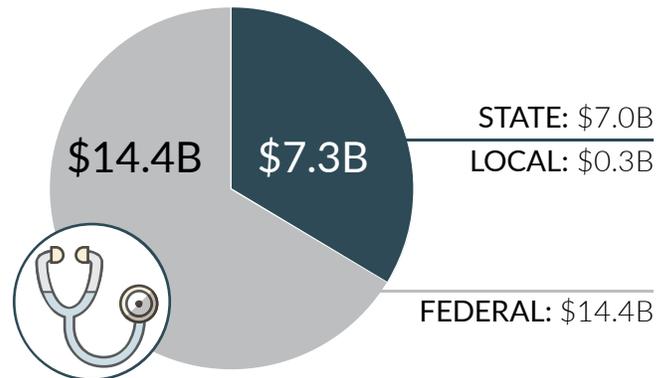


2020 Legislature directed JLARC to review Health Care Authority's budget structure

The Legislature appropriated \$21.7 billion in state, local, and federal funds to the Health Care Authority (HCA) for the 2019-21 biennium. It also directed JLARC to review HCA's budget structure and compare it to other states' Medicaid agency budget structures.

The largest component of HCA's budget is Medicaid, which serves about 2 million Washingtonians. It will be the focus of this study.



Medicaid changes include a shift to managed care and integration of behavioral and physical health care systems

Since 1987, a growing share of Washington's Medicaid beneficiaries have been served through managed care. Under managed care, HCA pays private organizations a set monthly rate to provide covered health care services to each person they enroll. The organizations pay the health care providers. About 85% of beneficiaries are enrolled in managed care and 15% are enrolled in fee-for-service plans, where the state pays the providers directly.

HCA also purchases behavioral health services, which include treatment for mental health and substance use disorders. Since 2016, Washington has worked to merge Medicaid behavioral and physical health care under an integrated managed care model. Behavioral health care administration was transferred to HCA from the Department of Social and Health Services in 2018. As of January 2020, all HCA managed care contracts include coverage for both behavioral and physical health care.

HCA is responsible for setting Medicaid rates, tracking expenditures, and reporting

Each year, HCA works with actuaries and legislative committees to set new Medicaid managed care rates that inform the Legislature's budget decisions. HCA also maintains a chart of accounts (a tool for recording and categorizing financial transactions) and health care data to support budget development and reporting.

This study will examine HCA's budget structure and address the following questions

1. How is the chart of accounts structured? Does it align with budget, accounting, and reporting requirements?
2. How have changes in systems and service delivery affected HCA's budgeting and accounting practices?
3. How does HCA inform the Legislature about its rate and budget development practices?
4. How do other states' Medicaid agencies structure their accounts and provide information to their legislatures?

Study Timeframe

Preliminary Report: September 2021

Proposed Final Report: December 2021

Study Team

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JLARC Study Process

