

**Agency:** 110 Office of Administrative Hearings  
**Decision Package Code/Title:** JH HCA Supplemental  
**Budget Period:** 2013-15  
**Budget Level:** M1 - Mandatory Caseload and Enrollment Changes

**Recommendation Summary Text:**

The Office of Administrative Hearings (OAH) requests \$1,110,000 in appropriation authority to provide services to the Health Care Authority (HCA) for medical assistance hearings. OAH provides fair and independent hearings for applicants and recipients of HCA programs appealing HCA's decisions. OAH and HCA coordinates its funding requests to align expected hearing workloads with the resources required by OAH to perform the work.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2014</u></b>	<b><u>FY 2015</u></b>	<b><u>Total</u></b>
484-1 Administrative Hearings Revolving-State		1,110,000	1,110,000
<b>Total Cost</b>		<b>1,110,000</b>	<b>1,110,000</b>

<b>Staffing</b>	<b><u>FY 2014</u></b>	<b><u>FY 2015</u></b>	<b><u>FY2 FTEs</u></b>
FTEs	.0	9.7	9.7

<b>Revenue</b>		<b><u>FY 2014</u></b>	<b><u>FY 2015</u></b>	<b><u>Total</u></b>
<b><u>Fund</u></b>	<b><u>Source</u></b>			
484 Admin Hearings Revol	0420 Charges for Services		1,110,000	1,110,000
<b>Total Revenue</b>			<b>1,110,000</b>	<b>1,110,000</b>

**Package Description:**

HCA contracts with OAH to provide Administrative Law Judges, support staff, case management to coordinate hearings and meet state and federal due process requirements for timely and fair hearing decisions. Not complying with the hearing requirement risks loss of federal financial participation in the Medicaid program and/or costly litigation. This request includes funding for the existing caseload and the increase in workload from the increase in Medicaid eligible population from the Affordable Care Act (ACA).

OAH requests supplemental funding of \$1,110,000 and 9.7 FTEs (4.9 ALJ3 FTEs and 4.8 support staff) to cover OAH expenses for providing administrative hearings on behalf of HCA.

According to HCA, the caseload increase is driven by the expansion of the Medicaid program, the reinstatement of the Adult Dental program, and other areas. Overall, judge hours for HCA programs have increased by 11 percent when comparing the first eight months to the last four months of fiscal year 2014. For example, the MAGI Medicaid caseload for OAH increased from zero OAH billed judge hours in October 2013 to 135.3 OAH billed judge hours per month in both May and June 2014. The Medical, Dental, Transportation, Equipment (MDTE) hearing hours increased by more than 25 percent per month when comparing the first eight months to the last four months of fiscal year 2014.

OAH is actively engaged in working with HCA to reduce inadvertent hearing requests resulting from the wording of the routinely sent forms that cause many MAGI applicants to unintentionally request hearings for situations that cannot be addressed through the appeal

process.

In an effort to reduce the cost to the state, HCA, Department of Social and Health Services (DSHS) and OAH are developing an expedited process that recognizes the very high default rates for these MAGI hearings. Hearings will be scheduled in 10-case batches per half hour through the day to try and keep up and control costs.

This request also includes \$100,000 to cover the cost arising from the unintentional hearing requests that require OAH support staff work effort to process but which cost is not recovered due to the minimal amount of billable time by judges due to the high rate of defaults. As these cases rarely lead to an actual hearing and resulting billable judge time, OAH's billing model does not recover the cost for support staff for setting up cases, scheduling, arranging for translators, printing and mailing costs of these extraordinary appeals. HCA has agreed to cover OAH's cost to hire additional support staff to handle these cases.

Questions related to the fiscal portion of this decision package should be directed to Larry Dzieza at (360) 407-2717 or at larry.dzieza@oah.wa.gov.

## **Narrative Justification and Impact Statement**

### ***What specific performance outcomes does the agency expect?***

This request will fund OAH's administrative hearings process on behalf of HCA. According to HCA, not conducting the hearings could have negative fiscal implications for the state in terms of federal financial participation in the Medicaid program.

