

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version
 Fiscal Note Number
 () Publish Date

HB259

Identifier (file name)	HB259-DHSS-HCMS-2-24-12	Dept. Affected	Health and Social Services
Title	Pharmacy Audits	Appropriation	Medicaid Services
		Allocation	Health Care Medicaid Services
Sponsor	Munoz, P. Wilson		
Requester	House Labor and Commerce Committee	OMB Component Number	2077

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES	FY13	FY13					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits	119.9		119.9	119.9	119.9	119.9	119.9
Miscellaneous							
TOTAL OPERATING	119.9	0.0	119.9	119.9	119.9	119.9	119.9

FUND SOURCE (Thousands of Dollars)							
1002	Federal Receipts	60.0		60.0	60.0	60.0	60.0
1003	GF Match	59.9		59.9	59.9	59.9	59.9
1004	GF						
1005	GF/Prgm (DGF)						
1037	GF/MH (UGF)						
1178	temp code (UGF)						
	TOTAL	119.9	0.0	119.9	119.9	119.9	119.9

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	(39.9)		(39.9)	(39.9)	(39.9)	(39.9)	(39.9)
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Estimated SUPPLEMENTAL (FY12) operating costs _____ (separate supplemental appropriation required,
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ (separate capital appropriation required,
(discuss reasons and fund source(s) in analysis section)

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

This is the initial version of the fiscal note for this bill.

Prepared by	Kimberli Poppe-Smart, Deputy Commissioner	Phone 907-269-7827
Division	Health Care Services	Date/Time 2/24/12 4:30 PM
Approved by	Nancy Rolfzen, Assistant Commissioner	Date 2/24/2012
	DHSS Finance & Management Services	

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BILL NO. HB259

Analysis

This bill would impose several limitations on audits of pharmacies that would apply to the Alaska Medicaid program. Currently, Medicaid can audit records dating back seven years, but this bill would limit the audit period to two years from the date the claim was submitted, eliminating the Department's ability to recover overpayments for a substantial period of time. Other limitations include: prohibiting a dispensing fee from being calculated as an overpayment or recouped as part of a finding; limiting who an auditor can and cannot release an audit to; prohibiting the use of extrapolation or projections to establish overpayments or recoupment; establishing firm timelines for when preliminary audits, appeals, and final audits must be presented; requiring all audits be conducted using the same standards and parameters for similarly situated pharmacies; prohibiting auditors from having access to previously conducted audits; requiring that the insurer must accept "any record" (letter, hospital record, etc) to serve as documentation of a service to address a discrepancy and not just a valid prescription; and prohibiting the use of contingency fee audit contractors (required of the Medicaid programs part of the Affordable Care Act – Recovery Audit Contractors).

Given the constraints that would be imposed by this bill on Medicaid audits of pharmacies, the Department believes that it would no longer be practical or cost effective to audit pharmacies. As a result, the Medicaid program would no longer recover Medicaid expenditures from pharmacies.

Based on audit activity over the last several years, the Department estimates that this bill would eliminate 34 audit recoveries annually, with an average recovery of \$4.7 per audit recovery. This results in lost recoveries of \$159.8 per fiscal year. Approximately 75 percent of these lost recoveries are recorded as adjustments to expenditures. The remaining 25 percent are recoveries through AS 47.05.200 and are recorded as revenues. As a result, annually this bill would increase expenditures by \$119.9 and decrease revenues by \$39.9.