existing 119K subscribers. DOH assumes that HCA's estimate includes efficiencies associated with expanding an existing line of business; i.e., the infrastructure to build upon and necessary expertise already existed at HCA at the time HB 2242 was introduced. While DOH would not experience such efficiencies it is unable to estimate the additional resources needed because SB 5222 adds a new line of business to DOH's scope of work. Furthermore, every Washington State resident is eligible to participate in the Trust making it difficult to estimate how many subscribers the Trust would serve. SB 5222 requires the following of DOH, however, for the reasons listed above, DOH is unable to provide a more precise fiscal estimate and identifies the fiscal impact of this bill as indeterminate.

Section 103 – Creates the Trust within DOH.

Section 104 – Establishes the Board of Trustees (Board) to govern the Trust. Trust members will be paid a governor established salary.

Section 105 – The Board must appoint three standing advisory committees; Finance, Citizen, Provider. The Board may appoint other committees and task forces as needed.

Section 106 – Duties of the Chair of the Board (Chair) include, but are not limited to,:

- o Appointing the Executive Director (ED);
- o Entering into contracts on behalf of the Board;
- o Accepting and expending gifts, donations, and other funds received; and
- o Delegating the administrative functions of the Board.

Section 107 – Responsibilities of the Board include, but are not limited to,:

- o Establishing a single comprehensive essential benefits package (package), with advice from the Citizen and Provider committees, which is to be financed by the Trust;
- o Establishing premiums to finance the Trust starting 11/01/20;
- o Seeking federal and state waivers so current federal and state payments to residents are paid directly to the Trust;
- o Developing various systems:
  - ? a statewide, anonymous health care data system;
  - ? an enrollment system; and
  - ? a claims processing system;
- o Developing various processes, policies, standards, etc.:
  - ? health care practice guidelines and quality standards;
  - ? policies to protect the confidentiality of patients' records; and
  - ? appeals procedures;
- o Developing the Trust budget;
- o Addressing non-financial barriers to health care access;
- o Monitoring population migration into Washington; and
- o Integrating functions with other state agencies.

Section 108 – The Board must establish the package and regularly evaluate whether benefits should be improved or adjusted to promote health.

Section 109 – The Board must, in coordination with the Health Care Authority (HCA), to adopt rules and mechanisms to allow providers to collectively negotiate reimbursement rates every year.

Section 110 – The Board must annually negotiate prices for covered drugs, etc.; develop a prescription drug formulary; develop rules for off-formulary drugs.

Section 111 – Washington residents under the age of 19, dually eligible for Medicare and Medicaid, or with incomes 200% below the federal poverty level are exempt from paying premiums. Premiums are capped at \$200.

Section 112 – The Trust is secondary to other available coverage. With a few exceptions, cost sharing is prohibited.

- o By 10/01/20, the Board must:
  - ? Ensure the package qualifies as an essential health benefits-benchmark plan for purposes of contracting, to administrate all essential health benefits as a management health care system, with HCA, PEBB, Indian Health Services, CMMS, and DSHS;
  - ? Establish premiums and cost sharing; and
- o By 11/01/21, the Board must:
  - ? Collect and deposit premium payments;
  - ? Begin offering coverage to all residents and eligible non-residents; and
  - ? If federal waivers are not received, contract with above mentioned entities to enroll residents eligible for federal or state health programs.

Section 113 – HCA must determine which state and federal laws should be repealed, amended, or waived to implement this legislation. The Governor is directed to obtain waivers or exemptions, in consultation with DOH and HCA, to implement this legislation.

Section 116 –

- o Administrative Costs:
  - ? May not exceed seven percent of the Trust’s annual budget;
  - ? May not be shifted to providers or beneficiaries; and
  - ? Must include funding for Employment Security Department and Department of Revenue to collect the health assessment.
- o The Board is directed to detect excessive utilization by working with providers and using various data.

Section 117 – The Board must contract for actuarial services, beginning 12/15/20, to identify needs of the Trust, and report annually to the legislature and governor beginning 05/15/21.

