Multiple Agency Fiscal Note Summary

Bill Number: 1850 S HB	**Title:** Hospital safety net program

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
Washington State Health Care Authority	0	0	2,679,275,000	0	0	5,065,652,000	0	0	5,065,652,000
Office of Insurance Commissioner	54,230,000	54,230,000	54,230,000	74,800,000	74,800,000	74,800,000	74,800,000	74,800,000	74,800,000
Total $	**54,230,000**	**54,230,000**	**2,733,505,000**	**74,800,000**	**74,800,000**	**5,140,452,000**	**74,800,000**	**74,800,000**	**5,140,452,000**

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Local Gov. Total						

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	2.0	(160,000,000)	(160,000,000)	2,519,275,000	4.0	(452,000,000)	(452,000,000)	4,613,652,000	4.0	(452,000,000)	(452,000,000)	4,613,652,000
Office of Insurance Commissioner	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total $	**2.0**	**(160,000,000)**	**(160,000,000)**	**2,519,275,000**	**4.0**	**(452,000,000)**	**(452,000,000)**	**4,613,652,000**	**4.0**	**(452,000,000)**	**(452,000,000)**	**4,613,652,000**

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

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**

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Breakout

NONE

Prepared by: Jason Brown, OFM	Phone: (360) 742-7277	Date Published: Final 4/13/2023

FNPID 68613

FNS029 Multi Agency rollup

Individual State Agency Fiscal Note

Bill Number: 1850 S HB	Title: Hospital safety net program	Agency: 107-Washington State Health Care Authority

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
General Fund-Federal 001-2	522,962,000	1,239,502,000	1,762,464,000	3,119,710,000	3,119,710,000
General Fund-Private/Local 001-7	37,418,000	75,993,000	113,411,000	152,548,000	152,548,000
Hospital Safety Net Assessment Account-State 16w-1	259,903,000	543,497,000	803,400,000	1,793,394,000	1,793,394,000
Total $	820,283,000	1,858,992,000	2,679,275,000	5,065,652,000	5,065,652,000

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	2.0	2.0	2.0	4.0	4.0
Account					
General Fund-State 001-1	(80,000,000)	(80,000,000)	(160,000,000)	(452,000,000)	(452,000,000)
General Fund-Federal 001-2	522,962,000	1,239,502,000	1,762,464,000	3,119,710,000	3,119,710,000
General Fund-Private/Local 001-7	37,418,000	75,993,000	113,411,000	152,548,000	152,548,000
Hospital Safety Net Assessment Account-State 16w-1	259,903,000	543,497,000	803,400,000	1,793,394,000	1,793,394,000
Total $	740,283,000	1,778,992,000	2,519,275,000	4,613,652,000	4,613,652,000

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:	Meghan Morris	Phone: 360-786-7119	Date: 04/04/2023
Agency Preparation:	Cliff Hicks	Phone: 360-725-0875	Date: 04/06/2023
Agency Approval:	Catrina Lucero	Phone: 360-725-7192	Date: 04/06/2023
OFM Review:	Jason Brown	Phone: (360) 742-7277	Date: 04/13/2023

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.

Please see attached.

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.

Please see attached.

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.

Please see attached.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	(80,000,000)	(80,000,000)	(160,000,000)	(452,000,000)	(452,000,000)
001-2	General Fund	Federal	522,962,000	1,239,502,000	1,762,464,000	3,119,710,000	3,119,710,000
001-7	General Fund	Private/Local	37,418,000	75,993,000	113,411,000	152,548,000	152,548,000
16w-1	Hospital Safety Net Assessment Account	State	259,903,000	543,497,000	803,400,000	1,793,394,000	1,793,394,000
		Total $	740,283,000	1,778,992,000	2,519,275,000	4,613,652,000	4,613,652,000

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	2.0	2.0	2.0	4.0	4.0
A-Salaries and Wages	223,000	223,000	446,000	794,000	794,000
B-Employee Benefits	71,000	71,000	142,000	266,000	266,000
C-Professional Service Contracts	202,000	202,000	404,000	924,000	924,000
E-Goods and Other Services	4,000	4,000	8,000	16,000	16,000
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services	739,783,000	1,778,492,000	2,518,275,000	4,611,652,000	4,611,652,000
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	740,283,000	1,778,992,000	2,519,275,000	4,613,652,000	4,613,652,000

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 2024	FY 2025	2023-25	2025-27	2027-29
Fiscal Analyst 4	72,000				1.0	1.0
Management Analyst 5	92,000	1.0	1.0	1.0	1.0	1.0
Occupational Nurse Consultant	131,000	1.0	1.0	1.0	1.0	1.0
Operations Research Specialist	102,000				1.0	1.0
Total FTEs		2.0	2.0	2.0	4.0	4.0

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.

