

# Health Care Authority

**Headquarters location:** 676 Woodland Square Loop, Lacey  
**Web site:** <http://www.hca.wa.gov>  
**Contact:** Pete Cutler, Acting Administrator  
**Contact e-mail and phone:** <mailto:pcut107@hca.wa.gov> 360-923-2828

## Agency Responsibilities

**State function:** Improve the health of Washington residents

**Agency mission:** Provide access to quality, affordable health care

## HEALTH CARE AUTHORITY PROGRAMS

- Basic Health (BH)**
- Provides health care coverage state-wide to 100,000 low-income Washington residents
  - Eligible enrollees earn less than 200% of federal poverty level (HCA determines eligibility)
  - Enrollees share in the cost of coverage
  - Coverage provided through contracts with private, managed care plans (not self-funded)
  - HCA jointly administers Basic Health Plus with Medical Assistance Administration (DSHS) for families that have overlapping eligibility with Medicaid (approx. 30,000 people)
  - ISSUE: Reduced enrollment
    - Funding reduced from \$464 million in 2001-03 down to \$368 million in 2003-05
    - Enrollment levels were reduced to 100,000 with attrition to that level beginning in June 2003 (had been 125,000 for past 8 years)
    - Enrollee premiums, deductibles, and co-insurance increased beginning January 2004
  - ISSUE: Verification of enrollee eligibility
    - Increased scrutiny of eligibility since 2002
    - In 2003, HCA recovered nearly \$2.5 million
    - Significant improvements noted by State Auditor
- Community Health Services (CHS)**
- Provides funding to clinics for uninsured people at or below 200% of federal poverty level
  - In 2004 awarded \$9 million in grants to 34 non-profit community clinic contractors (more than 120 delivery sites)
  - Helps clinics provide medical, dental, and migrant primary care services (over 138,000 medical and 61,000 dental sliding fee patients)
  - In 2002 added agency-wide tribal liaison to program
  - ISSUE: Increasing reliance on community clinics as safety net
    - Ranks of uninsured continue to grow
    - Clinics and emergency rooms become “safety net” or provider of last resort

## **Prescription Drug Program**

- Established in 2003 to reduce state spending on drugs; help those in need obtain drugs at affordable prices; increase public awareness regarding safe and effective drug use
- Evidence-based preferred drug list and Therapeutic Interchange Program (TIP)
  - Uniform Medical Plan, Medicaid fee-for-service, and Labor and Industries Workers Compensation program use drugs from list to reduce state costs
- Rx Washington discount card program
  - Mail order discount for low income residents 50-64 years old
- Pharmacy Connections program (1-888-435-3377)
  - Toll-free clearinghouse helps Washington residents apply for various discount programs
- Senior Drug Education program
  - 12 Area Agencies on Aging train and inform persons 65 and older on safe and appropriate use of medications
- ISSUE: Unanticipated potential effects of a common preferred drug list on individual agency programs, including cost shifts and reduced ability to maximize cost savings within each individual agency
- ISSUE: Only one-third of prescribers who write the majority of prescriptions currently participate in the program as “endorsing practitioners” (roughly 5,000 out of 15,000)

## **Public Employees Benefits Board (PEBB)**

- Provides health care coverage state-wide to 312,000 enrollees and their dependents
  - State employees and dependents – 219,000
  - Misc. political subdivisions, K-12 etc. – 26,000
  - Retired state employees and dependents – 34,000
  - Retired K-12 and dependents – 33,000
- Board members appointed by Governor
  - Establishes eligibility requirements
  - Approves plan benefits
  - Role not addressed with implementation of collective bargaining
- HCA contracts with managed care plans to provide coverage
  - Group Health – 33%
  - PacifiCare – 8%, Regence – 7%, Community Health Plan – 3%, Kaiser – 2%
- ISSUE: Enrollees pay a greater share for coverage
  - In 2005 employees will pay 12% of premium cost
  - In 2000 they paid 4% and prior to 1996 paid nothing
- ISSUE: Medicare changes mean decisions for PEBB
  - New Medicare Part D pharmacy benefit begins in 2006. PEBB must make policy and program decisions regarding the options provided by the creation of Part D, as well as other changes made by the 2003 Medicare Modernization Act.

