



THE CASELOAD FORECAST COUNCIL

FORECASTING THE DEMAND SIDE OF THE BUDGET EQUATION

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Agenda

Caseload Forecast Council Overview

Caseload Forecasting:

- Organizational processes
- Technical methods
- Incorporating policy impacts into the forecast

Examples of:

- Policy impacts on the forecast
- Caseload growth trends

Lessons Learned



Caseload Forecast Council Overview

The Caseload Forecast Council (CFC) is a neutral, independent agency responsible for producing statewide entitlement caseload forecasts, from Public Education, to Medicaid, to Criminal Justice

Created in 1997 *“To promote the free flow of information and to promote legislative and executive input in the development of assumptions and preparation of forecasts. . . .” RCW 43.88C.030(1)*

These forecasts are:

- the basis for 80% of the Washington State budget
- required to be used by the Governor and Legislature in the budget process
- reviewed through a rigorous and collaborative workgroup process that promotes forecast transparency and consensus



A Three-Step Organizational Process

1) Technical Workgroup

- Twelve separate workgroups covering program areas such as Medicaid, Public Education, Criminal Justice, Public Assistance, Long Term Care, Developmental Disabilities, & Children's Services
- The Nuts and Bolts of the Forecast Process

2) Formal Workgroup

- Senior Fiscal Directors from Legislative and Executive branches
- Reviews draft forecasts in all areas prior to Council meeting

3) Caseload Forecast Council

- Four Legislators and two Executive Appointees review and approve the official caseload forecasts three times a year, for Governor's budget, Legislative budget, and Spring outlook



The Technical Workgroup Process

- Includes legislative and executive budget analysts, forecasters, and agency fiscal and program experts
- Facilitates incorporation of domain knowledge
- Reviews major decisions affecting the forecasts
- Reduces forecast bias and increases forecast accuracy
- Results in official forecasts for the Maintenance Level budget



Organization Change in Forecasting

Create a Neutral
Forecasting
Organization



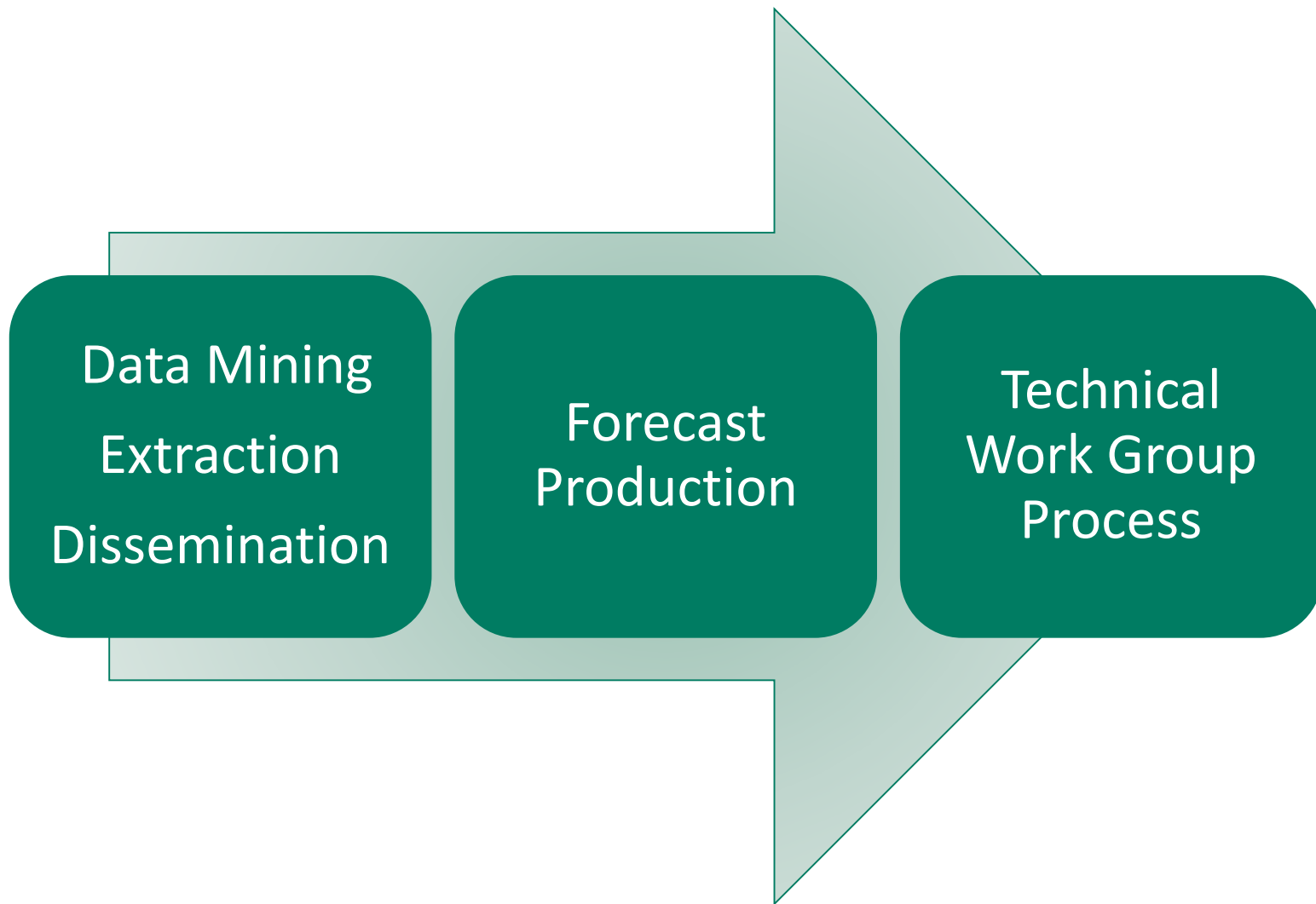
Create a Collaborative,
Transparent
Forecasting Process



