

Behavioral Health – Administrative Service Organization Reserve Levels

Engrossed Substitute Senate Bill 5167; Section 214(13)(a,b); Chapter 424; Laws of 2025

Engrossed Second Substitute House Bill 1813; Section 2(1)(f); Chapter 216; Laws of 2025

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Executive summary

This report shares information on reserve funding the Health Care Authority (HCA) provides to Behavioral Health – Administrative Service Organizations (BH-ASOs). Reserve funding helps BH-ASOs provide key services — including crisis support and certain behavioral health services — regardless of whether a person has insurance. In addition, this report explains contract deliverables for BH-ASOs, including when to submit a Spending Plan, its requirements, and an update on reserve funding and Spending Plan activities during 2025.

Senate Bill (SB) 5167 (2025); Section 214(13)(a) 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 of time, when its reported reserves exceed maximum levels established under the contract...”

The Legislature provided funding for an actuarial contractor (HCA selected Mercer) to determine minimum and maximum reserve levels for BH-ASOs.

House Bill (HB) 1813 (2025); Section 2(1)(f) directs BH-ASOs to:

“...collaborate with the authority to develop a funding model for establishing adequate reserve thresholds, considering service utilization, crisis system operations, and crisis service needs for the Medicaid and non-Medicaid populations...”

In recent years, reserve funds have increased — and in many regions — beyond their maximum contract levels. To ensure BH-ASOs use funds and meet their reserve levels, HCA:

- Increased monitoring activities
- Met with BH-ASOs
- Developed a Spending Plan contract deliverable for BH-ASOs to track and communicate strategy and efforts

BH-ASO Spending Plan overview

HCA's contracts with the BH-ASOs require the BH-ASOs to submit a Spending Plan in the following instances.

Reserves

BH-ASOs must maintain reserves within the levels stated in their contract. If the reserve fund balance is more than the maximum allowable amount at the end of the calendar or fiscal year, the BH-ASO must provide a Spending Plan to HCA within 60 days. The plan should describe their strategies to meet or stay within the contract maximum reserve level.

BH-ASO request

BH-ASOs can submit a Spending Plan as a request to carry over unspent funds to a future period, or shift funding from one purpose to another.

Unspent funding

BH-ASOs must submit a Spending Plan if:

- Proviso-specific expenses are less than 50% of the total amount received for that item at the end of the calendar or fiscal year.
- Unspent funds are more than \$20,000 for the proviso. In this case, the Spending Plan must include the BH-ASO's strategies and plan for using unspent proviso funds. Strategies must include reasonably feasible estimates. **Note:** HCA will update contracts to reflect this new language in July 2026.

Updated Spending Plan proviso requirements

HCA updated and restructured the BH-ASO Spending Plan for fiscal year 2026, which allows for the flexibility described in ESSB 5167; Section 214; proviso (13)(b):

"...The authority must allow BH-ASOs flexibility in utilizing reserve funding received pursuant to a specific legislative proviso in a prior contract period..."

The updated Spending Plan now includes BH-ASOs:

- Reporting prior year(s) incoming reserves
- Estimated funding for the current fiscal year
- Shifting for prior year reserves within funding categories
- Quarterly forecasted expenditures on total funds available

The Spending Plan provides detailed information on each funding line item (General State Funds (GF-S) and provisos) for current fiscal year funding and reserve funding.

Spending Plan requirements

HCA established these Spending Plan requirements:

- BH-ASOs submit their Spending Plan to HCA in writing.
- HCA has staff review Spending Plans and coordinate with the BH-ASO on their Spending Plan.
- Behavioral Health Delivery Finance Unit staff will document any changes to the Spending Plan and include in the final plan version.
- The Behavioral Health unit manager will submit all final Spending Plans to HCA's Chief Financial Officer (CFO) for approval. HCA division leaders will approve, and the CFO or their delegate will agree to any exceptions to the regular use of proviso funds.
- Behavioral Health Delivery Finance Unit staff are responsible for sending the final approved Spending Plans to BH-ASOs. Staff will provide this within two weeks of CFO approval.

Meetings with BH-ASOs

Over the past nine months, HCA met with each BH-ASO about their reserves, contract requirements, Spending Plan updates, and need for detailed plans. HCA also discussed the proviso requirements. HCA plans to meet with and update Spending Plans with BH-ASOs in early 2026, based on to-date expenses.

Figures 1 through 6 summarize BH-ASO-reported reserve levels for fiscal year (FY) 2023–2025.

