

Review of the Health Care Authority's Budget Structure

2021 JLARC STUDY

The Health Care Authority (HCA) administers Medicaid in Washington. The 2020 Legislature directed JLARC to review HCA's budget and accounting structures. This report focuses on HCA's Medicaid medical assistance budget.

Complex accounting structure reflects changes in service delivery and helps HCA meet reporting requirements

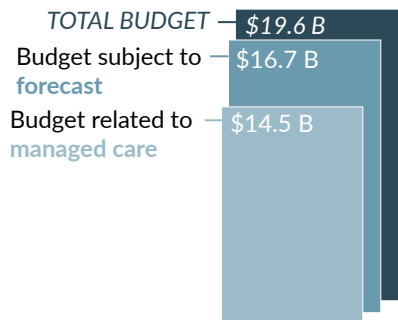
Accounting codes tie expenditures to information such as program, population served, and federal match rate.

HCA uses combinations of codes to compile data for budget monitoring and for state and federal reporting.

Medicaid medical assistance budget is based on actuarial rate setting and expenditure forecasting

HCA, OFM, and legislative staff share responsibility

HCA's Medicaid budget has two major components: the rate the state pays to managed care organizations (MCOs) and an expenditure forecast.



1. RATES:

Independent actuarial firm (Milliman) develops managed care rates that meet federal requirements. HCA, OFM, and legislative staff discuss the assumptions with Milliman.

2. EXPENDITURE FORECAST:

OFM, with input from the expenditure forecast work group, develops the expenditure forecast based on the PMPM rate, expected enrollment, and fee-for-service costs.

Legislative staff in WA have more involvement in Medicaid budgeting than their counterparts in other states with similar Medicaid programs

	Managed care rate setting	Caseload/expenditure forecasting
WA	✓	✓
VA	✓	✓
OR	x	✓
AZ	x	x
MN	x	x
IN	x	x
LA	x	x

The expenditure forecast work group lacks a formal structure, which could improve the utility of and confidence in the forecast

EXPENDITURE FORECAST WORK GROUP MEMBERS:

- Health Care Authority (7 members)
- Office of Financial Management (6)
- House and Senate fiscal committee staff (2)
- Milliman actuaries (consulting as needed)

In response to periodic errors, previous evaluations have called for **defining roles and responsibilities, documenting assumptions, and performing quality assurance.**

Other forecast work groups in Washington have decision-making protocols defined in statute or charter. The literature suggests that a **structured process builds confidence and acceptance in the forecast among decision makers.**

LEGISLATIVE AUDITOR'S RECOMMENDATION

OFM should lead the medical assistance forecast work group in developing a charter that specifies its purpose, structure, and decision-making protocols.