Washington State Health Care Authority

Report to the Office of the Governor and Legislature

Management and Staffing Structure Review

2013 – 2015 Biennial Budget - 3ESSB 5034 Sec. 213 (41)

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Executive Summary

In the 2013 – 2015 Biennial Budget (3ESSB 5034 Sec. 213 (41)) the Legislature directed Health Care Authority (HCA) to:

> *"… conduct a review of its management and staffing structure to identify efficiencies and opportunities to reduce full time equivalent employees and other administrative costs. A report summarizing the review and the authority's recommendations to reduce costs and full time equivalent employees must be submitted to the governor and legislature by November 1, 2013."*

HCA has worked over the last several months to examine the requirements of the proviso and to envision how the agency will be structured and sized after the transformation of the merged agency, implementation of the Affordable Care Act (ACA) and change to a managed care service delivery model. Pursuant to the proviso, this report will discuss factors to consider in future planning; and as part of the 2015 – 2017 Biennial Budget development process that will begin in just a few months, HCA will include specific staffing adjustment requests – both elimination of FTEs and redirection of FTEs to new functions - as part of its Decision Package submittals. In addition, HCA will work with labor to plan for implementation of staffing adjustments.

Specific staffing structures and levels will be developed through 2016; factors to consider are discussed in this report.

This report identifies the dynamics contributing to the complexity and difficulty of creating specific staffing structures at this time. The following findings are discussed in detail in the report:

- Washington State values its role as a leader in health care policy and health care payment and delivery innovation; steps must be taken to maintain this role;
- HCA has experienced significant business transformation in a short time frame and indications are that change will continue to occur with further implementation of managed care and ACA;
- Transformation at the level experienced by HCA requires staff with different knowledge skills immediately but resource reductions can be identified in the future (likely to be initiated in the 2015 – 2017 Biennium);
- As transformation is complete, it is expected that the total number of HCA staff will be lower than it is today.

HCA Operating Principles

HCA operates each day according to several principles related to health care systems in Washington State and related to state government. These principles are laid out in the Health Care Innovation Plan, in State policies and rules, and in proven practices of change management and effective supervision. Specific principles the agency maintains adherence to include:

- Washington Apple Health and Washington's Public Employee Health Benefits Program (PEB) as national health care leaders;
- Washington HCA will safeguard state resources and manage risk related to health care programs, policies and funding;
- Employees are our greatest asset; we must support employees to maintain our leadership role;
- Change will be implemented in a measured way to ensure positive outcomes for stakeholders and clients.

Any examination of the agency's management and staffing structure must take into account the operating principles the agency adheres to. Proposals to reduce staffing levels must be carefully implemented to manage risk. The health care system managed by HCA is extremely complex and it spends a significant portion of the state's budget making risk management a primary function of agency management.

The principle of successfully implementing ACA through measured change management demands appropriate levels of staff with required skills and abilities. Staff and management reductions made too deeply or before the transformation is complete increase state risk to an unacceptable level. Examples of unmanaged risk include: reduced morale and staff effectiveness, inadequate managed care contract oversight, errors in calculating managed care rate structures, litigation related to inadequate implementation of new or transformed programs, unintended consequences from shifting policies or programmatic operations and lower quality health care that directly affects client safety and outcomes.

Transformation occurs through the efforts of agency staff and stakeholders, with front line employees and subject matter experts making the most significant contribution to a successful change. Staff must be supported during the transformation for the process to be successful. Risks such as those identified above will occur if: staff levels are inadequate, should staff not possess the required skills and abilities, or if the agency does not provide appropriate communication and support throughout the transformation. Preventing undesirable issues from occurring requires not only retooling of the HCA workforce, but also the infrastructure required for data management, analytics, and continuous improvement of our purchasing strategy.

Health Care Transformation: Elements of the Change

Review of the changes HCA is undergoing as part of public health care transformation is helpful to identify the significance of change at the agency. Changes have been occurring over the last few years and change is expected to continue unabated through the end of 2016 or beyond. Specific changes include:

- Restructuring of HCA to include Medicaid and related medical assistance and the Public Employee Benefits program – this change encompassed carving Medical Assistance out of the Department of Social and Health Services (DSHS) into HCA, causing changes in staffing, finance, organizational structure, operating policies and procedures. Changes to the agency include expansion of Medicaid eligibility to a total of approximately 2 million people in Washington State, creation of the Health Benefit Exchange (a quasi-public organization), elimination of Basic Health and a shift in how Medicaid benefits are administered (from a primarily public assistance structure to a universal health care structure).

- A shift in service delivery from primarily fee for service to a managed care structure – movement of the more complex population of aged, blind and disabled enrollees to managed care is significant but the vast complexity of the shift is identified only after the details of the move are examined and discussed. This population is served by more than the physical health Medicaid program; long term care, mental health and substance abuse services are accessed more often by this population. Each of these programs has its own operating policies and financing, making development of managed care contracts and rates extremely difficult. Over many decades the State has developed financing mechanisms, work-around policies and specific procedures between programs to enable efficient operation and effective client service processes; these mechanisms must be examined, adjusted and retooled to work in a managed care environment with private partners managing service delivery.

- Performance, Quality and Data Management - the evolution from health plan administration to active health purchaser has been underway for several years in both Medicaid and PEB. This transition requires a new approach to staffing and contractual processes that maintain the state's commitment to evidence-based purchasing, performance management, and cost-effective care. HCA will need significantly improved business, financial and clinical analytics, data management, and decision-making support resources to match an evolving health care landscape and increasingly sophisticated contracting structures. Monitoring the performance of key health care purchasing investments while ensuring strong internal business processes is vital. Implementation of ACA has brought increased oversight of purchasing structures from the Centers for Medicare and Medicaid Services (CMS). This demands significantly greater analytic capacity for both operational and financial data as well as preserving the

underlying integrity of these systems. Information technology structures and resources must be able to meet the increased demand for data analytics while at the same time preventing customer service degradation. Increased demand for information technology expertise and resources must be able to meet both internal and external demand under health reform implementation.