Improve both
Forecast Process and
Forecast Accuracy



The forecast process involves three distinct components





Caseload Forecasting Methods

Two Components:

- 1) Baseline trend: the trend absent policy changes
- 2) Step Adjustment: the estimated impact of a policy change

Models can be based on:

- time series (exponential smoothing, ARIMA)
- entries, exits, and transfers (Markov Chain)
- regression using independent and/or dummy variables

Length of historical series and forecast horizon varies by caseload and forecast cycle



Choosing a Forecast Model

- Nature of the historical data series
- Statistics of fit, out-of-sample testing
- Judgmental input and expertise from technical workgroup
- Intuition
- Incrementalism

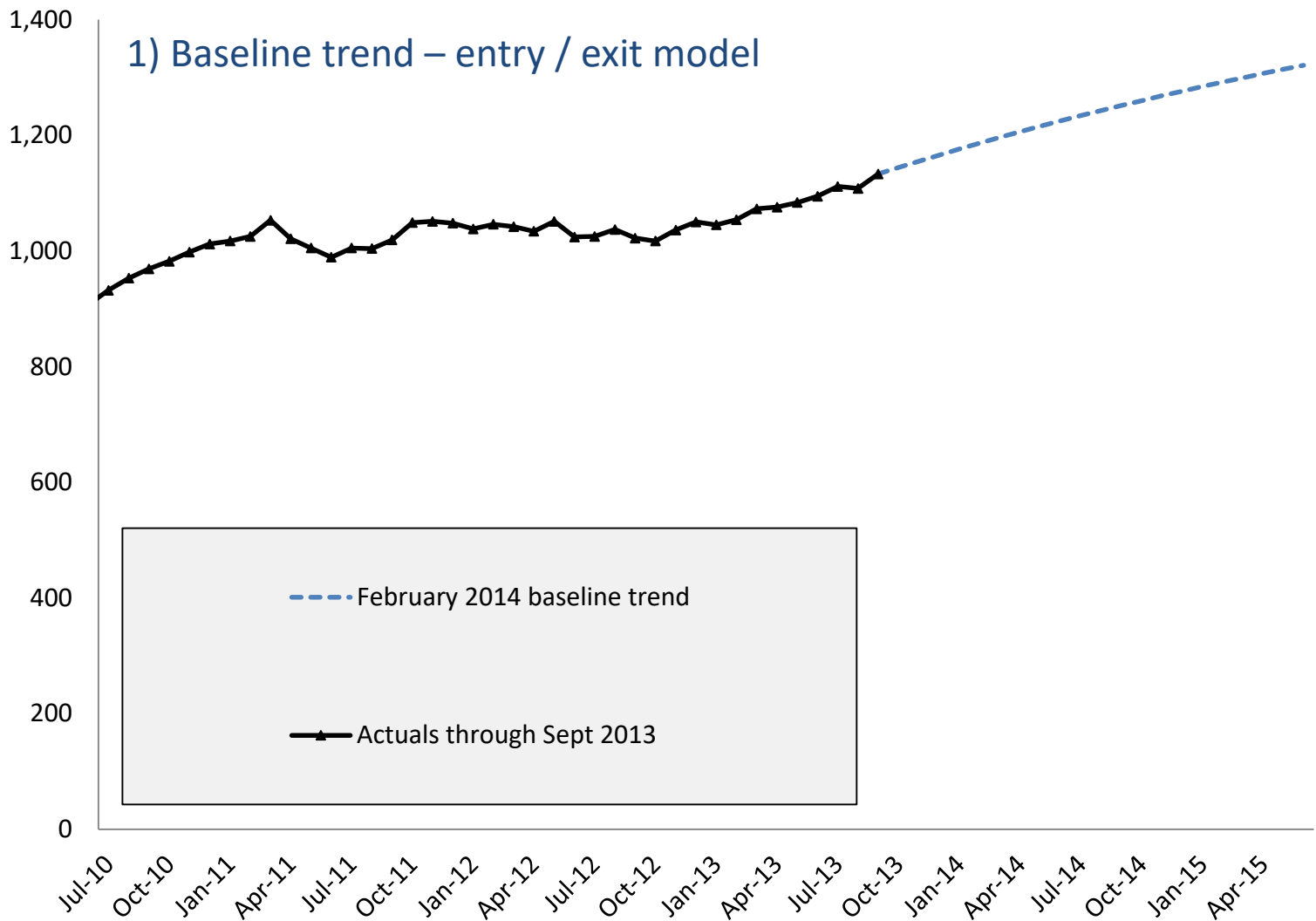


Incorporating Policy Impacts

- Referred to as “Step Adjustments”
- Rely on legislative fiscal notes, judgmental input from agencies, research / experience from other states, and literature reviews
- Step adjustments are updated as data become available
- Strive for consensus on the impacts through the technical workgroup process
- An example from estimating the impact of the Affordable Care Act (ACA) on Medicaid Caseloads

