

Health Benefit Exchange

2021 JLARC TAX PREFERENCE REVIEW

Estimated 2021-23 beneficiary savings: \$2.2M

B&O Tax

Preference allows the Exchange to maximize its state funding for operating a health insurance marketplace



Preference scheduled to expire July 1, 2023.

WHAT IS THE HEALTH BENEFIT EXCHANGE?

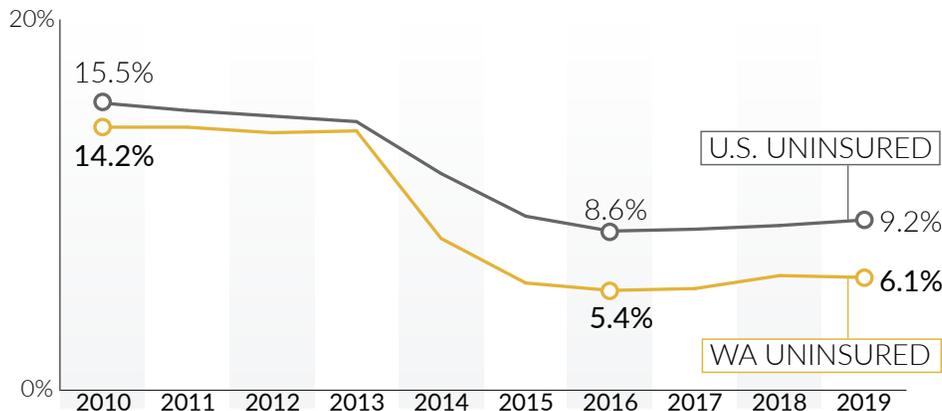
Washington's Health Benefit Exchange (the Exchange) is a **public-private partnership** funded through legislative appropriations. **Washingtonians use the Exchange to find and purchase health insurance.**

Individuals, families, and small businesses can compare and select from several private health plans and Apple Health (Washington's Medicaid) through the Exchange's online marketplace.

B&O exemption saves the Exchange 2% of its total state funding

The preference reduces the Exchange's administrative costs by \$1 million a year. **The preference is meeting its inferred objective to maximize funding for program operations.** Otherwise, the Exchange would be subject to B&O tax.

Since the Exchange marketplace began, WA's uninsured rate has been at least 3 percentage points below the U.S. average



As of 2015, **1.6 million or more WA residents have enrolled annually** through the Exchange for qualified private health plans or for Medicaid.

LEGISLATIVE AUDITOR'S RECOMMENDATION

Extend the expiration date or make the preference permanent (structural purpose)

The Legislature should:

- Extend the July 2023 expiration date or make the preference permanent. The preference appears to address a structural tax issue. The Exchange is a public-private partnership and the state funding it receives would be subject to B&O tax without the preference.
- Add a performance statement that specifies the public policy objective for the preference.

The Citizen Commission for the Performance Measurement of Tax Preferences should consider whether the preference is critical to the tax structure. If so, it will be excluded from future tax preference reviews.

The complete report is on the JLARC web site: www.leg.wa.gov/jlarc

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