

Multiple Agency Fiscal Note Summary

Bill Number: 2024 S HB	Title: Medicaid incentive payments
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Estimated Cash Receipts

Agency Name	2019-21		2021-23		2023-25	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	(271,000)	(271,000)	(248,000)	(248,000)	(248,000)	(248,000)
Total \$	(271,000)	(271,000)	(248,000)	(248,000)	(248,000)	(248,000)

Local Gov. Total						
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Estimated Operating Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Washington State Health Care Authority	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.2	33,900	33,900	.0	0	0	.0	0	0
Total \$	0.2	33,900	33,900	0.0	0	0	0.0	0	0

Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other			(626,649)			(357,647)			
Local Gov. Total			(626,649)			(357,647)			

Estimated Capital Budget Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Washington State Health Care Authority	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

NONE

Prepared by: Kathy Cody, OFM	Phone: (360) 902-9822	Date Published: Final 4/ 3/2019
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Individual State Agency Fiscal Note

Bill Number: 2024 S HB	Title: Medicaid incentive payments	Agency: 107-Washington State Health Care Authority
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Part I: Estimates

☒ No Fiscal Impact

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

Check applicable boxes and follow corresponding instructions:

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

Legislative Contact: Tracey OBrien	Phone: 360-786-7152	Date: 03/05/2019
Agency Preparation: Kathryn Kingman	Phone: 360-725-0455	Date: 04/03/2019
Agency Approval: Carl Yanagida	Phone: 360-725-1033	Date: 04/03/2019
OFM Review: Robyn Williams	Phone: (360) 902-0575	Date: 04/03/2019

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.

See attached narrative.

II. B - Cash receipts Impact

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

See attached narrative.

II. C - Expenditures

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

See attached narrative.

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.

None

HCA Fiscal Note

Bill Number: 2024 S HB

HCA Request #: 19-171

Part II: Narrative Explanation

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

SUBSTITUTE BILL

The substitute bill differs from the original bill in the following manner:

Section 2 is added and states that this bill applies only to amounts received on or after the effective date of this section.

Section 3 states that the provisions of RCW 82.32.805 (Tax preferences—Expiration dates) and 82.32.808 (Tax preferences—Performance statement requirement) do not apply to this act.

ORIGINAL BILL

The original bill has the following impacts:

Section 1 amends RCW 82.04.43395 to allow a hospital that is publicly owned to deduct incentive payments received under the Medicaid quality improvement program (MQIP) from their measure of tax. It allows managed care organizations (MCO) to deduct MQIP incentive payments received for achieving quality performance standards.

The term “MCO” in this bill means an organization having a certificate of authority or certificate of registration from the office of the insurance commissioner that contracts with the Health Care Authority (HCA) under a comprehensive risk contract to provide prepaid health care services to eligible clients under HCA’s Medicaid managed care programs, including the healthy options program.

II. B - Cash Receipts Impact

None

This bill will not impact HCA’s cash receipts since its passage will not change the quantity or amount of MQIP incentive payments.

II. C - Expenditures

This bill does not affect HCA costs or operations. However, it does attempt to change the taxable status of the payments that HCA may make through MQIP.

Medicaid Transformation Waiver – Initiative 1

Currently, HCA provides incentive payments to participating hospitals and Accountable Communities of Health (ACH) through Initiative 1 of the state Medicaid Transformation Demonstration (MTD) waiver. Starting in 2017, this initiative is part of a five-year agreement between the state and the Centers for Medicare and Medicaid Services (CMS) that provides federal investment for regional health system projects. Administered through nine regional ACHs, these projects attempt to transform the Medicaid delivery system by providing financial incentives for providers to transform the Medicaid delivery system to serve the whole person and use resources wisely.

Last year, Legislature exempted Initiative 1 incentive payments to participating hospitals and ACHs from the state Business and Occupation (B&O) tax through the passage of Substitute House Bill 2998.