Bill Number: 1850 SHB HCA Request #: 23-230

Part II: Narrative Explanation

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

Section 18 of SHB 1850 differs from the previous version of the bill by changing the word “or” to “and” in the following sentence in part (b). “In all events, payments under RCW 74.60.090(1)(a)(i), but not RCW 74.60.090(1) (a)(ii) through (iii), and (b) shall cease December 31, 2023.” This change clarifies that the grants from (ii)-(iii) and (b) will continue past December 31, 2023.

****

AN ACT Relating to expanding and updating the hospital safety net program that is currently set to expire January 1st, 2025. The new program will take effect no earlier than January 1st, 2024.

Sec. 3 establishes the fund known as the Hospital Safety Net Assessment Fund. Money from that fund is allowed to be used to:

- Up to $1,000,000 per state fiscal year for administrative expenses incurred by the authority.
- $226,000,000 per state fiscal year to be used in lieu of state funds for Medicaid hospital services, including $80,000,000 per state fiscal year for post-acute hospital transitions.
- Provide for a 1 percent increase to hospital rates for hospitals that qualify for the quality incentive payment.
- $10,000,000 per fiscal year for payments to financially distressed hospitals in the form of grants
- Provides $2,000,000 for psychiatric residency program slots and $4,100,000 for family residency program slots at the University of Washington per fiscal year.
- Make payments to hospitals as defined by the statute.

Sec. 4 imposes annual assessment amounts to produce the funds needed for directed payments and fee for service payment pool and requires quarterly payment of assessment by hospitals. This section also requires the assessments to produce $510,000,000 from inpatient assessment and $386,400,000 from outpatient assessment. Allows annual adjustments with consultation with the Washington State Hospital Association (WSHA).

Sec. 7 outlines how the money combined with federal funds may be disbursed, after deducting reserved amounts.

- State share of small rural disproportionate hospital payments
- for payments to hospitals outlined in this chapter
- for payments to managed care organizations as directed payments under this chapter

Sec. 8 establishes a directed payment program for designated public hospitals. Directed payment will increase reimbursement to designated public hospitals up to 95% of the Medicare & Medicaid services allowable limit. Currently this limit is the average commercial rate for the same service. Notes that

Intergovernmental Transfers, used to fund these payments are voluntary on the part of the transferring entities.

Premium tax shall be paid from the intergovernmental transfers.

Requires participating hospitals to comply with requests for information or data for the purpose of claiming federal funds and agree to provide data associated with payment arrangement quality strategy goals identified by the program.

Sec. 10 sets distribution for small rural DSH at $2,040,000 per fiscal year plus eligible match. This is an increase of $50,000 per fiscal year.

Sec. 11 directs HCA to make supplemental payments for outpatient and inpatient fee for service Medicaid services.

- Inpatient fee for service pool $21,800,000 per calendar year plus matching funds
- Outpatient fee for service pool $12,400,000 per calendar year plus matching funds
- Psychiatric hospitals $875,000 per calendar year plus matching funds
- Rehabilitation hospitals $225,000 per calendar year plus matching funds
- Inpatient services at border hospitals $250,000 per calendar year plus matching funds
- Outpatient services at border hospitals $250,000 per calendar year plus matching funds

Calculation of hospital payments will be done by totaling fee for service claims payments within each category and expressing as a percentage of the total. That percentage is applied to the payment pool to determine each hospital's supplemental payment. Payments shall be made quarterly.

Sec. 12 directs amounts of managed care payments.

Sec. 14 allows the hospitals to enter into contracts with HCA to protect hospitals from future legislative action which may reduce payments.

The authority agrees not to increase the assessment level from the level set on day 1 of the contract period except under specific reasons and not to reduce the supplemental payment levels.

II. B - Cash Receipts Impact

As noted, section 4 of this bill requires an imposed annual assessment amount to produce the funds needed for directed payments and fee for service payment pools. Inpatient assessments are required to produce $510,000,000 and outpatient assessments need to produce $386,400,000. A standard assessment rate will be applied to non-Medicare inpatient and outpatient revenue for Prospective Payment System (PPS) hospitals. The bill further defines and clarifies the assessment rate based on the type of hospital. Below is a breakdown according to hospital type.

