

Multiple Agency Fiscal Note Summary

| | |
|-----------------------------|---|
| Bill Number: 6309 SB | Title: Covered lives assessment professional services rate account |
|-----------------------------|---|

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 |
| Office of State Treasurer | Non-zero but indeterminate cost and/or savings. Please see discussion. | | | | | | | | |
| Washington State Health Care Authority | 0 | 0 | 0 | 0 | 0 | 456,892,000 | 0 | 0 | 608,688,000 |
| Office of Insurance Commissioner | Non-zero but indeterminate cost and/or savings. Please see discussion. | | | | | | | | |
| Total \$ | 0 | 0 | 0 | 0 | 0 | 456,892,000 | 0 | 0 | 608,688,000 |

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 |
| Office of State Treasurer | .0 | 0 | 0 | 0 | .0 | 0 | 0 | 0 | .0 | 0 | 0 | 0 |
| Office of Financial Management | .0 | 0 | 0 | 0 | .0 | 0 | 0 | 0 | .0 | 0 | 0 | 0 |
| Washington State Health Care Authority | .0 | 0 | 0 | 0 | 3.5 | 193,288,000 | 193,288,000 | 650,180,000 | 3.5 | 257,178,000 | 257,178,000 | 865,866,000 |
| Office of Insurance Commissioner | .4 | 0 | 0 | 147,796 | .2 | 0 | 0 | 77,514 | .0 | 0 | 0 | 0 |
| Total \$ | 0.4 | 0 | 0 | 147,796 | 3.7 | 193,288,000 | 193,288,000 | 650,257,514 | 3.5 | 257,178,000 | 257,178,000 | 865,866,000 |

Estimated Capital Budget Expenditures

| Agency Name | 2023-25 | | | 2025-27 | | | 2027-29 | | |
|--|------------|----------|----------|------------|----------|----------|------------|----------|----------|
| | FTEs | Bonds | Total | FTEs | Bonds | Total | FTEs | Bonds | Total |
| Office of State Treasurer | .0 | 0 | 0 | .0 | 0 | 0 | .0 | 0 | 0 |
| Office of Financial Management | .0 | 0 | 0 | .0 | 0 | 0 | .0 | 0 | 0 |
| 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

NONE

| | | |
|--------------------------------------|---------------------------------|---|
| Prepared by: Jason Brown, OFM | Phone: (360) 742-7277 | Date Published: Preliminary 2/12/2024 |
|--------------------------------------|---------------------------------|---|

Individual State Agency Fiscal Note

| | | |
|-----------------------------|---|--|
| Bill Number: 6309 SB | Title: Covered lives assessment professional services rate account | Agency: 090-Office of State Treasurer |
|-----------------------------|---|--|

Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

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

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: Sandy Stith | Phone: 786-7710 | Date: 01/26/2024 |
| Agency Preparation: Dan Mason | Phone: (360) 902-8990 | Date: 01/26/2024 |
| Agency Approval: Dan Mason | Phone: (360) 902-8990 | Date: 01/26/2024 |
| OFM Review: Amy Hatfield | Phone: (360) 280-7584 | Date: 01/28/2024 |

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.

SB 6309 creates the covered lives assessment professional services rate account, coupled with the general fund as the recipient of the earnings from investments under RCW 43.84.092(4).

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.

Projected cash flows are currently unavailable; therefore, estimated earnings from investments are indeterminable.

There may be an impact on the debt service limitation calculation. Changes to the earnings credited to the general fund impacts, by an equal amount, general state revenues.

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.

Individual State Agency Fiscal Note

| | | |
|-----------------------------|---|---|
| Bill Number: 6309 SB | Title: Covered lives assessment professional services rate account | Agency: 105-Office of Financial Management |
|-----------------------------|---|---|

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: Sandy Stith | Phone: 786-7710 | Date: 01/26/2024 |
| Agency Preparation: Kathy Cody | Phone: (360) 480-7237 | Date: 01/31/2024 |
| Agency Approval: Jamie Langford | Phone: 360-902-0422 | Date: 01/31/2024 |
| OFM Review: Val Terre | Phone: (360) 280-3973 | Date: 02/01/2024 |

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 3 creates the covered lives assessment professional services rate account. There is some de minimus administrative and technical work for OFM to create the account, which can be completed in current practices and resources. There is no fiscal impact to OFM for this section.

Section 6 directs the Health Care Authority, in cooperation with OFM, to develop rules for determining the amount to be assessed to individual managed care organizations, notifying individual managed care organizations of the assessed amount, and collecting the amounts due. OFM assumes that any cooperation with these tasks can be incorporated into current practices and within current resources. This section has no fiscal impact to OFM.

Section 7 directs the Insurance commissioner, in cooperation with OFM, to develop rules for determining the amount to be assessed to health carriers, notifying health carriers of the assessed amount, and collecting the amounts due. OFM assumes that any cooperation with these tasks can be incorporated into current practices and within current resources. This section has no fiscal impact to OFM.

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.

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.

Individual State Agency Fiscal Note

Revised

| | | |
|-----------------------------|---|---|
| Bill Number: 6309 SB | Title: Covered lives assessment professional services rate account | 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 | | | | 456,892,000 | 608,688,000 |
| Total \$ | | | | 456,892,000 | 608,688,000 |

Estimated Operating Expenditures from:

| | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|----------------------------|---------|---------|---------|-------------|-------------|
| FTE Staff Years | 0.0 | 0.0 | 0.0 | 3.5 | 3.5 |
| Account | | | | | |
| General Fund-State 001-1 | 0 | 0 | 0 | 193,288,000 | 257,178,000 |
| General Fund-Federal 001-2 | 0 | 0 | 0 | 456,892,000 | 608,688,000 |
| Total \$ | 0 | 0 | 0 | 650,180,000 | 865,866,000 |

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: Sandy Stith | Phone: 786-7710 | Date: 01/26/2024 |
| Agency Preparation: Michael Grund | Phone: 360-725-1949 | Date: 02/07/2024 |
| Agency Approval: Madina Cavendish | Phone: 360-725-0902 | Date: 02/07/2024 |
| OFM Review: Jason Brown | Phone: (360) 742-7277 | Date: 02/12/2024 |

