

ALASKA STATE LEGISLATURE

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While in Session
State Capitol, Rm. 103
Juneau, AK 99801
(907) 465-3704
Fax: (907) 465-2529

•
While in Anchorage
716 W. 4th Ave
Anchorage, AK 99501
(907) 269-0169
Fax: (907) 269-0172

SENATE MAJORITY LEADER
JOHNNY ELLIS

EXPLANATION OF CHANGES – SENATE BILL 32

SB 32 – An Act relating to medical assistance payments for home and community-based services and provision of personal care services in a recipients home; and providing for an effective date.

Both the Senate Health and Social Services Committee and the Senate Finance Committee adopted committee substitutes for SB32 which made the changes outlined below. The Senate Finance Committee CS was passed unchanged by a unanimous vote on the Senate floor, and approved without amendment by the House Health and Social Services Committee. All page and line references are to the current (Senate Finance CS) version of the bill.

- 1) Section 1 – page 1 line 5 through page 2 line 21
 - a. S HSS: The language in section one was moved to create a new section of statute, AS 47.07.069. The bill as originally introduced amended AS 47.07.070 and AS 47.07.074. This change was to alleviate the concern of hospitals and nursing homes that the current rate review process they participate in would not be affected, and the concern of both the Department of Health and Social Services (DHSS) and the home and community based service (HCBS) providers that the audit and cost monitoring process would not be subject to the strict federal rules that apply to the hospital and nursing home rate review process.
- 2) Section 1 – page 1 line 5 through page 2 line 21
 - a. S HSS: Added personal care services and assisted living homes for vulnerable and needy adults to the services that would be covered by the rate review process. As originally drafted, the bill only applied to home and community-based services provided under a Medicaid waiver. Most HCBS providers take part in all three services, and applying the review process to their entire clientele would make the process easier to participate in.
 - b. S FIN: Removed assisted living homes for vulnerable and needy adults to the services covered. These services are funded through general relief medical, and the services remaining (including some assisted living home services) are funded through Medicaid.
- 3) Section 1 – page 2 line 5
 - a. S FIN: Changed the requirements that rates be “based on” cost to rates that “consider” cost. This change allows DHSS to develop a less complex rate review process that cut the costs of administration for the Department and the costs of accounting and

compliance for the providers and Medicaid, while at the same time preserving the intent of the legislation. This and the other related changes (#3, 4, 5, and 6) cut the administrative fiscal note by over 90% from \$3.8M in FY11 to just \$360,000.

4) Section 1 – page 2 line 6 and 15-16

- a. S FIN: Replaced the phrase “reasonable costs related to patient care” with a requirement of “periodic cost surveys, to be conducted at least once every four years.” The previous phrase is used to define the more complex rate review process used by hospitals and nursing homes, and this is another change that allows for a more flexible system.

5) Section 1 – page 2 line 8

- a. S FIN: Removed the qualification that audits and cost reports be done under the requirements of AS 40.07.074, the rate review process currently used by hospitals and nursing homes. This is another change related to the more flexible and lower rate review system needed for HCBS providers.

6) Section 1 – page 2 lines 10-12

- a. S HSS: Added the home health agency inflation rate to the calculation used to determine rates. As originally drafted, the bill only considered the cost of services. This addition allows DHSS to develop a less complex rate review process that cut the costs of administration for the Department and the costs of accounting and compliance for the providers and Medicaid.

7) Section 2 and 3 (of S HSS CS)

- a. S HSS: Conforming language to amend statutes regarding assisted living homes for vulnerable and needy adults (see change #2 above).
- b. S FIN: Deleted (see change #2 above)

8) Section 2 and 3 – page 2 line 22 through page 3 line 6

- a. S HSS: Required a report to the Legislature detailing trends in rates as the rate review process in the bill was implemented, and sunsets the report in 2014. Concern was expressed about the effect a cost-based review system would have on rates, and the report was a way to keep the Legislature informed as the new system went into place. The report was sunsetted after 2014 because by that time, the review system would be fully operational and an annual report would be superfluous.

9) Section 4 – page 3 line 7

- a. S HSS: Added a delayed effective date of July 1st, 2011. The original bill had no effective date. DHSS asked for the additional time to develop a rate review process that would fairly include the wide variety of providers.