



Washington Health Benefit Exchange

Exchange Financials 101

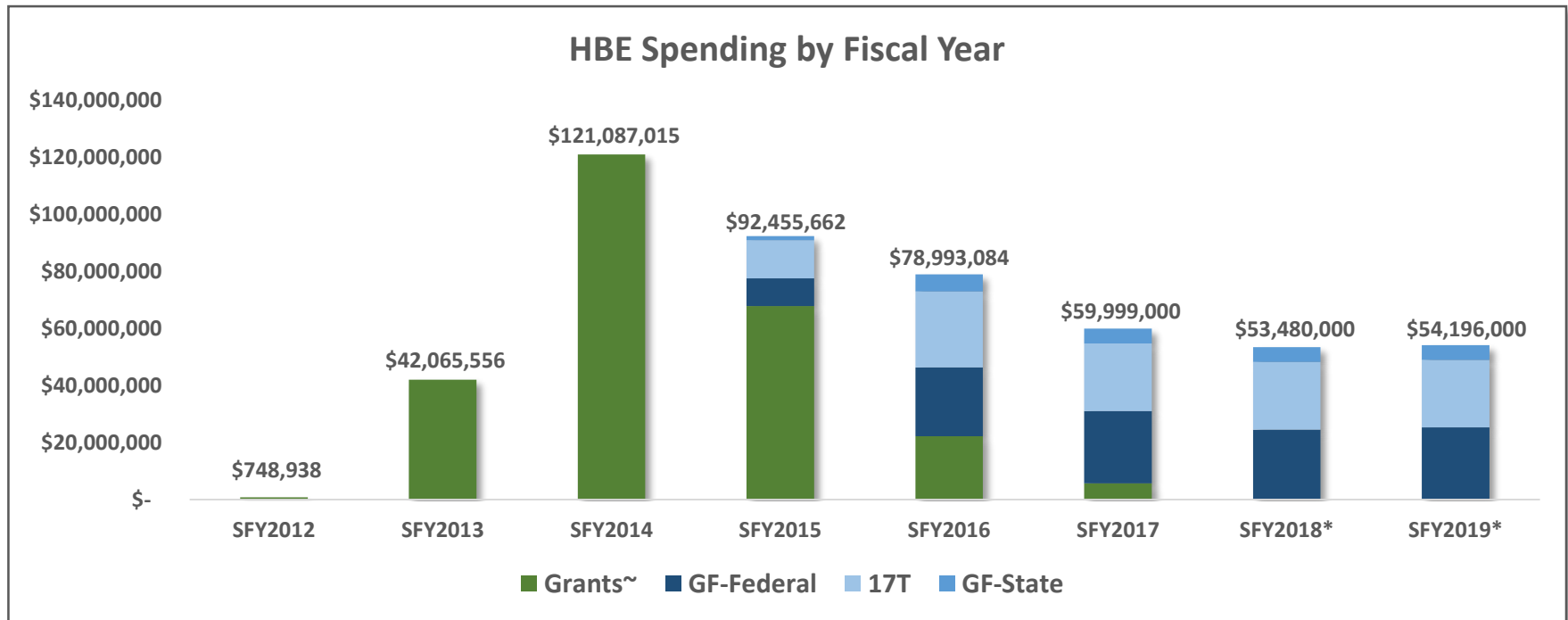
Operations Committee Meeting

June 16, 2016

Carole Holland, CFO

Exchange funding by source

- Prior to January 2015, the Exchange was fully funded with federal grants
- Beginning January 1, 2015, the Legislature appropriated funds to the Exchange (Health Benefit Exchange account (17T) and Medicaid)
- By January 1, 2017 the Exchange will no longer have any federal grants and all funding will be appropriated by the Legislature