- Prospective Payment System hospitals (PPS)
  - Full Assessment on non-Medicare, net patient revenue. Up to 6% of non-Medicare, net patient revenue
- Cancer
  - 100% of PPS rate on inpatient revenue; 40% of outpatient
- Psychiatric (freestanding)

- 100% of PPS rate for inpatient; 50% of PPS for outpatient
- Rehab
  - 50% of PPS rate for both inpatient and outpatient
- Childrens'
  - 5% of PPS rate for Inpatient and 20% of PPS for outpatient
- Critical Access Hospitals
  - 5% of PPS rate for Inpatient and 40% for outpatient
- High government payer, independent hospitals (less than 3 hospitals in system)
  - 20% of PPS rate for Inpatient and 90% for outpatient

II. C – Expenditures

The fiscal impact is greater than $50,000. The following is a cost breakdown for the $2,000,000 (16W-1) administrative funds established in section 2.

This program's current staffing level of 1.0 FTE Operations Research Specialist and 1.0 FTE Fiscal Analyst 4 would need to be maintained and additional staffing resources are needed due to the complexity of the updated bill.

1.0 FTE Occupational Nurse Consultant (ONC): A clinical quality staff person would support linking the accountability metrics to clinical care, supporting connectivity between program design and care outcomes, specifically related and required by the directed payment approach. This staff member would be responsible for communicating expectations and supporting compliance by MCOs. Using a quality oversight staff member connects the program design to the CMS mandated quality accountability structure, including the managed care quality strategy goals and effectiveness evaluation, supporting the likelihood of federal approval of the directed payment model, which CMS requires a rigorous evaluation. A clinical license can be supported with higher federal match of 75% due to Medicaid regulations re Skilled Professional Medical Personnel.

1.0 FTE Management Analyst 5: This position would manage questions from hospitals during the program changeover. Monitor the funds payments both to and from the Hospital Safety Net Assessment Fund and ensure that funds do not fall below the required reserve threshold.

$202,000 annually for Milliman actuarial support contracts.

II. C - Operating Budget Expenditures

Account	Account Title	Type	FY-2024	FY-2025	FY-2026	FY-2027	FY-2028	FY-2029	2023-25	2025-27	2027-29
16W-1	Hospital Safety Net Assessment Acct	State	500,000	500,000	1,000,000	1,000,000	1,000,000	1,000,000	**1,000,000**	**2,000,000**	**2,000,000**
		Totals	**$ 500,000**	**$ 500,000**	**$ 1,000,000**	**$ 1,000,000**	**$ 1,000,000**	**$ 1,000,000**	**$ 1,000,000**	**$ 2,000,000**	**$ 2,000,000**

II. C - Expenditures by Object Or Purpose

		FY-2024	FY-2025	FY-2026	FY-2027	FY-2028	FY-2029	2023-25	2025-27	2027-29
FTE		2.0	2.0	4.0	4.0	4.0	4.0	**2.0**	**4.0**	**4.0**
A	Salaries and Wages	223,000	223,000	397,000	397,000	397,000	397,000	**446,000**	**794,000**	**794,000**
B	Employee Benefits	71,000	71,000	133,000	133,000	133,000	133,000	**142,000**	**266,000**	**266,000**
C	Professional Service Contracts	202,000	202,000	462,000	462,000	462,000	462,000	**404,000**	**924,000**	**924,000**
E	Goods and Other Services	4,000	4,000	8,000	8,000	8,000	8,000	**8,000**	**16,000**	**16,000**
	Totals	**$ 500,000**	**$ 500,000**	**$ 1,000,000**	**$ 1,000,000**	**$ 1,000,000**	**$ 1,000,000**	**$ 1,000,000**	**$ 2,000,000**	**$ 2,000,000**