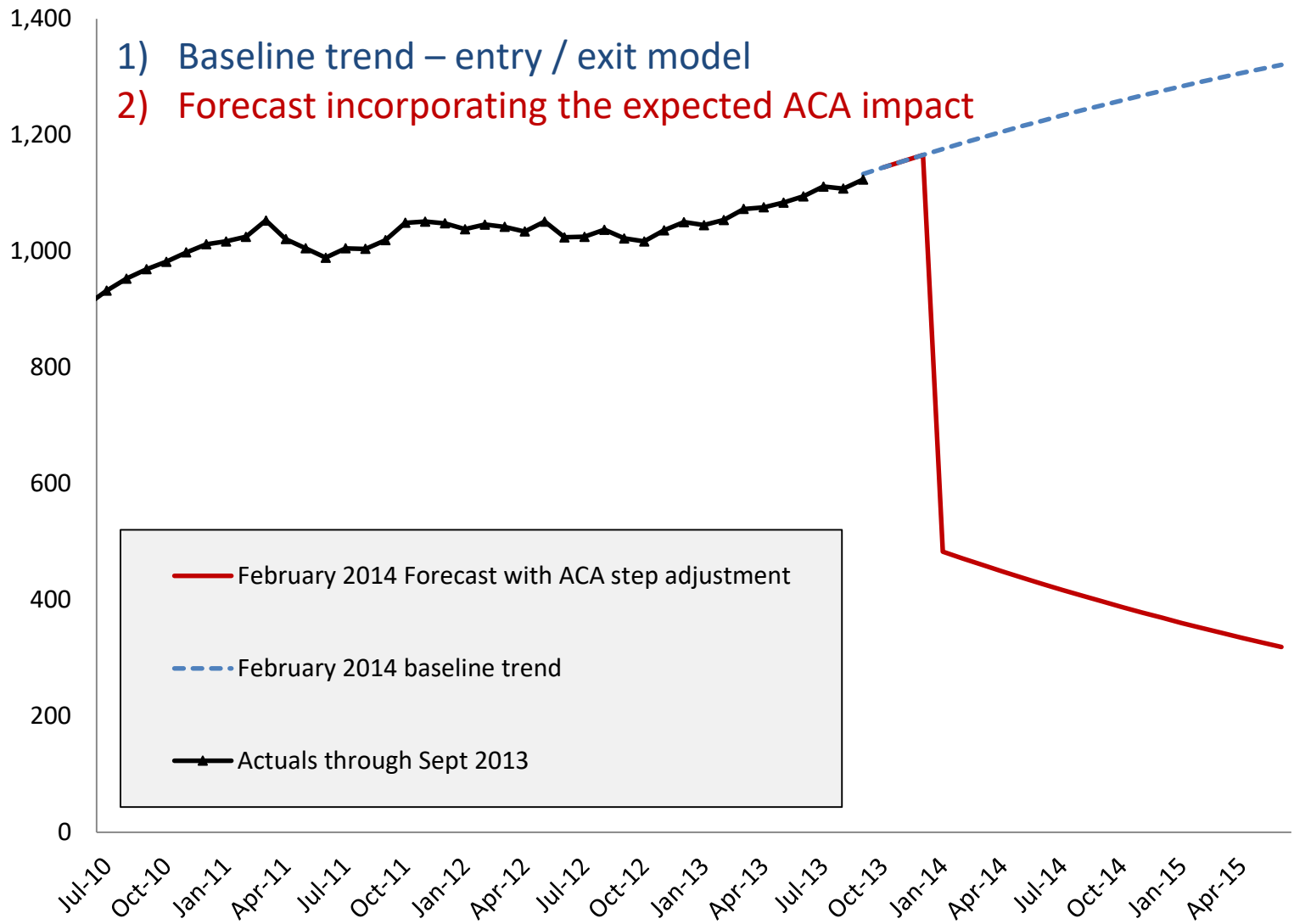


Example: Projecting the ACA impact on the Breast and Cervical Cancer Treatment Caseload