Section 118 – After necessary state and federal law repeals, amendment, and waivers are obtained, all revenues currently deposited into the Health Services Account must be deposited into the Reserve Account and the Benefits Account.

Section 121 – The non-appropriated Reserve Account is created and is fully funded when its value is ten percent of the annual budget of the Trust, at which time additional proceeds must be transferred to the Benefits Account. The account is subject to allotment, and expenditures may only be authorized by the Board or its designee, and only for health care services or maintenance of the Trust.

Section 122 – The non-appropriated Displaced Worker Training Account is created and includes an expiration date. The account is subject to allotment, and expenditures may only be authorized by the Board or its designee for retraining and job placement of workers displaced by the transition to the Trust.

Section 123 – The non-appropriated Benefits Account is created, subject to allotment. Expenditures may only be authorized by the Board or its designee for health care services and maintenance of the Trust.

Section 124 – Beginning 05/15/21 the Board must adopt, in consultation with OFM, an annual Trust budget. If expenses exceed revenues for two consecutive years the Board is directed to hold at least six public hearings around the state before making developing revenue adjustment recommendations for the legislature.

Section 125 – The Board must:

- o Annually report changes on health care costs and the status of the Trust to the governor and legislature;
- o Annually seek audits from the State Auditor;
- o Contract with the State Auditor for a performance every two years;
- o Adopt bylaws, rules, and other governance documents; and
- o Submit internal rules and policies to the Secretary of State.

Section 126 – Employers who offer insurance may continue to do so and be exempt from paying into the trust.

Section 127 – By 01/01/23, the Board must submit a proposal to integrate current and future federally qualified trusts that choose to participate in the Trust.

Section 128 – By 01/01/23, the Board must, in coordination with Labor and Industries, study and make a report on the coordination of essential health benefits for injured workers under the trust to the governor and legislature.

### **Part III: Expenditure Detail**

### **Part IV: Capital Budget Impact**

NONE

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.*

# Individual State Agency Fiscal Note

|                             |                                     |   |
|-----------------------------|-------------------------------------|---|
| <b>Bill Number:</b> 5222 SB | <b>Title:</b> Whole WA health trust | <b>Agency:</b> 360-University of Washington |
|-----------------------------|-------------------------------------|---|

## Part I: Estimates

No Fiscal Impact

### Estimated Cash Receipts to:

**Non-zero but indeterminate cost. Please see discussion.**

### Estimated Operating Expenditures from:

**Non-zero but indeterminate cost. Please see discussion.**

*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: Evan Klein      | Phone: 786-7483       | Date: 01/17/2019 |
| Agency Preparation: Jessie Friedmann | Phone: 206-685-8868   | Date: 01/22/2019 |
| Agency Approval: Kelsey Rote         | Phone: 2065437466     | Date: 01/22/2019 |
| OFM Review: Breann Boggs             | Phone: (360) 902-0659 | Date: 02/08/2019 |

## 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.*

This bill would create a state-run universal non-profit health insurance program. If the program were put into place, it would result in an unknown change in patient volume for both traditional commercial and federally insured and Medicaid patients at UW hospitals & clinics. Given this uncertainty, the fiscal impact of SB 5222 is highly indeterminate.

### 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.*

### 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

### Part IV: Capital Budget Impact

NONE

### Part IV: Capital Budget Impact

#### IV. A - Capital Budget Expenditures

|   |
|---|
| Non-zero but indeterminate cost. Please see discussion. |
|---|

## 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

|                             |                                     |   |
|-----------------------------|-------------------------------------|---|
| <b>Bill Number:</b> 5222 SB | <b>Title:</b> Whole WA health trust | <b>Agency:</b> 540-Employment Security Department |
|-----------------------------|-------------------------------------|---|

## Part I: Estimates

No Fiscal Impact

### Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.