II. C - Operating FTE Detail: List FTEs by classification and corresponding annual compensation.

Job title	Salary	FY-2024	FY-2025	FY-2026	FY-2027	FY-2028	FY-2029	2023-25	2025-27	2027-29
FISCAL ANALYST 4	72,000	0.0	0.0	1.0	1.0	1.0	1.0	**0.0**	**1.0**	**1.0**
MANAGEMENT ANALYST 5	92,000	1.0	1.0	1.0	1.0	1.0	1.0	**1.0**	**1.0**	**1.0**
OCCUPATIONAL NURSE CONSULTANT	131,000	1.0	1.0	1.0	1.0	1.0	1.0	**1.0**	**1.0**	**1.0**
OPERATIONS RESEARCH SPECIALIST	102,000	0.0	0.0	1.0	1.0	1.0	1.0	**0.0**	**1.0**	**1.0**
	Totals	**2.0**	**2.0**	**4.0**	**4.0**	**4.0**	**4.0**	**2.0**	**4.0**	**4.0**

Bill Number: 1850 SHB HCA Request #: 23-230

Below are all of the assumed expenditures paid by the program for state fiscal year 2024 and 2025. Due to the previous version of the program ending with the calendar year, state fiscal year 2024 will have funds from both programs if the new bill is adopted.

State Fiscal Year	**2024**	**2025**
Current Program		
Fee-for-Service		
Funding through Assessments	$ 65,759,576	$ 65,759,576
Funding through IGT	$ -	$ -
GFF	$ 67,068,337	$ 67,068,337
Total	*$ 132,827,913*	*$ 132,827,913*
Managed Care		
Funding through Assessments	$ 113,000,468	$ 113,000,468
Funding through IGT	$ -	$ -
GFF	$ 260,840,860	$ 260,840,860
Total	$ 373,841,328	$ 373,841,328
State Program Funding		
General Fund	$ 146,000,000	$ 146,000,000
Post Acute Care Hospital Transitions	$ -	$ -
Distressed Hospitals	$ -	$ -
UW Psychiatry and Family Medicine Resident Grants	$ 6,100,000	$ 6,100,000
UW CPE Grants	$ 5,955,000	$ 5,955,000
Harborview CPE Grants	$ 10,260,000	$ 10,260,000
Other Hospital CPE Grants	$ 5,615,000	$ 5,615,000
Administration Fees	$ 500,000	$ 500,000
Total	$ 174,430,000	$ 174,430,000
Proposed Program		
Fee-for-Service		
Funding through Assessments	$ 52,213,501	$ 38,682,340
Funding through IGT	$ 62,909	$ 125,817
GFF	$ 54,267,205	$ 38,808,157
Total	*$ 106,543,615*	*$ 77,616,313*
Managed Care		
Funding through Assessments	$ 311,864,260	$ 614,904,420
Funding through IGT	$ 37,354,887	$ 75,867,592
GFF	$ 796,604,623	$ 1,528,602,659
Total	$ 1,145,823,769	$ 2,219,374,671
State Program Funding		
General Fund	$ 146,000,000	$ 146,000,000
Post Acute Care Hospital Transitions	$ 80,000,000	$ 80,000,000
Distressed Hospitals	$ 5,000,000	$ 10,000,000
UW Psychiatry and Family Medicine Resident Grants	$ 6,100,000	$ 6,100,000
UW CPE Grants	$ 2,977,500	$ -
Harborview CPE Grants	$ 5,130,000	$ -
Other Hospital CPE Grants	$ 2,807,500	$ -
Administration Fees	$ 1,000,000	$ 1,000,000
Total	$ 248,765,000	$ 243,100,000

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

New rules will need to be adopted/amended related to the changes made when the first version of the Hospital Safety Net Assessment program ends and the next version begins.

Individual State Agency Fiscal Note

Bill Number: 1850 S HB	Title: Hospital safety net program	Agency: 160-Office of Insurance Commissioner

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
General Fund-State 001-1		54,230,000	54,230,000	74,800,000	74,800,000
Total $		54,230,000	54,230,000	74,800,000	74,800,000

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:	Meghan Morris	Phone: 360-786-7119	Date: 04/04/2023
Agency Preparation:	Jane Beyer	Phone: 360-725-7043	Date: 04/05/2023
Agency Approval:	Michael Wood	Phone: 360-725-7007	Date: 04/05/2023
OFM Review:	Jason Brown	Phone: (360) 742-7277	Date: 04/13/2023

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 12(1)(a), beginning on the later of January 1, 2024, or 30 calendar days after satisfaction of the conditions in RCW 74.60.150(1) and Section 12(3), requires the Health Care Authority (HCA) to make quarterly payments to Medicaid managed care organizations. The HCA must direct payments from managed care organizations to hospitals and the payments must support access to hospitals and quality improvement of hospital services.