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 | 0 | 0 | 0 | 193,288,000 | 257,178,000 |
| 001-2 | General Fund | Federal | 0 | 0 | 0 | 456,892,000 | 608,688,000 |
| Total \$ | | | 0 | 0 | 0 | 650,180,000 | 865,866,000 |

III. B - Expenditures by Object Or Purpose

| | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|--------------------------------------|---------|---------|---------|-------------|-------------|
| FTE Staff Years | | | | 3.5 | 3.5 |
| A-Salaries and Wages | | | | 838,000 | 838,000 |
| B-Employee Benefits | | | | 258,000 | 258,000 |
| C-Professional Service Contracts | | | | | |
| E-Goods and Other Services | | | | 1,336,000 | 1,136,000 |
| G-Travel | | | | 20,000 | 20,000 |
| J-Capital Outlays | | | | | |
| M-Inter Agency/Fund Transfers | | | | | |
| N-Grants, Benefits & Client Services | | | | 647,658,000 | 863,544,000 |
| P-Debt Service | | | | | |
| S-Interagency Reimbursements | | | | | |
| T-Intra-Agency Reimbursements | | | | 70,000 | 70,000 |
| 9- | | | | | |
| Total \$ | 0 | 0 | 0 | 650,180,000 | 865,866,000 |

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 5 | 85,000 | | | | 0.5 | 0.5 |
| OCCUPATIONAL NURSE CONSULTANT | 136,000 | | | | 0.5 | 0.5 |
| WMS BAND 02 | 123,000 | | | | 2.5 | 2.5 |
| Total FTEs | | | | | 3.5 | 3.5 |

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.

Please see attached.

HCA Fiscal Note

Bill Number: **6309 SB**
Professional Services Rate Account

HCA Request #: **24-108**

Title: **Covered Lives Assessment**

Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

| ACCOUNT | REV SOURCE | FY-2024 | FY-2025 | FY-2026 | FY-2027 | FY-2028 | FY-2029 | 2023-25 | 2025-27 | 2027-29 |
|-----------------------------|------------|---------|---------|----------------|----------------|----------------|----------------|---------|----------------|----------------|
| General Fund-Medicaid 001-C | 0393 | - | - | 152,548,000 | 304,344,000 | 304,344,000 | 304,344,000 | - | 456,892,000 | 608,688,000 |
| REVENUE - TOTAL \$ | | \$ - | \$ - | \$ 152,548,000 | \$ 304,344,000 | \$ 304,344,000 | \$ 304,344,000 | \$ - | \$ 456,892,000 | \$ 608,688,000 |

Estimated Operating Expenditures from:

| | FY-2024 | FY-2025 | FY-2026 | FY-2027 | FY-2028 | FY-2029 | 2023-25 | 2025-27 | 2027-29 |
|-----------------------------|---------|---------|----------------|----------------|----------------|----------------|---------|----------------|----------------|
| FTE Staff Years | 0.0 | 0.0 | 3.5 | 3.5 | 3.5 | 3.5 | 0.0 | 3.5 | 3.5 |
| ACCOUNT | | | | | | | | | |
| General Fund-State 001-1 | - | - | 64,699,000 | 128,589,000 | 128,589,000 | 128,589,000 | - | 193,288,000 | 257,178,000 |
| General Fund-Medicaid 001-C | - | - | 152,548,000 | 304,344,000 | 304,344,000 | 304,344,000 | - | 456,892,000 | 608,688,000 |
| ACCOUNT - TOTAL \$ | \$ - | \$ - | \$ 217,247,000 | \$ 432,933,000 | \$ 432,933,000 | \$ 432,933,000 | \$ - | \$ 650,180,000 | \$ 865,866,000 |

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.

HCA Fiscal Note

Bill Number: **6309 SB**
Professional Services Rate Account

HCA Request #: **24-108**

Title: **Covered Lives Assessment**

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.

This bill relates to creating a covered lives assessment and establishing a new professional services rate account. The Washington State Health Care Authority (HCA) assumes this bill will have a fiscal impact.

Section 1: Beginning January 1, 2026, HCA shall determine and collect an assessment for covered lives from managed care organizations (MCOs). For calendar year 2026, the assessment must be no more than \$18 per covered life and is limited to the first 3,000,000 member months per carrier. The assessment fee is intended to fund the professional services rate increase. An annual assessment fee is to be collected from MCOs on a quarterly basis based on the proportion of covered lives during the previous year. The first quarterly assessment notice must be sent to MCOs on or before February 15, with MCOs paying their assessment within 30 calendar days of receiving the notice. Collected assessment must be deposited in the account designated for this purpose.

Section 2: Beginning January 1, 2026, the Office of the Insurance Commissioner (OIC) shall determine and collect an assessment for covered lives from health carriers.

Section 3: The covered lives assessment professional services rate account (account) is created in the state treasury. All receipts from the assessments collected by HCA and OIC must be deposited into the account. The assessments are intended to maintain professional services rate increases covered by Medicaid, including fee-for-service (FFS) and managed care (MC), effective January 1, 2026, to no less than the corresponding Medicare rates for those services on October 1, 2023. Rates for subsequent years shall be annually adjusted based on the inflation factor. The professional services included shall be determined by HCA through rulemaking to be completed by July 1, 2025, and shall apply to all covered professional services that are delivered by physicians, physician assistants, and advanced registered nurse practitioners. HCA is to disburse payment directly to health care providers and MCOs.

Section 4: HCA shall make quarterly payments to MCOs via a state directed payment (SDP) mechanism beginning no later than January 1, 2026, or 30 days after obtaining approval from the Centers for Medicare and Medicaid Services (CMS).

Section 5: The assessment, collection, and disbursement of funds is conditional upon CMS approval.

Section 6: HCA, in cooperation with the Office of Financial Management (OFM), shall develop rules for determining and collecting the amount to be assessed to individual MCOs.

