

Behavioral Health Administrative Service Organization reserve levels

Engrossed Substitute Senate Bill 5187; Section 215(13); Chapter 475; Laws of 2023

December 2024

Financial Services Division
Division of Behavioral Health & Recovery
P.O. Box 42704
Olympia, WA 98501
Phone: 360-725-9421
hca.wa.gov

Table of Contents

- Executive summary..... 3
 - Proviso language..... 3
- Reported reserve levels 4
- Contracted reserve amounts..... 8
- Follow-up..... 8
 - BH-ASO spending plans background 8
 - Spending plan process..... 9
 - Updated spending plan..... 9
 - Meetings with ASOs..... 9
- Status to date..... 9

Executive summary

During the shift to integrated managed care, behavioral health regions were supplied funding to ensure the smooth transition. This funding was aimed at guaranteeing access to crisis services to all individuals, regardless of insurance coverage, and was allocated based on population in the region. The funding was provided in three phases, Early Adopters (2016), Mid-Adopters (regions that integrated before January 2020), and Late Adopters (regions that completed integration in January 2020).

The purpose of reserve funding is to support the provision of non-Medicaid services and stabilize crisis systems. Reserve funds have generally increased in recent years and in many regions beyond maximum contract limits. HCA has increased monitoring activities, held meetings with ASOs and developed a Spending Plan contract deliverable to track, communicate strategy and efforts to utilize funds and meet contract reserve limits.

Proviso language

ESSB 5187; Section 215(13) directs HCA to:

“establish minimum and maximum funding levels for all reserves allowed under behavioral health administrative service organization contracts and include contract language that clearly states the requirements and limitations. The reserve levels must be informed by the types of risk carried by behavioral health administrative service organizations for mandatory services and consider reasonable levels of operating reserves. The authority must monitor and ensure that behavioral health administrative service organization reserves do not exceed maximum levels.

The authority must monitor revenue and expenditure reports and must require a behavioral health administrative service organization to submit a corrective action plan on how it will spend its excess reserves within a reasonable period, when its reported reserves exceed maximum levels established under the contract. The authority must review and approve such plans and monitor to ensure compliance. If the authority determines that a behavioral health administrative service organization has failed to provide an adequate excess reserve corrective action plan or is not complying with an approved plan, the authority must reduce payments to the entity in accordance with remedial actions provisions included in the contract. These reductions in payments must continue until the authority determines that the entity has come into substantial compliance with an approved excess reserve corrective action plan.

The authority must submit to the office of financial management and the appropriate committees of the legislature, each December of the biennium, the minimum and maximum reserve levels established in contract for each of the behavioral health administrative service organizations for the prior fiscal year and the actual reserve levels reported at the end of the fiscal year.”

Reported reserve levels

Figure 1: Reserve levels for Spokane ASO and Thurston Mason ASO, 2022–2024

	2022	2023	2024	2022	2023	2024
	Spokane ASO			Thurston Mason ASO		
	End Reserve Balance	End Reserve Balance	End Reserve Balance	End Reserve Balance	End Reserve Balance	End Reserve Balance
Minimum Reserve Fund Balance	\$ 1,486,293	\$ 1,486,293	\$ 1,486,293	\$ 874,872	\$ 874,872	\$ 874,872
Maximum Reserve Fund Balance	\$ 2,972,586	\$ 2,972,586	\$ 2,972,586	\$ 1,749,744	\$ 1,749,744	\$ 1,749,744
<i>GFS -Flexible Subtotal</i>	\$ 3,706,242	\$ 7,346,468	\$ 7,142,414	\$ 2,814,559	\$ 2,485,694	\$ 3,646,756
<i>Provisos Subtotal</i>	\$ 7,476,039	\$ 10,571,115	\$ 15,578,463	\$ 1,991,140	\$ 2,127,255	\$ 2,679,164
General Fund State Total (GF-S)	\$ 11,140,816	\$ 17,917,583	\$ 22,720,877	\$ 4,805,699	\$ 4,612,948	\$ 6,325,920