Section 12(1)(b), (c), and (d) specify funding to Medicaid managed care organizations for directed inpatient and outpatient payments to Medicaid prospective payment system hospitals and critical access hospitals.

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.

Section 12(1)(a), beginning on the later of January 1, 2024, or 30 calendar days after satisfaction of the conditions in RCW 74.60.150(1) and Section 12(3), requires the Health Care Authority (HCA) to make quarterly payments to Medicaid managed care organizations. The HCA must direct payments from managed care organizations to hospitals and the payments must support access to hospitals and quality improvement of hospital services.

Section 12(1)(b), (c), and (d) specify funding to Medicaid managed care organizations for directed inpatient and outpatient payments to Medicaid prospective payment system hospitals and critical access hospitals. An increase in payments to managed care organizations results in an increase to the General Fund from additional insurance premium taxes. Each year, beginning in calendar year 2024, the increased payments to managed care organizations are expected to result in an additional $37.4 million in insurance premium taxes:

$2,230,000,000	Projected payment from HCA (including federal matching funds)
($360,000,000)	Current payments from HCA (including federal matching funds)
$1,870,000,000	Additional payments from HCA
x 2%	Premium tax rate
$ 37,400,000	Additional premium tax per calendar year

FY2025:

$1.8 million	2nd quarter 2024 prepayment due 9/15/24
$1.8 million	3rd quarter 2024 prepayment due 12/15/24
$37.76 million	4th quarter 2024 payment due 3/01/25
$20.07 million	1st quarter 2025 prepayment due 6/15/25
$61.43 million	Total premium taxes
($7.2) million	Less: current premium tax
$ 54.23 million	ADDITIONAL premium tax

FY2026 and on:

$11.15 million	2nd quarter 2025 prepayment due 9/15/25
$11.15 million	3rd quarter 2025 prepayment due 12/15/25
$2.23 million	4th quarter 2025 payment due 3/01/26
$20.07 million	1st quarter 2026 prepayment due 6/15/26
$44.6 million	Total premium taxes
($7.2) million	Less: current premium tax
$ 37.4 million	ADDITIONAL premium tax

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.

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.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1850 S HB	**Title:** Hospital safety net program

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

☐ Cities:

☐ Counties:

☒ Special Districts: Increases public hospital revenue by increasing the amount of assessment dollars the state can use in lieu of General Fund-State Medicaid payments to hospitals.

☐ Specific jurisdictions only:

☐ Variance occurs due to:

Part II: Estimates

☐ No fiscal impacts.

☐ Expenditures represent one-time costs:

☒ Legislation provides local option: Public hospitals that qualify as a financially distressed hospital have the option to apply for grants meant to increase days cash on hand.

☒ Key variables cannot be estimated with certainty at this time: Projected demand for eligible Medicaid services provided to MCO enrollees by public hospitals; distribution of eligible Medicaid services provided by public hospitals to MCO enrollees across all eligible public hospitals; annual non-Medicaid inpatient and outpatient revenue for public hospitals

Estimated revenue impacts to:

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

Estimated expenditure impacts to:

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

Part III: Preparation and Approval

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Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 04/10/2023
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Part IV: Analysis

A. SUMMARY OF BILL

Description of the bill with an emphasis on how it impacts local government.

CHANGES BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:
There were no changes made between versions that affect the local government impacts.

SUMMARY OF CURRENT BILL:

Overview: The Hospital Safety Net Program is intended to increase public hospital revenues for services provided to Medicaid enrollees through a number of amendments that rework the Hospital Safety Net Assessment (HSNA):
- Changes name from Hospital Safety Net Assessment (HSNA) to the Hospital Safety Net Program
- Allows intergovernmental transfers for designated public hospitals
- Creates a Medicaid directed payment program
- Increases assessment amounts on hospitals
- Changes the amounts of payments to hospitals from the HSNA Fund
- Increases the amount of assessment dollars that the state may use in lieu of General Fund-State Medicaid payments to hospitals

Sec. 1: Amends RCW 74.60.005
(1) Establishes the legislations intent to establish a safety net program and an assessment of allowance for intergovernmental transfers for designated public hospitals. The assessment will be used solely as specified in this chapter to maintain and improve equity of access to and quality of care of hospital services for Medicaid clients.
(2) Declares legislatures belief that the program established by this chapter would allow the state to more benefits of increased federal financial participation in the Medicaid program and address expanded Medicaid enrollment.
(3) Declares legislatures intent to:
(3) (a) Condition the assessment as specified in RCW 74.60.150.
(3) (b) Generate funds through the assessment to match federal dollars
(3) (c) Allows designated public hospitals to receive additional federal matching funds that can only be used for the purposes specified in this chapter.