HCA Fiscal Note

Bill Number: 2024 S HB

HCA Request #: 19-171

Medicaid Quality Incentive Program (MQIP)

To further support the aforementioned efforts of the ACHs, HCA would like to employ the use of a provision called MQIP. Governed by 42 CFR 438.6(b), the purpose of the MQIP is to improve the access and quality of health care services provided to Medicaid recipients. HCA would shift some of the hospital incentive payments originally planned through the MTD waiver to this MQIP strategy to aid in the state's ability to meet the budget neutrality provisions of the waiver. In addition, HCA would also use MQIP to further increase the incentive funding to support the projects. HCA would use local funding – generated by intergovernmental transfer contributions from participating public hospitals – and Medicaid federal funding to provide the revenue to support these MQIP incentive payments. No state funding would be required.

Currently, HCA's maintenance level budget does not include the spending authority to support the MQIP strategy payments. HCA has not yet submitted a request for a spending authority adjustment since its ability to use the MQIP strategy to support the budget neutrality provisions of Initiative 1 are contingent upon forthcoming guidance from CMS regarding budget neutrality adjustments. However, for the purpose of this this fiscal note, HCA assumes that MQIP would be implemented with or without passage of this bill so the fiscal impacts related to the bill would entail a comparison between how the MQIP incentive payments would be treated, with or without a B&O tax exemption.

Anticipated Payments through MQIP

Under an MQIP strategy, HCA anticipates making the following incentive payments to hospitals in fiscal year 2020 and beyond using the MQIP strategy.

Recipient (Expenditure Type)	SFY19	SFY20	SFY21	SFY22
<i>Managed Care Organizations (Administration Fee)</i>	\$ 1,000,000	\$2,000,000	\$2,000,000	\$2,000,000
<i>University of WA Medical (Incentive Payment)</i>	\$ 37,694,314	\$90,828,055	\$98,163,467	\$104,597,302
<i>Association of Washington Public Health Districts (Incentive Payment)</i>	\$ 9,423,578	\$22,707,014	\$24,540,867	\$26,149,325
Estimated MQIP Payments	\$48,117,892	\$115,535,069	\$124,704,333	\$132,746,627

Part IV: Capital Budget Impact

None

Part V: New Rule Making Required

None

Department of Revenue Fiscal Note

Bill Number: 2024 S HB	Title: Medicaid incentive payments	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2020	FY 2021	2019-21	2021-23	2023-25
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax	(139,000)	(132,000)	(271,000)	(248,000)	(248,000)
Total \$	(139,000)	(132,000)	(271,000)	(248,000)	(248,000)

Estimated Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.3		0.2		
Account					
GF-STATE-State 001-1	33,900		33,900		
Total \$	33,900		33,900		

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: Tracey OBrien	Phone: 360-786-7152	Date: 03/05/2019
Agency Preparation: Erin Valz	Phone: 360-534-1522	Date: 03/18/2019
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 03/18/2019
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 03/18/2019

Request # 2024-3-2

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.

Note: This fiscal note reflects a revision to the revenue impacts, and supersedes fiscal note number 2024-2.

Note: This fiscal note reflects language in draft legislation SHB 2024 (H-2108.1), 2019 Legislative Session.

This bill provides hospitals a business and occupation (B&O) tax deduction for incentive payments received through the medicaid quality improvement program established through C.F.R. 438.6(b)(2), as existing on the effective date of this bill.

In addition, this bill provides managed care organizations a B&O tax deduction for payments received for achieving quality performance standards established through 42 C.F.R. 438.6(b)(2), as existing on the effective date of this bill.

A hospital must be owned by a municipal corporation or political subdivision, or a hospital that is affiliated with a state institution.

"Managed care organization" has the same meaning as provided in RCW 74.60.010.

The deductions only apply with respect to amounts received on or after the effective date of this bill by a hospital that is owned by a municipal corporation or political subdivision, a hospital that is affiliated with a state institution, or a managed care organization.

The bill takes effect 90 days after final adjournment of the session in which it is enacted.

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.

ASSUMPTIONS

- Based on conversations with the Health Care Authority the Department of Revenue is assuming zero growth after 2022.