### **Performance Measure Detail**

#### **Activity:**

#### **Incremental Changes**

No measures submitted for package

### ***Is this decision package essential to implement a strategy identified in the agency's strategic plan?***

Yes, OAH cannot hold fair and independent hearings for the public and for government agencies and to issue quality and timely decisions without adequate resources and it supports the specific strategic goal of "strengthening the administrative judiciary".

### ***Does this decision package provide essential support to one of the Governor's priorities?***

Yes. If a state wishes to participate in the Medicaid program, it must comply with fair hearing provisions. In addition, the agency is working collaboratively with HCA using LEAN methodologies to identify and improve processes and address the root causes of the "waste" caused by unnecessary hearing requests.

### ***Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?***

NA

### ***What are the other important connections or impacts related to this proposal?***

This request is closely coordinated with HCA's mission and the state's federal relationship with the Medicaid program.

***What alternatives were explored by the agency, and why was this alternative chosen?***

OAH has worked closely with HCA in considering alternative approaches to providing for a timely and fair hearing system and have determined that OAH administrative hearing processes offer the most cost effective and timely way to meet HCA's constitutional and statutory requirement for entitlement programs. OAH and HCA have already made improvements to reduce the cost of the unnecessary hearing requests. However, even with future steps to reduce the unneeded requests, the overall increase in the size of the Medicaid program will mean a continuation of funding at a higher level.

***What are the consequences of not funding this package?***

OAH would not be able to provide the requested services by HCA. Failing to meet the timeliness requirements may subject the state to potential litigation and loss of federal funding for the Medicaid program.

***What is the relationship, if any, to the state's capital budget?***

None.

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None.

***Expenditure and revenue calculations and assumptions***

OAH assumes revenues of \$1,100,000 based on judge billable hours of 8,417.9 at the \$120 standard rate and \$100,000 in additional support staff billings.

***Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?***

All costs identified in this package are ongoing with the exception of the additional support staff charge the root cause of which is expected to be addressed in the next biennium.

OAH legal services will be required for HCA into the foreseeable future. The funding needed for upcoming biennia will be determined based on prior expenditures and caseload projections related to HCA cases.

<b><u>Object Detail</u></b>	<b><u>FY 2014</u></b>	<b><u>FY 2015</u></b>	<b><u>Total</u></b>
A Salaries And Wages		611,640	611,640
B Employee Benefits		239,918	239,918
E Goods\Other Services		210,063	210,063
G Travel		11,017	11,017
J Capital Outlays		37,362	37,362
<b>Total Objects</b>		<b>1,110,000</b>	<b>1,110,000</b>

**Agency:** 110 Office of Administrative Hearings  
**Decision Package Code/Title:** 8L Lease Rate Adjustments  
**Budget Period:** 2013-15  
**Budget Level:** M2 - Inflation and Other Rate Changes

**Recommendation Summary Text:**

This request reflects cost changes related to closing the OAH Vancouver facility effective December 2014.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2014</u></b>	<b><u>FY 2015</u></b>	<b><u>Total</u></b>
484-1 Administrative Hearings Revolving-State		(28,679)	(28,679)
<b>Total Cost</b>		<b>(28,679)</b>	<b>(28,679)</b>

**Package Description:**

On December 31, 2014 the OAH Vancouver facility will close. OAH exercised the lease option to terminate the lease that was to expire in May 2015. Analysis determined that the space was oversized and underutilized for the staffing level and business needs. Additionally, this facility had a history of deficiencies such as; flooding, roof leakage, and poor data connectivity. OAH expects a reduction in costs from the Vancouver closure to net \$28,679 for the remainder of FY15.

In alignment with the Governor's Executive Order 14-02 to expand telework and flexible work hours, OAH has assessed our business operations and is able to offer our judges telework options. Our Administrative Law Judges perform most hearings via phone. For the infrequent in person hearings OAH will work with other state agencies to use their facilities to meet our hearing room needs or rent space on an hourly or daily basis as needed.

Contributing to the success of reduced traffic congestion, improved quality of life for employees and reduced environmental impact is a positive move for OAH. Our administrative functions will be centralized in the OAH Olympia office, providing better collaboration and identification of best practices.

