

Multiple Agency Fiscal Note Summary

Bill Number: 1812 HB	Title: Medicaid/B&O tax deductions
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Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	(10,100,000)	(10,100,000)	(10,100,000)	(12,600,000)	(12,600,000)	(12,600,000)	(9,400,000)	(9,400,000)	(9,400,000)
Total \$	(10,100,000)	(10,100,000)	(10,100,000)	(12,600,000)	(12,600,000)	(12,600,000)	(9,400,000)	(9,400,000)	(9,400,000)

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	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Revenue	.1	16,400	16,400	16,400	.0	0	0	0	.0	0	0	0
Total \$	0.1	16,400	16,400	16,400	0.0	0	0	0	0.0	0	0	0

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
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

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Final 2/18/2023
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Individual State Agency Fiscal Note

Bill Number: 1812 HB	Title: Medicaid/B&O tax deductions	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:

NONE

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 Taylor	Phone: 360-786-7152	Date: 02/14/2023
Agency Preparation: Sue Eckroth	Phone: 360-725-1899	Date: 02/16/2023
Agency Approval: Catrina Lucero	Phone: 360-725-7192	Date: 02/16/2023
OFM Review: Jason Brown	Phone: (360) 742-7277	Date: 02/16/2023

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

NONE

III. B - Expenditures by Object Or Purpose

NONE

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

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: HB 1812

HCA Request #: 23-137

Part II: Narrative Explanation

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

This bill continues the business and occupation tax deduction for Accountable Communities of Health (ACHs) for federal funds received under the 1115 waiver known as the Medicaid Transformation Project (MTP) or Medicaid Quality Improvement Program. It updates the exemption from Delivery System Reform Incentive Payments (DSRIP) to MTP funding and broadens language for subsequent program iterations.

ACHs are identified by the Washington State Health Care Authority (HCA).

This bill modifies existing RCW 82.04.43395 (Deductions – ACHs)

- Section 1(1) and Section 1(2)b replaces DSRIP, which was a type of waiver payment in the first waiver, with the more encompassing reference to the MTP funding and broadens language to include subsequent project iterations.

II. B - Cash Receipts Impact

None.

II. C – Expenditures

No fiscal impact. The requirements of this bill can be absorbed using existing resources.

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Require

None.

Department of Revenue Fiscal Note

Bill Number: 1812 HB	Title: Medicaid/B&O tax deductions	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax	(3,300,000)	(6,800,000)	(10,100,000)	(12,600,000)	(9,400,000)
Total \$	(3,300,000)	(6,800,000)	(10,100,000)	(12,600,000)	(9,400,000)

Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1		0.1		
GF-STATE-State 001-1	16,400		16,400		
Total \$	16,400		16,400		

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 Taylor	Phone: 60-786-7152	Date: 02/14/2023
Agency Preparation: Van Huynh	Phone: 60-534-1512	Date: 02/17/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 02/17/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/18/2023

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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.

CURRENT LAW:

A business and occupation (B&O) tax deduction is available, as follows:

An accountable community of health may take a business and occupation (B&O) tax deduction for delivery system reform incentive payments distributed by the Health Care Authority (HCA) through Medicaid demonstration project number 11-W-00304/0, approved by the Centers for Medicare and Medicaid Services (CMS) in accordance with Sec. 1115(a) of the Social Security Act (SSA).

A hospital owned by a municipal corporation or political subdivision, or a hospital affiliated with a state institution, may take a B&O tax deduction for either or both of the following:

- Incentive payments received through the Medicaid quality improvement program established through 42 C.F.R. 438.6(b)(2), as existing on July 28, 2019.
- Delivery system reform incentive payments received through the project described in Sec. 1115 Medicaid demonstration project number 11-W-00304/0, approved by the CMS in accordance with Sec. 1115(a) of the SSA.

Managed care organizations may take a B&O tax deduction for income received as incentive payments received for achieving quality performance standards established through 42 C.F.R. 438.6(b)(2), as existing on July 28, 2019.

"Accountable community of health" is an entity designated by the HCA as a community of health and any additional accountable communities of health authorized by the HCA as part of Sec. 1115 Medicaid demonstration project number 11-W-00304/0.

"Managed care organization" is an organization having a certificate of authority or certificate of registration from the Office of the Insurance Commissioner that contracts with the HCA under a comprehensive risk contract to provide prepaid health care services to eligible clients under the HCA's Medicaid managed care programs, including the Healthy Options program.

PROPOSAL:

This bill extends the B&O tax deduction for federal funds received from a Medicaid transformation or demonstration project or Medicaid quality improvement program or standard.

The bill makes two changes to current law provisions:

- It renames "delivery system reform incentive payments" to "Medicaid transformation project funding".
- It extends the B&O tax deduction for the accountable community of health and hospitals by allowing the deduction for subsequent project iterations.

EFFECTIVE DATE:

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

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.

ASSUMPTIONS

- Payments to any accountable community of health (ACH) are scheduled to end in June of 2024. It is unknown whether such funding will continue. For purposes of demonstrating the potential impact of this bill, this estimate assumes funding

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continues.

- This legislation passes effective July 23, 2023; however, payments do not end until June of 2024. Thus, fiscal year 2024 includes a full 12 months of impacted B&O collections.

DATA SOURCES

- Washington State Health Care Authority

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$3.3 million in fiscal year 2024, and then by \$6.8 million in fiscal year 2025.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 - \$ (3,300)
FY 2025 - \$ (6,800)
FY 2026 - \$ (6,300)
FY 2027 - \$ (6,300)
FY 2028 - \$ (4,700)
FY 2029 - \$ (4,700)

Local Government, if applicable (cash basis, \$000): None.

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.

ASSUMPTIONS:

This bill affects 100 taxpayers that are hospitals, managed care organizations, and accountable communities.

FIRST YEAR COSTS:

The department will incur total costs of \$16,400 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 0.1 FTE.

- Test and verify computer systems for deduction changes.

Object Costs - \$4,400.

- Computer system changes, including contract programming.

SECOND YEAR COSTS:

The department will not incur any costs in fiscal year 2025.

ONGOING COSTS:

There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1		0.1		
A-Salaries and Wages	7,300		7,300		
B-Employee Benefits	2,400		2,400		
C-Professional Service Contracts	4,400		4,400		
E-Goods and Other Services	1,600		1,600		
J-Capital Outlays	700		700		
Total \$	\$16,400		\$16,400		

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

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
MGMT ANALYST4	73,260	0.1		0.1		
Total FTEs		0.1		0.1		

III. C - 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

Part V: New Rule Making Required