Section 7: OIC, in cooperation with OFM, shall develop rules for determining and collecting the amount to be assessed to health carriers.

Section 8: In the case this program is later rendered ineffective, prior assessments and payments will not be affected, and written notices of the expiration will be issued to appropriate parties by HCA.

HCA Fiscal Note

Bill Number: **6309 SB**
Professional Services Rate Account

HCA Request #: **24-108**

Title: **Covered Lives Assessment**

Section 9: Describes conditions under which unused funds can be returned to MCOs and health plans if the program is discontinued.

Section 10: Sections 1, 3 through 6, 8, and 9 of this act constitute a new chapter in RCW 74.

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. Distinguish between one time and ongoing functions.

| ACCOUNT | REV SOURCE | FY-2024 | FY-2025 | FY-2026 | FY-2027 | FY-2028 | FY-2029 | 2023-25 | 2025-27 | 2027-29 |
|-----------------------------|------------|---------|---------|----------------|----------------|----------------|----------------|---------|----------------|----------------|
| General Fund-Medicaid 001-C | 0393 | - | - | 152,548,000 | 304,344,000 | 304,344,000 | 304,344,000 | - | 456,892,000 | 608,688,000 |
| REVENUE - TOTAL \$ | | \$ - | \$ - | \$ 152,548,000 | \$ 304,344,000 | \$ 304,344,000 | \$ 304,344,000 | \$ - | \$ 456,892,000 | \$ 608,688,000 |

The bill requires HCA and OIC to collect covered lives assessment from eligible health plans. The assessment is capped at 3,000,000 member months per plan. The revenue is determined by multiplying member months by no more than \$18 (MCOs) and \$.50 (commercial plans). HCA assumes that the assessment on Medicaid MCOs would be included as part of the non-benefit component of the MCO rates effective January 2026. This revenue is intended to fund the rate increase for Apple Health professional services performed by certain provider types, Physicians/PAs/ARNPs. It is unknown how the assessment rate may change over time. Below is the estimated revenue for HCA assuming an \$18 per member per month assessment rate:

| HCA Assessment Collection Estimate | | | |
|------------------------------------|-----------------------|-----------------------|-----------------------|
| Fund Source | SFY26 | SFY27 | SFY28 |
| GFF | \$ 76,571,839 | \$ 153,143,677 | \$ 153,143,677 |
| GFS | \$ 41,378,254 | \$ 82,756,509 | \$ 82,756,509 |
| Total: | \$ 117,950,093 | \$ 235,900,186 | \$ 235,900,186 |

OIC estimates the annual assessment collection to be at \$7,051,770. This is based on commercial covered lives 1,175,295 (based on Dec. 2023 Health Insurance Report for the fully insured commercial market) multiplied by \$.50.

Assumptions:

The total collected amount will change every year based on changes in the assessment fee that are driven by:

- Changes in the client caseload/enrollments
- Recalculation of the assessment fee based on funding needs for the professional rate increase.

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

HCA Fiscal Note

Bill Number: **6309 SB**
Professional Services Rate Account

HCA Request #: **24-108**

Title: **Covered Lives Assessment**

the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Administrative Fiscal Impact

The bill creates a significant operational challenge and will require additional resources to implement. Workload impacts include:

- Manage the calculation of the assessment on an annual basis.
- Send out notices and collect the assessment fees from MCOs on a quarterly basis (unless implemented via SDP).
- Disburse funds for the professional services rate increase to providers and MCOs.
- Manage any reconciliations between HCA, MCOs and the fund account due to retroactive client disenrollments.
- Inform decisions affecting actuarial work and facilitate the data transmission.
- Manage MCO contract language pertaining to the bill.
- Work with CMS on State Plan Amendment (SPA) preprint submission and review process.
- Work to submit any needed CMS waivers.
- If it is determined that funds must be distributed to MCOs via a SDP, coordinate with other areas of HCA on assignment appropriate quality metrics and developing evaluation plans.
- Coordinate with the Office of Medicaid Systems and Data (OMSD) on any system changes.
- Coordinate with OFM and HCA on rule making process.
- Maintain fee-for-service fee schedules.

Other impacts and challenges associated with implementation:

- The bill defines services eligible for the rate increase as “all covered professional services that are delivered by physicians, physician assistants, and advanced registered nurse practitioners.” (Section 3 (2)). This language limits the rate increase to these provider types and excludes other provider types who can deliver these services (e.g. Naturopaths). Additionally, the definition will create a bifurcated rate structure where two distinct rates are maintained for the same code/service (e.g. a psychotherapy service can be provided by a Psychiatrist and a Licensed Mental Health Professional (LMHP)). This creates an additional administrative burden for maintaining, modeling, and ensuring the system is able to differentiate rates based on rendering provider taxonomy.
- Not all services have a Medicare equivalent rate.
- The bill is ambiguous in terms of how the funding for the rate increase will be dispersed to MCOs. Two mechanisms, the state directed payment (SDP) and the pass-through payment, are alluded to. However, each mechanism is distinct and determines whether or not the funding is included in MCO capitation rates.
- Section 4 of the bill requires that funding to MCOs be distributed on a quarterly basis. However, because the funds will be administered via a SDP mechanism where HCA, through its contract with MCOs, will direct MCOs to increase reimbursement rates to providers, a quarterly distribution process is not feasible. The SDP mechanism assumes that funding is included in MC capitation rates as a program change and is paid out to MCOs prospectively as part of the monthly PMPM payments.
- CMS allows states to use provider taxes as the non-federal share of Medicaid payments as long as they meet certain requirements including that the tax be broad based, uniform and does not hold tax payers harmless. States may obtain a waiver from CMS of the broad based and uniform requirements

HCA Fiscal Note

Bill Number: **6309 SB**
Professional Services Rate Account

HCA Request #: **24-108**

Title: **Covered Lives Assessment**

if they can demonstrate that the fee is generally redistributive. It is unclear as to whether the current structure of the covered lives assessment would qualify for a waiver.

