



## 2019-21 Biennium Budget Decision Package

**Agency:** 303 - Department of Health  
**Decision Package Code-Title:** 4A - Address Health Integration Indirect  
**Budget Session:** 2019-21 Regular  
**Budget Level:** Maintenance Level  
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### Agency Recommendation Summary

The fiscal note for Chapter 201, Laws of 2018 (2ESHB 1388) relating to behavioral health integration did not include sufficient appropriation to support the program's federal indirect rate requirement. The Department of Health requests additional appropriation to address the funding shortfall. Without this additional appropriation, the department would identify programmatic reductions of \$683,000 general fund state each year to supplant the indirect rate requirement for the behavioral health integration legislation.

### Fiscal Summary

*Dollars in Thousands*

<b>Operating Expenditures</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Fund 001 - 1	\$369	\$369	\$369	\$369
Fund 001 - 7	\$272	\$272	\$272	\$272
Fund 001 - 2	\$42	\$42	\$42	\$42
<b>Total Expenditures</b>	<b>\$683</b>	<b>\$683</b>	<b>\$683</b>	<b>\$683</b>
<b>Biennial Totals</b>		<b>\$1,366</b>		<b>\$1,366</b>
<b>Staffing</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
FTEs	9.0	9.0	9.0	9.0
<b>Average Annual</b>		<b>9.0</b>		<b>9.0</b>
<b>Object of Expenditure</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Obj. A	\$446	\$446	\$446	\$446
Obj. B	\$156	\$156	\$156	\$156
Obj. E	\$81	\$81	\$81	\$81

Revenue	FY 2020	FY 2021	FY 2022	FY 2023
001 - 0393	\$42	\$42	\$42	\$42
001 - 0597	\$272	\$272	\$272	\$272
<b>Total</b>	<b>\$314</b>	<b>\$314</b>	<b>\$314</b>	<b>\$314</b>
<b>Biennial Totals</b>		<b>\$628</b>		<b>\$628</b>

## Package Description

Chapter 201, Laws of 2018 (2ESHB 1388) funded the state-wide effort to integrate physical and mental health, with behavioral health certification and licensing activities transferring from the Department of Social and Health Services to the Department of Health. The 2017-19 budget funded the direct program activities, but did not include funding for its indirect activities.

The Department of Health direct costs (e.g. non-administrative) and pass-thru expenditures (contracts to local partners, interagency agreements, etc.) are subject to an indirect charge. Federal regulations in 2 CFR 200.403(c) require the federally approved indirect rate to be applied consistently to both federally-financed and other activities. As a result, the Department of Health must apply its approved indirect rate to its direct cost activities regardless of whether additional indirect funding is provided in the state budget. If the indirect portion of a funding request is not provided by the legislature, the Department of Health would need to repurpose funds from its base general fund state appropriation to cover the shortfall, effectively causing a direct program reduction elsewhere in the agency.

Another alternative is to reduce the agency's indirect rate. However, a rate reduction must be applied equally to all fund types per federal regulation. Since GFS only accounts for 10% of the department's overall direct expenditures, every \$1 reduced in GFS administrative costs must be accompanied by an additional \$9 reduction to non-GFS activities. In order to generate \$369,000 in GFS savings, the department would have to reduce an additional \$3.3 million in administrative costs.

## Assumptions and Calculations

### Expansion or alteration of a current program or service:

This request is not an expansion or alteration of a program.

### Detailed assumptions and calculations:

The applicable indirect rates are as follows:

- Direct Cost Division (HSQA) Indirect Rate: 11.4%
- Direct Cost Agency Indirect Rate: 15.4%

- Pass thru Cost Agency Indirect Rate: 1.2%

The funding levels requested in this decision package are based on the direct and pass thru cost estimates identified in the fiscal note for Chapter 201, Laws of 2018 (2ESHB 1388).

FTE estimates are based on the department's standard calculation of total indirect cost divided by 75,000 to represent the average cost per FTE for a Health Services Consultant 1 or a Fiscal Analyst 2.

**Workforce Assumptions:**

See attached FNCal

## Strategic and Performance Outcomes

**Strategic framework:**

This decision package supports the Governor's Initiative to integrate physical and mental health services.

This proposal supports the agency effort to ensure health equity and improve population health

- Implement public health elements of Healthier Washington, Washington's approach to health system transformation and innovation
- Promote behavioral health and prevent mental illness

**Performance outcomes:**

N/A

## Other Collateral Connections

**Intergovernmental:**

N/A

**Stakeholder response:**

N/A

**Legal or administrative mandates:**

N/A

**Changes from current law:**

N/A

**State workforce impacts:**

N/A

**State facilities impacts:**

N/A

**Puget Sound recovery:**

N/A

## Agency Questions

**Did you include cost models and backup assumptions?**

See attached FNCal

## Reference Documents

- 4A-BHI Indirects.xlsm

## IT Addendum

**Does this Decision Package include funding for any IT-related costs, including hardware, software, (including cloud-based services), contracts or IT staff?**

No