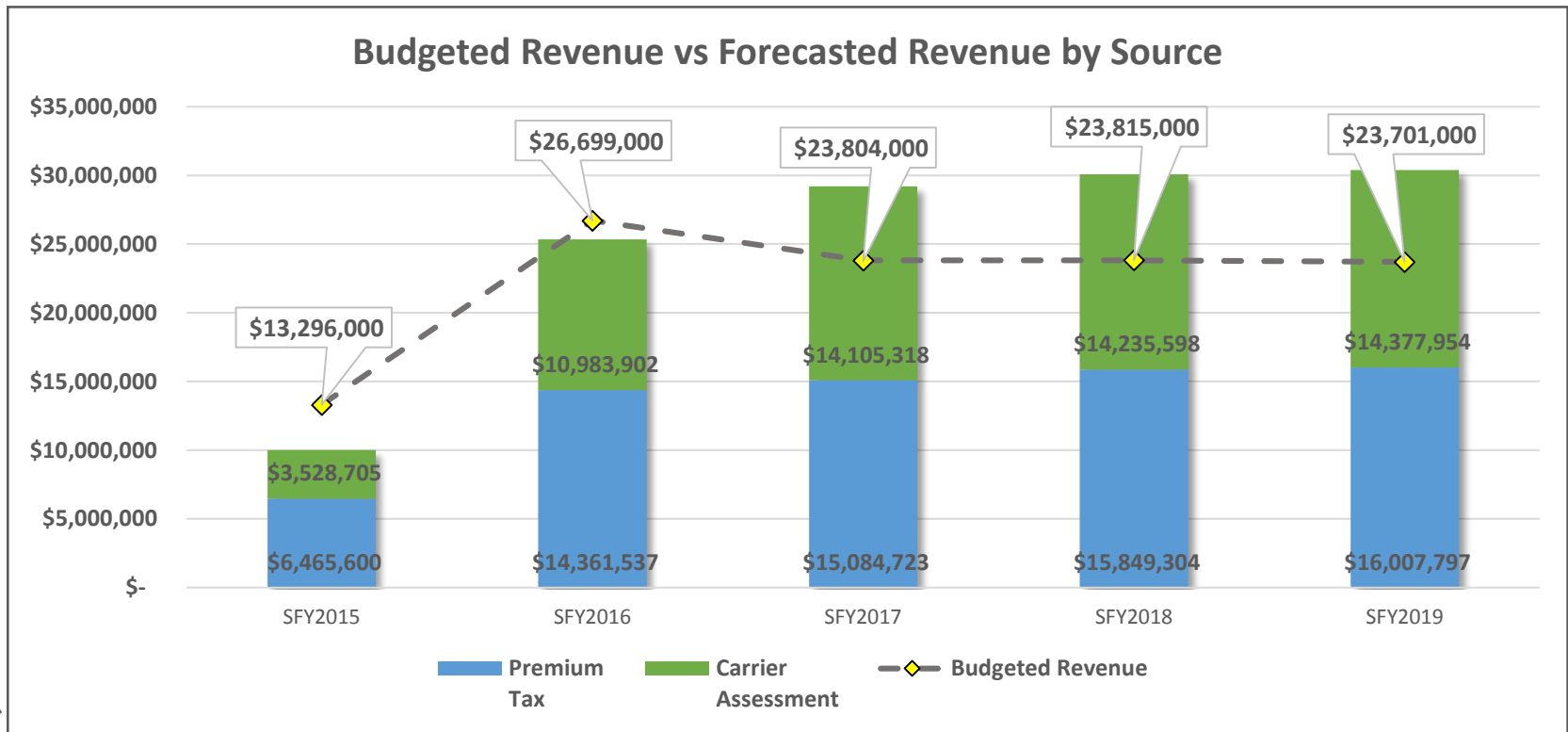
*SFY2018 and SFY2019 are based on planned Carry Forward levels
 ~Grant amounts represent actual and projected expenditures



Health Benefit Account funding (17T)

The Health Benefit Exchange Account (17T) receives revenue from two sources:

- A **premium tax** collected on medical and stand-alone dental plans offered through the Exchange (2%), and
- A **carrier assessment** on health and dental plans sold through the Exchange in an amount necessary to fund the operations of the Exchange in the following calendar year (approximately 2%)