Figure 2: Reserve levels for North Central ASO and Pierce ASO, 2022–2024

	2022	2023	2024	2022	2023	2024
	North Central ASO			Pierce ASO		
	End Reserve Balance	End Reserve Balance	End Reserve Balance	End Reserve Balance	End Reserve Balance	End Reserve Balance
Minimum Reserve Fund Balance	\$ 638,393	\$ 638,393	\$ 638,393	\$ 2,143,190	\$ 2,143,190	\$ 2,143,190
Maximum Reserve Fund Balance	\$ 1,276,786	\$ 1,276,786	\$ 1,276,786	\$ 4,286,380	\$ 4,286,380	\$ 4,286,380
<i>GFS -Flexible Subtotal</i>	\$ 1,937,003	\$ 1,179,522	\$ 621,506	\$ 3,978,772	\$ 5,396,784	\$ 7,436,370
<i>Provisos Subtotal</i>	\$ 2,092,579	\$ 3,773,612	\$ 4,911,290	\$ 3,339,190	\$ 6,502,886	\$ 8,615,747
General Fund State Total (GF-S)	\$ 4,029,582	\$ 4,953,133	\$ 5,532,795	\$ 7,317,962	\$ 12,661,025	\$ 16,052,117

Figure 3: Reserve levels for Southwest ASO and North Sound ASO, 2022–2024

	2022			2023			2024		
	SW ASO			SW ASO			SW ASO		
	End Reserve Balance	End Reserve Balance	End Reserve Balance	End Reserve Balance	End Reserve Balance	End Reserve Balance	End Reserve Balance	End Reserve Balance	
Minimum Reserve Fund Balance	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 3,065,156	\$ 3,065,156	\$ 3,065,156	\$ 3,065,156	\$ 3,065,156	
Maximum Reserve Fund Balance	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 6,130,312	\$ 6,130,312	\$ 6,130,312	\$ 6,130,312	\$ 6,130,312	
<i>GFS -Flexible Subtotal</i>	\$ 2,213,012	\$ 5,982,188	\$ 6,551,098	\$ 3,458,081	\$ 7,605,973	\$ 10,732,538	\$ 10,732,538	\$ 10,732,538	
<i>Provisos Subtotal</i>	\$ 64,998	\$ 3,857,334	\$ 5,403,355	\$ 7,341,181	\$ 9,094,740	\$ 10,372,786	\$ 10,372,786	\$ 10,372,786	
General Fund State Total (GF-S)	\$ 2,278,009	\$ 9,839,522	\$ 11,954,453	\$ 10,799,262	\$ 16,700,713	\$ 21,105,324	\$ 21,105,324	\$ 21,105,324	

Figure 5: Reserve levels for Great Rivers ASO and Salish ASO, 2022–2024

	2022			2023			2024		
	Great Rivers ASO			Great Rivers ASO			Great Rivers ASO		
	End Reserve Balance	End Reserve Balance	End Reserve Balance	End Reserve Balance	End Reserve Balance	End Reserve Balance	End Reserve Balance	End Reserve Balance	
Minimum Reserve Fund Balance	\$ 719,342	\$ 719,342	\$ 719,342	\$ 942,786	\$ 942,786	\$ 942,786	\$ 942,786	\$ 942,786	
Maximum Reserve Fund Balance	\$ 1,438,683	\$ 1,438,683	\$ 1,438,683	\$ 1,885,572	\$ 1,885,572	\$ 1,885,572	\$ 1,885,572	\$ 1,885,572	
<i>GFS -Flexible Subtotal</i>	\$ 1,290,443	\$ 1,603,932	\$ 1,599,374	\$ 5,943,116	\$ 9,214,094	\$ 11,425,961	\$ 11,425,961	\$ 11,425,961	
<i>Provisos Subtotal</i>	\$ 3,815,228	\$ 5,334,648	\$ 7,522,812	\$ 3,917,167	\$ 5,038,106	\$ 7,003,699	\$ 7,003,699	\$ 7,003,699	
General Fund State Total (GF-S)	\$ 5,105,671	\$ 6,938,580	\$ 9,122,186	\$ 9,860,283	\$ 14,252,199	\$ 18,429,659	\$ 18,429,659	\$ 18,429,659	