- The MCO covered lives assessment would be included as part of the MCO capitation rate, a portion of which would be paid for with Federal funding. The revenue generated through the assessment would then be used to fund the professional services rate increase in Section 3. There are federal rules around what is a permissible source for the non-federal share of Medicaid payments. It is unclear, without additional research, as to whether the current structure of the covered lives assessment and professional services rate increase in section 3 have any inconsistency with these federal rules.

Section 4(1) requires HCA to direct payments from MCOs to health care providers. If these payments meet the federal definition of a SDP, they would be subject to the associated CMS requirements. Data related impacts of those requirements include: quality performance measures consultation, identification, modification, production and applied to the recipients of the payment. This would require new analytical work including:

- Consult on measure identification specific to the SDP.
- Review measure selection according to federal requirement.
- Guide statistical and technical measurement for approval through the agency's quality committee.
- Develop measure specification clarification/modification specific to SDP.
- Analytic data ongoing production of measure specific to SDP provider and enrollee population.
- Present of quarterly reporting on metric progress.
- Present annual evaluation of performance.
- Submit evaluation to CMS.
- Report out of evaluation of the Quality Strategy through External Quality Review Organization (EQRO) Technical Report.

For this administrative work, HCA requests:

- 1.0 FTE WMS2 Fiscal Information & Data Analyst (permanent)
 - Manage the development, implementation, and maintenance of the program on the managed care side.
 - Manage the evaluation and calculation of the assessment fee for MCOs and any reconciliation needed between HCA, MCOs and the fund account due to retroactive changes in client enrollment status.
 - Managed MCO contract work related to this bill and work with CMS on annual preprint submission and approval process for the rate increase.
 - Coordinate with other areas of HCA on appropriate quality metrics and evaluation plans for SDP process.
- 1.0 FTE WMS2 Fiscal Information & Data Analyst (permanent)
 - Manage the development, implementation, and maintenance of the program on the FFS side.
 - Ensure that eligible FFS providers are paid appropriately.
 - Coordinate with ProviderOne on system changes, maintain fee schedules and system rate sheets, in coordination with OFM and HCA's Rules and Publications work on WAC and SPA updates.
- 0.5 FTE Fiscal Analyst 5 (permanent)
 - Manage the collection of funds from the health plans on a quarterly basis.
- 0.5 FTE WMS2 Senior Data Analyst (permanent)
 - Consult on measurement production feasibility and alignment with Healthcare Effectiveness Data and Information Set (HEDIS), Medicaid Core Measures, and other key measure sets.

HCA Fiscal Note

Bill Number: **6309 SB**
Professional Services Rate Account

HCA Request #: **24-108**

Title: **Covered Lives Assessment**

- Advise on measure selection for CMS pre-print proposal.
- Develop health care measure modifications and data source to fit the requirements of CMS and the SDP program.
- Test selected measures and build process for ongoing metric production.
- Ensure all federal validation requirements are adhered to.
- Present results to stakeholders (Medicaid MCOs, provider groups, quality staff) on a quarterly basis.
- 0.5 FTE Occupational Nurse Consultant (permanent)
 - Facilitate the agency's federal compliance with quality monitoring for the SDP, collaborating with agency data teams to support compliance.
 - Review of available measures, using CMS guidance regarding prioritization of CMS Core Set measures and MCO contracted measures.
 - Verify alignment of MCO contracted measure expectations, SDP measures, and Medicaid Managed Care Quality Strategy. Facilitate revisions as required for alignment.
 - Facilitation of review and decision-making regarding selection of appropriate measures through recently established process, pulling this work into HCA's Quality Measurement Monitoring and Improvement (QMMI) framework.
 - Ongoing monitoring of interim performance with MCO communications (every 6 months or quarterly depending on the measure and typical measure production timelines).
 - Collaboration with fiscal's preparation of SDP Preprint.
 - Evaluation of the SDP measure performance, including submission of SDP Evaluation to CMS annually, in collaboration with FSD, and evaluation of Quality Strategy with submission to EQRO of results for annual publication.
 - EQRO contracting work and monitoring of impacted deliverables (Annual EQR Technical report at minimum).
- \$500,000 per year for Milliman contract. To evaluate the data as part of the annual rate setting process and calculate the assessment fee funding for inclusion into managed care rates. Milliman's work will also include SDP calculation and incorporation of this information into the rate certification package submitted to CMS
- \$200,000 one-time for ProviderOne system updates. To implement and manage necessary changes to ProviderOne to ensure that assessment fees are generated on valid enrollment records and the rates subsystem is supported to manage payment of higher rates based on eligible provider taxonomies.
- \$18,000 per year for External Quality Review Organization (EQRO) contract. For reporting of SDP evaluation results and impact on managed care quality as it relates to assessment of the Medicaid managed care quality strategy within the Annual EQR Technical Report as federally required.

Goods and services, travel, and equipment are calculated on actual program averages per FTE.

Administrative costs are calculated at \$35,000 per 1.0 FTE. This cost is included in Object T based on HCA's federally approved cost allocation plan.

Apple Health Service-Related Fiscal Impact

HCA expenditures will include two major factors:

1. **Assessment Expenditures:** The assessment's impact on the Medicaid MCO rates – per federal rule, HCA must include the impact of any taxes and fees in the non-benefit portion of the MCO rates. The table below summarizes the estimated impact. This impact is not captured in the Operating Budget

HCA Fiscal Note

Bill Number: **6309 SB**
Professional Services Rate Account

HCA Request #: **24-108**

Title: **Covered Lives Assessment**

Expenditures as it is assumed that the collection of the assessment from MCOs will offset the expenditures needed to fund the assessment in MCO rates.

| Fund Source | SFY26 (6 months) | SFY27 | SFY28 |
|---------------|-----------------------|-----------------------|-----------------------|
| GFF | \$ 76,571,839 | \$ 153,143,677 | \$ 153,143,677 |
| GFS | \$ 41,378,254 | \$ 82,756,509 | \$ 82,756,509 |
| Total: | \$ 117,950,093 | \$ 235,900,186 | \$ 235,900,186 |