### Estimated Operating Expenditures from:

|                             | FY 2020 | FY 2021 | 2019-21 | 2021-23    | 2023-25    |
|-----------------------------|---------|---------|---------|------------|------------|
| FTE Staff Years             | 0.0     | 0.0     | 0.0     | 54.5       | 128.9      |
| <b>Account</b>              |         |         |         |            |            |
| All Other Funds-State 000-1 | 0       | 115,000 | 115,000 | 28,047,509 | 35,154,950 |
| <b>Total \$</b>             | 0       | 115,000 | 115,000 | 28,047,509 | 35,154,950 |

*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: Evan Klein | Phone: 786-7483       | Date: 01/17/2019 |
| Agency Preparation: Xia Zhan    | Phone: 360 902-0023   | Date: 02/14/2019 |
| Agency Approval: Sondra Walsh   | Phone: 360/902-0023   | Date: 02/14/2019 |
| OFM Review: Anna Minor          | Phone: (360) 902-0541 | Date: 02/15/2019 |



## 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.*

The purpose of the bill is to ensure Washington residents the ability to register for non-profit health insurance coverage. It is a multi-agency involved program with ESD assessing and collecting premiums much like PFML assesses and collects premiums. Payment out of the health trust would be made by another agency.

This bill includes many dates. The first date a deliverable is due by ESD is to begin collecting premiums 10/2020. ESD's PFML program cannot meet this deliverable, the current system is scheduled to be implemented by 6/30/2020. This date does not allow time to promulgate rules, establish staffing structures, training, standard operating procedures, banking structures or technology changes; nor complete the communication necessary to affected employers/employees necessary to implement premium collections by 10/2020 followed by Health Assessments (individual and Health Security) in 2024. Therefore, ESD proposes the soonest dates are: employers begin to collect all premiums and health assessments in 1/2024 and remit to the Department quarterly beginning 4/1/2024.

#### Part I

Referring to Section 107, 111 and 123 In PFML we collect a premium of a single rate applied against gross wages and paid in part by employers and in part by employees. In this program we collect three different types of revenues—one premium (not yet determined) and two different health assessments—each with different and distinct impacted employers, employees as well as exemptions and exclusions.

Section 107 identifies that responsibilities of the board is to establish premiums necessary to operate the trust, make rules, policies and guidelines needed for the trust to finance the essential benefits package beginning 11/01/2020. These premiums shall be collected by ESD.

Section 111 identifies individuals who are exempt from premium, health and personal assessment. This would require ESD to collect data points and information from employers that are currently not collected. For instance, this section exempts individuals that are:

- Under age of 19,
- Have dual eligibility for Medicare and Medicaid.
- residents with income below 200% of the federal poverty level (not subject to premiums established in 107)

Section 123 identifies the benefits account created in the custody of the state treasurer that ESD will deposit the premiums (not yet determined), health security assessment (based on 10.5% of employee's wages), and the personal health assessment (2% of the employee's aggregate adjusted quarterly payroll) that ESD collects.

Sec 114 & 126. ESD must be able to identify employers who have applied for exemption due to already offering other affordable health coverage that is comparable to the one developed by this program.

#### Part II

Section 201-248 has particular fiscal impact on ESD. ESD must conduct rulemaking to implement a single payer health program.

Sec 202. Beginning 01/01/2021, ESD must start accepting applications for waivers from employers with less than 50 employees that may find this program's premium assessment a hardship.

Sec 202 & 203. Beginning 01/01/2024, Employers must report wages and ESD must start assessing and collecting for Health Security Assessment for every employee and for every self-employed individual. For individuals in employment, Health Security assessment is based on 10.5% of an employee's wages. Also, a 2% Personal Health Assessment on employee's aggregate adjusted quarterly payroll.

Revenues collected are deposited into a new benefits account with the state treasurer.

Sec 204. Employers must deduct a personal health assessment as prescribed by ESD by rule. Employers must remit reports to ESD. ESD must create a form for the employer to notify the employee of the taxes deducted and withheld from the employee's wages.

Sec 206. ESD must be able to establish an ability to provide refunds to individuals who qualify for and claim a health care tax credit.

Sec 208. ESD must establish a way to identify spouses who have been enrolled by the employer that is withholding premiums.

