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**SENATE BILL 5497**

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**State of Washington**

**68th Legislature**

**2023 Regular Session**

**By** Senators L. Wilson and Rolfes

1 AN ACT Relating to medicaid expenditures; amending RCW 74.04.050;  
2 adding new sections to chapter 74.09 RCW; adding a new section to  
3 chapter 43.41 RCW; and creating a new section.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** (1) The legislature intends to ensure that  
6 the medicaid program is operating under sound fiscal stewardship.  
7 This requires dedicated program integrity efforts focused on paying  
8 the right dollar amount to the right provider for the right reason.  
9 Strengthening program integrity efforts helps to ensure that every  
10 medicaid dollar stretches as far as possible for those insured  
11 through medicaid.

12 (2) The legislature finds that the health care authority is  
13 responsible for overseeing all of Washington's medicaid programs,  
14 including those administered by other state agencies. Effective  
15 oversight by the health care authority will advance the legislature's  
16 objective of ensuring that the right services are delivered to the  
17 right person at the right time with measurable outcomes.

18 **Sec. 2.** RCW 74.04.050 and 2011 1st sp.s. c 15 s 64 are each  
19 amended to read as follows:

1 (1) The department is designated as the single state agency to  
2 administer the following public assistance programs:

3 (a) Temporary assistance (~~(to [for])~~) for needy families;

4 (b) Child welfare services; and

5 (c) Any other programs of public assistance for which provision  
6 for federal grants or funds may from time to time be made, except as  
7 otherwise provided by law.

8 (2) The authority is hereby designated as the single state agency  
9 to administer the medical services programs established under chapter  
10 74.09 RCW, including the state children's health insurance program,  
11 Titles XIX and XXI of the federal social security act of 1935, as  
12 amended. As the state's medicaid agency, the authority is responsible  
13 for providing reasonable oversight of all medicaid program integrity  
14 activities required by federal regulation. The authority shall  
15 establish and maintain effective internal control over any state  
16 agency that receives medicaid funding in compliance with federal  
17 regulation.

18 (3) The department and the authority are hereby empowered and  
19 authorized to cooperate in the administration of such federal laws,  
20 consistent with the public assistance laws of this state, as may be  
21 necessary to qualify for federal funds.

22 (4) The state hereby accepts and assents to all the present  
23 provisions of the federal law under which federal grants or funds,  
24 goods, commodities, and services are extended to the state for the  
25 support of programs referenced in this section, and to such  
26 additional legislation as may subsequently be enacted as is not  
27 inconsistent with the purposes of this title, authorizing public  
28 welfare and assistance activities. The provisions of this title shall  
29 be so administered as to conform with federal requirements with  
30 respect to eligibility for the receipt of federal grants or funds.

31 (5) The department and the authority shall periodically make  
32 application for federal grants or funds and submit such plans,  
33 reports and data, as are required by any act of congress as a  
34 condition precedent to the receipt of federal funds for such  
35 assistance. The department and the authority shall make and enforce  
36 such rules and regulations as shall be necessary to insure compliance  
37 with the terms and conditions of such federal grants or funds.

38 NEW SECTION. Sec. 3. A new section is added to chapter 74.09  
39 RCW to read as follows:

1 (1) The authority shall provide administrative oversight for all  
2 funds received under the medical assistance program, as codified in  
3 Title XIX of the federal social security act, the state children's  
4 health insurance program, as codified in Title XXI of the federal  
5 social security act, and any other federal medicaid funding to ensure  
6 that:

7 (a) All funds are spent according to federal and state laws and  
8 regulations;

9 (b) Delivery of services aligns with federal statutes and  
10 regulations;

11 (c) Corrective action plans are put in place if expenditures or  
12 services do not align with federal requirements; and

13 (d) Sound fiscal stewardship of medicaid funding in all agencies  
14 where medicaid funding is provided.

15 (2) The authority shall develop a strategic plan and performance  
16 measures for medicaid program integrity. The strategic plan must  
17 include stated strategic goals, agreed-upon objectives, performance  
18 measures, and a system to monitor progress and hold responsible  
19 parties accountable. In developing the strategic plan, the authority  
20 shall create a management information and reporting strategy with  
21 performance measures and management reports.

22 (3) The authority shall oversee the medicaid program resources of  
23 any state agency expending medicaid funding, including but not  
24 limited to:

25 (a) Regularly reviewing delegated work;

26 (b) Jointly reviewing required reports on terminated or  
27 sanctioned providers, compliance data, and application data;

28 (c) Requiring assurances that operational functions have been  
29 implemented;

30 (d) Reviewing audits performed on the sister state agency; and

31 (e) Assisting with risk assessments, setting goals, and  
32 developing policies and procedures.

33 (4) The authority shall develop and maintain a single, statewide  
34 medicaid fraud and abuse prevention plan consistent with the national  
35 medicaid fraud and abuse initiative or current federal best practice  
36 as recognized by the centers for medicare and medicaid services.

37 (5) The authority must follow best practices for identifying  
38 improper medicaid spending when implementing its program integrity  
39 activities, including but not limited to:

1 (a) Conducting risk assessments or evaluating leads with  
2 established risk factors;

3 (b) Relying on data analytics to generate leads;

4 (c) Conducting a preliminary review of incoming leads, which  
5 includes analyzing data about the lead and may include reviewing  
6 records such as billing histories;

7 (d) Determining the credibility of all allegations of potential  
8 fraud prior to referral to the state's medicaid fraud control unit;

9 (e) Analyzing all leads under review by the state's managed care  
10 organizations;

11 (f) Working with federally recognized experts that help state  
12 integrity programs improve their data analytics and identify  
13 potential fraud across medicare and medicaid such as unified program  
14 integrity contractors; and

15 (g) Maintaining a current fraud and abuse detection system.