2. **Professional services rate increase expenditures** - as required in Section 3 of the bill. The table below demonstrates the estimated fiscal impact of increasing current Medicaid rates to the level of 2023 Medicare rates. The amounts assume pre-PHE CY2019 utilization for services that are likely to be provided by Physicians/PAs/ARNPs, however the data pulled was not limited by these provider types and may be overstated.

| Fund Source | SFY26 (6 months) | SFY27 | SFY28 |
|---------------|-----------------------|-----------------------|-----------------------|
| GFF | \$ 151,890,417 | \$ 303,780,834 | \$ 303,780,834 |
| GFS | \$ 63,995,644 | \$ 127,991,287 | \$ 127,991,287 |
| Total: | \$ 215,886,061 | \$ 431,772,121 | \$ 431,772,121 |

Public Employees Benefits Board (PEBB) and School Employees Benefits Board (SEBB) programs

No fiscal impact.

Self-insured impacts and State Costs

As drafted, the bill does not impact the PEBB and SEBB self-insured Uniform Medical Plan (UMP), established and governed by RCW 41.05. Under the collective bargaining agreements, State costs are benchmarked using the UMP Classic (PEBB) and UMP Achieve 2 (SEBB) plans; because this legislation does not impact UMP, there are no assumed impacts to state costs resulting from this legislation.

Fully insured impacts and member premiums

This legislation requires fully insured carriers to pay a covered lives assessment to the Insurance Commissioner to fund professional services rate increases, as defined in section 3(3) of the bill. Section 2(3) establishes a carrier-level cap on the number of lives included in the assessment collected of two-hundred and fifty (250,000) lives. It is assumed that Kaiser Foundation Health Plan of Washington (KPWA) and Premera carriers cover more lives than the established cap, only a portion of which are members enrolled in the PEBB and SEBB programs; Kaiser Foundation Health Plan of the Northwest (KPNW) covers fewer than 250,000 lives in Washington.

Due to the established cap on the number of covered lives assumed under this legislation, and assuming carriers include any proportionate assessment cost in future bid rates for the PEBB and SEBB plan offerings, the magnitude of impact to future bid rates for fully insured carrier bid rates is unknown. The state's contribution toward employee premiums, the Employer Medical Contribution (EMC), represents state costs and is calculated using projected cost liability in the UMP. Assuming no increase to the EMC because this bill does

HCA Fiscal Note

Bill Number: **6309 SB**
Professional Services Rate Account

HCA Request #: **24-108**

Title: **Covered Lives Assessment**

not impact self-insured plans, any increases in health care cost liability for fully insured plans may result in increases to member premiums, but do not result in state costs.

Part III: Expenditure Detail

III. A - Operating Budget Expenditure

| ACCOUNT | ACCOUNT TITLE | TYPE | FY-2024 | FY-2025 | FY-2026 | FY-2027 | FY-2028 | FY-2029 | 2023-25 | 2025-27 | 2027-29 |
|--------------------|---------------|----------|---------|---------|----------------|----------------|----------------|----------------|---------|----------------|----------------|
| 001-1 | General Fund | State | - | - | 64,699,000 | 128,589,000 | 128,589,000 | 128,589,000 | - | 193,288,000 | 257,178,000 |
| 001-C | General Fund | Medicaid | - | - | 152,548,000 | 304,344,000 | 304,344,000 | 304,344,000 | - | 456,892,000 | 608,688,000 |
| ACCOUNT - TOTAL \$ | | | \$ - | \$ - | \$ 217,247,000 | \$ 432,933,000 | \$ 432,933,000 | \$ 432,933,000 | \$ - | \$ 650,180,000 | \$ 865,866,000 |

III. B - Expenditures by Object Or Purpose

| OBJECT | OBJECT TITLE | FY-2024 | FY-2025 | FY-2026 | FY-2027 | FY-2028 | FY-2029 | 2023-25 | 2025-27 | 2027-29 |
|-------------------|------------------------------------|---------|---------|----------------|----------------|----------------|----------------|---------|----------------|----------------|
| A | Salaries and Wages | - | - | 419,000 | 419,000 | 419,000 | 419,000 | - | 838,000 | 838,000 |
| B | Employee Benefits | - | - | 129,000 | 129,000 | 129,000 | 129,000 | - | 258,000 | 258,000 |
| E | Goods and Other Services | - | - | 768,000 | 568,000 | 568,000 | 568,000 | - | 1,336,000 | 1,136,000 |
| G | Travel | - | - | 10,000 | 10,000 | 10,000 | 10,000 | - | 20,000 | 20,000 |
| N | Grants, Benefits & Client Services | - | - | 215,886,000 | 431,772,000 | 431,772,000 | 431,772,000 | - | 647,658,000 | 863,544,000 |
| T | Intra-Agency Reimbursements | - | - | 35,000 | 35,000 | 35,000 | 35,000 | - | 70,000 | 70,000 |
| OBJECT - TOTAL \$ | | \$ - | \$ - | \$ 217,247,000 | \$ 432,933,000 | \$ 432,933,000 | \$ 432,933,000 | \$ - | \$ 650,180,000 | \$ 865,866,000 |

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

| FTE JOB TITLE | SALARY | FY-2024 | FY-2025 | FY-2026 | FY-2027 | FY-2028 | FY-2029 | 2023-25 | 2025-27 | 2027-29 |
|-------------------------------|------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| FISCAL ANALYST 5 | 85,000 | 0.0 | 0.0 | 0.5 | 0.5 | 0.5 | 0.5 | 0.0 | 0.5 | 0.5 |
| OCCUPATIONAL NURSE CONSULTANT | 136,000 | 0.0 | 0.0 | 0.5 | 0.5 | 0.5 | 0.5 | 0.0 | 0.5 | 0.5 |
| WMS BAND 02 | 123,000 | 0.0 | 0.0 | 2.5 | 2.5 | 2.5 | 2.5 | 0.0 | 2.5 | 2.5 |
| ANNUAL SALARY & FTE - TOTAL | \$ 344,000 | 0.0 | 0.0 | 3.5 | 3.5 | 3.5 | 3.5 | 0.0 | 3.5 | 3.5 |

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

HCA Fiscal Note

Bill Number: **6309 SB**
Professional Services Rate Account

HCA Request #: **24-108**

Title: **Covered Lives Assessment**

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 6 requires HCA to develop rules for administering this program.