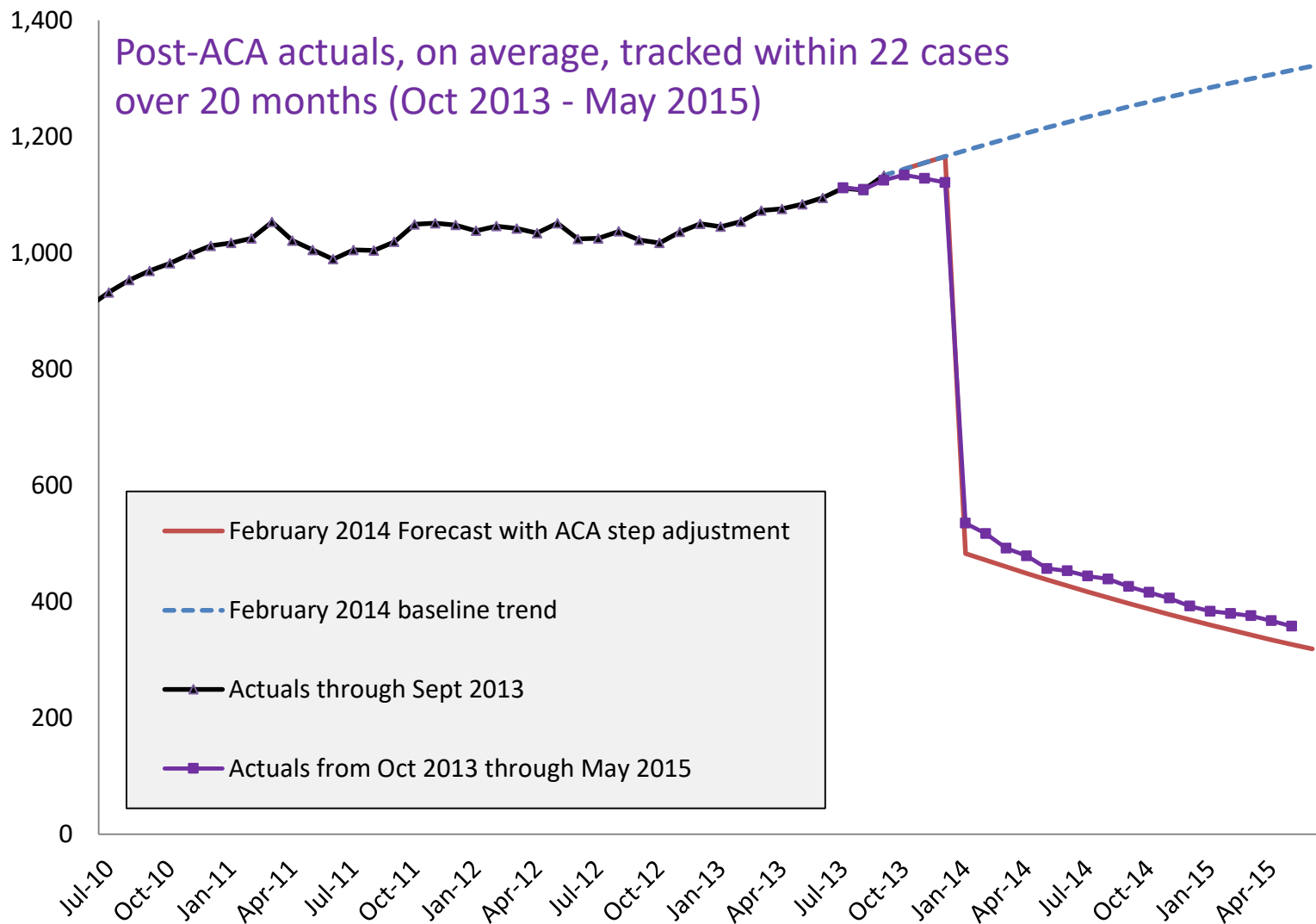


Example: Projecting the ACA impact on the Breast and Cervical Cancer Treatment Caseload





