

FISCAL NOTE

STATE OF ALASKA
2016 LEGISLATIVE SESSION

Bill Version CSSB074(FIN)am
Fiscal Note Number _____
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Identifier (file name) SB074CS(FIN)am-DHSS-MAA-3-18-16 Dept. Affected Health and Social Services
Title Medical Assistance Coverage; Reform Appropriation Health Care Services
Allocation Medical Assistance Administration
Sponsor Sen Kelly
Requester House Finance OMB Component Number 242

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY17 Appropriation Requested	Included in Governor's FY17 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY17	FY17	FY18	FY19	FY20	FY21	FY22
Personal Services	582.1		582.1	582.1	218.4	218.4	218.4
Travel	1.0						
Services	95.3		93.8	93.8	93.8	93.8	93.8
Commodities	19.2		4.0	4.0	4.0	4.0	4.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	697.6	0.0	679.9	679.9	316.2	316.2	316.2

FUND SOURCE (Thousands of Dollars)							
1002	Federal Receipts	348.9		340.0	340.0	158.1	158.1
1003	GF Match	57.7		48.9	48.9	158.1	158.1
1004	GF						
1092	MHTAAR (Other)	291.0		291.0	291.0		
1007	I/A Rcpts (Other)						
1108	Stat Desig (Other)						
TOTAL		697.6	0.0	679.9	679.9	316.2	316.2

POSITIONS							
Full-time	2		2	2	2	2	2
Part-time							
Temporary	4		4	4			

CHANGE IN REVENUES							
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Estimated SUPPLEMENTAL (FY16) operating costs 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY17) costs 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? Yes
If yes, by what date are the regulations to be adopted, amended, or repealed? 7/1/2017 Discuss details in analysis section.

Why this fiscal note differs from previous version (if initial version, please note as such)

Fund source switch from UGF to MHTAAR for the State's share of costs for two new positions dedicated to primary care case management, the coordinated care demonstration project, health homes, and the emergency room use initiative. Added four Alaska Mental Health Trust-supported long term non-permanent positions to assist with Medicaid reform efforts overall.

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Phone 907-334-2520
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FISCAL NOTE ANALYSIS

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Analysis

Sections 8 through 12 and 26-28 establish a series of new provisions intended to strengthen fraud and abuse prevention and remediation, and include the addition of a new Alaska Medicaid False Claim and Reporting Act. These provisions would authorize the department to assess interest and penalties on overpayments, impose civil fines, and seize property of medical assistance providers who have or are committing medical assistance fraud.

Promulgation of associated regulations will take approximately six months, with implementation effective January 1, 2017. There will be a significant increase in appeals from these new policies. The department anticipates that it will need one long term non-permanent Medical Assistance Administrator III (position details, bottom of p.3) to handle this additional workload. It also anticipates additional training and minimal travel costs will be needed to support and implement these new policies. The estimated training cost for tuition is \$1.5 while the estimated travel costs are \$1.0.

Due to the increase in appeals with the Office of Administrative Hearings for fraud and abuse handled under these sections, the reimbursable services agreement with that office is increased by \$75.0 per year to address their increased workload.

Section 29, pp. 28-29, direct the department to implement the Primary Care Case Management system or managed care organization (MCO) contract authorized under AS 47.07.030(d). This system would require certain Medicaid recipients to obtain approval from a case manager or MCO before receiving certain services in order to increase the use of primary and preventive care, and decrease the use of specialty care and hospital services.

Additional staff will be required to develop this program, including establishing and overseeing the contract with the Administrative Services Organization, and data development and analysis. Two positions will be established for FY2017 - FY2019 to support this and all other health delivery and payment reform initiatives in this bill (Section 30, subsection (d)(3), Health Homes; Section 30, subsection (d)(5) telemedicine; Section 31 (47.07.038) hospital emergency use reduction).