Figure 6: Reserve levels for Greater Columbia ASO and King County ASO, 2022–2024

	2022	2023	2024	2022	2023	2024
	Greater Columbia ASO	Greater Columbia ASO	Greater Columbia ASO	King County ASO	King County ASO	King County ASO
	End Reserve Balance	End Reserve Balance	End Reserve Balance	End Reserve Balance	End Reserve Balance	End Reserve Balance
Minimum Reserve Fund Balance	\$ 1,796,025	\$ 1,796,025	\$ 1,796,025	\$ 5,370,943	\$ 5,370,943	\$ 5,370,943
Maximum Reserve Fund Balance	\$ 3,592,050	\$ 3,592,050	\$ 3,592,050	\$ 10,741,886	\$ 10,741,886	\$ 10,741,886
<i>GFS -Flexible Subtotal</i>	\$ (752,169)	\$ 268,359	\$ 1,590,808	\$ (4,165,277)	\$ (741,485)	\$ (1,495,225)
<i>Provisos Subtotal</i>	\$ 5,008,676	\$ 7,383,461	\$ 9,468,753	\$ 10,573,961	\$ 16,611,144	\$ 20,128,912
General Fund State Total (GF-S)	\$ 4,256,506	\$ 7,651,820	\$ 11,059,561	\$ 6,423,063	\$ 15,842,985	\$ 18,633,687

Figure 7: Reserve levels for Greater Columbia ASO and King County ASO with HCA edits, 2024

HCA is currently working with ASOs to amend Certified Revenue & Expense Reports and amounts are estimated changes to 2024 reserve totals

	2024	2024
	Greater Columbia ASO HCA Edits	King County ASO HCA Estimated Edits
	End Reserve Balance	End Reserve Balance
Minimum Reserve Fund Balance	\$ 1,796,025	\$ 5,370,943
Maximum Reserve Fund Balance	\$ 3,592,050	\$ 10,741,886
<i>GFS -Flexible Subtotal</i>	\$ 4,065,307	\$ 21,457,571
<i>Provisos Subtotal</i>	\$ 9,468,753	\$ 22,520,647
General Fund State Total (GF-S)	\$ 13,534,060	\$ 43,978,218

HCA edits refers to amounts calculated by HCA that are different than amounts reported by ASO. HCA is working with ASOs to amend numbers to agreed upon amounts.

Figure 8: Total reserve levels across all ASOs, 2022–2024

HCA is currently working with ASOs to amend Certified Revenue & Expense Reports and amounts are estimated changes to 2024 reserve totals

	2022	2023	2024	2024
	Total	Total	Total	HCA Estimated Edits
	End Reserve Balance	End Reserve Balance	End Reserve Balance	End Reserve Balance
Minimum Reserve Fund Balance	\$ 18,537,000	\$ 18,536,999.77	\$ 18,536,999.77	\$ 18,536,999.77
Maximum Reserve Fund Balance	\$ 37,074,000	\$ 37,073,999.53	\$ 37,073,999.53	\$ 37,073,999.53
GFS -Flexible Subtotal	\$ 20,423,780	\$ 40,341,528.15	\$ 49,251,598.64	\$ 74,678,893.38
Provisos Subtotal	\$ 45,620,159	\$ 70,294,299.67	\$ 91,684,979.87	\$ 94,076,714.93
General Fund State Total (GF-S)	\$ 66,016,853	\$ 111,370,508.91	\$ 140,936,578.51	\$ 168,755,608.31

HCA edits refers to amounts calculated by HCA that are different than amounts reported by ASO. HCA is working with ASOs to amend numbers to agreed upon amounts.

Contracted reserve amounts

BH-ASO	Minimum reserve fund balance amount distributed to ASOs	Maximum reserve fund balance amount is double the amount distributed to ASOs
Greater Columbia	\$1,796,025.00	\$3,592,050.00
Great Rivers	\$719,341.69	\$1,438,683.38
King	\$5,370,943.03	\$10,741,886.06
Thurston Mason	\$874,872.33	\$1,749,744.66
North Central	\$638,393.00	\$1,276,786.00
North Sound	\$3,065,156.00	\$6,130,312.00
Pierce	\$2,143,190.00	\$4,286,380.00
Salish	\$942,786.05	\$1,885,572.09
Spokane	\$1,486,293.00	\$2,972,586.00
Southwest	\$1,500,000.00	\$3,000,000.00

Note: maximum amounts may not be exactly double the minimum fund balance due to rounding.

Follow-up

As part of the follow-up, the Health Care Authority (HCA) has:

- Added spending plan deliverables into Behavioral Health Administrative Services Organization (BH-ASO) contracts.
- Established a spending plan.
- Updated the spending plans.
- Held meetings with ASOs.