HBE Fiscal Note

Bill Number: 6309 SB

HBE Request #: 24-15-01

Part II: Narrative Explanation

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

This bill creates a covered lives assessment professional services rate account for payments to health care providers or managed care organizations determined to be not eligible for federal matching funds in addition to those federal funds that would be received without the assessment, or the federal government replaces Medicaid matching funds with a block grant or grants.

Section 1 establishes a covered lives assessment beginning calendar year 2026. Covered lives means all persons residing in Washington state who are either: (i) Covered under a fully insured individual or group health plan issued or delivered in Washington state; or (ii) Covered under Medicaid managed care organizations. This includes Exchange customers.

Section 2 directs the Insurance Commissioner to set a per member per month assessment beginning in calendar year 2026 and establishes criteria for the assessment, including a per member per month assessment of up to \$0.50 per covered life for health carriers (including Exchange carriers) and a cap on member months to which the assessment could apply.

Section 3 establishes the Covered Lives Assessment Professional Services Rate Account, with Expenditures from the account only being used as outlined in this chapter.

II. B - Cash Receipts Impact

Indeterminate. Revenue impacts are currently indeterminate and will depend on how the assessment is implemented, the amount collected from Exchange carriers, and potential impacts to premium rates at the plan level. The Exchange receives the two percent premium tax revenue on enrollees enrolling in plans offered on the Exchange, so any corresponding increases to premiums resulting from the assessment could result in a slight revenue increase and could result in a small offsetting revenue reduction due to potential shifts in overall enrollment.

II. C - Expenditures

No fiscal impact, the Exchange does not anticipate any additional costs to comply with this version of the bill.

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

None.

Individual State Agency Fiscal Note

| | | |
|-----------------------------|---|---|
| Bill Number: 6309 SB | Title: Covered lives assessment professional services rate account | Agency: 160-Office of Insurance Commissioner |
|-----------------------------|---|---|

Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

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

Estimated Operating Expenditures from:

| | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|--|---------|---------|---------|---------|---------|
| FTE Staff Years | 0.0 | 0.8 | 0.4 | 0.2 | 0.0 |
| Account | | | | | |
| Insurance Commissioners Regulatory Account-State 138-1 | 0 | 147,796 | 147,796 | 77,514 | 0 |
| Total \$ | 0 | 147,796 | 147,796 | 77,514 | 0 |

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: Sandy Stith | Phone: 786-7710 | Date: 01/26/2024 |
| Agency Preparation: Jane Beyer | Phone: 360-725-7043 | Date: 01/29/2024 |
| Agency Approval: Bryon Welch | Phone: 360-725-7037 | Date: 01/29/2024 |
| OFM Review: Jason Brown | Phone: (360) 742-7277 | Date: 01/29/2024 |

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(2)(a) requires, for calendar year 2026, the Office of Insurance Commissioner (OIC) to assess health carriers a per member per month assessment of no more than \$0.50 per covered life.

Section 2(2)(b) requires that the assessment collected in CY2027 and annually thereafter to be set at the minimum rate necessary to fund the professional services rate increases in Section 3(3).

Section 2(5) requires the annual assessment to be paid in equal quarterly installments.

Section 7(1) requires the OIC, in cooperation with the Office of Financial Management, to develop rules for determining the amount to be assessed to health carriers, notifying health carriers of the assessed amount, and collecting the amounts due.

Section 7(2) requires any carrier failing to pay the surcharges to pay the same penalties as the penalties for failure to pay taxes when due under RCW 48.14.060.

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:

- The Health Care Authority (HCA) will provide the Office of Insurance Commissioner (OIC) with the number of covered persons per calendar year as described in RCW 71.24.064. (Section 2(1))
- Beginning in calendar year 2027, the HCA will provide the OIC with the amount needed to fund the professional services rate increases in Section 3(3) for the ensuing calendar year. (Section 2(b))

Section 2(2)(a) requires, for calendar year (CY) 2026, the OIC to assess health carriers a per member per month assessment of no more than \$0.50 per covered life. Based on the December 2023 Health Insurance Report for the fully insured commercial market and limiting the assessment to 3 million member months per carrier, there were 1,115,741 persons covered under a fully insured individual or group health plan in CY2023. Assuming, for purposes of this fiscal note, that \$0.50 per covered life will be assessed and that the number of covered lives will remain the same as CY2023, estimated revenue of \$6,694,446 (1,115,741 covered lives x \$0.50 x 12 member months), in CY2026, will be collected as follows:

- FY2026: \$3,347,223 (\$1,673,612 due February 15 and \$1,673,611 due May 15)
- FY2027: \$3,347,223 (\$1,673,612 due August 15 and \$1,673,611 due November 15)

Section 2(2)(b) requires that the assessment collected in CY2027 and annually thereafter to be set at the minimum rate necessary to fund the professional services rate increases in Section 3(3). Although there is expected to be revenue collected for the newly established Covered Lives Assessment Professional Services Rate Account, the HCA is unable to provide the amount needed to fund the professional services rate increases for CY2027 and beyond at this time.

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:

- The Health Care Authority (HCA) will provide the Office of Insurance Commissioner (OIC) with the number of covered persons per calendar year as described in RCW 71.24.064. (Section 2(1))

- Beginning in calendar year 2027, the HCA will provide the OIC with the amount needed to fund the professional services rate increases in Section 3(3) for the ensuing calendar year. (Section 2(b))
- The surcharges referenced in Section 7(2) is intended to be the covered lives assessment.

