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## Finance Committee

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### HB 2024

**Brief Description:** Concerning deductions of incentive payments under the medicaid program established within 42 C.F.R. 438.6(b)(2) and Sec. 1115 medicaid demonstration project number 11-W-00304/0.

**Sponsors:** Representatives Robinson and Cody.

#### Brief Summary of Bill

- Provides a business and occupation tax exemption for incentive payments made to managed care organizations as part of the Accountable Communities of Health Medicaid demonstration project under the federal waiver.

**Hearing Date:** 2/25/19

**Staff:** Tracey O'Brien (786-7152).

#### **Background:**

##### Accountable Communities of Health.

In 2015, the United States Congress enacted the Medicare Access and Children's Health Insurance Program Reauthorization Act (MACRA). Part of the MACRA restructures how certain health services are paid for through Medicaid.

An Accountable Community of Health (ACH) is a regional coalition of representatives from a variety of sectors, working together to improve health and health equity. Participants may include health and long-term care providers, health insurance companies, public health agencies, school districts, and criminal justice agencies.

Washington's nine ACHs were organized to implement the MACRA goals related to Medicaid. They have entered into an agreement with the federal government allowing the state to test new and innovative approaches to providing health coverage and care. The ACHs are funded partly

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with grants from the Washington State Health Care Authority, using money from the State Innovation Model grant issued by the Federal Center for Medicare and Medicaid Innovation.

Counties that commit to implementing integrated managed care before 2020 will be eligible for incentive funds to deliver improved coordinated health care for people in their region. These incentives will be distributed in two phases: delivery of binding letters of intent and implementation. ACHs and partnering providers are eligible for incentive payment for completion of each phase.

In 2018, the Legislature enacted a business and occupation (B&O) tax exemption for Medicaid demonstration project funds and delivery system reform incentive payments received after March 15, 2018 by an ACH or a public hospital from federal, state, or local government.

**Summary of Bill:**

The B&O tax deductions is extended to include incentive payments received through a Medicaid quality improvement program. An updated reference to the applicable federal waiver is provided.

A B&O deduction is authorized for incentive payments received for achieving quality performance standards by managed care organizations. "Managed care organization" is defined as an organization having a certificate of registration from the Office of the Insurance Commissioner that contracts with the Health Care Authority (HCA) under a comprehensive risk contract to provide prepaid health care services to eligible clients under the HCA's Medicaid managed care program, including healthy options.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.