

# HOUSE BILL REPORT

## 2E2SHB 1738

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**As Passed House:**  
May 2, 2011

**Title:** An act relating to changing the designation of the medicaid single state agency from the department of social and health services to the health care authority and transferring the related powers, functions, and duties to the health care authority.

**Brief Description:** Changing the designation of the medicaid single state agency.

**Sponsors:** House Committee on Ways & Means (originally sponsored by Representatives Cody and Jinkins; by request of Governor Gregoire).

**Brief History:**

**Committee Activity:**

Health Care & Wellness: 2/7/11, 2/17/11 [DPS];

Ways & Means: 2/24/11, 3/21/11 [DP2S(w/o sub HCW)].

**Floor Activity:**

Passed House: 4/6/11, 54-43.

**First Special Session**

**Floor Activity:**

Passed House: 5/2/11, 53-42.

**Brief Summary of Second Engrossed Second Substitute Bill**

- Designates the Health Care Authority (Authority) as the single state agency for purposes of the Medicaid program.
- Assigns all responsibilities of the Department of Social and Health Services (DSHS) for medical services programs to the Authority.
- Requires the DSHS and the Authority to report to the Governor and the Legislature with recommendations regarding the role of the Authority in purchasing mental health treatment, chemical dependency treatment, and long-term care services.

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**HOUSE COMMITTEE ON HEALTH CARE & WELLNESS**

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Cody, Chair; Jinkins, Vice Chair; Clibborn, Green, Kelley, Moeller and Van De Wege.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Schmick, Ranking Minority Member; Hinkle, Assistant Ranking Minority Member; Bailey and Harris.

**Staff:** Chris Blake (786-7392).

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## HOUSE COMMITTEE ON WAYS & MEANS

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Health Care & Wellness. Signed by 16 members: Representatives Hunter, Chair; Darneille, Vice Chair; Hasegawa, Vice Chair; Carlyle, Cody, Dickerson, Haigh, Hudgins, Hunt, Kagi, Kenney, Ormsby, Pettigrew, Seaquist, Springer and Sullivan.

**Minority Report:** Do not pass. Signed by 11 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Chandler, Haler, Hinkle, Parker, Ross, Schmick and Wilcox.

**Staff:** Erik Cornellier (786-7116).

### **Background:**

State medical assistance programs pay for health care for low-income state residents, primarily through the Medicaid program. The majority of these programs are administered by the Department of Social and Health Services (DSHS). Most of these programs are jointly funded with state and federal matching funds. Federal law requires each state that participates in Medicaid must designate a single state agency responsible for administration and supervision of the state's Medicaid program. In Washington, that agency is the DSHS.

The Health Care Authority (Authority) administers state employee health benefit programs through the Public Employees Benefits Board as well as health care programs targeted at low-income individuals, such as the Basic Health Plan and the Community Health Services Grants. In addition, the Authority coordinates initiatives related to state purchased health care, such as the Prescription Drug Program and the Health Technology Assessment Program.

### **Summary of Second Engrossed Second Substitute Bill:**

The Health Care Authority (Authority) is designated as the single state agency for the administration and supervision of Washington's Medicaid program. The Authority is to be led by a "director," rather than an "administrator." The director is authorized to administer the medical assistance programs and the State Children's Health Insurance Program and shall be responsible for the disbursement of funds that the state receives in relation to those programs. The director may appoint any committees and commissions needed to comply

with federal laws and funding requirements. All responsibilities related to the administration of the Medicaid program are transferred to the Authority. Several responsibilities that had been shared between divisions of the Department of Social and Health Services (DSHS) will be shared between the Authority and the DSHS.

All employees of the Medicaid Purchasing Administration (MPA) within the DSHS are transferred to the Authority. All rules, apportionments of budgeted funds, and pending business of the MPA are also transferred to the Authority.