Sec 209. Beginning 01/01/2024 ESD must allow out-of-state employers who employ Washington residents to voluntarily collect and remit premiums for their Washington employees.

Sec 210. Employers must keep records and provide records for ESD auditing practices.

Sec 212. ESD must establish and apply penalties to employers who do not furnish reports or remit premiums.

Sec 213. ESD must be able to accept applications for conditional waivers of this program.

Sec 214-229. ESD must be able to collect on delinquent employers who have not paid premiums through various methods. ESD may audit and collect from employers.

ESD must track assessment delinquency and benefit overpayments for the purpose of collecting any claims for assessment, interest, or penalties due.

Sec 230-247.ESD must be able to provide information or be represented in appeal processes.

## **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.*

The totality of premium collection described in part 1 of the bill and collection of assessments described in part 2 of the bill is indeterminate.

Part 2 of the bill specifies that ESD will begin collecting premiums, established in section 107 and deposited into the benefits account described in section 123 of the act, on 10/1/2020. The premium rate is to be established by the Board of Trustees by 11/1/2020. Since the rate is not defined, ESD is unable to estimate cash receipts resulting from premium collections. Section 202 specifies that ESD will collect a Health Security Assessment of 10.5% of an employee's wages. Section 203 specifies that ESD will collect a Personal Health Assessment of 2% of employees aggregate adjusted quarterly payroll. ESD is unable to begin collecting premiums by 10/1/2020 and assumes in all fiscal estimates that premium collection will begin on the same timeline as the Health Security and Personal Health Assessments--employers begin collecting premiums 1/1/2024 and submitting remittance to ESD quarterly beginning 4/1/2024.

The cash receipts estimate for the Health Security and Personal Health assessments are based on UI wage projection data. Since data is not available with which to estimate the impact on receipts, the estimates exclude

the impact of employees/employers who are exempt from UI that will not be exempt from this program, employers who are granted hardship exemptions, employers who provide health plans and request waivers, individuals who are wholly exempt from the program (including individuals under age 19 and eligible for both Medicare and Medicaid), individuals who include their spouses in the premium assessment, out of state employers who choose to collect and remit premiums for employees who are residents of WA, or self-employed individuals who are required to participate.

See attached for detailed Cash Receipts Data for Health Security Assessment and Personal Health Assessment:

Chart 1 Baseline data from Total Wages (Unemployment Insurance data)

Chart2 Assessed and Collected by Fiscal Year

## 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.*

There are significant operational costs to implement the provisions of this bill. Our assumptions include:

Operations:

We assume 1/3 of the PFML workload is related to employer reporting and premium collections. We assume the same ratio would apply in our calculations regarding the ratio of work to administer this program. So, we are multiplying the total PFML operations staff times 1/3 to account for the portion that is theoretically used to process premium collection and related appeal and investigation functions. Currently in PFML 69 staff account for operations, accounting and admin. 1/3 is approximately 23 staff. There are collections required to receive and account for three different revenue sources; each with different exemptions, rates, and impacted employers and employees. Therefore, the premium collection work in this program is estimated to be more complex and require more customer support and staff analysis to assign correct premium and health assessments. As a result, we estimate the workload for Operations to implement this program is multiplied by three for a total of 69 staff. 57 are customer care staff and 12 are fiscal.

Fiscal staff are included in the calculation above and represent the following classifications 4 each FA3's, FA4's and FA5's. Staff are estimated to begin 7/1/2023—six months prior to go-live—to allow for phased hiring, training and preparation to meet customer needs.

Project and Program Management:

We assume the need of one full time WMS3 Project manager between 01/01/2022 and 06/30/2024 as well as a small business liaison WMS2 beginning 02/01/2021 and remaining with the program indefinitely.

Given the size of this new program, we assume that a deputy director, and a budget manager will be needed to stand up the program and for on-going maintenance of the program. We also assume that an HR manager, contracts manager and a research and data manager will be needed to stand up the program. There are collections required to receive and account for three different revenue sources; each with different exemptions, rates, and impacted employers and employees.

