

Agency:	107 Health Care Authority
Decision Package Code/Title:	PL-IU ACA Eliminate HCTC
Budget Period:	2013-15 Biennial Submittal
Budget Level:	PL – Performance Level

Recommendation Summary Text

The Health Care Authority (HCA) requests a \$3.5 million reduction of expenditure authority in the Basic Health Plan Subscription Account for the Health Coverage Tax Credit (HCTC) program for the 2013-2015 Biennium. HCA anticipates that the HCTC program will cease operations during this period.

Package Description

The HCTC program is a self-funded (Basic Health Subscription Account – Fund 761) program administered by the Health Care Authority (HCA) as a sub-program of the subsidized Basic Health (BH) program. BH began offering HCTC coverage in January 2005. Enrollees in HCTC share the cost of their coverage with the Federal government and pay a monthly administrative fee for each adult member. HCTC enrollees are charged the full cost of their coverage. Their rates mirror those of the subsidized BH population, with the addition of the mandatory two-percent premium tax which is added to the rate and paid to the enrollee’s health plan. In addition, BH collects a \$10 administrative fee for each adult enrollee to cover the cost of administering the HCTC program (as required by RCW 70.47.060(d)). The Internal Revenue Service (IRS) collects the member share of the premium (currently 27.5 percent) and, once collected, adds their contribution (currently 72.5 percent) and remits the entire premium to BH on a monthly basis. Eligibility for BH coverage is determined by HCA, while eligibility for the Federal HCTC program is determined by the IRS.

Total costs for the non-subsidized HCTC program are expected to be approximately \$522 thousand for the 2013-15 Biennium. This is a \$3.5 million decrease from the 2011-13 expenditure authority due to the anticipated ceased operations effective January 1, 2014, when the Federal Health Benefit Exchange (“Exchange”) begins. The cost estimates are based upon a gradual decrease in enrollment of three percent per month, based upon FY2012 enrollment trends, resulting in a total enrollment of just 177 members by December 2013. Effective January 1, 2014 current HCTC enrollees would need to enroll in the Exchange as the federal HCTC program will cease operations.

Questions related to the fiscal portion of this decision package should be directed to Christy Vaughn at (360) 725.0468 or christy.vaughn@hca.wa.gov.

Questions related to the programmatic portion of this decision package should be directed to Rena Carlson at (360) 725-0763 or Rena.carlson@hca.wa.gov.

Fiscal Detail/Objects of Expenditure

	FY 2014	FY 2015	Total
1. Operating Expenditures:			
Fund 761-6 Basic Health Plan Subscription Account	\$ (1,173,000)	\$ (2,319,000)	\$ (3,492,000)
Total	\$ (1,173,000)	\$ (2,319,000)	\$ (3,492,000)

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	<u>FY 2014</u>	<u>FY 2015</u>	<u>Total</u>
2. Staffing:			
Total FTEs	-	-	-

	<u>FY 2014</u>	<u>FY 2015</u>	<u>Total</u>
3. Objects of Expenditure:			
E - Goods And Services	\$ (18,680)	\$ (61,480)	\$ (80,160)
G - Travel	\$ (1,320)	\$ (2,520)	\$ (3,840)
N - Grants, Benefits & Client Services	\$ (1,153,000)	\$ (2,255,000)	\$ (3,408,000)
Total	\$ (1,173,000)	\$ (2,319,000)	\$ (3,492,000)

	<u>FY 2014</u>	<u>FY 2015</u>	<u>Total</u>
4. Revenue:			
Fund 761-6 Basic Health Plan Subscription Account	\$ (1,173,000)	\$ (2,319,000)	\$ (3,492,000)
Total	\$ (1,173,000)	\$ (2,319,000)	\$ (3,492,000)

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

The funding requested in this decision package will allow BH to serve a statewide average HCTC enrollment level of 190 HCTC enrollees during the first six months of the 2013-15 Biennium until the Exchange opens for enrollment in January 2014.

Performance Measure Detail

Activity Inventory

H009 HCA State Program Clients

The funding requested in this proposal is necessary for BH to continue to provide coverage to the statewide average enrollment level of 190 HCTC enrollees during the 2013-15 Biennium.

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

Yes. This decision package is essential for the Health Care Authority (HCA) to achieve two goals from the strategic plan – “Goal 2: Leading the State in Providing Access to Quality, Affordable Health Care” and “Goal 7: Achieving Quality and Cost Effective Health Care for BH”. The ability for members and citizens to make healthy, cost effective choices is dependent upon continued funding of the BH program that allows HCA to continue serving the enrollees in the HCTC program.

Does this decision package provide essential support to one of the Governor's priorities?

