



Wash State Health Care Authority
2023-25 Regular Budget Session
Maintenance Level - FA - PEBB & SEBB TPA Cost Increase

Agency Recommendation Summary

The Washington State Health Care Authority (HCA) requests resources in the 2023-25 biennium to cover projected costs in Uniform Medical Plan (UMP) and Uniform Dental Plan (UDP) third party administrator (TPA) fees.

Program Recommendation Summary

PEB - HCA - PEBB

The Washington State Health Care Authority (HCA) requests resources in the 2023-25 biennium to cover projected costs in Uniform Medical Plan (UMP) and Uniform Dental Plan (UDP) third party administrator (TPA) fees.

Fiscal Summary

Fiscal Summary <i>Dollars in Thousands</i>	Fiscal Years		Biennial	Fiscal Years		Biennial
	2024	2025	2023-25	2026	2027	2025-27
Staffing						
FTEs	0.0	0.0	0.0	0.0	0.0	0.0
Operating Expenditures						
Fund 438 - 6	\$641	\$1,592	\$2,233	\$1,592	\$1,592	\$3,184
Fund 475 - 6	\$255	\$1,057	\$1,312	\$1,057	\$1,057	\$2,114
Fund 494 - 6	\$4,139	\$5,696	\$9,835	\$5,696	\$5,696	\$11,392
Total Expenditures	\$5,035	\$8,345	\$13,380	\$8,345	\$8,345	\$16,690

Decision Package Description

The HCA contracts with multiple vendors for the administration of the PEBB and SEBB self-insured medical plan UMP and the self-insured dental plan UDP:

Regence BlueShield is the TPA for the UMP. Administrative fees are paid on a Per Subscriber Per Month (PSPM) basis.

Moda is the Pharmacy Benefits Manager (PBM) for the UMP. Effective January 1, 2022, the administrative fee paid to Moda is on a Per Member Per Month (PMPM) basis. This was previously paid on a per script basis.

Delta Dental is the TPA for the UDP and the administrative fees are paid on a PSPM basis.

What is the problem, opportunity or priority you are addressing with the request?

PEBB TPA fees

The PEBB UDP TPA fees are paid out of Account 438 (Uniform Dental Plan Benefits Administration Account). This account is non-appropriated, but an allotted account that is funded via a transfer from the Public Employees' and Retirees' Insurance Account, Account 721.

Effective January 1, 2023, the PEBB TPA fee paid to Delta Dental will increase by five percent, and the PEBB UDP enrollment continues to grow at two percent per year. The increase in the UDP TPA fee and enrollment increase has created the need for additional allotment of \$2,233,000 for the PEBB UDP Account 438 in the 2023-25 biennium.

438 - PEBB Dental Benefits Admin Account			
	FY2024	FY2025	Biennial Total
2023-25 Carry Forward Level	\$6,777,000	\$6,784,000	\$13,561,000
2023-25 Projected Expenditures	\$7,418,000	\$8,376,000	\$15,794,000
2023-25 Projected Shortfall	(\$641,000)	(\$1,592,000)	(\$2,233,000)

SEBB TPA fees

The SEBB UMP TPA fees are paid out Account 494 (School Employees' Benefits Board Medical Benefits Administrative Account) and the SEBB UDP TPA fees are paid out of Account 475 (School Employees' Benefits Board Dental Benefits Administration Account). These accounts are non-appropriated, but allotted accounts that are funded via a transfer from the School Employees' Insurance Account, Account 493.

SEBB UDP

Effective January 1, 2023, the UDP TPA fee paid to Delta Dental will increase by five percent, and as of May 2022, the SEBB UDP subscriber enrollment has increased by 10 percent since establishment of the SEBB program on January 1, 2020. The increase in the UDP TPA fee and enrollment increase has created the need for additional allotment of \$1,312,000 for the SEBB UDP Account 475 in the 2023-25 biennium.

475 - SEBB Dental Benefits Admin Account			
	FY2024	FY2025	Biennial Total
2023-25 Carry Forward Level	\$5,416,000	\$5,311,000	\$10,727,000
2023-25 Projected Expenditures	\$5,671,000	\$6,368,000	\$12,039,000
2023-25 Projected Shortfall	(\$255,000)	(\$1,057,000)	(\$1,312,000)

SEBB UMP

As of May 2022, SEBB UMP subscriber enrollment has increased by 17 percent since establishment of the program on January 1, 2020. The increase in the SEBB UMP enrollment has created the need for additional allotment of \$9,835,000 for UMP Account 494 in the 2023-25 biennium.