**Narrative Justification and Impact Statement*****What specific performance outcomes does the agency expect?***

We expect an increase in the use of telework and savings on facility related costs.

## Performance Measure Detail

### Activity:

### Incremental Changes

No measures submitted for package

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

This decision package ties to Goal 5 "Promote efficiencies and increase customer value."

*Does this decision package provide essential support to one of the Governor's priorities?*

Yes, the Governor's Executive Order 14-02 regarding telework.

*Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?*

NA

*What are the other important connections or impacts related to this proposal?*

None.

*What alternatives were explored by the agency, and why was this alternative chosen?*

The agency explored the move to a state owned facility (Department of Transportation) which would be modified to provide space for eight employees and a hearing room. The cost, particularly the requirement to amortize all of the improvements in the current fiscal year, made this option unaffordable.

*What are the consequences of not funding this package?*

Not approving this package would result in increased cost and a lost opportunity for the agency to refine its telework capabilities.

*What is the relationship, if any, to the state's capital budget?*

None.

*What changes would be required to existing statutes, rules, or contracts, in order to implement the change?*

None.

*Expenditure and revenue calculations and assumptions*

For the Vancouver closure, the facility related costs including the lease and utilities were included in the savings, less assumed savings from a previous downsizing adjustment to the agency's budget and additional hearing room rental cost estimated at \$3,120 for the remaining six months of FY15.

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

Cost savings are ongoing, approximately \$129,000 per biennium.

<u>Object Detail</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>Total</u>
E Goods\Other Services		(28,679)	(28,679)

**Agency:** 110 Office of Administrative Hearings  
**Decision Package Code/Title:** 8P Postage Rate Adjustments  
**Budget Period:** 2013-15  
**Budget Level:** M2 - Inflation and Other Rate Changes

**Recommendation Summary Text:**

Funding for \$88,000 for FY15 is requested for increased mailing volume and rates. In FY14, the cost of postage for Employment Security mailings sent from Olympia were shifted from the Employment Security Department to the Office of Administrative Hearings (OAH) resulting in a significant increase in the volume hearing notices and orders mailed at OAH's expense. This change occurred as a new case management system was implemented shifting more work to the OAH Spokane office. Also, the agency did not include a maintenance level adjustment for the increase in first class postage from \$0.46 to \$0.49 that became effective January 2014.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2014</u></b>	<b><u>FY 2015</u></b>	<b><u>Total</u></b>
484-1 Administrative Hearings Revolving-State		88,000	88,000
<b>Total Cost</b>		<b>88,000</b>	<b>88,000</b>

**Package Description:**

Funding for \$88,000 for the FY 15 17 biennium is requested for increased volume and rate changes for postage. On average over 2,000 ESD cases each month generate mailings for hearing notices and final orders of which an estimated 60 percent were transferred by a daily pick up from the Olympia OAH office by an ESD employee to be mailed by ESD. This process ended in FY14 and the OAH cost for postage correspondingly increased.

In January 2014, the U.S. Postal Service increased their rates by 6.5% for first class postage. This package also requests funding for that rate increase.

The OAH contact for this request is Larry Dzieza, Finance Director, and he can be reached at (360) 407 2717.

**Narrative Justification and Impact Statement*****What specific performance outcomes does the agency expect?***

OAH will continue to meet the legal requirement for notices and orders to the parties of appeals.

**Performance Measure Detail****Activity:****Incremental Changes**

No measures submitted for package

***Is this decision package essential to implement a strategy identified in the agency's strategic plan?***

This budget request is needed to implement the goal of "Enhance accountability and quality performance". Currently, the use of mail is the primary means of communication with appellants and that goal requires ongoing funding for postage.

***Does this decision package provide essential support to one of the Governor's priorities?***

Funding supports the Governor's priority to "...deliver customer satisfaction, employee engagement and innovation, and transparency and accountability".

***Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?***

N/A

***What are the other important connections or impacts related to this proposal?***

None.

