

February 17, 2016

To: Economic and Revenue Forecast Council  
From: State Budget Outlook Work Group  
Subject: Managed Care Expenditure Growth Rates

On January 27, the Economic and Revenue Forecast Council requested that the enacted K-12 expenditures be broken into discrete groupings and for more information on managed care expenditure growth rates and possible alternatives.

### **K-12**

The attached Outlook shows the K-12 expenditures broken into discrete groupings.

### **Low-income health care**

Generally for the purposes of the Outlook, budget expenditures are grouped and increased by the growth rates adopted by the Economic and Revenue Forecast Council (ERFC) in the fall of 2014. Low-income health care expenditures, which include not only managed care rates but caseloads, utilization, and other service related expenditures, are assumed to grow by 3.22 percent per year from FY 2017.

### **Managed Care**

The enacted budget assumed a 2 percent increase in rates in each fiscal year. Starting on January 1, 2016, managed care rates increased between 3 and 22 percent for different population groups as shown below:

- Family - 3.3%
- SCHIP – 19.9%
- Blind Disabled – 13.0%
- COPES – 22.6%
- Newly Eligible – 2.8%

The ERFC questioned if the 3.22 growth rate for the low-income health care expenditures should be applied to the managed care rate increase. If the Council opted to not apply the 3.22 percent growth rate for managed care rates, the Outlook expenditures would be reduced by approximately \$13 million in the 2017-19 biennium.

