

Individual State Agency Fiscal Note

Bill Number: 5169 SB	Title: Medicare/health care plans	Agency: 107-Washington State Health Care Authority
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

Non-zero but indeterminate cost and/or savings. Please see discussion.

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.

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Part II: Narrative Explanation

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

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

See attached narrative.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

See attached narrative.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

See attached narrative.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

See attached narrative.

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

HCA Fiscal Note

Bill Number: SB 5169

HCA Request #: 23-050

Part II: Narrative Explanation

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

Section 1 adds a new section to RCW 41.05 (State Health Care Authority) that requires the Public Employees Benefits Board (PEBB) program to preserve offering Medicare eligible retirees' access to the Uniform Medical Plan (UMP) Classic Medicare.

Section 2 requires the Health Care Authority (HCA), consistent with PEB Board Resolution 2022-16 (which in its entirety reads, "Resolved that the PEB Board postpone action on closure of the UMP Classic Medicare plan until at least January 2024 to allow staff to interact in earnest with stakeholders"), to consult with active employees and retirees and gather feedback about member needs. HCA will also be required to explore "more affordable government self-insured plans" with benefits that are equal to or richer than the UMP Classic Medicare plan. The results from these activities are to be used to inform future health care plan selection.

Section 2(2) requires the HCA submit a report to the Legislature that includes results of stakeholder engagements by December 1, 2023.

II. B – Cash Receipts Impact

None.

II. C – Expenditures

While this bill has an indeterminate impact on future rates and premiums, there are known costs of \$500,000 related to the legislative report required in Section 2(2).

Unknown Costs:

Section 1 requires that the PEBB program continue to offer the UMP Classic Medicare plans for retirees.

The PEB Board has delegated authority over benefits in the program, including those available to retirees. These decisions are guided primarily by member cost and health care quality and access. It is unclear whether the PEB Board, in its authority, could make benefit changes to UMP Classic Medicare under this language that would protect members from exceedingly high premium costs or any changes to quality or access. For example, premiums for UMP reflect the size and risk of the population enrolled, the benefits offered, and the rising cost of health care. If the PEBB program maintains UMP Classic Medicare at existing benefit levels, premiums will increase over time. The significantly higher cost and year over year impact to rates is unique to the UMP Classic Medicare offering because unlike Medicare Advantage and Part D plans (MAPDs), UMP Classic Medicare does not receive any federal subsidies to lower the cost of premiums. Such subsidies also increase if the risk of a MA or MAPD plan's enrolled population increases, further stabilizing future costs for those plans. There may also be a threshold in the future where UMP Classic Medicare loses actuarial credibility for developing a rate. Additionally, UMP Classic Medicare is currently administered by Regence, and HCA assumes that the requirement in section 1 does not prohibit HCA from ever procuring a different third-party administrator (TPA).

HCA Fiscal Note

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Section 2 requires HCA consult with active employees and retirees via listening sessions and public forums to gather feedback about member needs, in alignment with PEBB Resolution 2022-16 (which in its entirety reads, “Resolved that the PEB Board postpone action on closure of the UMP Classic Medicare plan until at least January 2024 to allow staff to interact in earnest with stakeholders”). In addition, under the bill HCA is required to explore more affordable government self-insured plans with benefits equal to or greater than UMP Classic Medicare and use the information to inform future health plan offerings.

HCA assumes that existing outreach being planned, in consultation with several retiree stakeholder groups (including the Retired Public Employees Council of Washington; Washington Education Association – Retired; Washington Federation of State Employees, Washington State Alliance for Retired Americans; Health Care Is A Human; Social Security Works Washington; Puget Sound Advocates for Retirement Action; American Federation of Teachers, Washington Retiree; and Washington State Senior Citizen’s Lobby), through May 2023 meets the requirements of the bill. Additional activities beyond those described may incur facilities, travel expenses, materials, and staffing costs.

In addition to the retiree engagements agreed to as part of public Board meetings, the bill also specifically directs HCA to explore more affordable government self-insured plans with benefits equal to or richer than UMP Classic Medicare. HCA assumes that consultant and actuarial support would be necessary, as it appears this topic is expected to be included in the legislative report required in subsection 2. HCA previously performed an analysis of the PEBB retiree portfolio in 2018 and was unable to identify options to stabilize or reduce member premiums that did not require procuring a MAPD or reducing benefit levels in UMP Classic Medicare. While MAPD plans can be self-insured, HCA assumes that is not the intent of this legislation. Without additional federal subsidies for MA and Part D plans, however, HCA would not be able to offer a less costly self-insured coordination of benefits Medicare plan equivalent to UMP Classic Medicare. In addition, adding lower cost plan(s) to the PEBB Medicare portfolio would negatively impact rates for UMP Classic Medicare, particularly if state law prohibits reducing the plan’s existing benefit levels.

HCA assumes that any additional Medicare plan offerings to retirees would require a competitive procurement and additional future funding needs.

Known Costs:

Section 2(2) requires that HCA provide a report to the legislature by December 1, 2023. Based on a similarly sized legislative report requirement in the 2022 Supplemental Budget process, HCA assumes \$500,000 would be needed to complete this report. These funds would support actuarial and consultant analysis and could also be used to cover costs associated with conducting the underlying listening sessions and public forums.

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

None.

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