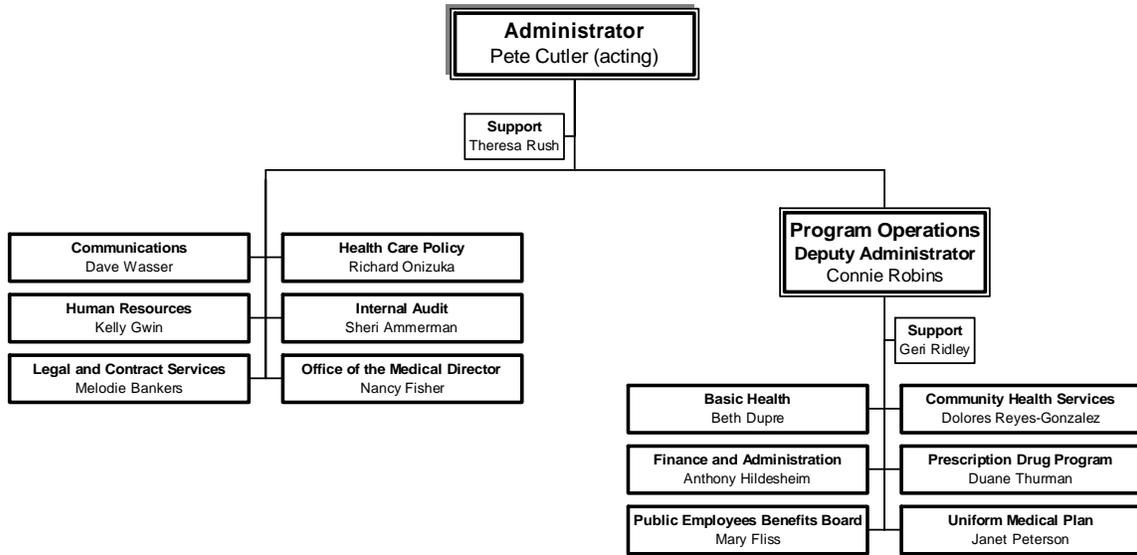
## **Uniform Medical Plan (UMP)**

- Self-insured preferred provider medical plan
- Available to PEBB enrollees as alternative to managed care plans
- Own network of health care providers
  - 17,000 direct contracts with network physicians, other professionals, facilities, and ancillary providers
  - Contracted networks for access to alternative care and out-of-state providers
- Over 42% of PEBB members are enrolled
  - 99,000 active enrollees
  - 33,000 retirees (48% of all PEBB retirees)
- ISSUE: Innovation in quality care
  - UMP Neighborhood – a pilot program began in 2004
  - Employee premiums are slightly less than UMP's employee premium due to Neighborhood offering care systems identified as cost effective and committed to participation in quality initiatives
  - Encourage use of evidence-based quality practices designed to reduce overall costs
- ISSUE: Reduce administrative burden on health care providers
  - Regular collaboration with other state fee-for-service health care programs (MAA and L&I) on reimbursement and billing policies
  - Recently joined private sector plans in adopting Washington Healthcare Forum guidelines for claims processing and other administrative functions

## **Health Care Policy (HCP)**

- Centralized health care procurement, policy development, and legislative coordination
  - Evaluate and incorporate benefit design and funding strategies of other larger public/private purchasers to achieve optimal value
  - Evaluate and incorporate cost containment strategies for purchasing of health care
  - Lead and collaborate on initiatives with other state agencies and public purchasers on innovative purchasing strategies
- ISSUE: Maintain enrollee choice in health plans and statewide coverage in procurement for BH and PEBB
  - Health care procurement strategies to curb double digit medical inflation trends
  - Contracting for evidence-based quality practices designed to reduce overall costs
- ISSUE: Coordinate collective bargaining process and responsibilities into PEBB health care procurement development and strategies
  - Clarification of roles and responsibilities in relation to benefit design and procurement for health care

