



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

Budget Outlook Assumptions Meeting

January 16, 2014
10:00 a.m.

- Call to order
- Presentation by Budget Outlook Work Group members on questions proposed to the ERFC

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January 15, 2014

To: Economic and Revenue Forecast Council

From: State Budget Outlook Work Group

Subject: Preparing the outlook on the Governor's proposed 2014 Supplemental Budget

The Economic and Revenue Forecast Council is scheduled to meet to adopt a budget outlook on January 28 to reflect the Governor's proposed 2014 Supplemental Budget. This memo identifies key questions related to the outlook and seeks the Council's approval of assumptions to be used in preparing the outlook.

The work group has identified two issues for which it needs direction from the Council to prepare this outlook.

First, the Governor's proposed budget assumes savings in the 2015-17 biennium attributable to health care reforms articulated in the "Washington State Health Care Innovation Plan" (December 2013). What criteria does the Council want to use for inclusion of future biennia savings in the outlook?

Second, the Governor's proposed budget includes the recently negotiated "super coalition" health benefits agreement with state employee labor organizations. Absent a subsequent health benefits agreement for the 2015-17 biennium, the proposed agreement continues in effect into the 2015-17 biennium. Should the outlook include costs of the health benefits in 2015-17 biennium?

Question 1: Is sufficient action taken in the budget to assume savings in the outlook?

Background

The Washington State Health Care Innovation Plan (SHCIP) is a reorganization of how the Washington state health care infrastructure purchases care including the integration of physical and behavioral health. The plan was released December 2013 outlining the SHCIP goals. These goals include the development of broad price and quality transparency infrastructure, evidence based wellness programs, regionalized transformation efforts, and integration of physical and mental health.

The Governor's proposed budget provides the Health Care Authority (HCA) \$1 million to continue work on the SHCIP planning including applying for a federal grant in April 2014. This is reflected in the agency detail. The federal grant is not reflected in the proposed budget.

The other documentation is the SHCIP plan. HCA engaged Mercer Health & Benefits to prepare a fiscal evaluation. The potential savings are not quantified for the individual components of the SHCIP plan, but are estimates of the successful implementation of the plan as a whole. The

document shows a savings of \$58 million in FY 2015 in total funds in Medicaid and Public Employees Benefit Board (PEBB), \$129 million in total funds in Medicaid and PEBB in FY 2016 and \$388 million in total funds in Medicaid and PEBB in FY 2017. The Medicaid and PEBB amounts would need to be adjusted to reflect the share of state funds subject to the outlook. The Governor's proposed budget does not include appropriation levels that reflect the savings in FY 2015.

Criteria for the Council to Consider:

Primary Criteria

For the enacted Legislative budget outlook, prepared 30 days following enactment of the budget, the Council could require future savings included in the outlook be related to policies reflected in:

1. An enacted bill or a bill that has passed the Legislature;
2. A fiscal note written to an enacted bill or a bill that has passed the Legislature;
3. The enacted budget or budget proviso; or
4. The agency detail for the enacted budget.

Given the timing for the Governor's proposed budget outlook, which is prepared in January of each fiscal year, the Council could require future savings included in the outlook be related to policies reflected in:

1. A proposed bill, an enacted bill or a bill that has passed the Legislature;
2. A fiscal note written to a proposed bill, an enacted bill or a bill that has passed the Legislature;
3. The proposed budget or proviso in the proposed budget; or
4. The agency detail for the proposed budget.

Additional Criteria

The documents listed for the Primary Criteria may vary in the level of detail. Given this, the Council could require that the savings be related to one of the documents listed above and that the document include enough specificity to be quantifiable. The level of detail could include, but not be limited to:

1. Defined objectives;
2. Specific actions; and
3. An implementation timeline or plan.

If the criteria the Council selects are met and the savings are included in the outlook, the council could require that methodology and assumptions for determining the fiscal impact be set forth in the methodology document that accompanies the outlook.

Question 2: Should the outlook include costs of the employee health care collective bargaining agreement (CBA) in the 2015-17 biennium?

Background

SSB 6636 (Chapter 8, Laws of 2012) requires the Legislature adopt a four-year balanced budget that specifies that this estimate is based on projected maintenance level and is defined to be the “continuing costs of program and service levels either funded in that appropriations bill or mandated by other state or federal law.” (RCW 43.88.055 (2)(b)).

In 2012, a collective bargaining agreement (CBA) on employee health benefits was not reached. The Governor's proposed budget includes the recently negotiated "super coalition" CBA related to employee health benefits. In FY 2015, the underlying budget includes sufficient funding for the CBA. As written, the CBA impacts the last six months of FY 2015 and the first six months FY 2016.

A new CBA agreement could be reached at the beginning of the 2015-17 biennium; this would affect the costs of health benefits. If the proposed CBA is approved and a subsequent CBA is not reached for the 2015-17 biennium, the employee/employer share of the cost of the benefit would remain intact for 12 months. This is the so-called "tail" pursuant to the collective bargaining statutes (RCW 41.56.123). Absent a new CBA, the employer (state) could not change the benefits package or the employer/employee cost sharing arrangement until after the "tail."

Options for the Council to Consider:

- 1) Does the council view the impact of the CBA "tail" as maintenance level under the statute and include the fiscal impact in the Outlook?*
- 2) If the Council includes the fiscal impact of the "tail" in the outlook, the Outlook will reflect holding the funding level at the FY 2016 level for both years.*