Multiple Agency Fiscal Note Summary

Bill Number: 1655 HB	**Title:** Provider contract comp.

Estimated Cash Receipts

NONE

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Washington State Health Care Authority	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Office of Insurance Commissioner	2.9	0	0	766,086	2.5	0	0	631,320	2.5	0	0	631,320
Total $	**2.9**	**0**	**0**	**766,086**	**2.5**	**0**	**0**	**631,320**	**2.5**	**0**	**0**	**631,320**

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Washington State Health Care Authority	.0	0	0	.0	0	0	.0	0	0
Office of Insurance Commissioner	.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

Prepared by: Jason Brown, OFM	**Phone:** (360) 742-7277	**Date Published:** Final 2/13/2023

Individual State Agency Fiscal Note

Bill Number: 1655 HB	**Title:** Provider contract comp.	**Agency:** 107-Washington State Health Care Authority

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:

- [X] 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:	Ingrid Lewis	Phone: 360-786-7293	Date: 02/02/2023
Agency Preparation:	Molly Christie	Phone: 360-725-5138	Date: 02/07/2023
Agency Approval:	Megan Atkinson	Phone: 360-725-1222	Date: 02/07/2023
OFM Review:	Marcus Ehrlander	Phone: (360) 489-4327	Date: 02/09/2023

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.

Part II: Narrative Explanation

II. A - Brief Description of What The Measure Does That Has Fiscal Impact
This bill requires commercial health insurers to increase reimbursement rates for private practice providers annually according to the rate of inflation, with the intent of supporting competition and deterring provider consolidation by hospital and health systems.

Section 2 (New Section, RCW 48.43 – Insurance Reform) requires private health plans issued on or after January 1, 2024, to annually increase compensation for contracted providers who are not employed by a hospital or affiliate of a hospital or health carrier at a rate equal to the consumer price index (CPI) for all urban consumers over the previous year.

II. B - Cash Receipts Impact
None.

II. C – Expenditures
This bill will have an indeterminate fiscal impact on the Public Employees' and Schools Employees' Benefits Board programs (PEBB and SEBB, respectively) due to increased premiums charged to HCA by the fully insured carriers. This will affect the monthly premiums that members pay for these plans.

Section 2 of this bill would require the PEBB and SEBB fully insured plans to adjust reimbursement for private practice providers based on the prior year's rate of inflation (CPI). This bill amends RCW 48.43 meaning it would impact only the fully insured plans offered in the PEBB and SEBB Programs, but not the Uniform Medical Plan (UMP).

Generally, an increase to existing reimbursement rates will increase overall plan costs for the fully insured carriers, however a specific fiscal estimate is not possible. HCA does not have detail on the number of providers who would be impacted by this bill, or the terms of confidential and proprietary contract agreements between providers and plans. HCA does not know how increases to carrier costs would impact PEBB and SEBB fully insured plan rates, specifically. Kaiser estimated a $20 million annual increase in costs associated with PEBB and SEBB members based on a CPI of 6.5%. Premera expressed concerns about the bill, including potentially significant costs, but did not provide a fiscal estimate.

While this section does not explicitly govern UMP, if this bill did apply to UMP's provider contracts that are managed by the third-party administrator, Regence, the estimated potential impact to UMP from provider contracting changes and associated costs is $40 million annually. Increased costs for UMP would impact the state's contribution toward medical benefits (employer medical contribution, or EMC).

Part IV: Capital Budget Impact
None.

Part V: New Rule Making Required
None.

Individual State Agency Fiscal Note

Bill Number: 1655 HB	Title: Provider contract comp.	Agency: 160-Office of Insurance Commissioner

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	3.2	2.5	2.9	2.5	2.5
Account					
Insurance Commissioners Regulatory Account-State 138-1	450,426	315,660	766,086	631,320	631,320
Total $	450,426	315,660	766,086	631,320	631,320

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:

- [X] 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.
- [X] Requires new rule making, complete Part V.

Legislative Contact:	Ingrid Lewis	Phone: 360-786-7293	Date: 02/02/2023
Agency Preparation:	Jane Beyer	Phone: 360-725-7043	Date: 02/07/2023
Agency Approval:	Michael Wood	Phone: 360-725-7007	Date: 02/07/2023
OFM Review:	Jason Brown	Phone: (360) 742-7277	Date: 02/07/2023

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.

Section 2 requires, for private health plans issued or renewed on or after January 1, 2024, compensation provisions in provider contracts between providers not employed by a hospital, or any affiliate of a hospital, and a health carrier to include an increase in compensation from the prior year for health care services. The compensation increase must be based upon the consumer price index for all urban consumers over the previous year.

Section 3 requires the Office of Insurance Commissioner to adopt rules necessary to implement Section 2 using standards used to determine inflationary increases in the qualifying payment amount under the federal No Surprises Act and implementing federal regulations.

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.

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.

Section 2 requires, for private health plans issued or renewed on or after January 1, 2024, compensation provisions in provider contracts between providers not employed by a hospital, or any affiliate of a hospital, and a health carrier to include an increase in compensation from the prior year for health care services. The compensation increase must be based upon the consumer price index for all urban consumers over the previous year.