***What alternatives were explored by the agency, and why was this alternative chosen?***

The agency is actively pursuing technologies that will reduce the need for mailing notices and orders in the current fiscal year. However, at this time, the ability to successfully establish an electronic notice and order alternative cannot be assessed nor does OAH have an estimate of the number of parties who would choose electronic only delivery to offset the cost of mailing.

***What are the consequences of not funding this package?***

OAH relies on the mail as the key means of communicating with its customers. Without funding to continue, the agency will not succeed in meeting customer expectations and legal requirements.

***What is the relationship, if any, to the state's capital budget?***

None.

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None.

***Expenditure and revenue calculations and assumptions***

Costs were calculated based on current postage costs for the average unemployment insurance case assuming 60 percent were being sent from the Olympia office had the postage paid directly by ESD. Each case requires a minimum of two mailings to the affected parties: a notice of hearing and a final order. On average, there are 2.5 parties to a case.

***Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?***

These costs are ongoing and will carry forward into future biennia.

The total anticipated carry forward levels should be \$88,000 per FY.

<u>Object Detail</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>Total</u>
E Goods\Other Services		88,000	88,000

**Agency:** 110 Office of Administrative Hearings  
**Decision Package Code/Title:** 9Q Equip Maintenance/Software licenses  
**Budget Period:** 2013-15  
**Budget Level:** M2 - Inflation and Other Rate Changes

**Recommendation Summary Text:**

Funding for \$19,832 for FY15 is requested for increased software charges for Microsoft Office licenses and data center charges for moving to the new State Data Center.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2014</u></b>	<b><u>FY 2015</u></b>	<b><u>Total</u></b>
484-1 Administrative Hearings Revolving-State		19,832	19,832
<b>Total Cost</b>		<b>19,832</b>	<b>19,832</b>

**Package Description:**

Funding in the amount of \$12,082 for FY15 is requested for increased software charges for Microsoft Office licenses due to a change in the licensing approach and related "true up" of the number of licenses and ongoing charges for the move to the State Data Center. OAH moved from a Citrix based server licensing arrangement in which licenses were associated with the number of users that tracked closely with the number of FTEs to a client based license approach that requires that each device have a license. There are 59 more licenses required on this device driven approach (examples include devices in hearing rooms, meeting rooms, training laptops etc.) with an annual license cost of \$204.78 each.

**Narrative Justification and Impact Statement*****What specific performance outcomes does the agency expect?***

OAH will comply with the legal requirements for software licensing, continue use of a mission critical caseload application and address IT continuity of operations risks.

**Performance Measure Detail****Activity:****Incremental Changes**

No measures submitted for package

***Is this decision package essential to implement a strategy identified in the agency's strategic plan?***

This budget request implements goals of "Promote efficiencies and increase customer value" and "Enhance accountability and quality of services".

***Does this decision package provide essential support to one of the Governor's priorities?***

Funding supports the Governor's priority to "...deliver customer satisfaction, employee engagement and innovation, and transparency and accountability". Without reliable technology, employees will not be able to maintain the quality and timeliness of services to customers.

***Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?***

NA

***What are the other important connections or impacts related to this proposal?***

None.

***What alternatives were explored by the agency, and why was this alternative chosen?***

The agency considered the cost and risk of maintaining current mission critical operations at our headquarters but determined that resources to upgrade and risk did not justify pursuit of that alternative.

The agency also is looking at alternatives to agency owned physical hardware such as cloud or fully hosted computing; however, the urgency to address the risk and cost issues made those options unacceptable.

***What are the consequences of not funding this package?***

OAH relies on its technology to provide cost effective services to over 30 state agencies and the citizens and businesses who are parties to the appeals. It is critical that applications operate effectively and reliably.

***What is the relationship, if any, to the state's capital budget?***

None.

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None.

***Expenditure and revenue calculations and assumptions***

There are 59 more licenses required with an annual license cost of \$204.78 each. In addition, \$7,500 for 10 months of State Data Center charges are included.

***Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?***

All of the cost is ongoing.

<b><u>Object Detail</u></b>	<b><u>FY 2014</u></b>	<b><u>FY 2015</u></b>	<b><u>Total</u></b>
E Goods\Other Services		19,832	19,832