Section 30 (d)(3) directs the department to implement the Health Homes option under section 1945 of the Social Security Act. Health Homes provide integrated and coordinated care for people with chronic health conditions. The department would need approximately two years for planning and development prior to implementation in order to determine eligibility criteria for recipients and for providers, design the new payment methodology and required reporting systems, develop and receive approval on the State Plan Amendment and associated regulations, and make required modifications to the Medicaid Management Information System.

The planning phase for this initiative would begin in FY2018, with implementation in FY2020. The positions established to develop the Primary Care Case Management system (Section 29 of this bill) will staff this initiative.

Section 31, pp.30-31 (47.07.038) directs the department to establish, in collaboration with the Alaska State Hospital and Nursing Home Association, a hospital-based project designed to reduce the use of hospital emergency departments by Medicaid enrollees.

The department proposes the existing Health Information Exchange (HIE) be utilized as the foundational technology for electronic exchange of patient information among hospital emergency departments. This technology is already in place, but education and outreach to emergency department staff to help them learn how to use the HIE is required.

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Analysis Continued

Program staff support would be required for negotiation and contracting with hospitals for the shared-savings payment reform associated with this initiative, and also for data systems and analysis. The positions established to develop the Primary Care Case Management system (Section 29 of this bill) will staff this initiative.

Section 31 (47.07.039) directs the department to contract with one or more third parties to implement one or more coordinated care demonstration projects for Medicaid recipients, with proposals requested on or before 12/31/2016. Demonstration projects must include three or more of the following: comprehensive primary-care-based management for medical and behavioral health service; care coordination including assignment of recipients to local primary care providers, where possible; health promotion; comprehensive transitional care and post-discharge follow-up care; referrals to community and social support services; sustainability and the ability to implement in other areas of the state; integration and coordination of benefits and services; and local accountability for health and resource allocation.

This demonstration project will be implemented in three regions of the state. Planning and development would begin in FY2017, with implementation starting in FY2019. An estimated 30,000 Medicaid recipients would be enrolled to receive services through this demonstration project. For purposes of estimation, the Department assumes the entities would be reimbursed on a fee-for-service basis plus shared-savings, with the entities receiving a portion of any savings accrued to the state Medicaid program, for the first two years.

Program staff support would be required for negotiation and contracting with the entities, and also for data systems and analysis. The positions established to develop the Primary Care Case Management system (Section 29 of this bill) will staff this initiative.

STAFFING FOR THE ABOVE EFFORTS

Personal Services:

One permanent full-time Medical Assistance Administrator IV for program development and management; Range 21, Anchorage; \$112.4 annually (**Mental Health Trust providing MHTAAR for the State's 50% portion**)

One permanent full-time Medical Assistance Administrator III for data systems and analysis; Range 20 Anchorage; \$106.0 annually (**Mental Health Trust providing MHTAAR for the State's 50% portion**)

Services: Office space, phones, reimbursable service agreements (RSAs) for position support costs: \$18.8 annually

Commodities: Office supplies: \$4.0 annually

One-Time Commodities Cost: Computer, software, and office equipment: \$15.2

One long term non-permanent Medical Assistance Administrator IV to assist Behavioral Health program development and modifications to meet Medicaid reform goals; Range 21, Anchorage; \$102.3 annually (**Mental Health Trust providing MHTAAR for the State's 50% portion**)

One long term non-permanent Medical Assistance Administrator III to handle and manage the increased workload from appeals to the new regulations and policies associated with Medicaid fraud and abuse and the new Alaska Medicaid

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False Claim and Reporting Act, Range 20, Anchorage; \$96.9 annually **(Mental Health Trust providing MHTAAR for the State's 50% portion)**

One long term non-permanent Medical Assistance Administrator II to assist with the 1115 waiver, and Behavioral Health program development and modifications to meet Medicaid reform goals; Range 18, Anchorage; \$86.9 annually **(Mental Health Trust providing MHTAAR for the State's 50% portion)**

One long term non-permanent Medical Assistance Administrator I to assist the Quality Assurance and Analysis section to reduce the number of super utilizers of hospital emergency departments by Medicaid enrollees , Range 16, Anchorage; \$77.6 annually **(Mental Health Trust providing MHTAAR for the State's 50% portion)**