Policy and Rules:

Given the significant rulemaking required to implement this complex program and the need to coordinate with

business customers as we navigate the implementation, we assume the need for 1 WMS2, 3 TPS4 (one is on-going) and 2 TPS2 positions (one is on-going).

Communications costs:

ESD assumes there will be a significant communication role to educate employers about their new responsibilities under the program and employees about the various payroll deductions they will see under this new program. This could include how to file and remit for both programs as well as how to understand the many exemptions, inclusions, small business assistance, etc. New documents and strategies will be created. ESD estimates 1 WMS 1 and 2 CC5s between 01/01/2023 and 06/30/2024--six months to create content and arrange marketing contracts, six months before rollout and post rollout to communicate about the program with customers. Thereafter, the ESD enterprise would need to support ongoing communications. Communications cost also include funding for 3 separate mailings and \$900,000 for marketing.

IT costs including contract costs:

IT positions and contracts to implement system changes to support implementation of this program will need to make modifications to the existing technical platform and add new functional features and specifications to current systems. ESD has much of the system which will remove a need for consulting services. ESD assumes the cost to make the system modifications will be 80% of the costs of designing, developing, coding, testing and releasing the existing PFML wage reporting and premium functionality (80% of PFML iteration and payments from 07/2018 through 02/2019) as well as 10% of the cost PFML iteration and payments from 03/2019 through 02/2020 for costs to modify our systems to support sharing, connectivity and reconciling data between agencies.

ESD IT staff estimates are derived from PFML budgeted staff costs for FY 21 and applying the same 80% and 10% ratios. Total cost of ownership is not drastically different from PFML. Contract maintenance costs should align with PFML as we would be contracting for support for the added functionality rather than a system overall. Calculations are shown below.

Fiscal Year 2021 PFML IT FTE = 44

80% of 44 FTEs is 35 FTEs ( $44 \times 80\% = 35$ ) for the employer wage reporting and premium collection functionality.

10% of 44 is 4.4 ( $44 \times 10\% = 4.4$ , rounded up to 5) for the data sharing, connectivity and reconciliation functionality.

For contract costs:

PFML Wage Reporting and premium collection functionality x 80%

$\$13,780,266 \times 80\% = \$11,024,213$  contract costs in FY23

PFML data sharing, connectivity and reconciliation functionality x 10%

\$11,139,628 x 10% = \$1,113,963 contract costs in FY24

**Appeals for OAH & AG**

For OAH, PFML appeals on premiums are projected at 229 appeals per year. Given the complexity of this program’s three different revenue sources; each with different exemptions, rates, and impacted employers and employees, we estimate the workload to process appeals for this program will be multiplied by three for a total of 687 appeals per year beginning in FY2025. Each appeal is projected to take about 5 administrative law judge hours, total cost is \$517,446 per year.

We estimate that AGs will be involved in 1/3 of these appeals, approximately 230 appeals annually, 40 hours per appeal. This equates to 5.1 AG FTE for a total of \$1.1 million per year for FY2025 and thereafter. For FY2021 and FY2022, it is estimated \$115,000 per FY; for FY2023 and FY2024, \$232,000 per FY aiding with vendor bid process development, contract negotiations, assistance with rulemaking, and operational process development and review.

Other costs as well as facilities and equipment costs:

Based on the determinations related to staffing above, there will be costs for this program related to facilities and equipment. The costs should be proportionally applied to each program. If the above methodology is used, we could calculate the lease and equipment costs that apply to the FTEs to apply to this program.

There are also other operational expenditures such as:

- Indirect costs
- Marketing and communications
- Lockbox/credit card/ACH fees
- Mailers
- Facilities
- Rulemaking and hearing costs for stenographer etc.