Health Care Authority  
Organizational Structure  
October 11, 2004



Health Care Authority  
2005-07 Agency Budget Summary

<b>PROGRAM</b>	<b>FTE</b>	<b>TOTAL \$</b>	<b>FUNDING SOURCES</b>
Program Support	78	\$20 million	Health Services Account 55% HCA Admn. Acct. 36% General Fund Federal 9%
Basic Health Administration	113	\$15 million	Health Services Account 91% General Fund Federal 9%
Community Health Services	4	\$21 million	Health Services Account 100%
Public Employees (PEBB) Administration	44	\$15 million	Uniform Dental Benefits Admn. 60% HCA Admn. Acct. 40%
Uniform Medical Plan	23	\$28 million	UMP Benefits Admn. 84% HCA Admn. Acct. 16%
Health Care Policy	10	\$2 million	Health Services Account 94% General Fund Federal 6%
Basic Health Benefits	0	\$448 million	Health Services Account 82% Basic Health Trust Acct. 18%
WSHIP Administration	0	\$124,000	Health Services Account 100%
Prescription Drug Program	3	\$2.6 million	Health Services Account 56% General Fund Federal 27% HCA Admn. Acct. 9% Medical Aid Acct. 8%
<b>TOTAL</b>	274	\$553 million	Health Services Account 75% Basic Health Trust Acct. 14% UMP Benefits Admn. 5% HCA Admn. Acct. 3% Uniform Dental Benefits Admn. 2% General Fund Federal 0.7% Medical Aid Acct. 0.04%

## Critical Issue

### **Basic Health: A growing need versus a limited funding source**

**The issue:** The number of Washington residents without health care is growing. Currently 14.8% in state are uninsured, compared to 13.9% two years ago, and 12.9% ten years ago. The Basic Health program has been proposed as a coverage option for several uninsured groups (e.g., 2004 enacted legislation for Health Coverage Tax Credit program). The current BH funding source is already over committed. Also, adding new groups can affect the program demographics, costs, and the willingness of health plans to participate in the program.

**Urgency:** In the 2005-07 biennium, Health Services Account (HSA) revenue will not be sufficient to fund the cost of continuing all programs currently funded through this account. Early estimates indicate an \$85 million shortfall in the 2005-07 biennium.

**Significance:** Funding for Basic Health is being reduced in several ways. Health care cost trends are well beyond general inflation, so maintaining current funding would buy less health care. In addition, the primary funding source for Basic Health, the HSA, is seeing a decrease in revenue due to reduced use of tobacco, one of the major revenue sources. If the HSA revenue shortfall is addressed by reducing the Basic Health enrollment level, greater impact will be felt at emergency rooms and community clinics which are becoming the final safety net for many low-income people in need of health care. The clinics also receive part of their state funding through the HSA.

**Stakeholders:** Low-income advocacy groups; hospitals; community clinics; health plans; legislators; OFM.

**Resolution:** The revenue sources for the HSA will have to be increased, programs currently funded from the account will have to be reduced in scope or eliminated, or more health programs will need to be funded from already thinly-stretched GF-state resources. Reduction of BH enrollment levels to address the HSA shortfall would reduce the attractiveness of the BH program for health plans and may affect the viability of the program.

