SENATE BILL REPORT
E2SHB 1738

As Reported by Senate Committee On:
Health & Long-Term Care, April 15, 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: Passed House: 4/06/11, 54-43.
Committee Activity: Health & Long-Term Care: 4/15/11 [DPA-WM, w/oRec].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.
Signed by Senators Keiser, Chair; Conway, Vice Chair; Kline, Murray, Pflug and Pridemore.

Minority Report: That it be referred without recommendation.
Signed by Senators Becker, Ranking Minority Member; Parlette.

Staff: Mich'l Needham (786-7442)

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), which has been designated as the single state agency responsible for administration and supervision of the state's Medicaid program. Most of these programs are jointly funded with state and federal matching funds.

The Health Care Authority (HCA) 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 HCA coordinates initiatives related to state purchased health care, such as the Prescription Drug Program and the Health Technology Assessment Program. The

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Governor has begun efforts to consolidate most of the medical purchasing in one agency, combining the Medicaid Purchasing Administration (MPA) with the HCA.

Summary of Bill (Recommended Amendments): The HCA is designated as the single state agency for the administration and supervision of Washington's State Medicaid program. All responsibilities related to the administration of the Medicaid program are transferred to the HCA. The HCA administrator is changed to a director. The director is authorized to administer the medical assistance programs and the State Children's Health Insurance Program and must 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. Several responsibilities that had been shared between divisions of DSHS will be shared between the HCA and DSHS.

All employees of the MPA within DSHS are transferred to the HCA. All rules, apportionments of budgeted funds, and pending business of the MPA are also transferred to the HCA.

The HCA is authorized to conduct adjudicative proceedings or hearings for (1) an applicant or enrollee who is aggrieved by a decision of the agency; or (2) a current or former enrollee who is aggrieved by a claim that the enrollee owes a debt for overpayment. This authority is substantially similar to the adjudicative proceeding authority of DSHS. When a person seeks review of decisions made by more than one agency, the initial review will be conducted in one proceeding, and opportunity is provided for the hearing officer to break the issues into multiple proceedings. HCA must adopt rules for the hearings rights.

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

DSHS's responsibilities regarding coordination with health insurers for health benefits for recipients of medical services are transferred to the HCA. The HCA is authorized to collaborate with other state or local agencies and nonprofit entities to carry out its responsibilities. DSHS and the HCA must 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's Medicaid Plan to include personal care services in the categorically needy program.

DSHS and the HCA 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 HCA 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. In developing recommendations, the agencies must consult with stakeholders and cooperate with the Joint Select Committee on Health Reform Implementation.

EFFECT OF CHANGES MADE BY HEALTH & LONG-TERM CARE COMMITTEE (Recommended Amendments):

- Section 53 having to do with adjudicative proceedings or hearings was amended to incorporate more language from RCW 74.08.080, the DSHS adjudicative proceedings, to ensure the authority and responsibilities for Medicaid/medical service program hearings follow to HCA.
- Previous section 53 language is harmonized with RCW 74.08.080, for example, action is changed to decision, applicant is defined consistently and reference is made to all programs established under RCW 74.09; some or all is changed to a class;
- Language is added to ensure the agencies coordinate hearings for applicants that may have issues with multiple agencies or divisions. The authority is responsible for determining which agency is responsible for representing the state. Language is added to allow the presiding officer to sever the proceeding into multiple proceedings, or consolidate the proceedings, if all parties consent, and the severance or consolidation is not likely to prejudice the rights of an appellant.
- Consistent with federal law and current practice, it is clarified that when an appellant is found eligible the benefits must be provided from the date of earliest eligibility, the date of denial of the application, or 45 days following the date of application, whichever is soonest.
- The director of HCA must adopt rules regarding the exhaustion of administrative remedies when persons are required to seek administrative review; and adopt rules to create a process for parties to seek administrative review when multiple agencies are involved. The process must try to minimize any procedural complexities imposed on the appellants due to participation of multiple agencies.

Appropriation: None.

Fiscal Note: Requested on April 9, 2011.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2011.

Staff Summary of Public Testimony on Engrossed Second Substitute Bill: PRO: There has been a lot of work with stakeholders that had concerns initially and we have developed a process for reviewing the other services like long term care and mental health with stakeholders. The consolidation of health purchasing has begun already and this bill completes the technical changes. The proposal is rooted in the existing law for the Health Care Authority (HCA) as it was originally established to coordinate all state purchasing of health care. The Governor revived the original vision of HCA and began moving toward more efficient and effective state purchasing of health care.

There have already been some administrative savings realized with the leveraging of IT systems and consolidation of executive level staff, with elimination of positions and people. The lease on the HCA Lacey building expires soon and General Administration has completed an assessment of the best options for renewing or moving and found it will be most cost effective to consolidate all the staff in the Cherry Street Plaza. Once the staff are fully consolidated there will be additional opportunities to leverage resources and realign resources to handle all the work loads. We are in the process of completing a systems needs analysis to see where we can leverage existing the information technology (IT) resources and fill the gaps in an effort to find a more efficient system to run Public Employees Benefits Board benefits eligibility - we are the only system still using the old "pay one" system since all the agencies migrated to the new payroll system. We've also used our capacity to explore efficiencies for other health purchasing like the Department of Corrections, which has been manually processing the claims for health services and we are setting up a link to run their claims through our provider one billing system and help them realize administrative savings. We will focusing on cost containment, monitoring per capita expenditures, reducing hospital re-admissions, reducing narcotic use, finding efficiencies in durable medical equipment contracting, and other areas. We are preparing to issue a joint procurement for Healthy Options and Basic Health this summer that will focus on competitive pricing and increasing plan access while moving toward implementing a health home for high-risk high-cost persons.

Aging and Disability Services mission is to provide the critical support services people need, that go beyond the services provided in a medical health home. We are coordinating now with the Medicaid Purchasing Administration to ensure people have the range of services they need, and we will continue coordinating with them. We have a strong partnership and commitment to working together. And the new process set up in this to examine the purchasing of the other services like mental health, chemical dependency and long term care services will offer an opportunity to careful deliberation and thoughtful stakeholder involvement for any transition in purchasing of services

We are working to ensure the clients' perspective is at the table, and to make sure the intent to streamline bureaucracies does not change benefits or negatively impact the clients. We have negotiated successfully with the HCA and DSHS ensure hearing rights are coordinated between agencies and that the appeals systems remain as transparent and seamless for clients as possible. The amendment offered today reflects the thoughtful efforts to protect the appeals rights and process for clients.

The counties are pleased with the collaborative efforts with local governments to ensure local services continue to serve the those with high risk and high needs. We look forward to continuing the collaborative discussions with the process created in this bill, and with the Joint Select Committee.

Persons Testifying: PRO: Representative Cody, prime sponsor; Jonathan Seib, Governor's Office; Doug Porter, Health Care Authority and Medicaid Purchasing Administration; Maryanne Lindeblad, Aging and Disability Services Administration; Robin Zukoski, Columbia Legal Services; Rashi Gupta, Washington Association of Counties.