Sec. 2: Amends RCW 74.60.010
(7) Defines “designated public hospital” as a hospital operated by a public hospital district in the state of Washington that is not certified by the department of health as a critical access hospital (CAH):
(7) (a) has not opted out of the certified public expenditure payment program (WAC 182-550-4650), and
(7) (b) is an affiliate of a system of state and county-owned hospitals and is not participating in that system’s intergovernmental transfer directed payment program.

Sec. 3: Amends RCW 74.60.020
(1) (b) Adds and removes language which changes the condition for refunding hospitals to be initiated “If the program is discontinued” and increased the pro rata date to July 1, 2018.
(4) Outlines the requirements for the disbursement of funds:
(4) (d) Increased the maximum amount per biennium for Medicaid hospital service payments from $292,000,000 to $452,000,000
(4) (f) Outlines the reporting requirements for Medicaid prospective payment system hospitals and designated public hospitals.

Sec. 4: Amends RCW 74.60.030
(1) Makes the assessment annual and establishes that the assessment must be paid in equal quarterly installments. Outlines requirements for hospitals to submit and pay assessment.
(2) Establishes that the authority, in consultation with the Washington State Hospital Association (WSHA), must determine

inpatient and outpatient assessment rates, which will produce $510,000,000 from the inpatient assessment and $386,400,000 from outpatient assessment.
(3) The authority must determine standard assessment rates for hospital inpatient and outpatient assessments.
(3) (g) CAH assessment rate for non-Medicare revenue must be 5% of the inpatient standard rate and 40% of the outpatient standard assessment.

Sec. 5: Amends RCW 74.60.040 by adding hospitals owned or operated by the counties, designated public hospitals, and hospitals owned or operated by health maintenance organizations (RCW 48.46) to the list of exempt hospitals.

Sec. 6: Amends RCW 74.60.050
(1) Directs the HCA and Office of Financial Management (OFM) to develop rules determining the amount to be assessed to individual hospitals, notifying individual hospitals of the assessed amount, and collecting the amounts due.
(2) Changed the deadline for submitting assessments to receive offset funds from 90 days to 60 days.
(3) Changed the tax year calendar for adjusting assessment amounts from each fiscal year to each calendar year (CY).

Sec. 7: Amends RCW 74.60.080 and outlines how funds are to be disbursed after deducting or reserving amounts authorized to be disbursed under RCW 74.60.020(4) (d), (e), (f), and (g).
(1) Directs the authority to distribute $10,000,000 for payments to financially distressed hospitals.

Sec. 8: Amends RCW 74.60.090
(1) Directs the authority, in consultation with WSHA, to design and implement a Medicaid direct payment program for designated public hospitals.
(4) Requires Managed Care Organizations (MCO) to make direct payments described in this section within 221 calendar days of receiving the full amount of funds from the authority.
(5) (a-c) Outlines parameters of intergovernmental transfers between MCOs and designated public hospitals.
(6) Directs the authority to collect intergovernmental transfers associated with the direct payments described in this section within a reasonable time frame in relation to the date on which the state is required to furnish each hospital's nonfederal share of expenditures.
(7) (a-b) Outlines conditions of participation for Medicaid MCOs and designated public hospitals under this section.

Sec. 9: Amends RCW 74.60.100 and outlines the requirements for being a financially distressed hospital.

Sec. 10: Amends RCW 74.60.110 by increasing direct payment for hospitals eligible for small rural disproportionate share payments from $1,990,000 to $2,040,000.

Sec. 11: Amends RCW 74.60.120.
(1) Changed the start date of supplemental payments from each state fiscal year to the beginning of each calendar year beginning January 1, 2024.
(1) (a) Decreased supplemental payments for inpatient fee-for-service payment to Medicaid prospective payment hospitals from $29,898,500 to $21,800,000.
(1) (b) Decreased supplemental payments for outpatient fee-for-service payment to Medicaid prospective payment hospitals from $30,000,000 to $12,400,000

Sec. 12: Amends RCW 74.60.130.
(1) Requires authority to make direct quietly payments to MCOs and from MCOs to hospitals with the intent to support access to hospitals and quality improvement of hospitals services.
(1) (c) Requires the authority to directly pay a $400,000 plus federal matching funds to Medicaid MCOs for inpatient payments to CAH for the CY 2024 and 2025.