**Governor's Proposed Budget January 2016**  
(Near GF-S & Opportunity Pathways Account, Dollars in Millions)

	FY 2016	FY 2017	2015-17	FY 2018	FY 2019	2017-19
<b>Beginning Balance</b>	1,011	878	1,011	264	(388)	264
<b>Current Revenues</b>						
November 2015 Revenue Forecast	18,627	19,288	37,916	20,229	21,098	41,327
Additional Revenue Based on 4.5% Growth Rate Assumption	-	-	-	-	-	-
	18,627	19,288	37,916	20,229	21,098	41,327
<b>Other Resource Changes</b>						
Transfer to BSA	(184)	(190)	(373)	(199)	(207)	(406)
Extraordinary Revenue to BSA	-	(136)	(136)	-	(248)	(248)
Extraordinary Revenue from BSA to GF-S	-	136	136	-	248	248
Prior Period Adjustments	20	20	41	20	20	41
2015 Session Transfers and Other Resource Changes (Net)	96	82	178	51	51	101
Proposed Fund Transfers	22	20	42	-	-	-
Proposed Tax Changes (K-12 Recruit/Retention)	-	101	101	111	115	226
<b>Total Revenues and Resources (Including Beginning Balance)</b>	<b>19,593</b>	<b>20,200</b>	<b>38,915</b>	<b>20,477</b>	<b>20,689</b>	<b>41,554</b>
<b>Enacted Appropriations</b>	<b>18,639</b>	<b>19,580</b>	<b>38,219</b>	<b>20,494</b>	<b>21,036</b>	<b>41,530</b>
K-12 (excluding 2015 PL K-3 and All day K)	8,564	8,864	17,428	8,992	9,184	18,175
K-3 Class Size	83	268	350	524	590	1,114
All Day K	55	125	180	151	158	309
All Other Apporpiations	9,937	10,324	20,261	10,827	11,105	21,931
	-	-	-	-	-	-
<b>2016 Supplemental Maintenance Level</b>	<b>250</b>	<b>270</b>	<b>520</b>	<b>223</b>	<b>214</b>	<b>437</b>
K-12 Education	(6)	(10)	(16)	(9)	(9)	(18)
Local Effort Assistance	10	13	24	(6)	(22)	(29)
Higher Education	(0)	2	2	2	2	5
Dept of Early Learning	0	0	0	0	0	0
Mental Health/Dev. Disabilities/Long Term Care	6	44	50	44	46	90
IP Overtime and Informal Supports	14	40	53	31	32	63
Corrections/JRA/SCC	13	14	27	11	11	22
Children's/Economic Svcs	3	13	16	13	13	27
Low Income Health Care	9	0	9	0	0	0
Hepatitis C Treatment	(22)	5	(16)	(3)	(3)	(6)
Managed Care Rates	65	133	198	137	142	279
Debt Service	(8)	(8)	(15)	(8)	(8)	(17)
All Other	17	22	40	10	10	19
Fires	149	0	149	-	-	-
<b>2016 Supplemental Policy Level</b>	<b>(88)</b>	<b>173</b>	<b>85</b>	<b>235</b>	<b>239</b>	<b>473</b>
K-12 Education	-	2	2	2	2	3
McCleary Fines	16	-	16	-	-	-
Higher Education	-	1	1	1	1	2
Dept of Early Learning	-	5	5	5	5	10
Child Care CBA	-	14	14	14	14	28
Mental Health/Dev. Disabilities/Long Term Care	(13)	(2)	(15)	(0)	(0)	(0)
State Hospitals Enhancement	17	19	36	19	20	38
Community MH Enhancement	-	13	13	12	13	25
Corrections/JRA/SCC	2	3	5	2	2	4
Children's/Economic Svcs	(7)	(3)	(11)	5	5	11
Low Income Health Care	5	12	17	12	12	25
Healthier WA & Waiver Savings Restoration	20	40	59	41	42	83
All Other	5	7	13	5	5	11
Fires	(170)	(21)	(191)	-	-	-
Moore Settlement	36	-	36	-	-	-
Teacher Recruitment and Retention	-	85	85	117	118	234
Actual/Estimated Reversions	(86)	(86)	(173)	(86)	(86)	(173)
<b>Revised Appropriations</b>	<b>18,715</b>	<b>19,937</b>	<b>38,652</b>	<b>20,865</b>	<b>21,402</b>	<b>42,267</b>
<b>Projected Unrestricted Ending Balance</b>	<b>878</b>	<b>264</b>	<b>264</b>	<b>(388)</b>	<b>(714)</b>	<b>(714)</b>
<b>Budget Stabilization Account</b>						
Beginning Balance	513	520	513	716	929	716
Transfer From GFS	184	190	373	199	207	406
Reversions from BSA expenditures	-	0	0	-	-	-
Extraordinary Revenue to BSA	-	136	136	-	248	248
Extraordinary Revenue from BSA to GF-S	-	(136)	(136)	-	(248)	(248)
Appropriations from BSA	(178)	-	(178)	-	-	-
Interest Earnings	1	6	8	14	28	42
<b>Ending BSA Balance</b>	<b>520</b>	<b>716</b>	<b>716</b>	<b>929</b>	<b>1,164</b>	<b>1,164</b>
<b>Combined Near GF-S Total &amp; BSA Ending Balance</b>	<b>1,398</b>	<b>980</b>	<b>980</b>	<b>541</b>	<b>450</b>	<b>450</b>

\*\* Totals may not tie fiscal year due to rounding.

## Governor's Proposed Budget January 2016 (with HCA adjustment)

(Near GF-S & Opportunity Pathways Account, Dollars in Millions)