Reported reserve levels, by Administrative Service Organization (ASO)

Figure 1: reserve levels for Spokane ASO and Thurston Mason ASO, 2023–2025

	2023	2024	2025	2025 Pre Returned Reserves	2023	2024	2025	2025 Pre Returned Reserves
	Spokane ASO	Spokane ASO	Spokane ASO	Spokane ASO	Thurston Mason ASO	Thurston Mason ASO	Thurston Mason ASO	Thurston Mason 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 GFS Flexible	\$ 1,486,293	\$ 1,486,293	\$ 1,486,293	\$ 1,486,293	\$ 874,872	\$ 874,872	\$ 874,872	\$ 874,872
Maximum Reserve Fund Balance GFS Flexible	\$ 2,972,586	\$ 2,972,586	\$ 2,972,586	\$ 2,972,586	\$ 1,749,744	\$ 1,749,744	\$ 1,749,745	\$ 1,749,745
<i>GFS -Flexible Subtotal</i>	\$ 7,346,468	\$ 7,142,414	\$ 4,914,129	\$ 5,974,946	\$ 2,485,694	\$ 3,646,756	\$ 2,850,045	\$ 4,468,325
<i>GFS-Flexible + AOT + HB 1773 AOT LRA Subtotal</i>			\$ 5,917,205	\$ 8,772,674			\$ 2,918,154	\$ 5,131,870
<i>Provisos Subtotal</i>	\$ 10,073,164	\$ 15,361,536	\$ 9,504,103	\$ 18,245,208	\$ 2,062,142	\$ 3,373,875	\$ 2,009,624	\$ 3,095,443
General Fund State Total (GF-S)	\$ 17,419,632	\$ 22,503,950	\$ 14,418,232	\$ 24,220,154	\$ 4,547,836	\$ 7,020,631	\$ 4,859,670	\$ 7,563,769

Figure 2: reserve levels for North Central ASO and Pierce ASO, 2023–2025

	2023	2024	2025	2025 Pre Returned Reserves	2023	2024	2025	2025 Pre Returned Reserves
	North Central ASO	North Central ASO	North Central ASO	North Central ASO	Pierce ASO	Pierce ASO	Pierce ASO	Pierce 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 GFS Flexible	\$ 638,393	\$ 638,393	\$ 638,393	\$ 638,393	\$ 2,143,190	\$ 2,143,190	\$ 2,143,190	\$ 2,143,190
Maximum Reserve Fund Balance GFS Flexible	\$ 1,276,786	\$ 1,276,786	\$ 1,276,786	\$ 1,276,786	\$ 4,286,380	\$ 4,286,380	\$ 4,286,380	\$ 4,286,380
<i>GFS -Flexible Subtotal</i>	\$ 1,179,522	\$ 621,506	\$ 2,152,822	\$ 2,152,822	\$ 5,396,784	\$ 7,436,370	\$ 15,077,328	\$ 19,565,254
<i>GFS-Flexible + AOT + HB 1773 AOT LRA Subtotal</i>			\$ 2,269,475	\$ 2,290,865			\$ 15,174,319	\$ 19,665,720
<i>Provisos Subtotal</i>	\$ 3,773,612	\$ 4,618,808	\$ 4,120,633	\$ 5,268,472	\$ 6,416,886	\$ 8,393,133	\$ 8,133,219	\$ 10,234,752
General Fund State Total (GF-S)	\$ 4,953,133	\$ 5,240,314	\$ 6,273,456	\$ 7,421,295	\$ 11,813,670	\$ 15,829,503	\$ 23,210,547	\$ 29,800,006

Figure 3: reserve levels for Southwest ASO and North Sound ASO, 2023–2025

	2023	2024	2025	2025 Pre Returned Reserves	2023	2024	2025	2025 Pre Returned Reserves
	SW ASO	SW ASO	SW ASO	SW ASO	North Sound ASO	North Sound ASO	North Sound ASO	North Sound 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 GFS Flexible	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 3,065,156	\$ 3,065,156	\$ 3,065,156	\$ 3,065,156
Maximum Reserve Fund Balance GFS Flexible	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 6,130,312	\$ 6,130,312	\$ 6,130,312	\$ 6,130,312
<i>GFS -Flexible Subtotal</i>	\$ 5,982,188	\$ 6,551,098	\$ 8,744,031	\$ 11,169,875	\$ 7,605,973	\$ 10,732,538	\$ 10,736,657	\$ 10,736,657
<i>GFS-Flexible + AOT + HB 1773 AOT LRA Subtotal</i>			\$ 9,072,158	\$ 11,498,002			\$ 11,169,044	\$ 12,652,161
<i>Provisos Subtotal</i>	\$ 3,797,347	\$ 5,081,052	\$ 4,268,975	\$ 6,763,502	\$ 9,172,878	\$ 10,682,757	\$ 4,052,780	\$ 8,793,900
General Fund State Total (GF-S)	\$ 9,779,535	\$ 11,632,150	\$ 13,013,006	\$ 17,933,377	\$16,778,851	\$ 21,415,295	\$ 14,789,438	\$ 19,530,558