**Part III: Expenditure Detail**

**III. A - Operating Budget Expenditures**

| Account         | Account Title   | Type  | FY 2020 | FY 2021 | 2019-21 | 2021-23    | 2023-25    |
|-----------------|-----------------|-------|---------|---------|---------|------------|------------|
| 000-1           | All Other Funds | State | 0       | 115,000 | 115,000 | 28,047,509 | 35,154,950 |
| <b>Total \$</b> |                 |       | 0       | 115,000 | 115,000 | 28,047,509 | 35,154,950 |

**III. B - Expenditures by Object Or Purpose**

|                                      | FY 2020 | FY 2021 | 2019-21 | 2021-23    | 2023-25    |
|--------------------------------------|---------|---------|---------|------------|------------|
| FTE Staff Years                      |         |         |         | 54.5       | 128.9      |
| A-Salaries and Wages                 |         |         |         | 6,948,992  | 14,095,091 |
| B-Employee Benefits                  |         |         |         | 2,779,598  | 5,638,037  |
| C-Professional Service Contracts     |         |         |         | 11,024,213 | 2,013,963  |
| E-Goods and Other Services           |         | 115,000 | 115,000 | 4,685,408  | 8,115,254  |
| G-Travel                             |         |         |         |            |            |
| J-Capital Outlays                    |         |         |         |            |            |
| M-Inter Agency/Fund Transfers        |         |         |         |            |            |
| N-Grants, Benefits & Client Services |         |         |         |            |            |
| P-Debt Service                       |         |         |         |            |            |
| S-Interagency Reimbursements         |         |         |         |            |            |
| T-Intra-Agency Reimbursements        |         |         |         | 2,609,298  | 5,292,605  |
| 9-                                   |         |         |         |            |            |
| <b>Total \$</b>                      | 0       | 115,000 | 115,000 | 28,047,509 | 35,154,950 |

**III. C - Operating FTE 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 2020 | FY 2021 | 2019-21 | 2021-23 | 2023-25 |
|--|---------|---------|---------|---------|---------|---------|
| CC5  | 79,548  |         |         |         | 0.5     | 1.0     |
| FA3  | 59,148  |         |         |         |         | 4.0     |
| FA4  | 62,148  |         |         |         |         | 4.0     |
| FA5  | 68,580  |         |         |         |         | 4.0     |
| FA5-Indirect                                       | 70,000  |         |         |         | 14.8    | 29.9    |
| ITS3   | 72,036  |         |         |         | 6.0     | 4.0     |
| ITS4   | 79,548  |         |         |         | 4.5     | 4.0     |
| ITS5   | 87,792  |         |         |         | 6.8     | 6.0     |
| ITS6   | 96,912  |         |         |         | 5.3     | 3.5     |
| MA4  | 72,036  |         |         |         | 0.8     | 0.5     |
| MA4-BDS  | 72,036  |         |         |         | 0.8     | 0.5     |
| OA3  | 37,260  |         |         |         |         | 4.0     |
| PFML Specialist 2                                  | 59,148  |         |         |         |         | 33.0    |
| PFML Specialist 3                                  | 62,148  |         |         |         |         | 16.0    |
| Secretary Senior                                   | 38,988  |         |         |         | 0.8     | 0.5     |
| Tax Policy Specialist 2                            | 77,616  |         |         |         | 2.0     | 1.4     |
| Tax Policy Specialist 4                            | 94,560  |         |         |         | 3.0     | 1.8     |
| WMS1-Communications, Service Delivery Mgr, HR, Con | 71,088  |         |         |         | 2.3     | 5.5     |
| WMS2-IT  | 97,224  |         |         |         | 0.8     | 0.5     |
| WMS2-PM, Rules and Policies, Budget, RDS Mgr.      | 97,224  |         |         |         | 4.0     | 2.9     |
| WMS3-IT  | 109,440 |         |         |         | 0.8     | 0.5     |
| WMS3-PM and Deputy Director                        | 109,440 |         |         |         | 1.8     | 1.5     |
| <b>Total FTEs</b>                                  |         |         |         |         | 54.5    | 128.9   |

**Part IV: Capital Budget Impact**

NONE

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.

Part II Section 201-248 will require major rule making to start immediately for new rules to help administer this program.