Health carriers will be required to update the compensation exhibits in private health plan provider contracts to address the annually required compensation increase. The Office of Insurance Commissioner (OIC) receives approximately 7,350 provider contracts each year which consists of a blend of health benefit plans, Medicaid, and limited health coverages. This number also includes a blend of provider's employed by hospitals and providers not employed by a hospital or any affiliate of a hospital. The OIC does not currently receive private health plan provider compensation exhibits for self-funded, TRICARE, or other plans. For purposes of this fiscal note, it is assumed that these factors will equate to a zero change in the total number of provider contracts reviewed each year. The addition of the review standard is expected to add 30 minutes to the review of provider contracts beginning in FY2024 requiring 3,675 hours (7,350 provider contracts x 30 minutes) per year of a Functional Program Analyst 3. The OIC will also require one-time costs, in FY2024, of 58 hours of a Functional Program Analyst 4 to develop new review standards, update checklist documents and filing instructions, train staff, and respond to provider inquiries and complaints.

Health carriers will be able to annually add the compensation increase to rate filings for the student health plan, individual, and small group health plan markets. The OIC will need to review the information related to the annual compensation increase in the individual, small group, and student health plan rate filings. Based on plan year 2023, the OIC assumes 15 individual, 12 small group, and 3 student health plan rate filings will need additional review each year. The addition of the new review standard is expected to add 30 minutes to the review of health rate filings beginning in FY2024 requiring 15 hours (30 rate filings x 30 minutes) per year of an Actuary 3.

The requirement in Section 2 for private health plans to annually adjust provider compensation will drive additional informational and complaint cases to the OIC. In 2022, the OIC processed approximately 1,500 informational cases and 400 complaint cases directly relating to provider contracts. As a result of this bill, the OIC estimates a 30% increase in provider contract-related cases, or an additional 450 informational and 120 complaint cases per year. Informational cases require an average of 10 minutes and complaint cases require an average of 20 minutes per case requiring a total of 115 hours (1,500 cases x 30% x 10 minutes + 400 cases x 30% x 20 minutes) per year of a Functional Program Analyst 3 beginning in FY2024. The OIC also estimates that the complaint cases will result in two additional market conduct examinations of health carriers each year. Market conduct examinations take an average of 120 hours per carrier to complete requiring 240 hours (2 market conduct exams x 120 hours) per year of a Functional Program Analyst 3 beginning in FY2025.

Section 3 requires the OIC to adopt rules necessary to implement Section 2 using standards used to determine inflationary increases in the qualifying payment amount under the federal No Surprises Act and implementing federal regulations. Rulemaking, in FY2024, will be 'complex' due to inconsistency between the language of Section 2 and inflation adjustments in the federal No Surprises Act (NSA) rules for calculation of the "qualifying payment amount" under 45 CFR §149.140. Section 2 specifically requires the consumer price index for all urban consumers over the previous year be used and appears to be specific to each provider contract. The NSA rules base inflation adjustments on a carrier's median in-network rate for a service and uses 2019 as a base year for calculating annual inflation increases. Under section 2, it unclear whether there would be a fixed base year and whether the increased rates from carriers "must include", but would not be limited to, the inflation adjustment.

Ongoing Costs:
Salary, benefits and associated costs for 2.49 FTE Functional Program Analyst 3 and .01 FTE Actuary 3.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
138-1	Insurance Commissioners Regulatory Account	State	450,426	315,660	766,086	631,320	631,320
		Total $	450,426	315,660	766,086	631,320	631,320

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	3.2	2.5	2.9	2.5	2.5
A-Salaries and Wages	260,880	184,114	444,994	368,228	368,228
B-Employee Benefits	92,261	68,414	160,675	136,828	136,828
C-Professional Service Contracts					
E-Goods and Other Services	88,285	63,132	151,417	126,264	126,264
G-Travel					
J-Capital Outlays	9,000		9,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	450,426	315,660	766,086	631,320	631,320

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 2024	FY 2025	2023-25	2025-27	2027-29
Actuary 3	169,704	0.0	0.0	0.0	0.0	0.0
Functional Program Analyst 3	73,260	2.3	2.5	2.4	2.5	2.5
Functional Program Analyst 4	80,952	0.2		0.1		
Senior Policy Analyst	108,432	0.7		0.3		
Total FTEs		3.2	2.5	2.9	2.5	2.5

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

Part V: New Rule Making Required

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

Section 3 requires the Office of Insurance Commissioner to adopt rules necessary to implement Section 2 using standards used to determine inflationary increases in the qualifying payment amount under the federal No Surprises Act and implementing federal regulations. Rulemaking, in FY2024, will be ‘complex’ due to inconsistency between the language of Section 2 and inflation adjustments in the federal No Surprises Act (NSA) rules for calculation of the “qualifying payment amount” under 45 CFR §149.140. Section 2 specifically requires the consumer price index for all urban consumers over the previous year be used and appears to be specific to each provider contract. The NSA rules base inflation adjustments on a carrier’s median in-network rate for a service and uses 2019 as a base year for calculating annual inflation increases. Under section 2, it unclear whether there would be a fixed base year and whether the increased rates from carriers "must include", but would not be limited to, the inflation adjustment.