Figure 4: reserve levels for Great Rivers ASO and Salish ASO, 2023–2025

	2023	2024	2025	2025 Pre Returned Reserves	2023	2024	2025	2025 Pre Returned Reserves
	Great Rivers ASO	Great Rivers ASO	Great Rivers ASO	Great Rivers ASO	Salish ASO	Salish ASO	Salish ASO	Salish 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 GFS Flexible	\$ 719,342	\$ 719,342	\$ 719,342	\$ 719,342	\$ 942,786	\$ 942,786	\$ 942,786	\$ 942,786
Maximum Reserve Fund Balance GFS Flexible	\$ 1,438,683	\$ 1,438,683	\$ 1,438,683	\$ 1,438,683	\$ 1,885,572	\$ 1,885,572	\$ 1,885,572	\$ 1,885,572
<i>GFS -Flexible Subtotal</i>	\$ 1,603,932	\$ 1,599,374	\$ 3,113,255	\$ 3,113,255	\$ 9,214,094	\$ 11,425,961	\$ 2,733,247	\$ 7,968,560
<i>GFS-Flexible + AOT + HB 1773 AOT LRA Subtotal</i>			\$ 4,073,271	\$ 4,198,170			\$ 3,107,370	\$ 8,792,683
<i>Provisos Subtotal</i>	\$ 5,279,736	\$ 7,481,709	\$ 4,860,907	\$ 8,643,023	\$ 4,958,069	\$ 6,920,185	\$ 6,656,614	\$ 9,916,330
General Fund State Total (GF-S)	\$ 6,883,668	\$ 9,081,082	\$ 7,974,162	\$ 11,756,278	\$ 14,172,163	\$ 18,346,146	\$ 9,389,861	\$ 17,884,890

Figure 5: reserve levels for Greater Columbia ASO and King County ASO, 2023–2025

	2023	2024	2025	2025 Pre Returned Reserves	2023	2024 - Revised	2025
	Greater Columbia ASO	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	End Reserve Balance
Minimum Reserve Fund Balance GFS Flexible	\$ 1,796,025	\$ 1,796,025	\$ 1,796,025	\$ 1,796,025	\$ 5,370,943	\$ 5,370,943	\$ 5,370,943
Maximum Reserve Fund Balance GFS Flexible	\$ 3,592,050	\$ 3,592,050	\$ 3,592,050	\$ 3,592,050	\$ 10,741,886	\$ 10,741,886	\$ 10,741,886
GFS -Flexible Subtotal	\$ 1,948,550	\$ 4,065,307	\$ 5,067,178	\$ 5,155,590	\$ (741,485)	\$ 10,375,142	\$ 4,794,966
<i>GFS-Flexible + AOT + HB 1773 AOT LRA Subtotal</i>			\$ 5,339,916	\$ 5,678,328			\$ 9,629,233
Provisos Subtotal	\$ 7,243,062	\$ 9,468,753	\$ 5,204,169	\$ 9,242,569	\$ 16,595,055	\$ 24,463,942	\$ 19,526,890
General Fund State Total (GF-S)	\$ 9,191,612	\$ 13,534,060	\$ 10,271,346	\$ 14,398,158	\$ 15,853,570	\$ 34,839,083	\$ 24,321,856

King County ASO has not returned reserves as of 2/17/2026

Figure 6: total reserve levels across all ASOs, 2023–2025

	2023	2024	2025	2025 Pre-Returned Reserve
	Total	Total	Total	Total (King not included)
	End Reserve Balance	End Reserve Balance	End Reserve Balance	End Reserve Balance
Minimum Reserve Fund Balance GFS Flexible	\$ 18,537,000	\$ 18,537,000	\$ 18,537,000	\$ 18,537,000
Maximum Reserve Fund Balance GFS Flexible	\$ 37,074,000	\$ 37,074,000	\$ 37,074,000	\$ 37,074,000
GFS -Flexible Subtotal	\$ 42,021,720	\$ 63,596,465	\$ 60,183,659	\$ 75,100,251
<i>GFS-Flexible + AOT + HB 1773 AOT LRA Subtotal</i>			\$ 68,670,146	\$ 88,309,707
Provisos Subtotal	\$ 69,371,951	\$ 95,845,749	\$ 68,337,914	\$ 99,730,089
General Fund State Total (GF-S)	\$ 111,393,671	\$ 159,442,214	\$ 128,521,573	\$ 174,830,340

SFY 2025 amounts above are the current total BHASO reserve fund. SFY 2025 Pre-Returned reserve amounts shows what the reserve balances would have been prior to returning reserves. As of 2/17/2026 HCA has not received returned reserves from King County.

