Budget Neutrality

What’s going on?
The Washington State Health Care Authority projects Medicaid Transformation will exceed budget neutrality.

What’s budget neutrality?
It means spending will not exceed the projected, per-member per-month amount that would have occurred without the Medicaid Transformation (1115) waiver.

Operating within a neutral budget is a commitment we made to Centers for Medicare & Medicaid Services (CMS) when they awarded our 1115 waiver. We negotiated the methodology and calculations that make up our budget neutrality limit. The data we used was based on Medicaid costs from 2011–2013.

Why are we projected to exceed budget neutrality?
• Increases in long-term services and supports (LTSS) costs occurred after 2013.
• These LTSS cost increases were not part of the data used to negotiate our limit.
• The increase in costs are not because of our Medicaid Transformation Initiative 2 work (also called LTSS).

Why did LTSS costs increase?
In 2016, Washington voters passed an initiative to increase the minimum wage. In that same year, the passage of Engrossed Second Substitute House Bill 1725 required overtime payment for individual providers working more than 40 hours a week. In 2017, the Individual Provider and Adult Family Home collective bargaining agreements reflected the minimum wage change, which increased costs for homecare workers and adult family homes.

What’s happening to fix it?
• We provided CMS specific information to adjust the budget neutrality methodology.
• We are working with CMS on next steps.
• CMS has final decision-making authority. They are working closely with their partners to align with budget neutrality rules.

What don’t we know?
We don’t know yet if this will affect Accountable Communities of Health, other partners, the 1115 waiver, or our Medicaid Transformation work. However, we are optimistic we can renegotiate a new limit or adjust the methodology so it works for Washington State and CMS.
What can I do?
Please continue with business as usual. This applies to all Medicaid Transformation initiative activities. We’ll keep you informed as we learn more.

Where do I go for more information?
If you have questions, please contact us at medicaidtransformation@hca.wa.gov. To learn more about Healthier Washington, our Medicaid Transformation work, or 1115 waiver, please visit hca.wa.gov/hw.