Section 2(2)(a) requires, for calendar year (CY) 2026, the OIC to assess health carriers a per member per month assessment of no more than \$0.50 per covered life.

Section 2(2)(b) requires that the assessment collected in CY2027 and annually thereafter to be set at the minimum rate necessary to fund the professional services rate increases in Section 3(3).

Section 2(5) requires the annual assessment to be paid in equal quarterly installments.

Section 7(2) requires any carrier failing to pay the surcharges to pay the same penalties as the penalties for failure to pay taxes when due under RCW 48.14.060.

Section 2 and 7(2) requires the OIC to make changes to its Information Technology (IT) systems to enable the calculation, billing, payment collection, and reporting of assessments and assessment penalties. The changes to IT systems would include a combination of system configuration changes and software programming enhancements. The OIC's IT staff will implement these changes in-house to ensure that the system changes align with existing IT infrastructure and technical approaches that the OIC uses in its other online payment and filing portal and back-office systems. The cost estimate for the system changes and new software development is assumed to be a one-time cost, in FY2026, and estimated at 659 hours over 3 months utilizing nine IT staff. The cost estimate is based on the similar work performed to implement the Health Care Benefit Manager renewal and billing processes.

Section 7(1) requires the OIC, in cooperation with the Office of Financial Management, to develop rules for determining the amount to be assessed to health carriers, notifying health carriers of the assessed amount, and collecting the amounts due. The OIC will be required to conduct 'complex' rulemaking in FY2025.

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 | 0 | 147,796 | 147,796 | 77,514 | 0 |
| Total \$ | | | 0 | 147,796 | 147,796 | 77,514 | 0 |

III. B - Expenditures by Object Or Purpose

| | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|--------------------------------------|---------|---------|---------|---------|---------|
| FTE Staff Years | | 0.8 | 0.4 | 0.2 | |
| A-Salaries and Wages | | 90,532 | 90,532 | 47,736 | |
| B-Employee Benefits | | 27,705 | 27,705 | 14,275 | |
| C-Professional Service Contracts | | | | | |
| E-Goods and Other Services | | 29,559 | 29,559 | 15,503 | |
| G-Travel | | | | | |
| J-Capital Outlays | | | | | |
| M-Inter Agency/Fund Transfers | | | | | |
| N-Grants, Benefits & Client Services | | | | | |
| P-Debt Service | | | | | |
| S-Interagency Reimbursements | | | | | |
| T-Intra-Agency Reimbursements | | | | | |
| 9- | | | | | |
| Total \$ | 0 | 147,796 | 147,796 | 77,514 | 0 |

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 |
|-------------------------------------|---------|---------|---------|---------|---------|---------|
| Functional Program Analyst 4 | 86,712 | | 0.2 | 0.1 | | |
| IT Applications Developer - Journey | 94,728 | | | | 0.1 | |
| IT Applications Developer - Senior | 124,068 | | | | 0.1 | |
| IT Architecture - Senior | 147,204 | | | | 0.0 | |
| IT Business Analyst - Senior | 130,272 | | | | 0.0 | |
| IT Data Management - Senior | 121,116 | | | | 0.0 | |
| IT Quality Assurance - Journey | 109,848 | | | | 0.1 | |
| Senior Policy Analyst | 116,148 | | 0.7 | 0.3 | | |
| Total FTEs | | | 0.8 | 0.4 | 0.2 | 0.0 |

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.

Section 7(1) requires the Office of Insurance Commissioner (OIC), in cooperation with the Office of Financial Management, to develop rules for determining the amount to be assessed to health carriers, notifying health carriers of the assessed amount, and collecting the amounts due. Rulemaking must specifically include provisions for:

- Transmittal of notices of assessments by the OIC to each health carrier informing the health carrier of its total covered lives and the assessment amount due.
- Interest on delinquent assessments at the rate specified in RCW 82.32.050; and
- Adjustment of the assessment amounts must be applied to include an inflation factor using the Medicare economic index.

The OIC will be required to conduct ‘complex’ rulemaking in FY2025.



Multiple Agency Ten-Year Analysis Summary

| | |
|-------------|---|
| Bill Number | Title |
| 6309 SB | Covered lives assessment professional services rate account |

This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

Estimated Cash Receipts

| | Fiscal Year 2024 | Fiscal Year 2025 | Fiscal Year 2026 | Fiscal Year 2027 | Fiscal Year 2028 | Fiscal Year 2029 | Fiscal Year 2030 | Fiscal Year 2031 | Fiscal Year 2032 | Fiscal Year 2033 | 2024-33 TOTAL |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|------------------|
| Office of State Treasurer | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Office of Financial Management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Washington State Health Care Authority Partially Indeterminate Impact | 0 | 0 | 117,950,093 | 235,900,186 | 235,900,186 | 235,900,186 | 235,900,186 | 235,900,186 | 235,900,186 | 235,900,186 | 1,769,251,395 |
| Office of Insurance Commissioner Indeterminate Impact | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 117,950,093 | 235,900,186 | 235,900,186 | 235,900,186 | 235,900,186 | 235,900,186 | 235,900,186 | 235,900,186 | 1,769,251,395 |



Ten-Year Analysis

| | | |
|-------------------------------|---|--|
| Bill Number 6309 SB | Title Covered lives assessment professional services rate account | Agency 090 Office of State Treasurer |
|-------------------------------|---|--|

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

☒ **No Cash Receipts** ☐ **Partially Indeterminate Cash Receipts** ☐ **Indeterminate Cash Receipts**

| Name of Tax or Fee | Acct Code | | | | | | | | | | | |
|--------------------|-----------|--|--|--|--|--|--|--|--|--|--|--|
|--------------------|-----------|--|--|--|--|--|--|--|--|--|--|--|

| | | |
|-------------------------------|-----------------------|----------------------------|
| Agency Preparation: Dan Mason | Phone: (360) 902-8990 | Date: 1/26/2024 6:58:10 pm |
| Agency Approval: Dan Mason | Phone: (360) 902-8990 | Date: 1/26/2024 6:58:10 pm |
| OFM Review: Jason Brown | Phone: (360) 742-7277 | Date: 2/12/2024 3:31:43 pm |