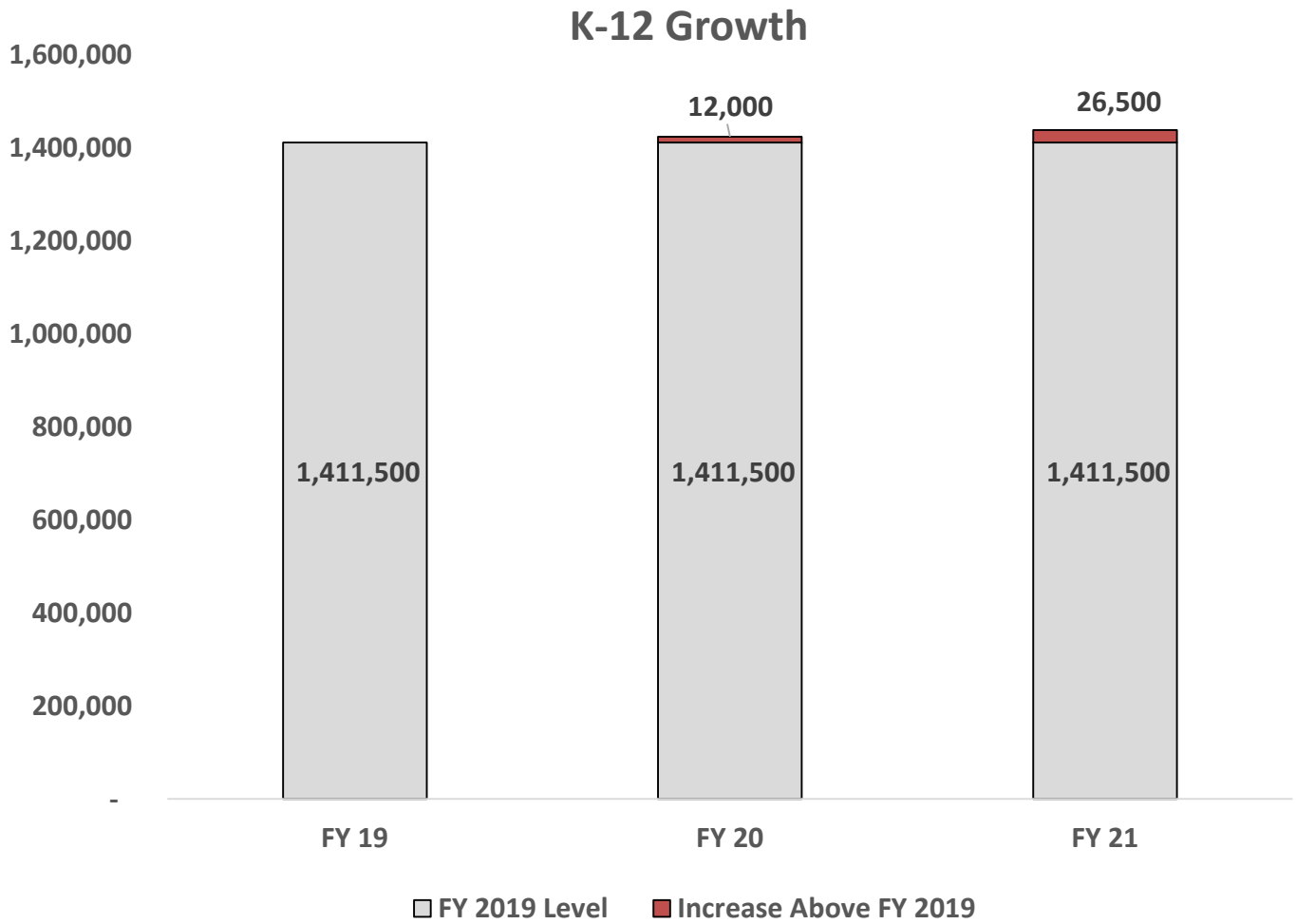
Example: Projecting the ACA impact on the Breast and Cervical Cancer Treatment Caseload





Caseload Growth Example: K-12

Compared to the baseline of FY 2019 enrollment, the K-12 caseload is projected to grow by 1% in FY20 and 2% in FY21, or a 1% average annual growth.

