Wash State Health Care Authority

2025-27 Regular Budget Session

Maintenance Level - ZS - Restore Program Integrity Savings

Agency Recommendation Summary

The Washington State Health Care Authority (HCA) requests additional financial resources in the 2025-27 biennial budget to reduce the program integrity cost savings currently assumed in HCA's existing budget. The current savings assumptions are too aggressive and as a result, it is anticipated that the existing budget is insufficient to cover projected Apple Health costs.

Program Recommendation Summary

MED - Medical Assistance

The Washington State Health Care Authority (HCA) requests additional financial resources in the 2025-27 biennial budget to reduce the program integrity cost savings currently assumed in HCA's existing budget. The current savings assumptions are too aggressive and as a result, it is anticipated that the existing budget is insufficient to cover projected Apple Health costs.

Fiscal Summary

Fiscal Summary *Dollars in Thousands*	Fiscal Years		Biennial	Fiscal Years		Biennial
	2026	2027	2025-27	2028	2029	2027-29
Operating Expenditures						
Fund 001 - 1	$71,000	$71,000	**$142,000**	$71,000	$71,000	**$142,000**
Fund 001 - C	$159,000	$159,000	**$318,000**	$159,000	$159,000	**$318,000**
Total Expenditures	**$230,000**	**$230,000**	**$460,000**	**$230,000**	**$230,000**	**$460,000**
Revenue						
001 - 0393	$159,000	$159,000	**$318,000**	$159,000	$159,000	**$318,000**
Total Revenue	**$159,000**	**$159,000**	**$318,000**	**$159,000**	**$159,000**	**$318,000**

Decision Package Description

The Health Care Authority (HCA) is requesting restoration of the Program Integrity savings step beginning in FY26 and on-going due to the technical structure of a budget savings step impacting current year appropriations, but program integrity recoveries occur several years in arrears. The Program Integrity savings step originated in fiscal year 2020. However, the savings have been restored every year. When the agency has program integrity and financial management recoveries from the Medicaid program those recoveries are recorded in the agency's financial records according to the date of payment. For example, the agency recently recouped over $50 million in premium payments from the Medicaid managed care organizations (MCOs) across calendar years 2018 through 2022 resulting directly from program integrity audits. Similarly, the agency recently recouped over $200 million in premium payments from calendar year 2021 in accordance with the risk provisions of the Medicaid contracts. While these recoveries are significant, they do not offset the savings step as recoveries are recorded in the fiscal year(s) in which the expenditure occurred.

This budget step thus is misaligned with how recoveries and recoupments are reflected in the agency's financial records and is not achievable as structured. The agency regularly recovers funds due to program integrity and financial management activities and records those recoveries in the agency's financial records and ensures recovered state and federal funds are remitted appropriately.

Assumptions and Calculations

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

This request does not propose to expand or alter the current program.

Detailed Assumptions and Calculations:

The original model used to calculate savings in the 2019-21 operating budget assumed additional recoveries within managed care. Total projected expenditures for managed care eligible Medicaid eligibility groups (MEGs) were calculated. Non-benefit costs were then removed from these projected amounts. This final number was used to calculate the additional recoveries as a percentage of total expenditure.

In reviewing the model, HCA made three adjustments to the original. First, excluding several of the MEGs used in the original model, as these are not clients enrolled in managed care. These include Medically Needy (MN) aged – 1330; MN blind/disabled – 1350; Alien Emergency Medical – 1480; and noncitizen pregnant women – 1470.

Second, excluding services provided via fee-for-service to managed care clients outside of the services provided by the MCOs. These include dental, interpreter services, transportation, and other benefits carved out of the managed care rates. Third, correcting a formula error that resulted in a change to the Federal Medicaid Assistance Percentage being applied.

Workforce Assumptions:

Not applicable.

Historical Funding:

There is not any funding in the 2025-27 biennium for this request.

Strategic and Performance Outcomes

Strategic Framework:

This proposal aligns with the Governor's Results Washington 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
- Healthy Babies

Performance Outcomes:

As outlined in the work currently underway, program integrity fosters stewardship, transparency, and accountability through:

- Holding the MCOs accountable through contracts and contract deliverables;
- Compliance with 2018 CMS Program Integrity Review recommendations and 2019 legislative budget proviso program integrity mandates;
- Compliance with federal and state regulations;
- Detecting and preventing provider and contractor fraud, waste and abuse through algorithms, audits, reviews, and investigations;
- Ensuring program and managed care payments are proper;
- Recovering improper payments;
- Assessing liquidated damages to MCOs when fraud, waste, or abuse with managed care providers is identified;
- Providing collaborative ongoing training to MCOs with MFCD;
- Ensuring provider and MCO businesses are operational and in compliance with HCA agreements and contracts, as well as federal and
- state regulations;
- Mitigating risks within program policy, system edits, and contracts.

Equity Impacts

Community Outreach and Engagement:

There was no community outreach or engagement associated with this proposal.

Disproportional Impact Considerations:

This proposal will not create disproportional impacts.

Target Communities and Populations:

The Apple Health/Medicaid program provides access to quality health care services for the state's vulnerable populations.

Community Inputs and Incorporation:

Not applicable.

Other Collateral Connections

HEAL Act Agencies Supplemental Questions

Not applicable.

Puget Sound Recovery:

Not applicable.

State Workforce Impacts:

Not applicable.

Intergovernmental:

Not applicable.

Stakeholder Impacts:

Not applicable.

State Facilities Impacts:

Not applicable.

Changes from Current Law:

Not applicable.

Legal or Administrative Mandates:

Not applicable.

Governor's Salmon Strategy:

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 *Dollars in Thousands*	Fiscal Years		Biennial	Fiscal Years		Biennial
	2026	2027	2025-27	2028	2029	2027-29
Obj. E	$230,000	$230,000	**$460,000**	$230,000	$230,000	**$460,000**

Agency Contact Information

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