Ten-Year Analysis

| | | |
|-------------------------------|---|---|
| Bill Number 6309 SB | Title Covered lives assessment professional services rate account | Agency 105 Office of Financial Management |
|-------------------------------|---|---|

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

☒ **No Cash Receipts** ☐ **Partially Indeterminate Cash Receipts** ☐ **Indeterminate Cash Receipts**

| Name of Tax or Fee | Acct Code | | | | | | | | | | | |
|--------------------|-----------|--|--|--|--|--|--|--|--|--|--|--|
|--------------------|-----------|--|--|--|--|--|--|--|--|--|--|--|

| | | |
|---------------------------------|-----------------------|----------------------------|
| Agency Preparation: Kathy Cody | Phone: (360) 480-7237 | Date: 1/31/2024 2:31:47 pm |
| Agency Approval: Jamie Langford | Phone: 360-902-0422 | Date: 1/31/2024 2:31:47 pm |
| OFM Review: Jason Brown | Phone: (360) 742-7277 | Date: 2/12/2024 3:31:43 pm |



Ten-Year Analysis

| | | |
|-------------------------------|---|---|
| Bill Number 6309 SB | Title Covered lives assessment professional services rate account | Agency 107 Washington State Health Care Authority |
|-------------------------------|---|---|

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

☐ No Cash Receipts ☒ Partially Indeterminate Cash Receipts ☐ Indeterminate Cash Receipts

Estimated Cash Receipts

| Name of Tax or Fee | Acct Code | Fiscal Year 2024 | Fiscal Year 2025 | Fiscal Year 2026 | Fiscal Year 2027 | Fiscal Year 2028 | Fiscal Year 2029 | Fiscal Year 2030 | Fiscal Year 2031 | Fiscal Year 2032 | Fiscal Year 2033 | 2024-33 TOTAL |
|--------------------------|-----------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------|
| Covered Lives Assessment | NEW | | | 117,950,093 | 235,900,186 | 235,900,186 | 235,900,186 | 235,900,186 | 235,900,186 | 235,900,186 | 235,900,186 | 1,769,251,395 |
| Total | | | | 117,950,093 | 235,900,186 | 235,900,186 | 235,900,186 | 235,900,186 | 235,900,186 | 235,900,186 | 235,900,186 | 1,769,251,395 |
| Biennial Totals | | | | 353,850,279 | 471,800,372 | 471,800,372 | 471,800,372 | 471,800,372 | 471,800,372 | 471,800,372 | 1,769,251,395 | |

Narrative Explanation (Required for Indeterminate Cash Receipts)

Please see attached.

| | | |
|-----------------------------------|-----------------------|----------------------------|
| Agency Preparation: Michael Grund | Phone: 360-725-1949 | Date: 2/7/2024 8:17:59 am |
| Agency Approval: Madina Cavendish | Phone: 360-725-0902 | Date: 2/7/2024 8:17:59 am |
| OFM Review: Jason Brown | Phone: (360) 742-7277 | Date: 2/12/2024 3:31:43 pm |



Ten-Year Analysis

| | | |
|-------------------------------|---|---|
| Bill Number 6309 SB | Title Covered lives assessment professional services rate account | Agency 160 Office of Insurance Commissioner |
|-------------------------------|---|---|

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

☐ **No Cash Receipts**
☐ **Partially Indeterminate Cash Receipts**
☒ **Indeterminate Cash Receipts**

Estimated Cash Receipts

| Name of Tax or Fee | Acct Code | | | | | | | | | | | |
|--------------------|-----------|--|--|--|--|--|--|--|--|--|--|--|
| Total | | | | | | | | | | | | |

Biennial Totals

Narrative Explanation (Required for Indeterminate Cash Receipts)

Assumptions:

- The Health Care Authority (HCA) will provide the Office of Insurance Commissioner (OIC) with the number of covered persons per calendar year as described in RCV 71.24.064. (Section 2(1))
- Beginning in calendar year 2027, the HCA will provide the OIC with the amount needed to fund the professional services rate increases in Section 3(3) for the ensuing calendar year. (Section 2(b))

Section 2(2)(a) requires, for calendar year (CY) 2026, the OIC to assess health carriers a per member per month assessment of no more than \$0.50 per covered life. Based on the December 2023 Health Insurance Report for the fully insured commercial market and limiting the assessment to 3 million member months per carrier, there were 1,115,741 persons covered under a fully insured individual or group health plan in CY2023. Assuming, for purposes of this fiscal note, that \$0.50 per covered life will be assessed and that the number of covered lives will remain the same as CY2023, estimated revenue of \$6,694,446 (1,115,741 covered lives x \$0.50 x 12 member months CY2026, will be collected as follows:

- FY2026: \$3,347,223 (\$1,673,612 due February 15 and \$1,673,611 due May 15)
- FY2027: \$3,347,223 (\$1,673,612 due August 15 and \$1,673,611 due November 15)

Section 2(2)(b) requires that the assessment collected in CY2027 and annually thereafter to be set at the minimum rate necessary to fund the professional services rate increases in Section 3(3). Although there is expected to be revenue collected for the newly established Covered Lives Assessment Professional Services Rate Account, the HCA is unable to provide the amount needed to fund the professional services rate increases for CY2027 and beyond at this time.



Ten-Year Analysis

| Bill Number | Title | Agency |
|-------------|---|--------------------------------------|
| 6309 SB | Covered lives assessment professional services rate account | 160 Office of Insurance Commissioner |

| | | |
|--------------------------------|-----------------------|-----------------------------|
| Agency Preparation: Jane Beyer | Phone: 360-725-7043 | Date: 1/29/2024 12:46:16 pm |
| Agency Approval: Bryon Welch | Phone: 360-725-7037 | Date: 1/29/2024 12:46:16 pm |
| OFM Review: Jason Brown | Phone: (360) 742-7277 | Date: 2/12/2024 3:31:43 pm |