

Government-Funded Behavioral Health Services

JLARC Staff 2018 Tax Preference Performance Review

B&O Tax

Estimated 2019-21 beneficiary savings: \$10.9M

The preference reduces taxes, so more money can go directly to behavioral health treatment.



Who can claim the preference?

Behavioral health organizations (BHO) and health/social welfare organizations (qualifying providers).

A BHO is a regional entity designated by the state to manage funding for mental health and substance use treatment in its area. There are ten regions, and BHOs can be a government entity (such as a county or group of counties) or a private entity.

With recent changes in the state's management of Medicaid, more providers are likely to use the preference before it expires in 2020.

State is integrating Medicaid funding for behavioral health services and physical health services.

Integration will change how health care entities and providers are taxed.

More providers are likely to use the preference until it expires in 2020.

When the preference expires, more government funding for behavioral health services will be taxed, so less money may go directly to behavioral health treatment.

Legislative Auditor's recommendation

Determine whether to continue (policy decision)

If the Legislature wants to continue the tax deduction for government-funded behavioral health care, it will need to take action. Otherwise, behavioral health will be treated the same as physical health services and providers will pay B&O taxes beginning in 2020.

The complete report is on the JLARC web site.

For more information, contact: **Keenan Konopaski**, Washington State Legislative Auditor
keenan.konopaski@leg.wa.gov • (360) 786-5187

July 2018