**Chart 1 Baseline data from Total Wages (Unemployment Insurance data)**

| Calendar Year | Total Wages (UI covered employers) | Fiscal Year2 | Health Security Assessment (10.5%) | Personal Health Assessment (2%) |
|---------------|------------------------------------|--------------|------------------------------------|---------------------------------|
| 2022          | \$ 178,006,653,724                 |              |                                    |                                 |
| 2023          | \$ 183,246,079,301                 |              |                                    |                                 |
| 2024          | \$ 186,911,000,887                 | 2024         | 19,625,655,093                     | 3,738,220,018                   |
| 2025          | \$ 190,649,220,904                 | 2025         | 20,018,168,195                     | 3,812,984,418                   |
| 2026          | \$ 194,462,205,322                 | 2026         | 20,418,531,559                     | 3,889,244,106                   |
| 2027          | \$ 198,351,449,429                 | 2027         | 20,826,902,190                     | 3,967,028,989                   |
| 2028          | \$ 202,318,478,417                 | 2028         | 21,243,440,234                     | 4,046,369,568                   |
| 2029          | \$ 206,364,847,986                 | 2029         | 21,668,309,039                     | 4,127,296,960                   |
| 2030          | \$ 210,492,144,946                 | 2030         | 22,101,675,219                     | 4,209,842,899                   |
| 2031          | \$ 214,701,987,844                 | 2031         | 22,543,708,724                     | 4,294,039,757                   |
| 2032          | \$ 218,996,027,601                 | 2032         | 22,994,582,898                     | 4,379,920,552                   |
| 2033          | \$ 223,375,948,153                 | 2033         | 23,454,474,556                     | 4,467,518,963                   |

**Chart2 Assessed and Collected by Fiscal Year for Whole WA Health Trust**

| Fiscal Year | Health Security Assessment Assessed | Personal Health Assessment Assessed | Health Security Assessment Collected | Personal Health Assessment Collected | Total Collected |
|-------------|-------------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|-----------------|
| FY24        | 9,812,827,547                       | 1,869,110,009                       | 4,906,413,773                        | 934,555,004                          | 5,840,968,778   |
| FY25        | 19,821,911,644                      | 3,775,602,218                       | 19,723,783,369                       | 3,756,911,118                        | 23,480,694,486  |
| FY26        | 20,218,349,877                      | 3,851,114,262                       | 20,118,259,036                       | 3,832,049,340                        | 23,950,308,376  |
| FY27        | 20,622,716,874                      | 3,928,136,548                       | 20,520,624,217                       | 3,908,690,327                        | 24,429,314,544  |
| FY28        | 21,035,171,212                      | 4,006,699,278                       | 20,931,036,701                       | 3,986,864,134                        | 24,917,900,835  |
| FY29        | 21,455,874,636                      | 4,086,833,264                       | 21,349,657,435                       | 4,066,601,416                        | 25,416,258,851  |
| FY30        | 21,884,992,129                      | 4,168,569,929                       | 21,776,650,584                       | 4,147,933,445                        | 25,924,584,028  |
| FY31        | 22,322,691,971                      | 4,251,941,328                       | 22,212,183,595                       | 4,230,892,113                        | 26,443,075,709  |
| FY32        | 22,769,145,811                      | 4,336,980,154                       | 22,656,427,267                       | 4,315,509,956                        | 26,971,937,223  |
| FY33        | 23,224,528,727                      | 4,423,719,758                       | 23,109,555,813                       | 4,401,820,155                        | 27,511,375,967  |

**Things this doesn't account for:**

**This is UI- covered employers**

**Dually-eligible medicaid & medicare not in the law <19 not in the law**

**Personal health assessment - gross not adjusted**

Calendar Year Max employee portion of Health Security Assessment (2% of assessment amount = .21% of gross wages)

|      |             |
|------|-------------|
| 2022 | -           |
| 2023 | -           |
| 2024 | 392,513,102 |
| 2025 | 400,363,364 |
| 2026 | 408,370,631 |
| 2027 | 416,538,044 |
| 2028 | 424,868,805 |
| 2029 | 433,366,181 |
| 2030 | 442,033,504 |
| 2031 | 450,874,174 |
| 2032 | 459,891,658 |
| 2033 | 469,089,491 |