494 - SEBB Medical Benefits Admin Account			
	FY2024	FY2025	Biennial Total
2023-25 Carry Forward Level	\$21,896,000	\$23,289,000	\$45,185,000
2023-25 Projected Expenditures	\$26,035,000	\$28,985,000	\$55,020,000
2023-25 Projected Shortfall	(\$4,139,000)	(\$5,696,000)	(\$9,835,000)

This proposal asks for additional allotment of \$2,233,000 for the PEBB UDP Account 438 in the 2023-25 biennium, an additional allotment of \$1,312,000 for the SEBB UDP Account 475 in the 2023-25 biennium, and an additional allotment of \$9,835,000 for UMP Account 494 in the 2023-25 biennium. These additional allotments totaling \$13,380,000 would cover the increase in expenses for the programs as described above.

Assumptions and Calculations

Expansion, Reduction, Elimination or Alteration of a current program or service:

This is not an expansion or reduction, but rather a maintenance of current operations.

Detailed Assumptions and Calculations:

PEBB UDP

HCA negotiated a new TPA fee effective January 1, 2023. The HCA assumes that enrollment in the PEBB UDP will grow at two percent per calendar year. The administrative fee of \$3.36 PSPM was applied to the projected enrollment to determine the total cost by fiscal year.

SEBB UDP

HCA negotiated a new TPA fee effective January 1, 2023. The HCA assumes that enrollment in the SEBB UDP will grow at three percent per calendar year. The administrative fee of \$3.97 PSPM was applied to the projected enrollment to determine the total cost by fiscal year.

SEBB UMP

Increased costs in the SEBB UMP TPA Account are associated with enrollment in the UMP plans increasing since the SEBB program was established. Because administrative costs paid to Regence and Moda are tied to enrollment, the SEBB UMP needs additional authority.

Regence

Actual expected utilization and enrollment trend assumptions were applied to SEBB UMP to project future enrollment. This enrollment growth, with the PSPM TPA fee averaging \$31.05, was used to determine the total cost for the Regence TPA fees.

Moda

The administrative fee paid to Moda is based on a PMPM basis. Actual expected enrollment trend assumptions were applied to determine the impact of the request for the SEBB Fund 494.

Workforce Assumptions:

No additional staff are required for this proposal.

Strategic and Performance Outcomes

Strategic Framework:

HCA expects to continue to provide access to quality health care through the UMP offerings to approximately 378,000 PEBB and SEBB program members who have chosen UMP medical plans.

Additionally, HCA will also be able to provide quality dental care to approximately 571,000 members who have elected to be covered by the UDP.

Performance Outcomes:

The increased allotment request will allow HCA to continue to provide access to quality health care through the UMP and UDP offerings.

Equity Impacts

Community outreach and engagement:

There is no community outreach or engagement necessary for this proposal.

Disproportional Impact Considerations:

This request will not create disproportional impacts for any of the populations served under the PEBB and SEBB programs.

Target Populations or Communities:

The additional funds would allow HCA to continue to provide the same insurance under PEBB and SEBB.

Other Collateral Connections

Puget Sound Recovery:

Not applicable

State Workforce Impacts:

Accurate, timely administration of the PEBB and SEBB UMP plans directly affects approximately 378,000 members per year (employees, retirees, and dependents). Other key stakeholders include health care providers who provide medical care to these members.

Additionally, the administration of the SEBB UDP plans impacts approximately 571,000 members (employee and dependents). The UDP has other stakeholders that include dental care providers who provide dental care to these members.

Intergovernmental:

Not applicable

Stakeholder Response:

Not applicable

State Facilities Impacts:

Not applicable

Changes from Current Law:

This proposal does not include any expansion or alterations of current laws.

Legal or Administrative Mandates:

Not applicable

IT Addendum

Does this Decision Package include funding for any IT-related costs, including hardware, software, (including cloud-based services), contracts or IT staff?

No

Objects of Expenditure

Objects of Expenditure <i>Dollars in Thousands</i>	Fiscal Years		Biennial	Fiscal Years		Biennial
	2024	2025	2023-25	2026	2027	2025-27
Obj. N	\$5,035	\$8,345	\$13,380	\$8,345	\$8,345	\$16,690

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