(1) (d) Requires the authority to directly pay Medicaid MCOs $8,100,000 for the first six months of CY 2024 and $9,300,000 for the second six months from the fund plus federal matching funds for directed outpatient payments to CAH. For CY 2025, the authority will direct Medicaid MCOs to pay CAH $18,600,000 from the fund plus federal matching funds for directed outpatient payments.
(1) (e) For subsequent calendar years, including 2025, the authority must adjust the payments under (a) through (d) of this subsection based on the inflation factor.

(4) Requires the authority to direct each managed care organization to make quarterly payments to eligible hospitals. Directed inpatient payments must be a fixed amount per Medicaid inpatient discharge and directed outpatient payments shall be a percentage of Medicaid managed care outpatient payments.
(4) (a) Establishes that quarterly interim payments are determined using authority's encounter data on the volume of Medicaid discharges and Medicaid outpatient payments. The interim payments based on the volume of services for each hospital within each Medicaid MCO for the equivalent period beginning nine months prior to the start of the payment period.
(4) (c) Requires MCOs to make payments to hospitals within 21 calendar days of receipt of payment in full from the authority.

(5) Outlines the authority's procedure for delivering payments to any class or classes of hospitals under this section if federal restrictions prevent the full amount of payments.

(6) Allows MCOs to recoup repayment costs to the state or federal government from individual hospitals under the Medicaid program.

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

CHANGES IN EXPENDITURE IMPACTS BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:

There were no changes made which would change the bills impact on local government and public hospital expenditures.

EXPENDITURE IMPACTS OF CURRENT BILL:

Some public hospitals would see a reduction in expenditures because hospitals owned or operated by a county government, designated public hospitals, and hospitals owned or operated by health maintenance organizations would be added to the list of exemptions from the assessment. This decrease in expenditures is indeterminate because there is no reliable way to project the potential cost savings due to not knowing the amount of non-Medicaid inpatient and outpatient revenue collected annually by the now exempt hospitals.

Public hospitals that participate in the certified public expenditure (CPE) program would see an increase in expenditures because the bill would remove them from the assessment exemption list. The increase would be indeterminate because there is no reliable way to project the potential cost increase due to not knowing the amount of non-Medicaid inpatient and outpatient revenue collected annually by CPE public hospitals.

Public hospitals that qualify as a financially distressed hospital would have an indeterminate increase in expenditures if they wanted to apply for the grants made available to them by this bill. The increase in costs would be the result of the increase in work demand associated with applying for grants.

All non-exempt public hospitals could see an indeterminate increase in expenditures if they failed to make an assessment payment within 60 calendar days of its due date. Interest is collected on late payments at the rate specified in RCW 82.32.050 and deposited into the Fund.

C. SUMMARY OF REVENUE IMPACTS

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

CHANGES IN REVENUE IMPACTS BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:

There were no changes made which would change the bills impact on local government and public hospital expenditures.

REVENUE IMPACTS OF CURRENT BILL:

This bill would have an indeterminate impact on public hospitals revenue.

The Hospital Safety Net Program (HSNP) would have an indeterminate impact on public hospital revenue because the process HSNP would use to reimburse eligible public hospitals for providing Managed Care Organizations (MCO) Medicare enrollees with eligible services.

Almost all public hospital revenue being generated from the HSNP is directly correlated to the total number of eligible services provided to MCO Medicaid enrollees due to the payment for all eligible services being funded on a fee-for-service bases. As a result, there is no reliable way to project the potential total revenue gained because the amount reimbursed to eligible public hospitals from MCOs is determined by demand for each eligible services. The changes made to HSNP make using historical reimbursement data for eligible services from previous years unreliable due to the increase in overall funding and the bills intent to maximize federal funding.

Additionally, eligible public hospital revenue will see an indeterminate increase because it's unknown how much of the $10,000,000 allocated for financially distressed hospitals would be awarded to eligible public hospitals

Sources:
Washington State Hospital Association
Health Care Authority
House Bill 1850 (2023)
House Bill Report, HB 1850, Appropriations Committee
Local Government Fiscal Note, SB 5734, (2019)
Local Government Fiscal Note, HB 1850, (2023)