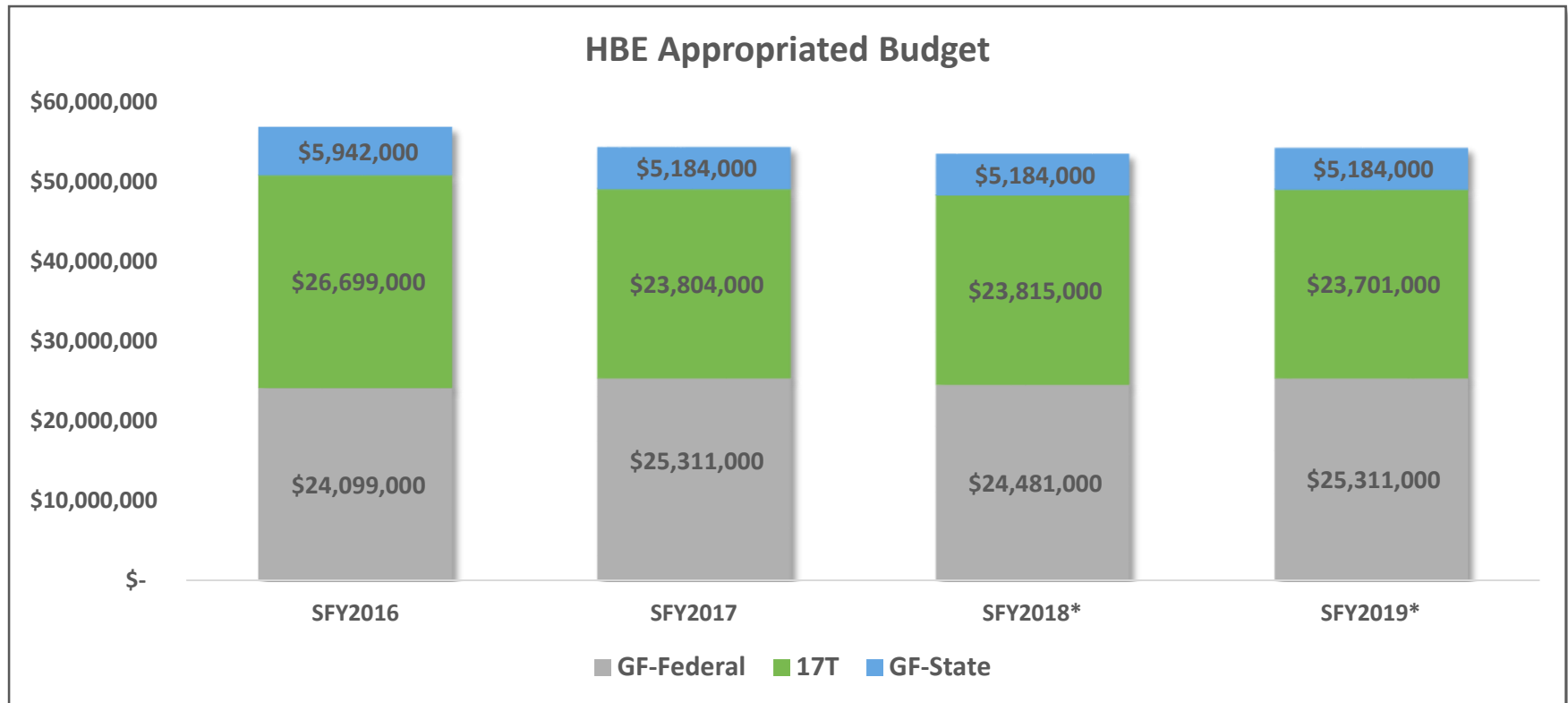


**SFY2019 Assumes 1% growth in enrollment and premiums*



Exchange appropriated funds

- Appropriated funds authorized by the Legislature include
 - 17T- 2% Premium Tax and Carrier Assessments
 - General Fund State (GF-State)
 - General Fund Federal (GF-Federal)



*SFY2018 and SFY2019 are based on planned Carry Forward levels

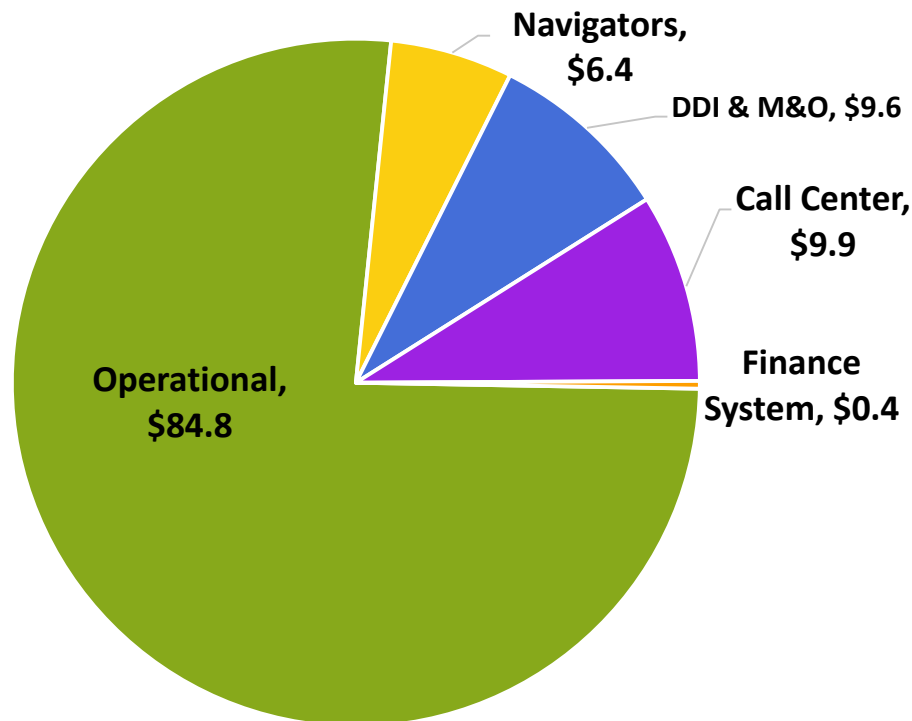


Enacted HBE biennial budget

\$111.0 million

The appropriated budget includes:

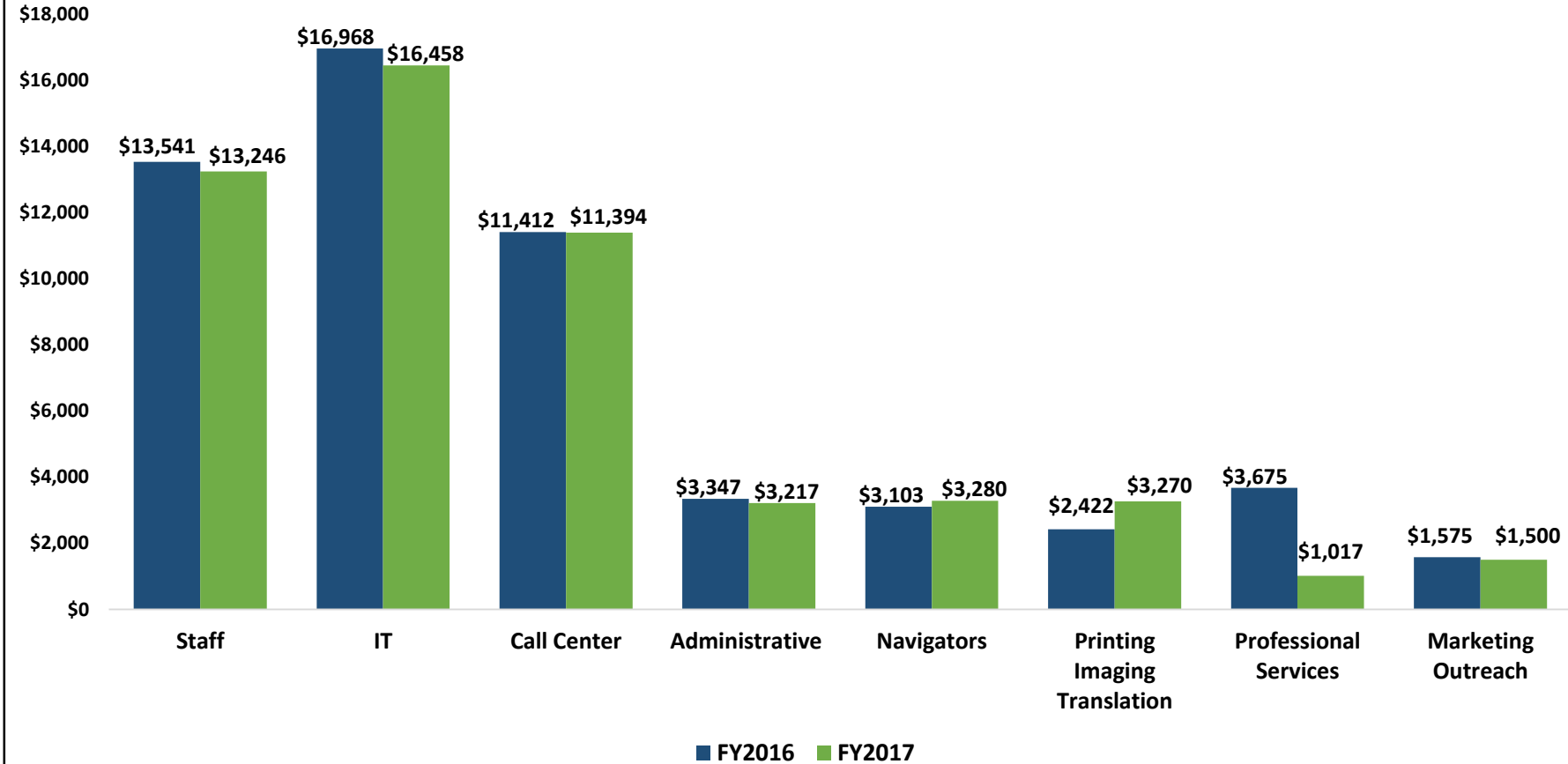
- Non-Proviso Funds - can be used for any activity to support the needs of the Exchange also known as “operational”
- Proviso Funds - can only be used for the specific activity the Legislature intended



Exchange budget by category

Spending by Category

SFY2016 vs SFY2017 Funding by Category
(In Thousands)



