Wash State Health Care Authority

2023-25 First Supplemental Budget Session

Maintenance Level - 41 - CPE Hold Harmless Adjustment

Agency Recommendation Summary

The Washington State Health Care Authority (HCA) submits a placeholder request for the 2024 Supplemental budget to align its appropriations with updated projected costs for the Certified Public Expenditure (CPE) program and federal disproportionate share hospital (DSH) distributions. The update will be completed upon finalization of the October 2023 medical assistance expenditures forecast. This adjustment ensures that agency appropriations are adequate to support updated cost projections for CPE hospital hold harmless grants and DSH cost settlement payments.

Program Recommendation Summary

OTH - HCA - Other

The Washington State Health Care Authority (HCA) submits a placeholder request for the 2024 Supplemental budget to align its appropriations with updated projected costs for the Certified Public Expenditure (CPE) program and federal disproportionate share hospital (DSH) distributions. The update will be completed upon finalization of the October 2023 medical assistance expenditures forecast. This adjustment ensures that agency appropriations are adequate to support updated cost projections for CPE hospital hold harmless grants and DSH cost settlement payments.

Fiscal Summary

Fiscal Summary *Dollars in Thousands*	Fiscal Years		Biennial	Fiscal Years		Biennial
	2024	2025	2023-25	2026	2027	2025-27
Operating Expenditures						
Fund 001 - 1	$0	$0	**$0**	$0	$0	**$0**
Total Expenditures	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

Decision Package Description

Problem Statement

Current budget appropriations for the 2023-2025 biennium do not align with projected costs for the CPE program.

Proposed Solution

HCA submits this placeholder request to align its fiscal year 2024 and fiscal year 2025 appropriations to reflect the estimated CPE program budget need for Public Hospital Disproportionate Share Hospital (PHDSH) payments, cost settlements and Hold Harmless grants.

Background Information

The CPE program was initially implemented in the 2005-2007 biennium as a replacement for the Inter-Governmental Transfer (IGT) program. The CPE program applies to public hospitals, including government operated hospitals that are not critical access or state psychiatric hospitals. This proposal requests updated funding required for the CPE program in fiscal year 2024, which can be broken into two components: 1) Hold Harmless grants and 2) the estimated federal cost settlements.

It is the state's policy to hold each hospital financially harmless for changes to the CPE payment methodology. A hospital will not be paid less under the CPE methodology than it would have been paid under the hospital payment methodology in place at the time services are rendered. HCA performs an annual analysis that compares the total each hospital would have been paid for fee-for-service inpatient claims under current standard hospital payment methodology and Disproportionate Share Hospital (DSH) payments at 2005 levels, to what they will be paid under CPE. Hold Harmless grants are paid to hospitals whose total fee-for-service inpatient claims payments are less under CPE.

Updated calculations will be available later this fall. The estimates for Hold Harmless grants will assume that CPE hospitals will be held harmless to 50 percent of the Indigent Assistance DSH payment and 100 percent of Low-Income DSH amounts paid to and retained by each hospital during fiscal year 2005.

Federal requirements mandate that payments made using CPE are cost-settled once actual payments are known. Payments made during a given fiscal year under the CPE methodology are based on an estimate of costs for that year. Costs are estimated using the hospitals' most recent ratio-of-cost-to-charges (RCC) which is typically based on data from two years prior. For example, the RCC used for the cost estimate for fiscal year 2024 is a hospital's most recent RCC and is based on 2022 data. Hospital RCCs based on 2022 data will not be available until 2024. Due to this time lag, the Center for Medicare and Medicaid Services (CMS) requires actual costs be recalculated once the RCCs for that year are known. Therefore, state funds will need to be appropriated in fiscal years 2024 and 2025 to cost settle fiscal years 2022 and 2023. Current estimates indicate that the federal cost settlements for fiscal years 2023 and 2024 will be the same as the fiscal year 2022 level.

Assumptions and Calculations

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

This request is not an expansion or alteration of the current CPE program. It adjusts the funding to support the current program, based on projected needs.

Detailed Assumptions and Calculations:

Anticipated CPE hold harmless funding needs for state fiscal years 2024 and 2025 are compared to the existing carry forward funding for the 2023-2025 biennium to calculate the additional funding needs.

Workforce Assumptions:

Not applicable.

Strategic and Performance Outcomes

Strategic Framework:

This request directly supports the Governor’s Goal 4 – Health and safe communities:

- Healthy People – provide access to good medical care to improve people’s lives;
- Access for quality – increase percentage of Washingtonians with a personal doctor or other health care provider;
- Healthy Youth and Adults; and
- Healthy Babies.

Performance Outcomes:

HCA expects to improve the quality and value of health care, and improve the health of the state’s 1.9 million Medicaid beneficiaries it serves by achieving the following goals:

- Reduce avoidable use of intensive services and settings;
- Improve population health;
- Accelerate the transition to value-based payment; and
- Ensure that Medicaid per-capita cost growth is below national trends.

Equity Impacts

Community outreach and engagement:

This request adjusts the budget for an already existing program to align with projected future costs. Since it neither increases or decreases the services provided to Apple Health clients, no community outreach or engagement is necessary.

Disproportional Impact Considerations:

This request will not create disproportional impacts as it focuses support toward hospitals that serve all Apple Health clients.

Target Populations or Communities:

The Apple Health program provides access to quality health care services for the state's vulnerable populations. This request supports hospitals that disproportionately serve these populations.

Other Collateral Connections

Puget Sound Recovery:

Not applicable.

State Workforce Impacts:

Not applicable.

Intergovernmental:

This proposal does not have an impact on Tribal government or other state agencies; however, it does have an impact on regional/county and other local government entities.

By assuring hospitals will not receive less money through CPE payments than they would get through current standard hospital payment methodologies, this request supports the financial viability of the state's public hospital community.

Stakeholder Response:

Non-governmental stakeholders support this proposal. Additionally, no requests to change the program have been received.

State Facilities Impacts:

Not applicable.

Changes from Current Law:

Not applicable.

Legal or Administrative Mandates:

Not applicable.

HEAL Act Agencies Supplemental Questions

Not applicable.

Reference Documents

CPE Hold Harmless 23-25 Bien - budget step 08012023_DSH reductions.xlsx

CPE Hold Harmless 23-25 Bien - budget step 08012023_NoDSH reductions.xlsx

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

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