

Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version: SB 74
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB074-DHSS-CO-03-20-15
Title: MEDICAID REFORM/PFD/HSAS/ER
USE/STUDIES
Sponsor: KELLY
Requester: Senate Health & Social Services Committee

Department: Department of Health and Social Services
Appropriation: Departmental Support Services
Allocation: Commissioner's Office
OMB Component Number: 317

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2016	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2016 Request	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
OPERATING EXPENDITURES	FY 2016	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Personal Services							
Travel	6.0						
Services	759.0						
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	765.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

1002 Fed Rcpts	20.0						
1003 G/F Match	20.0						
1004 Gen Fund	725.0						
Total	765.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

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Estimated SUPPLEMENTAL (FY2015) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2016) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? no
If yes, by what date are the regulations to be adopted, amended or repealed? n/a

Why this fiscal note differs from previous version:

Not applicable, initial version.

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Division: <u>Finance and Management Services</u>	Date: <u>03/20/2015 01:37 PM</u>
Approved By: <u>Sarah Woods, Deputy Director Finance & Management Services</u>	Date: <u>03/20/15</u>
Agency: <u>Health & Social Services</u>	

FISCAL NOTE ANALYSIS

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Analysis

Reform performance targets:

Section 2(a)(10) of the bill requires the Department to seek stakeholder input in establishing annual targets or performance metrics for the quality and cost effectiveness of activities the Department undertakes in the name of Medicaid reform. Section 2(b) requires the Department to report to the legislature annually on cost savings resulting from reform, and whether or not the Department has met the defined targets.

Performance indicators to measure quality and cost-effectiveness in the Medicaid program were established in recent years through the department’s Results-based Budgeting and Accountability initiative. These metrics will be refreshed and updated to include measures associated with the new reform efforts and incorporate the required targets. The Department will use existing boards and commissions to facilitate stakeholder involvement in this process, which will reduce the need for additional funds associated with convening stakeholder meetings. The enhanced process for tracking and reporting on the Medicaid targets will be incorporated into existing budget and annual report systems to meet the annual report requirement.

One-time costs:

72000 Travel: \$6.0 (\$3.0 GF/ \$3.0 Fed)

Travel to Wasilla, Barrow, Ketchikan and Kodiak for 1 staff and 1 contracted court reporter

73000 Contractual Services: \$34.0 (\$17.0 GF/\$17.0 Fed)

A professional services contract (\$30.0) is required for a consultant to compile existing measures, identify gaps related to measuring outcomes from new reform efforts, conduct literature reviews to identify grades of evidence for potential new measures, define specifications for each quality and cost measure, compile and analyze input from stakeholders and technical experts, and test the measures for validity and reliability. Line item also includes costs for renting public meeting space in Wasilla, Barrow, Ketchikan and Kodiak, and court reporter services for these four meetings.

Residential services privatization feasibility:

Section 8 of this bill directs the Department to conduct a study analyzing the feasibility of privatizing services delivered at the Department's 24/7 residential facilities - Alaska Pioneers' Homes, the Alaska Psychiatric Institute, and “select facilities” in the Division of Juvenile Justice. A summary of the findings is due to the legislature by late January 2016.

The Division of Alaska Pioneer Homes has six 24-hour facilities which provide assisted living care and memory care to residents, along with a central office and a pharmacy:

- (1) Central Office - 11 permanent employees,
- (2) Sitka Pioneer Home - 86 permanent employees, 65 licensed assisted living home beds
- (3) Fairbanks Pioneer Home - 103 permanent employees, 93 licensed assisted living home beds
- (4) Alaska Veterans and Pioneers Home - 103 permanent positions, 79 licensed assisted living home beds
- (5) Anchorage Pioneer Home - 177 permanent positions, 168 licensed assisted living home beds
- (6) Ketchikan Pioneer Home - 64 permanent positions, 48 licensed assisted living home beds
- (7) Juneau Pioneer Home - 50 permanent positions, 48 licensed assisted living home beds
- (8) Centralized Pharmacy - 6 permanent positions

The Alaska Psychiatric Institute is a 24-hour, 80 bed, nationally accredited inpatient psychiatric hospital employing 247 permanent staff and organizationally housed within the Division of Behavioral Health (DBH).

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Analysis Continued

The Division of Juvenile Justice operates eight 24-hour Alaska youth facilities:

- (1) Bethel Youth Facility - 28 permanent employees, 6 beds
- (2) Fairbanks Youth Facility - 40 permanent employees, 36 beds
- (3) Johnson Youth Center (Juneau) - 36 permanent employees, 30 beds
- (4) Kenai Peninsula Youth Facility - 18 permanent positions, 10 beds
- (5) Ketchikan Regional Youth Facility - 18 permanent positions, 18 beds
- (6) Mat-Su Youth Facility (Palmer) - 20 permanent positions, 15 beds
- (7) McLaughlin Youth Center (Anchorage) - 166 permanent positions, 132 beds
- (8) Nome Youth Facility - 19 permanent positions, 14 beds

The Department would contract out for this study, which will assess the most common types of privatization and rank them by applicability for DHSS residential services:

- (1) outsourcing
- (2) public-private partnership
- (3) asset sales or leasing
- (4) vouchers
- (5) government corporation
- (6) complete privatization

The contractor will need to provide:

- (1) a final written feasibility analysis report
- (2) a comprehensive assessment of the ranked privatization options
- (3) an analysis of the impact to DHSS residential services and clientele thereof that privatization will cause
- (4) resulting employer costs of any labor relations and/or union contract stipulations regarding privatizing state employee duties
- (5) recommendations for cost saving measures that would help the Department, should privatization be deemed not feasible.

The contractor must consider:

- the complex nature of the population served by each facility category
- the variety of Alaskan communities
- stakeholders' needs

The contractor must bring to bear considerable expertise in the services and systems, legal authorities, frameworks and funding mechanisms specific to each of the three residential service categories. Additionally, the contractor must have knowledge of the process and outcomes of privatization of similar services in other states, and specific application to services provided in Alaska.