The Authority is authorized to conduct adjudicative proceedings for: (1) an applicant or enrollee who is aggrieved by a decision of the Authority; or (2) a current or former enrollee who is aggrieved by a claim that he or she owes a debt for overpayment. This authority is substantially similar to the adjudicative proceeding authority of the DSHS. Procedures and standards are established to allow for the severance of applications for review of decisions made by both the Authority and the DSHS into multiple proceedings.

The Authority is authorized to charge fees, collect overpayments, and file liens. In addition, the Authority may collect from tortfeasors or their insurer in any case in which assistance is paid due to negligent conduct toward an enrollee. This authority is substantially similar to the DSHS's authority to collect overpayments and secure reimbursements.

The DSHS's responsibilities regarding coordination with health insurers for health benefits for recipients of medical services are transferred to the Authority.

The Authority is authorized to collaborate with other state or local agencies and nonprofit entities to carry out its responsibilities.

The DSHS and the Authority shall determine financial and functional eligibility for people applying for long-term care services through a single process in a single location.

It is specified that the Disproportionate Share Hospital payment methodology provisions do not create a right or entitlement for any hospitals.

References to several expired duties are eliminated, including reporting on children's Medicaid mental health benefits and amending the state Medicaid Plan to include personal care services in the categorically needy program.

The DSHS and the Authority must provide a preliminary report to the Governor and Legislature by December 10, 2011, and a final implementation plan by December 1, 2012, regarding the role of the Authority in purchasing mental health, chemical dependency, and long-term care services. Several items must be addressed in the reports including improvement of prevention efforts, service delivery, assurances of long-term care services in the least restrictive environment, measurements of cost savings, measurement of outcomes and satisfaction, designation of a single point of entry for eligibility determinations, and collaboration with local governments. The DSHS and the Authority must consult with stakeholders and cooperate with the Joint Select Committee on Health Reform Implementation.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 2011.

**Staff Summary of Public Testimony (Health Care & Wellness):**

(In support) This bill revives the Health Care Authority's (Authority) original role to coordinate a uniform approach to the purchase of health care. This bill makes for a more effective, efficient, and responsive government. This bill strengthens initiatives aimed at improving the quality and affordability of state-purchased health care. This bill will better position the state to implement the Affordable Care Act since that will require a greater need for collaboration between the Medicaid program and the health insurance exchange. There are a number of opportunities to save money through consolidated health purchasing. This will help to leverage the purchasing of other health services. This will help to restrain the growth of health costs and offer more choice options to consumers. Using the technical expertise of the Authority will help to get the most out of health care spending.

(In support with concerns) Either one of the agencies should be allowed to terminate providers or issue penalties, but not both. There are several social service committees that the Department of Social and Health Services should operate, not the Authority.

(With concerns) This affords the possibility of better coordination of acute and long-term care. There are concerns about the potential capitation of long-term care in the future at the Authority due to potential service and quality reductions and disruptions in continuity of service. There needs to be more stakeholder input. The Medicaid Purchasing Administration (MPA) should be accountable for assuring person-centered, comprehensive care in the least restrictive setting possible. The MPA should establish benchmarks to measure quality, outcomes, and potential cost-savings. The concept and goals behind the bill are good, but simply consolidating two agencies into one will not bend the cost curve. It will be worrisome if this bill just creates more silos.

(Opposed) None.

**Staff Summary of Public Testimony (Ways & Means):**

(In support) None.

(Opposed) None.

**Persons Testifying (Health Care & Wellness):** (In support) Jonathan Seib, Office of the Governor; Doug Porter, Health Care Authority; and Susan Dreyfus, Department of Social and Health Services.

(In support with concerns) Dave Knutson, The Arc of Washington State.

(With concerns) Ingrid McDonald, Association for the Advancement of Retired Persons; and Misha Werschkul, Service Employees International Union 775 NW.

**Persons Testifying (Ways & Means):** None.

**Persons Signed In To Testify But Not Testifying (Health Care & Wellness):** None.

**Persons Signed In To Testify But Not Testifying (Ways & Means):** None.