HCA Staffing Structure: Today and in the Future

An overview of the agency's current staffing and management structure is provided as background for a discussion of staffing redirection and adjustment as the transformation discussed above is implemented.

In the 2013 – 2015 Biennium, HCA has 1,131.9 allotted FTEs. Of this number 72 FTEs are administrative (6.35% of total FTEs).

The agency is organized with three administrations – Medicaid/PEB, policy, and core services administrations each report to a Chief Officer. (A high level organization chart is included in the Appendix.) Medicaid/PEB functions include service delivery, managed care operations and program/payment integrity. Policy functions include legislative activities, policy development, performance monitoring, tribal affairs, Health Information Exchange and Health Technology Assessment across both Medicaid and PEB. Core services which support both Medicaid and PEB include finance, information technology, legal services, facilities, human resources and risk management. Overall this structure is expected to continue largely unchanged as the transformation progresses but change may be necessary if unforeseen issues arise.

The agency must develop new or enhanced functions in several areas to adequately conduct business under a managed care structure (there are eight managed care contractors). Managed care for both Medicaid and PEB requires support in at least three significant functional areas: contract monitoring, outcome measurement evaluation and return on investment/cost effectiveness review. Managed care contracts are complex and extensive, requiring monitoring to ensure contract requirements are met and clients are served appropriately. Monitoring includes: onsite visit audit activity, client satisfaction measurement, plan report design and review, and data analysis. Outcome measures must be identified, developed, measured and analyzed to ensure managed care contractors are achieving the outcomes set forth in the contract. Cost effectiveness and return on investment must be monitored on a consistent basis to ensure the funding dedicated to the Medicaid managed care program is keeping spending at the lowest rate possible while continuing to achieve the intended outcomes of the contract. Each of these functions is being developed at HCA, but the numbers of FTEs needed in each area are not yet set. This process will be ongoing through 2014 with adjustments in future years as the health care environment evolves.

During the transformation of the agency, HCA must meet customer service standards as the number of enrollees expands. Up to one third of Washington's residents are supported by HCA call center staff, requiring resource levels, training, and information technology support to maintain appropriate customer service standards. The customer service function at HCA plays a vital role in oversight and program compliance, while serving as a positive face to the public.

Certain functions within the current organization can be identified as primarily supporting a fee for service structure; as transformation occurs these resources can be redirected to support the managed care business as identified above. Functions primarily supporting a fee for service structure include: claims processing, prior authorization, and coordination of benefits. Transformation to a managed care service delivery model will make a portion of these functions unnecessary but it is too early to identify exactly how many of these resources can be redirected. Unknown factors include: the final number of enrollees in managed care, effects of ACA implementation (including customer service requirements), impact of the single state agency function and additional developments in health care adopted by Washington State.

During the transition HCA needs additional support; these resources are vital to ensure management of risk and successful achievement of system goals.

During transition, HCA needs additional support as fee for service functions have not yet been reduced but managed care functions must be developed and implemented. Additional resources during the transition are vital to ensure management of risk and successful achievement of system goals; HCA is redirecting existing staff as vacancies occur to provide these resources. Resources will be added in analytical expertise, contract administration and monitoring, change management and organizational development, managed care program knowledge and information technology support. HCA is redirecting existing staff resources when vacancies occur to fund some of the necessary staff; a plan for additional redirection is currently being developed in preparation for the 2015 – 17 budget.

As transformation is complete, it is expected that the total number of HCA staff will be lower than it is today. The time period for completion of expected reductions in staff is about three years from now, in 2016 and 2017. Reductions in staff need to be planned as far into the future as possible to allow for staff transition to new jobs in state service and utilization of attrition to achieve reductions. The current environment continues to evolve, making projections of the number of staff available for redirection difficult. HCA needs to address fundamental issues to include: providing behavioral health services to enrollees, maintaining customer service levels, incorporating additional clients projected to enroll in the next few years, and implementation of the state-based all payer claims database (APCD) currently being planned.

HCA intends to utilize retraining, transition pools and staff redeployment as much as possible, allowing current staff in fee for service support functions to transition into new units supporting managed care. HCA will commit to work with its employees to ensure as smooth a transition as possible.

Conclusion

In summary, HCA continues to work through significant change. To be successful in this transformation HCA needs additional resources for a two to three year period. Unless business changes necessitate additional adjustments, the agency will be able to reduce staffing below current levels at that time. Work is continuing to develop the new staffing structure, profile and requirements, as well identification of agency functions to be reduced as the State moves to a managed care service delivery model.

Next Steps Proposed:

- ***Continue to update Governor and Legislature***
- ***Propose staffing changes as part of the 2015-2017 Budget Submittal***
- ***Monitor staffing needs for behavioral health integration, maintaining customer service, and enrolling new clients***
- ***Closely work with employees to ensure a smooth and responsible transition***
- ***Maintain integrity to ensure stewardship of state funds***
- ***Most importantly protect client safety.***

HCA is committed to updating the Governor and the Legislature as the transformation process moves forward. As part of the 2015-2017 budget development process HCA will submit a proposal for staffing changes related to the transformation. In the current budget process additional resources are necessary to manage program and financial risk, and to ensure successful implementation of ACA and transition to a managed care structure.

Appendix: Health Care Authority Organization Chart