

SENATE BILL REPORT

SHB 2024

As Passed Senate, April 25, 2019

Title: An act relating to deductions of incentive payments under the medicaid program established within 42 C.F.R. 438.6(b)(2) and Sec. 1115 medicaid demonstration project number 11-W-00304/0.

Brief Description: Concerning deductions of incentive payments under the medicaid program established within 42 C.F.R. 438.6(b)(2) and Sec. 1115 medicaid demonstration project number 11-W-00304/0.

Sponsors: House Committee on Finance (originally sponsored by Representatives Robinson and Cody).

Brief History: Passed House: 3/12/19, 97-1.

Committee Activity: Ways & Means: 4/04/19, 4/09/19 [DP].

Floor Activity:

Passed Senate: 4/25/19, 48-0.

Brief Summary of Bill

- Provides a business and occupation tax exemption for incentive payments made to managed care organizations as part of the Accountable Communities of Health Medicaid demonstration project under the federal waiver.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Mullet, Capital Budget Cabinet; Braun, Ranking Member; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Bailey, Becker, Billig, Carlyle, Conway, Darneille, Hasegawa, Hunt, Keiser, Liias, Palumbo, Pedersen, Rivers, Schoesler, Van De Wege, Wagoner and Warnick.

Staff: Sandy Stith (786-7710)

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.

Background: In 2015 the United States Congress enacted the Medicare Access and Children's Health Insurance Program Reauthorization Act (MACRA). Part of the MACRA restructures how certain health services are paid for through Medicaid.

An Accountable Community of Health (ACH) is a regional coalition of representatives from a variety of sectors, working together to improve health and health equity. Participants may include health and long-term care providers, health insurance companies, public health agencies, school districts, and criminal justice agencies.

Washington's nine ACHs were organized to implement the MACRA goals related to Medicaid. They have entered into an agreement with the federal government allowing the state to test new and innovative approaches to providing health coverage and care. The ACHs are funded partly with grants from the Washington State Health Care Authority (HCA), using money from the State Innovation Model grant issued by the Federal Center for Medicare and Medicaid Innovation.

Counties that commit to implementing integrated managed care before 2020 will be eligible for incentive funds to deliver improved coordinated health care for people in their region. These incentives will be distributed in two phases—delivery of binding letters of intent and implementation. The ACHs and partnering providers are eligible for incentive payments for completion of each phase.

In 2018, the Legislature enacted a business and occupation (B&O) tax exemption for Medicaid demonstration project funds and delivery system reform incentive payments received after March 15, 2018, by an ACH or a public hospital from federal, state, or local government.

Summary of Bill: The B&O tax deductions are extended to include incentive payments received through a Medicaid quality improvement program. An updated reference to the applicable federal waiver is provided.

A B&O deduction is authorized for incentive payments received for achieving quality performance standards by managed care organizations. "Managed care organization" is defined as an organization having a certificate of registration from the Office of the Insurance Commissioner that contracts with the HCA under a comprehensive risk contract to provide prepaid health care services to eligible clients under the HCA's Medicaid managed care program, including healthy options.

The B&O deduction only applies to amounts received after the effective date of the act.

The exemption is not subject to the tax preference performance statement requirements, a Joint Legislative Audit and Review Committee review, or the 10-year expiration.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: Last year the Legislature passed a B&O tax exemption to exempt public hospitals from paying tax on their own money as part of the financing strategy for the Medicaid demonstration waiver. This year, the HCA decided to change its financing strategy, so a new exemption is needed. This bill addresses the underlying issue that will allow hospitals to continue providing the funding mechanism for this waiver and not be taxed on the money they put up. This represents a change from the DSRIP to MQIP funding strategy and will allow HCA to keep as much money flowing through the waiver as possible.

Persons Testifying: PRO: Len McComb, Association of Washington Hospital Districts; Shawn O'Neill, HCA Legislative Relations Manager.

Persons Signed In To Testify But Not Testifying: No one.