**More info.:** <http://www.basichealth.hca.wa.gov/bhhistory.shtml>

**Contact:** Richard Onizuka, PhD, Director Health Care Policy  
<mailto:roni107@hca.wa.gov> 360-923-2820

## Critical Issue

### Basic Health and PEBB: Strategies to reduce high cost trends

- The issue: HCA is adopting new and potentially controversial strategies to mitigate double digit medical inflation trends. Medical costs are projected to continue to escalate at double digit rates (average 11% increase for 2005 for PEBB). Causes for this include:
- Costs of advances in medical technology, including prescription drugs
  - Inappropriate delivery of care (as demonstrated by recent reports on medical error and quality deficiencies by the Institute of Medicine), and overuse of medical services (defensive medicine).
  - Continued aging of the population
  - Increased medical utilization
  - Increased costs of services, led by increased hospital costs

HCA is pursuing several initiatives to improve the quality and effectiveness of care as a means to address increasing health care cost trends. Some of these initiatives include:

**Initiative 1** Collaborative efforts with other state agencies and health providers to implement evidence based medicine. Examples include: the Agency Medical Director's Group (AMDG) work plan for implementing HB1299 (2004); the federal Agency for Healthcare Research and Quality Evidence Based Medicine (EBM) conference in December, 2004; and the Clinical Outcomes Assessment Project (COAP) to improve hospital cardiac surgery procedures and outcomes. **Controversial aspects:** Evidence based medicine (EBM) sometimes results in denial of payments requested for medical technologies, devices, or procedures which have not been proven to result in improved health outcomes.

Stakeholders: Other state agencies (L&I, MAA, DOH, AMDG), PEBB Board, pharmacy industry, state medical association, advocacy groups

Urgency: No immediate action proposed. Issues and initiatives are likely to be the focus of legislative attention during the 2005 session.

Resolution: Request continued Governor's Office support for agency efforts.

Information: <http://www.amdg.wa.gov>

**Initiative 2** HCA has been a key participant in the King County Health Advisory Task Force and development of a proposed Puget Sound Health Partnership, a proposal for formal collaboration among public and private health care purchasers to develop shared quality initiatives, data requirements, performance measures, and consumer information. **Controversial aspects:** health plans and providers may seek their own role and involvement, as purchasers provide initial direction to move marketplace towards EBM and higher quality and efficiency; high start up costs for establishing a non-profit partnership; difficulty of coordinating strategic decision making among public private purchasers in coalition.

Stakeholders: Public purchasers (King County, Seattle, HCA), private purchasers (Microsoft, Costco, Starbucks, Washington Mutual, Weyerhaeuser, Boeing), health plans, providers.

Urgency: No immediate action proposed.

Resolution: Request support for partnership agenda and continued state involvement (financial and governance) in partnership during 2005

Information: <http://www.metrokc.gov/exec/hatf/>

**Initiative 3** Investment in data management and data information tools to better understand our populations' health care utilization and health status and provide tools for consumers to both understand their health and health care choices, as well as inform their health plan and hospital choices (e.g., data warehouse and decision support tools). These tools may also enable HCA to incorporate purchasing alternatives that involve increased consumer involvement and decision making in choice of health care plans. **Controversial aspects:** requires increased data from health plans which may increase their administrative costs; agreement on data reporting elements may be difficult from different systems; providers and health plans may resist public reporting on quality and efficiency; high start up costs and limited return on investment in initial start up phase. Web based or on line tools regarding quality and care options have been supported by unions, tools to implement increased cost sharing have been opposed by unions.

Stakeholders: Health plans, Mercer consulting, other state agencies to expand data warehousing capability (DOH and MAA data), labor unions

Urgency: No immediate action proposed. Request continued support for feasibility study funding requested in budget.

Resolution: Data request for plans to be discussed beginning 2005, on line or web based decision support tools planned for 2006 open enrollment period (late 2005)

Contact: Richard Onizuka, PhD, Director, Health Care Policy, <mailto:roni107@hca.wa.gov> 360-923-2820.