HBE Medicaid cost allocation

- Currently determined by number of modules supporting HPF only versus shared services
- 3 of 4 modules support QHP only

Total Invoiced Amount	100%
HBE (QHP)	43.0%
Shared Functionality	57.0%

- In addition, HPF pays for remainder of shared modules based on enrollment

Shared Functionality	100%	57%
Non-Medicaid (HBE)	9.2%	5.2%
Medicaid	90.8%	51.8%



HBE Medicaid cost allocation

- Rate that HBE shares depends on activity and related funding rate
- State match may be either 17T or General Fund- State
- Current state funds range from 53.4% to 74.1%

Currently Approved Cost Allocation

Activity	Rate	17T	State Match	Federal
DDI	90%	48.2%	5.2%	46.6%
M&O	75%	48.2%	13.0%	38.9%
Other	50%	48.2%	25.9%	25.9%
QHP Only	0%	100.0%	0.0%	0.0%

Proposed FFY 2017 Cost Allocation

Activity	Rate	17T	State Match	Federal
DDI	90%	9.2%	9.1%	81.7%
M&O	75%	9.2%	22.7%	68.1%
Other	50%	9.2%	45.4%	45.4%
QHP Only	0%	100.0%	0.0%	0.0%



Limitations on expenditures

- Cannot exceed appropriation by fund source
- Cannot exceed appropriation by revenue even if available expenditure authority exists
- Cannot use provisoed funds for any other purpose
- Premium tax revenue is projected and paid in advance and carriers accounts are reconciled after the March quarter of each year
- Budgeted amount for 2015-17 reflects all currently projected revenues
- Funds do not come directly to the Exchange- reconciliation with HCA by fund source can be challenging



2017-19 Budget Process

- May
 - Discussed concepts with Board - complete
- June
 - Board strategic planning
 - Revenue forecast update
 - Close state fiscal year 2016; financial audit
- July
 - Draft decision packages completed
- August
 - Obtain Board approval
 - Submit budget to HCA



Framework for Budget

- Improve customer experience
- Achieve operational efficiencies
- Support core functions
- Sustainability



Current budget context

- Funds insufficient to fully address court's educational funding directive (McCleary decision)
- Other state budget priorities include:
 - Hepatitis C court ruling
 - Mental health funding
 - Wildfires
- Likelihood of getting additional GF-S funding is poor; Medicaid funding more probable
- Legislature believes additional efficiencies can be gained by HBE



Core function gaps

- Conditional eligibility verification
- System training for staff, call center and brokers
- Audit and compliance
- Grant writing
- Outreach



2017 Supplemental

- State has limited resources, must address McLeary
- Supplemental budget typically reserved for dealing with extraordinary events or mandatory caseload changes
- Priority is to fund core services within our base appropriation, using efficiency savings to cover gaps
- Two potential funding requests
 - Update cost allocation
 - Establish workload/caseload driven model (e.g. call center, printing and postage, staffing)



2017-19 Biennium

- HPF operational improvements (e.g. tools for efficiency service delivery, transition from E-Health, etc.)
- Establish replacement cycle for hardware and funding for software upgrades
- Outreach and marketing funding
- Core activities funding
 - Update cost allocation
 - Workload/caseload model



Next steps

- Align resources with Exchange Board strategic vision
- Articulate what we do and how much we are spending
- Validate Exchange core functions, identify gaps and opportunities to improve efficiency
- Build three year budget that establishes longer-term financial stability





Washington Health Benefit Exchange

Appendix

Exchange Federal Grant Funding Summary

Year Awarded	Grant	Funding Description	Amount	Amount Remaining	Project Period
2010	State Planning Grant	To develop an implementation plan for a state-governed and administered health insurance exchange.	\$1M	\$0	Closed
2011	Level 1A	To build a comprehensive operational plan, develop policy options, and begin design of an IT system to facilitate critical exchange functions.	\$23M	\$0	Closed
2012/2013	Level 2	To design, develop, implement and support initial operations of Washington Healthplanfinder.	\$157M	\$18M*	Closed
2013	Level 1B	To further design, develop and implement Washington Healthplanfinder.	\$96M	\$27M~	Closed
2014	Level 1C	To achieve stability in Healthplanfinder, add functionality that supports and improves upon customer service, and help to establish a sustainable exchange.	\$27M^	N/A	Jan. 2015 – Dec. 2016*

* Updated no-cost extension amount of \$18M

~ Updated no-cost extension amount of \$18M and approved Supplemental grant amount of \$9M

^ Pending updated grant amount

Total amounts do not include additional funds provided through Medicaid cost-allocation.