16 NEW SECTION. **Sec. 4.** A new section is added to chapter 74.09  
17 RCW to read as follows:

18 (1) Beginning January 1, 2024, the authority's contracts with  
19 managed care organizations must clearly detail each party's  
20 requirements for maintaining program integrity and the consequences  
21 the managed care organizations face if they do not meet the  
22 requirements. The contract must ensure the penalties are adequate to  
23 ensure compliance.

24 (2) The authority shall follow leading program integrity  
25 practices as recommended by the centers for medicare and medicaid  
26 services, including but not limited to:

27 (a) Monthly reporting and quarterly meetings with managed care  
28 organizations to discuss program integrity issues and findings as  
29 well as trends in fraud and other improper payments;

30 (b) Financial penalties for failure to fulfill program integrity  
31 requirements, including liquidated damages and sanctions;

32 (c) Directly auditing providers and:

33 (i) Recovering overpayments from the providers; or

34 (ii) Assessing liquidated damages against the managed care  
35 organizations;

36 (d) Ensuring recoveries and liquidated damages resulting from  
37 overpayments are properly accounted for and applied to managed care  
38 encounters to ensure accurate future rate setting; and

1 (e) Ensuring all contracts with managed care organizations are  
2 updated as appropriate to reflect program integrity requirements.

3 NEW SECTION. **Sec. 5.** A new section is added to chapter 43.41  
4 RCW to read as follows:

5 (1) The medicaid expenditure forecast work group is hereby  
6 created. The work group shall be managed by the office of financial  
7 management.

8 (2) The office shall employ a forecast manager and appropriate  
9 staff to:

10 (a) Oversee preparation of medicaid expenditure forecasting  
11 products;

12 (b) Develop necessary infrastructure and programming for the  
13 preparation of medicaid expenditure forecasting products;

14 (c) Coordinate production of forecasts; and

15 (d) Develop primary trends, estimates of federal medical  
16 assistance percentages, and other estimates required to generate the  
17 forecast.

18 (3) Members of the work group shall consist of:

19 (a) Staff listed under subsection (2) of this section;

20 (b) The senior analyst assigned to medicaid from the office;

21 (c) Staff from the health care authority;

22 (d) Senior fiscal analysts from the two fiscal committees of the  
23 legislature assigned to medicaid;

24 (e) An actuary from the office of the state actuary; and

25 (f) Other staff as deemed necessary by the work group.

26 (4) To ensure the duties of the work group are carried out in a  
27 timely, transparent manner, the office shall develop a charter, in  
28 consultation with the members of the work group, that specifies:

29 (a) The purpose of the work group;

30 (b) Its intended customers;

31 (c) Detailed roles and responsibilities of each member of the  
32 work group;

33 (d) Protocols, such as the level of agreement necessary, to  
34 finalize a decision;

35 (e) Rules for settling a disagreement;

36 (f) How inquiries and requests for analysis are prioritized;

37 (g) How assumptions are documented and communicated to intended  
38 customers;

39 (h) How to compare prior forecasts against expenditures; and

1 (i) Quality assurance mechanisms.

2 (5) The work group shall provide technical support to the  
3 governor's office and the fiscal committees of the legislature. To  
4 promote the free flow of information and to promote legislative and  
5 executive input in the development of assumptions and preparation of  
6 forecasts, immediate access to all information and statistical models  
7 relating to the forecast shall be available to the work group.  
8 Meetings of the work group may be called by any member of the group  
9 for the purpose of assisting the work group, reviewing forecasts, or  
10 for any other purpose that may assist the group.

11 (6) Members from the health care authority shall provide all  
12 data, documents, information, and responses to the work group  
13 necessary to develop the forecast in the time frames agreed upon by  
14 the work group.

15 (7) All members shall review information necessary to develop the  
16 forecast in the time frames agreed upon by the work group.

17 (8) In consultation with the work group and subject to the  
18 approval of the work group, the forecast manager shall prepare:

19 (a) An official forecast; and

20 (b) Other forecasts based on alternative assumptions as the work  
21 group may determine.

22 (9) The forecast manager shall submit official forecasts and any  
23 unofficial forecasts prepared under this section to the office and  
24 the staff of appropriate fiscal committees of the legislature. The  
25 forecasts shall be submitted at least twice each year and on such  
26 dates as the work group determines will facilitate the development of  
27 budget proposals by the governor and the legislature.

28 (10) The forecasts shall be used to develop budget estimates for  
29 the office and the fiscal committees of the legislature. The official  
30 forecast prepared under this section shall be the basis of the  
31 governor's budget document and utilized by the legislature in the  
32 development of the omnibus biennial appropriations act.

33 (11) The health care authority shall:

34 (a) Provide to the forecast manager immediate access to all  
35 information relating to the forecast;

36 (b) Work with its contracted actuary and the work group to  
37 develop methods and metrics related to managed care program integrity  
38 activity that shall be incorporated into annual managed care rate  
39 setting. This activity shall be done during the normal course of rate

1 setting with the work group and shall not be conducted separately  
2 from the work group;

3 (c) Work with the work group to ensure the results of program  
4 integrity activity are incorporated into the managed care rate  
5 setting process in a transparent, timely, measurable, quantifiable  
6 manner. This activity shall be done during the normal course of rate  
7 setting with the work group and shall not be conducted separately  
8 from the work group; and

9 (d) Submit reports and data to the work group as soon as the  
10 reports and data are available and shall provide to the work group  
11 and the forecast manager such additional raw, program-level data or  
12 information as may be necessary for discharge of their respective  
13 duties.

14 (12) For purposes of this section:

15 (a) "Work group" means the medicaid expenditure forecast work  
16 group.

17 (b) "Forecast" means the medicaid expenditure forecast.

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