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Yes. This maintenance level decision package supports the Governor’s priority to “Improve the health of Washingtonians”. The activities identified as essential to two goals from HCA’s strategic plan – “Goal 2: Leading the State in Providing Access to Quality, Affordable Health Care” and “Goal 7: Achieving Quality and Cost Effective Health Care for BH” are supported by this proposal.

Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government (POG) process?

Yes. Activities funded by this decision package support the Governor’s priority to “Improve the health of Washingtonians” by providing access to Basic Health coverage for adults and children with who qualify for HCTC assistance. Priorities of Government “Health Indicator 3: Improved access to health care” shows that the 19-64 year old population struggles to find health insurance. BH provides this coverage and works to fill the health care gap for these Washingtonians. Funding this package allows BH to continue to offer affordable healthcare to a growing population thus increasing their ability to seek appropriate health care and not overburden our states community clinics or emergency rooms.

What are the other important connections or impacts related to this proposal?

The HCTC program specifically meets the specific goal of “improving the health of Washingtonians” by:

- Encouraging healthy behaviors
- Identifying and mitigating health risks. Routine medical care can forestall more severe care needed if these issues are not addressed.
- Providing access to quality health care
- Providing mental health services
- Providing drug and alcohol abuse prevention and treatment services

More Washingtonians than ever before need this affordable coverage due to recession and job loss. Reducing the size of the program, or ending their access to this program, would add to the burden already placed on this population.

What alternatives were explored by the agency, and why was this alternative chosen?

HCA has not researched new alternatives to this proposal.

HCA has chosen to request funding of this proposal to allow time for current HCTC members to be transitioned into the Exchange. Since HCTC members pay the full cost of their coverage and the administration of the program, the proposal has no state funds fiscal impact.

What are the consequences of not funding this package?

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If the proposal were not funded HCA would be required to end the HCTC program prior to the implementation of the Exchange.

The above listed action may cause:

- Diminished statewide coverage.
- Increased stress on community clinics and demand for uncompensated care at hospitals.
- Jeopardize the viability of an affordable health care program for hard working Washingtonians unable to access coverage on their own until National Health Reform is implemented in 2014.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None.

Expenditure and Revenue Calculations and Assumptions

Revenue Calculations and Assumptions:

Calculation of the HCTC revenue for the 2013-15 Biennium was based upon an average enrollment level of 190 HCTC enrollees. Actual contracted plan rates were used for the cost projections for CY2013. HCA assumes that the administrative costs for the HCTC program will be similar to the average administrative cost experienced in FY2012, but slightly higher to account for the additional communications costs associated with the program shutdown. In addition it is assumed that all funds collected will be required to assist members in transitioning to the Exchange with a six month operational close out period for the program at least through June 2014. This will also allow for claims run out, appeals, and transitions to the Exchange for members who may be in acute care. HCA assumes that HCTC members will continue to pay a \$10 per adult per month administrative fee. HCA assumes that the program will cease operations December 31, 2013 and that all HCTC members will transfer to the Exchange effective January 1, 2014.

HCA assumes that the subsidized BH program is funded and operational through December 2013 with continued administrative resources through July 2014. HCTC members are pooled with the subsidized clients for rating purposes. If the subsidized membership were not included in the risk pool used for the HCTC rates, the cost of coverage for these members could be considerably different than the current contracted rates for CY2013. The revenue received for the benefits costs would be impacted if the cost of coverage were to change. In addition, the shared administration costs would all shift to the HCTC program if the subsidized program were not in operation. This would considerably increase the administrative revenue needed to continue this program until it ceases operations effective January 1, 2014.

Expenditure Calculations and Assumptions:

HCTC expenditures for the 2013-15 Biennium were calculated based on an average enrollment level of 190 HCTC enrollees. Actual contracted plan rates were used for the cost projections for CY2013. HCA assumes that the enrollment will continue to decline by approximately three percent per

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month during the last two quarters of CY2013. HCA assumes that the program will cease operations December 31, 2013 and that all HCTC members will transfer to the Exchange effective January 1, 2014.

HCA assumes that the subsidized BH program is funded and operational through December 2013 with continued administrative resources through July 2014. HCTC members are pooled with the subsidized clients for rating purposes. If the subsidized membership were not included in the risk pool used for the HCTC rates, the cost of coverage for these members could be considerably different than the current contracted rates for CY2013. In addition, the shared administration costs would all shift to the HCTC program if the subsidized program were not in operation. This would considerably increase the administrative costs to continue this program until it ceases operations effective January 1, 2014.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

Distinction between one-time and ongoing costs:

Costs in this decision package are considered “one-time” due to the anticipated cease of operations effective January 1, 2014.

Budget impacts in future biennia:

This decision package will not impact future biennia.