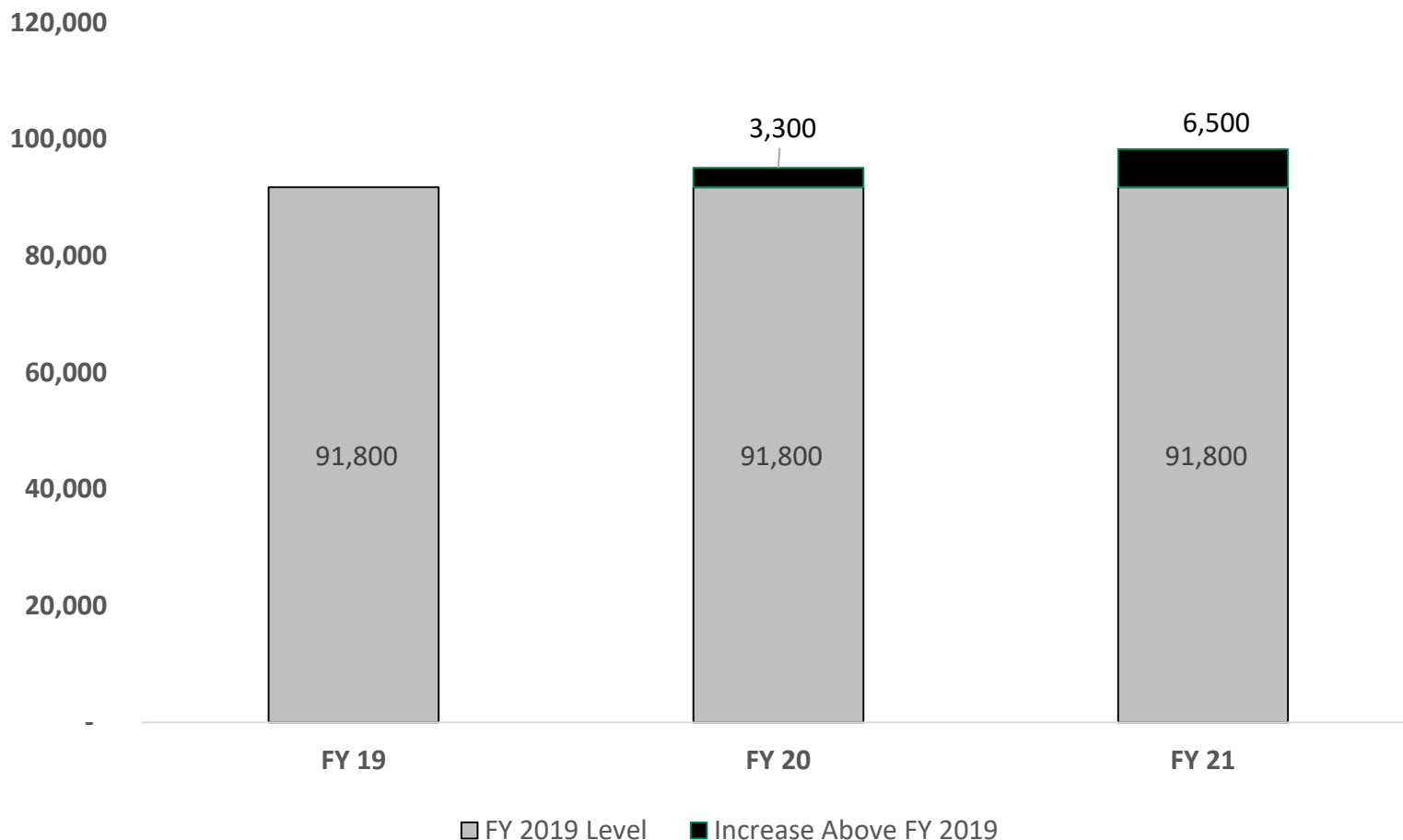




Caseload Growth Example: Aging

Compared to the baseline of FY 2019 enrollment, the Aging and Long-Term Support caseloads are projected to grow by 4% in FY20 and 7% in FY21, or a 3.5% average annual growth.

Growth for Aging and Long-Term Support





Lessons Learned

ABCs of Forecasting in Organizations

Acceptability

Bias Identification

Collaboration & Communication

Demystification

Evaluation

Forecasting Function



More Lessons Learned . . .

Forecasting is very difficult, especially if it's about the future.

The moment you forecast, you know you're going to be wrong; you just don't know when and in which direction.

Give them a number or give them a date, but never both.

If you have to forecast, forecast often.

If you're ever right, never let them forget it.

--from Edgar R. Fiedler. *The Three Rs of Economic Forecasting: Irrational, Irrelevant and Irreverent*, June 1977.



Thank you!

- Questions and Comments?
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