Contracted reserve amounts

BH-ASO	Minimum reserve fund balance amount provided to BH-ASOs	Maximum reserve fund balance amount is double the amount provided to BH-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.

Status update

BH-ASOs provided a Spending Plan for FY 2026 that includes their plan to spend reserves from prior years and provides estimated funds for the current FY.

In addition, and as part of follow-up, HCA completed and is working on these tasks:

- Facilitated BH-ASO return of excess reserves totaling \$54,905,676.

Figure 7: BH-ASO reserve return status update, as of February 1, 2026

BHASO Reserve Return status update Updated on 02/17/2026					
BHASO	Reserve Balances as of End of FY24 (6/30/2024)	Amount Requested	Amount Returned	Amount Agreed to	Total Return
Carelon--North Central	5,762,899	2,032,096	1,147,839		
Carelon--Pierce	17,520,746	8,212,324	6,589,459		
Carelon--Southwest	12,042,833	6,002,969	4,920,371		
Great Rivers	9,205,613	3,782,115	3,782,115		
Greater Columbia	13,255,892	4,555,056	4,126,812		
King	21,493,764	8,596,912		8,596,912	
North Sound	21,415,268	9,598,008	4,741,120		
Salish	18,112,265	12,382,657	8,495,029		
Spokane	21,413,009	9,801,922	9,801,922		
Thurston Mason	6,837,139	2,968,830	2,704,097		
	\$ 147,059,428	\$ 67,932,889	\$ 46,308,764	\$ 8,596,912	\$ -
					54,905,676

Amount assumed in the 2025-27 Operating Budget \$ 60,000,000

- Added Spending Plan deliverables into BH-ASO contracts.
- Restructured Spending Plan for FY 2026 that allow for the flexibility described in ESSB 5167; Section 214; proviso (13)(b).
- Instructed and provided guidelines to BH-ASOs for Spending Plan development and Revenue and Expenditure Form reporting.
- Contracted with Mercer to:
 - Provide minimum and maximum risk reserve level analytical report for use in amended BH-ASO contract and for updated BH-ASO Revenue and Expenditure Report instructions.
 - Analyze the financial risk of HB 1813 for BH-ASOs.
 - Price out fully delegated crisis system costs for each BH-ASO to understand annual liabilities.
- Directed Mercer to consider the:
 - Transfer of Medicaid funding and obligation for services of Medicaid members needing stabilization in home, overnight stabilization facilities, and Crisis Relief Centers, often referred to as 23-hour chairs.
 - Possible increased risk and impact on reserve levels for BH-ASOs that work with newly established health care facilities.
 - Possible increased need for state funds for non-Medicaid portion of facilities, including the impact of requirements for police drop-off and no-wrong-door for Crisis Relief Centers (increased utilization of non-Medicaid clients).
- Publishing the updated BH-ASO Revenue and Expenditure Report instructions at the same time as the Mercer analysis and updated Mercer report in first quarter of 2026.
- Held meetings with BH-ASOs to review balances and Spending Plan forecasts for FY 2026.
- Restructured Spending Plan format for FY 2026 that allow for the flexibility described prior.
- Provided instruction and guidelines for Spending Plan development and Revenue and Expenditure Report template to include the new flexibility described in the proviso.
- Processed and approve the Spending Plans contingent on continued use of funds by proviso intent and contract requirements. Some BH-ASOs have identified amounts to send back to HCA.
- Identified many of the BH-ASO with excess reserves over multiple years. HCA recouped BH-ASO funding.
- Evaluated and planned for utilizing excess reserves given proviso flexibility to shift reserves within contract categories to areas in need of funding.
- Provided legislative staff updates to BH-ASO reserves through FY 2025. Legislative members are aware of BH-ASO reserve funding levels, Spending Plan updates, and BH-ASO instructions.

Currently, HCA is reviewing BH-ASO Revenue and Expenditure Reports for FY 2026 July–September. This will provide some verification of the Spending Plan as compared to actual expenditures. This will also provide trends so HCA can review reasonable estimates for actual funding needs by the BH-ASOs. HCA plans to meet with BH-ASOs and update Spending Plans in February/March 2026 based on actual expenditures to date.

Conclusion

HCA is working with Mercer to update the current minimum and maximum reserve levels, as directed by SB 5167. Once the new levels have been established HCA will update the BH-ASO contracts to meet these thresholds. HCA monitors the revenue and expenditure reports and spending plans provided by BH-ASOs and will send out corrective action plans when necessary.