

## MAINTENANCE LEVEL 2

### M2-MK IRS Form 1095-B Generation

#### RECOMMENDATION SUMMARY TEXT

The Health Care Authority (HCA) requests \$2,506,000 (\$896,000 GF-State) in the 2016 Supplemental to comply with the Internal Revenue Code (IRC) that requires the state to send approximately 1.1 million 1095-B forms annually to Medicaid recipients beginning in January 2016. This request includes funding for ProviderOne data preparation and production, printing and mailing costs, and the generation of electronic files for the Internal Revenue Service (IRS).

#### PACKAGE DESCRIPTION

The Affordable Care Act (ACA) added section 6055 to the IRC, which provides that the HCA must report its provision of Minimum Essential Coverage (MEC) to Medicaid clients by filing an information return with the IRS. The HCA must also furnish a statement that verifies MEC to the individuals/families for which it provides this coverage. This information is used by the IRS to administer the individual shared responsibility provision in section 5000A of the IRC. These requirements are effective for coverage provided in 2015. The HCA must file electronic information returns with the IRS by March 31, 2016 and must furnish IRS 1095-B statements to individuals/families by January 31, 2016 to report coverage information in calendar year 2015. The appropriate IRS forms to be used to meet these requirements include the 1094-B (transmittal) and 1095-B (return) respectively.

This request covers the following changes for generation of IRS 1095 forms.

- A ProviderOne Change Request to support the following:
  - ProviderOne implementation costs for functionality to identify clients eligible to receive a 1095-B form according to IRS rules and the HCA specifications regarding MEC;
  - ProviderOne annual Operations costs for the production of required 1095-B data from the ProviderOne eligibility subsystem and conversion to print file;
  - ProviderOne annual Operations costs for the generation of required electronic IRS files per IRS specifications for the preceding tax year ;
- Annual printing, insertion, and mailing/postage costs for approximately 1.1 million forms to Medicaid head of households; and
- Information technology testing time.

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**FISCAL DETAILS/OBJECTS OF EXPENDITURE**

	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
<b>1. Operating Expenditures:</b>			
Fund 001-1 GF-State	\$ 471,000	\$ 425,000	\$ 896,000
Fund 001-C GF-Federal Medicaid Title XIX	\$ 976,000	\$ 634,000	\$ 1,610,000
<b>Total</b>	<b>\$ 1,447,000</b>	<b>\$ 1,059,000</b>	<b>\$ 2,506,000</b>
<b>2. Staffing:</b>			
Total FTEs	-	-	-
<b>3. Objects of Expenditure:</b>			
A - Salaries And Wages	\$ -	\$ -	\$ -
B - Employee Benefits	\$ -	\$ -	\$ -
C - Personal Service Contracts	\$ -	\$ -	\$ -
E - Goods And Services	\$ 1,447,000	\$ 1,059,000	\$ 2,506,000
G - Travel	\$ -	\$ -	\$ -
J - Capital Outlays	\$ -	\$ -	\$ -
N - Grants, Benefits & Client Services	\$ -	\$ -	\$ -
Other (specify) -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ 1,447,000</b>	<b>\$ 1,059,000</b>	<b>\$ 2,506,000</b>
<b>4. Revenue:</b>			
Fund 001-C GF-Federal Medicaid Title XIX	\$ 976,000	\$ 634,000	\$ 1,610,000
<b>Total</b>	<b>\$ 976,000</b>	<b>\$ 634,000</b>	<b>\$ 1,610,000</b>

**NARRATIVE JUSTIFICATION**

**WHAT SPECIFIC PERFORMANCE OUTCOMES DOES THE AGENCY EXPECT?**

The HCA expects to remain in compliance with regulations implemented under the ACA. This request supports the need for the HCA to report its provision of MEC for Medicaid clients to the IRS and to furnish a statement that verifies receipt of MEC to the individuals/families for which it provides such coverage. These requirements are first effective for coverage provided in 2015 that must be reported prior to the tax filing deadline in 2016.

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## PERFORMANCE MEASURE DETAIL

### Activity Inventory

H002 HCA Direct Operations  
H003 Information Technology

## IS THIS DECISION PACKAGE ESSENTIAL TO IMPLEMENT A STRATEGY IDENTIFIED IN THE AGENCY'S STRATEGIC PLAN?

Yes, it supports the implementation of Health Reform by providing verification to those receiving Medicaid that they meet the requirement of maintaining affordable health care coverage as mandated under the ACA.

## DOES THIS DECISION PACKAGE PROVIDE ESSENTIAL SUPPORT TO ONE OR MORE OF THE GOVERNOR'S RESULTS WASHINGTON PRIORITIES?

Yes. This request supports the Governor's key guiding principle for *Healthy and Safe Communities* by helping to insure that all Washington families have health care coverage.

## WHAT ARE THE OTHER IMPORTANT CONNECTIONS OR IMPACTS RELATED TO THIS PROPOSAL?

Adoption of this proposal will ensure that the HCA will comply with regulatory requirements implemented under the ACA. In addition, it will help Medicaid clients to maintain their ongoing coverage and comply with IRS requirements to keep that coverage in place.

## WHAT ALTERNATIVES WERE EXPLORED BY THE AGENCY, AND WHY WAS THIS ALTERNATIVE CHOSEN?

No alternative is available at this time or is expected in the future. This action will enable the HCA to meet its requirement of sending 1095-B notices to all Medicaid recipients of MEC. The HCA has worked with the Centers for Medicare and Medicaid (CMS), the IRS, and other states to identify the most efficient process to complete this function.

## WHAT ARE THE CONSEQUENCES OF NOT ADOPTING THIS PACKAGE?

This action is required under Section 6055 of the IRC. The HCA would be out of compliance with federal law administered by the CMS. If not adopted, Medicaid recipients will not receive required information about their MEC.

## WHAT IS THE RELATIONSHIP, IF ANY, TO THE STATE CAPITAL BUDGET?

None

## WHAT CHANGES WOULD BE REQUIRED TO EXISTING STATUTES, RULES, OR CONTRACTS TO IMPLEMENT THE CHANGE?

None

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## EXPENDITURE AND REVENUE CALCULATIONS AND ASSUMPTIONS

### REVENUE CALCULATIONS AND ASSUMPTIONS:

The HCA assumes that implementation costs will be eligible for federal funding at 90 percent federal financial participation (FFP) and operational costs, excluding postage, associated with this action will be eligible for federal funding at 75 percent FFP. Postage costs will be eligible at the administrative rate of 50 percent of total costs.

### EXPENDITURE CALCULATIONS AND ASSUMPTIONS:

The HCA assumes that ongoing operational costs will include maintaining a business process for return mail, correction and/or reproduction for out of state/closed households, and retroactive or delayed Medicaid approvals.

### DISTINCTION BETWEEN ONE-TIME AND ONGOING COSTS:

ProviderOne implementation and IT testing costs are one-time. Operational and maintenance costs are ongoing and will impact future biennia.

### BUDGET IMPACTS IN FUTURE BIENNIA:

Operational and maintenance costs are ongoing and will impact future biennia.