FINAL BILL REPORT
SB 5497

C 439 L 23
Synopsis as Enacted

Brief Description: Concerning medicaid expenditures.

Sponsors: Senators Wilson, L. and Rolfes.

Senate Committee on Health & Long Term Care
Senate Committee on Ways & Means
House Committee on Health Care & Wellness
House Committee on Appropriations

Background: The Health Care Authority (HCA) administers the Medicaid program, which is a state-federal program that pays for health care for low-income state residents who meet certain eligibility criteria. Washington's Medicaid program, known as Apple Health, offers a complete medical benefits package, including prescription drug coverage, to eligible families, children under age 19, low-income adults, certain disabled individuals, and pregnant women. During the 2021-2023 biennium, approximately 2.2 million low-income Washingtonians are expected to receive services under these programs, at a total biennial cost of $20.7 billion, of which $5 billion is to be from state revenue. The remaining funds are a combination of federal matching funds and other fund sources.

HCA also administers community behavioral health programs. Medicaid-funded services are provided by the Department of Social and Health Services (DSHS) for clients receiving long-term care services and those with developmental disabilities. The Department of Children, Youth, and Families (DCYF) provides Medicaid-funded services for children and young adults with complex needs and who experience significant behavioral health challenges.

HCA is designated as the single state agency responsible for administering medical services programs and under federal regulation is responsible for providing reasonable program integrity oversight and maintaining effective internal control over any state agency that receives Medicaid funding, including those provided by DSHS and DCYF.

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

In July 2021, the State Auditor's Office (SAO) conducted a performance audit of Medicaid Program Integrity, examining HCA's oversight of efforts at state agencies. This was authorized under Initiative 900 enacted in 2006, which authorizes SAO to conduct independent, comprehensive performance audits of state and local governments. The law specifically directs SAO to review and analyze the economy, efficiency, and effectiveness of the policies, management, fiscal affairs, and operations of state and local governments, agencies, programs, and accounts.

In its findings, SAO made recommendations for HCA to strengthen its program integrity oversight, including, but not limited to:

- improve executive oversight of the agencies program integrity efforts;
- provide federally required oversight of Medicaid program integrity efforts at sister agencies;
- develop a Statewide Fraud and Abuse Prevention Plan;
- develop procedures to provide consistent oversight of program integrity efforts at sister agencies;
- expand program integrity efforts for managed care organizations (MCOs); and
- improve audit selection practices to prioritize resources for high risk cases and meet federal requirements.

The 2020 Legislature directed the Joint Legislative Audit and Review Committee (JLARC) to review the HCA budget and accounting structures. In its December 2021 report, JLARC reported on the historical increase in complexity of HCA's accounting structure from 2011 to present. Since 2011, changes include expanding the eligible population under the Affordable Care Act, the Medicaid Transformation Waiver, and inclusion of behavioral health services. Changes in accounting structure have also occurred because of shifts from fee-for-service to managed care and changes in payment methodologies to include measuring quality outcomes and patient satisfaction. The result has been an increase in the number of account codes used by HCA between 2011 to the present from 142 to 1369.

Summary: HCA must provide reasonable oversight of all Medicaid program integrity activities, and establish and maintain effective internal control over any state agency that receives Medicaid funding. This includes:

- providing administrative oversight for all Title XIX and Title XXI funds received under the medical assistance program;
- providing executive oversight of the agencies program integrity efforts;
- developing a strategic plan and performance measures for program integrity;
- overseeing Medicaid program resources of any state agency expending Medicaid funding;
- developing and maintaining a single, statewide fraud and abuse prevention plan; and
- following best practices for identifying improper Medicaid spending when implementing program integrity activities.

Beginning January 1, 2024, HCA's contracts with MCOs must clearly detail each party's

requirements for maintaining program integrity, and the consequences the MCOs face if they do not meet the requirements. The contracts must ensure the penalties are adequate to ensure compliance. These penalties and remedies include direct collection from providers, sanctions, and liquidated damages.

Votes on Final Passage:

Senate	45	3	
House	97	0	(House amended)
Senate	49	0	(Senate concurred)

Effective: July 23, 2023