BH-ASO spending plans background

The contracts require BH-ASOs to submit a spending plan in three specific instances:

- **Reserves:** Section 2.36 of the contract requires BH-ASOs to maintain reserves within the levels specified in their contract. If the reserve fund balance exceeds the maximum allowable amount at the end of the calendar or fiscal year, the contractor must provide a spending plan to HCA within 60 days to demonstrate their strategies to meet the contract maximum reserve limits.
- **BH-ASO request:** Section 5.1.7 of the BH-ASO contracts allow the contractor to submit a spending plan to request to carry unspent funds over into a future period or shift funding from one purpose to another. Spending plans are due February 15, for the July through December funding period and August 15, for the January through June funding period. The BH-ASO are directed to submit their spending plans to HCABHASO@HCA.wa.gov for review and approval. HCA will respond to spending plan requests within 30 days.
- **Unspent proviso funding:** BH-ASOs must submit a spending plan if expenses for any specific proviso related funding allocations are less than 50 percent of the total the BH-ASO received for that item at the end of the calendar or fiscal year or if unspent funds are more than \$20,000 for the proviso. That

plan is due within 60 days of the end of the period and must articulate the contractor's strategies and plan to use unspent proviso funding. Strategies must include reasonably feasible estimates.

Spending plan process

HCA's Financial Service Division has established a spending plan process. The requirements include:

- All spending plans must be submitted to the Behavioral Health (BH) Delivery Finance Unit through the HCABHASO@HCA.wa.gov mailbox.
- The BH Delivery Finance Unit is responsible for reviewing the spending plans and engaging with BH-ASO staff if there are additional follow-up questions.
- Any meetings or communications with the BH-ASOs on their spending plans or clarification of appropriate use of proviso funds should be led by BH Delivery Finance Unit staff. Program subject matter experts (SME) should be invited to those conversations, to participate as appropriate.
- Any change to the spending plan must be documented and included in the final plan version.
- All final spending plans must be submitted to the agency chief financial officer (CFO) for approval. Any exception to conventional use of proviso funds allocated through HCA must be approved by appropriate HCA divisional executives and agreed to by the agency's CFO or deputy.
- BH Delivery Finance Unit staff are responsible for sending the final approved spending plans to the BH-ASOs. Notification of spending plan approval will be provided within two weeks of approval by the CFO.

Updated spending plan

The BH Delivery Finance Unit within HCA's Financial Services Division (FSD) is responsible for overseeing and monitoring BH-ASO expenditure and revenue reporting and compliance with fiscal related contract requirements including spending plans. The spending plan has been updated to include ASO reporting prior year(s) incoming reserves to the fiscal year, estimated funding during fiscal year, and quarterly forecasted expenditures of total funds available. The spending plan also includes detailed narrative of each funding line item (GFS, provisos) from contract exhibit with reserve funds from prior year(s).

Meetings with ASOs

During the fourth quarter of fiscal year 2024, the BH Delivery Finance Unit met with each ASO regarding their reserves, contract requirements, spending plan updates, and need for detailed plans. The BH unit staff also went over the proviso requirements.

Status to date

ASOs have provided a spending plan for fiscal year (FY) 2025 that includes spending plan for reserves from prior years and estimated funds for the current fiscal year.

HCA's FSD has:

- **Processed the spending plans** and approved them contingent on continued use of funds by proviso intent and contract requirements. Some ASOs have identified amounts to send back to HCA.
- **Identified many of the ASO with excess reserves** over multiple years. HCA is planning to recoup funds or reduce funding. FSD has met with other divisions to evaluate and plan for amounts to recoup. FSD will continue to meet with other HCA division leaders in November and December.

- **Provided Legislative staff updates to ASO reserves** through FY 2024. Legislative members will be aware of ASO reserve funding levels and HCA plans to recoup prior years' reserve funds not used.

Currently, HCA is reviewing ASO revenue and expense reports for FY 2025 July–September expenditures, which were due to HCA by November 15, 2024. This will provide some verification of the spending plan to actual expenditures and provide trends to review reasonable estimates for actual funding needs.

Next steps also include:

- Use ASO estimates if ASOs have provided reasonable plans for the use of funds. Otherwise, use HCA estimates.
- Allow BH-ASOs to keep their max reserve.
- Return flexible funding balance over maximum limit.
- Discuss shift excess proviso among line items.
- Return unneeded proviso funding.