## Critical Issue

### **PEBB: Collective Bargaining and Establishing Benefit Design and Policy**

The issue: The recent implementation of collective bargaining for state employee compensation and benefits has made it unclear which entities and individuals have the responsibility and authority to establish health care benefits, and health care benefit policy, for PEBB.

- The state spends about \$1 billion each year on medical and dental benefits for its employees, retirees, and their dependents.
- Current statute provides that PEBB's authority is to "design benefits and determine the terms and conditions of employee participation and coverage."
- Some state employee unions have proposed to have a more formal labor-management process for making benefit design and policy decisions, as well as to adopt joint cost-containment initiatives

Urgency: Ideally, clear authority and responsibility should be established in the 2005 legislative session. The PEBB will be voting on benefits and premium contributions for 2006 as early as June 2005. Discussions regarding health benefit funding, and benefits for 2007-09 will likely begin before the 2006 legislative session.

Significance: As the Legislature and public begin scrutiny of the collective bargaining agreement prior to legislative approval, clear messages and a sense of executive branch leadership will be needed. Health benefits are an important issue for labor, and for the state as an employer. They also continue to be a major source of budgetary concern. It is in the state's interest to have a clearly defined process and authority for shaping health benefit design and policy.

Stakeholders: New administration, OFM, state employee unions, Legislature, media, health plans.

Resolution: OFM's Labor Relations Office should work with the Governor's Chief of Staff, the OFM budget division, and the HCA to develop a proposed executive branch process to shape PEBB benefits. The process should include constructive collaboration with organizations that represent state employees.

More info.: Washington Works: <http://washingtonworks.wa.gov/default.htm>

Contact: Richard Onizuka, PhD, Director Health Care Policy  
<mailto:roni107@hca.wa.gov> 360-923-2820

## Critical Issue

### Prescription Drug Program

- The issue: The HCA, Medical Assistance Administration, and Labor and Industries need to continue to implement and expand the state preferred drug list and encourage provider acceptance in order to achieve expected cost savings.
- Urgency: As drug costs continue to increase, the state must demonstrate real efforts to bring about cost containment.
- Significance: This is a first of its kind attempt to achieve state prescription drug cost savings while maintaining the quality of care. This is being accomplished by creating an evidence-based preferred drug list to ensure that the state spends its resources on proven and cost effective medications.
- Stakeholders: Public, media, medical profession, pharmaceutical interests, health and senior advocates, Legislature.
- Resolution: Continue stakeholder involvement in the decision-making process and consistently apply program policies across all three agencies to maximize program credibility and provider acceptance of best practices and an evidence-based approach to state prescription drug purchasing.
- More info.: Rx Washington: <http://www.rx.wa.gov>
- Contact: Duane Thurman, Director, Prescription Drug Program  
<mailto:dthu107@hca.wa.gov> 206-521-2036

## Critical Issue

### **PEBB: Insurance System Replacement Project**

**The issue:** The HCA must replace the portion of the old Department of Personnel (DOP) payroll system that supports PEBB benefits administration and insurance accounting for both PEBB and BH. Otherwise, the program faces a large increase in operating costs and continued constraints on enhancements, policy changes (such as those that may result from collective bargaining activities) and services including Web based transactions.

**Urgency:** By the end of the biennium (6-30-07), HCA will be the last entity using the current DOP system. At that point, we will be forced to pay the entire cost of running and maintaining that very expensive and outdated system.

**Significance:** The HCA's first attempt to replace its legacy system failed. We have completed a "lessons learned" process and will likely seek legislative funding for a new system. Because the PEBB benefits administration system covers all state employees, a new system will have ramifications within every state agency and higher education institution. Additionally, because the insurance accounting system covers both PEBB and BH, the new system will also have accounting implications to both programs.

**Stakeholders:** Legislature, state agencies, higher education, health plans.

**Resolution:** Secure funding for implementation of a new system.

**Contact:** Connie Robins, Deputy Administrator  
<mailto:crob107@hca.wa.gov> 360-923-2923