	FY 2016	FY 2017	2015-17	FY 2018	FY 2019	2017-19
<b>Beginning Balance</b>	1,011	878	1,011	264	(384)	264
<b>Current Revenues</b>						
November 2015 Revenue Forecast	18,627	19,288	37,916	20,229	21,098	41,327
Additional Revenue Based on 4.5% Growth Rate Assumption	-	-	-	-	-	-
	18,627	19,288	37,916	20,229	21,098	41,327
<b>Other Resource Changes</b>						
Transfer to BSA	(184)	(190)	(373)	(199)	(207)	(406)
Extraordinary Revenue to BSA	-	(136)	(136)	-	(248)	(248)
Extraordinary Revenue from BSA to GF-S	-	136	136	-	248	248
Prior Period Adjustments	20	20	41	20	20	41
2015 Session Transfers and Other Resource Changes (Net)	96	82	178	51	51	101
Proposed Fund Transfers	22	20	42	-	-	-
Proposed Tax Changes (K-12 Recruit/Retention)	-	101	101	111	115	226
<b>Total Revenues and Resources (Including Beginning Balance)</b>	<b>19,593</b>	<b>20,200</b>	<b>38,915</b>	<b>20,477</b>	<b>20,693</b>	<b>41,554</b>
<b>Enacted Appropriations</b>	<b>18,639</b>	<b>19,580</b>	<b>38,219</b>	<b>20,494</b>	<b>21,036</b>	<b>41,530</b>
K-12 (excluding 2015 PL K-3 and All day K)	8,564	8,864	17,428	8,992	9,184	18,175
K-3 Class Size	83	268	350	524	590	1,114
All Day K	55	125	180	151	158	309
All Other Apporpiations	9,937	10,324	20,261	10,827	11,105	21,931
	-	-	-	-	-	-
<b>2016 Supplemental Maintenance Level</b>	<b>250</b>	<b>270</b>	<b>520</b>	<b>219</b>	<b>205</b>	<b>424</b>
K-12 Education	(6)	(10)	(16)	(9)	(9)	(18)
Local Effort Assistance	10	13	24	(6)	(22)	(29)
Higher Education	(0)	2	2	2	2	5
Dept of Early Learning	0	0	0	0	0	0
Mental Health/Dev. Disabilities/Long Term Care	6	44	50	44	46	90
IP Overtime and Informal Supports	14	40	53	31	32	63
Corrections/JRA/SCC	13	14	27	11	11	22
Children's/Economic Svcs	3	13	16	13	13	27
Low Income Health Care	9	0	9	0	0	0
Hepatitis C Treatment	(22)	5	(16)	(3)	(3)	(6)
Managed Care Rates	65	133	198	133	133	266
Debt Service	(8)	(8)	(15)	(8)	(8)	(17)
All Other	17	22	40	10	10	19
Fires	149	0	149	-	-	-
<b>2016 Supplemental Policy Level</b>	<b>(88)</b>	<b>173</b>	<b>85</b>	<b>235</b>	<b>239</b>	<b>473</b>
K-12 Education	-	2	2	2	2	3
McCleary Fines	16	-	16	-	-	-
Higher Education	-	1	1	1	1	2
Dept of Early Learning	-	5	5	5	5	10
Child Care CBA	-	14	14	14	14	28
Mental Health/Dev. Disabilities/Long Term Care	(13)	(2)	(15)	(0)	(0)	(0)
State Hospitals Enhancement	17	19	36	19	20	38
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Corrections/JRA/SCC	2	3	5	2	2	4
Children's/Economic Svcs	(7)	(3)	(11)	5	5	11
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All Other	5	7	13	5	5	11
Fires	(170)	(21)	(191)	-	-	-
Moore Settlement	36	-	36	-	-	-
Teacher Recruitment and Retention	-	85	85	117	118	234
Actual/Estimated Reversions	(86)	(86)	(173)	(86)	(86)	(173)
<b>Revised Appropriations</b>	<b>18,715</b>	<b>19,937</b>	<b>38,652</b>	<b>20,861</b>	<b>21,394</b>	<b>42,254</b>
<b>Projected Unrestricted Ending Balance</b>	<b>878</b>	<b>264</b>	<b>264</b>	<b>(384)</b>	<b>(701)</b>	<b>(701)</b>
<b>Budget Stabilization Account</b>						
Beginning Balance	513	520	513	716	929	716
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Interest Earnings	1	6	8	14	28	42
<b>Ending BSA Balance</b>	<b>520</b>	<b>716</b>	<b>716</b>	<b>929</b>	<b>1,164</b>	<b>1,164</b>
<b>Combined Near GF-S Total &amp; BSA Ending Balance</b>	<b>1,398</b>	<b>980</b>	<b>980</b>	<b>545</b>	<b>463</b>	<b>463</b>

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