DATA SOURCES

- Washington State Health Care Authority

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$139,000 in the 10 months of impacted collections in Fiscal Year 2020, and by \$132,000 in Fiscal Year 2021, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

- FY 2020 - (\$ 139)
- FY 2021 - (\$ 132)
- FY 2022 - (\$ 124)
- FY 2023 - (\$ 124)
- FY 2024 - (\$ 124)
- FY 2025 - (\$ 124)

Local Government, if applicable (cash basis, \$000): 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:

This bill affects 200 taxpayers.

FIRST YEAR COSTS:

The Department of Revenue will incur total costs of \$33,900 in Fiscal Year 2020. These costs include:

Labor Costs – Time and effort equates to 0.3 FTEs.

- Resolve additional error and out of balance and amended returns.
- Prepare refunds and assessments.
- Respond to additional telephone questions, email and written correspondence.

Object Costs - \$4,400.

- Contract computer programming.

ONGOING COSTS:

There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.3		0.2		
A-Salaries and Wages	18,400		18,400		
B-Employee Benefits	5,500		5,500		
C-Professional Service Contracts	4,400		4,400		
E-Goods and Other Services	3,600		3,600		
J-Capital Outlays	2,000		2,000		
Total \$	\$33,900		\$33,900		

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
EXCISE TAX EX 3	56,256	0.1		0.1		
MGMT ANALYST4	63,684	0.2		0.1		
Total FTEs		0.3		0.2		

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.

No rule making required.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 2024 S HB	Title: Medicaid incentive payments
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☐ Cities:
- ☐ Counties:
- ☒ Special Districts: Public Hospital Districts
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

Part II: Estimates

- ☐ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☐ Legislation provides local option:
- ☐ Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

Jurisdiction	FY 2020	FY 2021	2019-21	2021-23	2023-25
Special District	(297,915)	(328,734)	(626,649)	(357,647)	
TOTAL \$	(297,915)	(328,734)	(626,649)	(357,647)	
GRAND TOTAL \$	(984,296)				

Part III: Preparation and Approval

Fiscal Note Analyst: Rebecca Duncan	Phone: 360-725-5040	Date: 03/25/2019
Leg. Committee Contact: Tracey OBrien	Phone: 360-786-7152	Date: 03/05/2019
Agency Approval: Renee Martine-Tebow	Phone: 360-725-5045	Date: 03/25/2019
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 03/26/2019

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

Section 1 of this bill would provide hospitals a business and occupation (B&O) tax deduction for incentive payments received through the Medicaid Quality Improvement Program (MQIP), as existing on the effective date of this bill. In addition, section 1 provides managed care organizations a B&O tax deduction for payments received for achieving quality performance standards, as existing on the effective date of this bill.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

This bill would create a B&O tax deduction for special districts (public hospitals) for the return of incentive contributed through the MQIP as existing on the effective date of this bill.

According to the Health Care Authority (HCA), public hospitals would contribute (and then have returned) \$19,861,020 during FY 2020, \$21,915,608 during FY 2021, and \$23,843,137 during FY 2022. The HCA assumes that funding will cease to be distributed effective Fiscal Year 2023, so we assume all funding would be distributed by Fiscal Year 2022. According to the Department of Revenue (DOR), the B&O tax that these funds would be subject to is a tax rate of 0.015, or 1.5%. Therefore, the tax deduction for public hospital districts is represented here as a decrease in expenditures, or cost savings, of \$297,915 in FY 2020, \$328,734 in FY 2021, and \$357,647 in FY 2022.

BACKGROUND:

MQIP functions by having the state provide funds that are then matched by the federal government, and these federal Medicaid funds are then provided to Accountable Communities of Health (ACHs) and Managed Care Organizations (MCOs). After the funds have been matched, they are returned to MCOs which must redistribute those funds to public hospitals. Without this bill, all of the incentive payments returned to MCOs would technically no longer be government funds, and would be considered taxable. Therefore, this bill results in cost savings for public hospital districts because it would make these returned incentive funds exempt from taxation.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

This bill would have no impact on local government revenues.

SOURCES:

Department of Revenue

Washington Health Care Authority

Association of Public Hospital Districts

Washington State Hospital Association

Washington State Association of Local Public Health Officials