

Alaska State Legislature

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Sponsor Statement House Bill 227

House Bill 227 renews the conversation around necessary and cost saving reforms to the state Medicaid program. In the current budget climate, it is imperative that the state look for savings wherever possible. The changes included in HB 227 will save the state \$309,947,000 over the next five years from known cost shifting options, with even greater future savings possible through the successful implementation of demonstration projects and improved systems. In addition to state savings, HB 227 will improve the health of Alaskans and create a better program for providers and recipients alike.

The reforms range from small administrative changes, such as reducing redundant audits, to deeper shifts in policy propelled by demonstration projects which envision a healthier, more effective healthcare system. These steps have been previously analyzed by the House Health and Social Service Committee. Some components have savings that are easy to quantify, including the Home and Community-Based Services 1915(i) and (k) options. By approving these amendments to the Medicaid state plan we can shift services that are already being provided to vulnerable adults from 100% state general funds to a 50-56% federal match, an annual saving of \$24 million. Other savings do not appear on the fiscal notes but have tremendous potential. The demonstration of a global payment model as proposed by section 12 has local support and will limit the overall cost of care for the region where it is implemented. Research has shown that educating and supplementing pregnant women, demonstrated in section 15, can reduce preterm birthrates by 50%. At an average cost of \$55,000 per pre-term birth, a reduction of even 25-50% would lead to annual savings of \$1,330,000-\$6,775,000 to the Denali Kid Care program. Examining these reforms and initiatives remains as important as last session, because many if not all will require legislative approval before the Department can implement these cost saving changes.

HB 227 also enhances legislative oversight of Medicaid reform. The Department of Health and Social Services is required to report on the progress of various initiatives. These reports will include whether or not the predicted cost savings have been achieved and to what degree, allowing the legislature to monitor the success of the Medicaid program.

True healthcare reform is a constant process, and we must continually search for large and small changes that will make our system healthier and more efficient. Improvements to the state's Medicaid program can serve as a catalyst to create change in the healthcare system as a whole. House Bill 227 is an important step down the path to reduced costs and better value for our healthcare dollar.