

# FISCAL NOTE

STATE OF ALASKA  
2016 LEGISLATIVE SESSION

Bill Version CSSB074(FIN)am  
Fiscal Note Number \_\_\_\_\_  
( ) Publish Date \_\_\_\_\_

Identifier (file name) SB074CS(FIN)am-DHSS-CO-3-17-16 Dept. Affected Health and Social Services  
Title Medicaid Reform Appropriation Departmental Support Services  
Allocation Commissioner's Office  
Sponsor Sen Kelly  
Requester House Finance OMB Component Number 317

## 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	493.7		493.7	493.7	493.7	493.7	493.7
Travel	9.6		9.6	9.6	9.6	9.6	9.6
Services	772.6		37.6	37.6	37.6	37.6	37.6
Commodities	38.5		8.1	8.1	8.1	8.1	8.1
Capital Outlay							
Grants, Benefits							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>1,314.4</b>	<b>0.0</b>	<b>549.0</b>	<b>549.0</b>	<b>549.0</b>	<b>549.0</b>	<b>549.0</b>

FUND SOURCE		(Thousands of Dollars)					
1002	Federal Receipts	289.7		274.5	274.5	274.5	274.5
1003	GF Match	289.7		274.5	274.5	274.5	274.5
1004	GF	735.0					
1005	GF/Prgm (DGF)						
1007	I/A Rcpts (Other)						
1178	temp code (UGF)						
<b>TOTAL</b>		<b>1,314.4</b>	<b>0.0</b>	<b>549.0</b>	<b>549.0</b>	<b>549.0</b>	<b>549.0</b>

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

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? no  
If yes, by what date are the regulations to be adopted, amended, or repealed? n/a Discuss details in analysis section.

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

Bill references are updated.

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Agency Health and Social Services

Phone 907-465-1629  
Date/Time 3/17/2016 5pm  
Date 3/17/2016

## FISCAL NOTE ANALYSIS

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### Analysis

**Section 38:** Included in this note is the creation of the Tribal Federal Liaison Section that will aggressively move forward on the new Centers for Medicare and Medicaid Services (CMS) policy to obtain maximum savings in as quick a timeline as possible. This section would have statewide multi-division and departmental responsibility for effectively implementing tasks to obtain maximum refinancing and savings associated with the CMS policy clarification on tribal claiming. It would include federal tribal liaison work with CMS, covering all aspects of the Alaska Medicaid program.

This section will be responsible for achieving the enhanced savings in tribal claiming shown in the Health Care Medicaid Services component. **These positions were contained in the House and Senate Finance subcommittee recommendations for the DHSS operating budget and are included the operating budget bill currently awaiting a concurrence vote in the House of Representatives.**

Enhanced federal funding for the Medicaid program is contingent upon development and implementation of referrals, care plans and claiming for services to Alaska Native and American Indians (AN/AI). This will require maintaining and amending the Medicaid State Plan in accordance with federal requirements and regulations. As such, this section will provide department-wide oversight and expert policy analysis to meet the new CMS policy requirements.

This new section will be made up of four new positions: One Division Operations Manager, two Medical Assistance Administrator IVs, and one Medical Assistance Administrator I. Costs are as follows.

Personal Services: One permanent full-time Division Operations Manager; Range 24, Juneau; \$ 152.5 annual cost

Two permanent full-time Medical Assistance Administrator IV; Range 21, Juneau; \$ 247.9 annual cost

One permanent full-time Medical Assistance Administrator I; Range 16, Juneau; \$ 92.9 annual cost

Travel: 9.6 annually (only the Manager and one Administrator IV will travel)

Services: Office space, phones, reimbursable service agreements (RSA) for position support costs: \$37.6 annually

Commodities: Office supplies: \$8.1 annually

One-Time Commodities Cost: Computer, software, and office equipment: \$30.4 (FY2017)

**Section 40** of this bill directs the Department to conduct a study analyzing the feasibility of privatizing services delivered at some of the Department's 24/7 residential facilities - Alaska Pioneer Homes and select facilities in the Division of Juvenile Justice (DJJ). In addition, the Department is directed to, in conjunction with the Alaska Mental Health Trust Authority, conduct a study analyzing the feasibility of privatizing services delivered at the Alaska Psychiatric Institute. A summary of the findings is due to the legislature by the 10th day of the first regular session of the thirtieth legislature.

The Division of Alaska Pioneer Homes (AKPH) has a central office, a pharmacy, and six 24-hour facilities which provide assisted living care and memory care to residents. In total, the central office, pharmacy, and six facilities account for 600 permanent positions and 501 licensed assisted living home beds.

The Division of Juvenile Justice operates eight 24-hour Alaska youth facilities that account for 342 permanent positions and 258 beds.

The Alaska Psychiatric Institute is a 24-hour, 80 bed, nationally accredited inpatient psychiatric hospital employing about 250 permanent staff and organizationally housed within the Division of Behavioral Health (DBH).

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

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### Analysis Continued

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 DJJ, AKPH and API services and clientele thereof that privatization will cause
- (4) employer costs resulting from any labor relations and/or union contract stipulations regarding privatizing state employee duties
- (5) recommendations for cost saving measures that would help the Department if privatization is not feasible

The contractor must consider:

- the complex nature of the population served by each facility
- 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 the two Divisions. 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.

To arrive at the estimated contract cost of \$735.0, the Department assumed that the options outlined by the National League of Cities guidance regarding privatizing municipal services are followed (see <http://www.nlc.org/Documents/Find%20City%20Solutions/Research%20Innovation/Economic%20Development/privitizing-municipal-services-gid-10.pdf>) and contractors would charge similar rates to those previously paid by DHSS. In addition, a well-planned feasibility study would require on-site visits.