

# Fiscal Note

State of Alaska  
2015 Legislative Session

Bill Version:	HB 148
Fiscal Note Number:	7
(H) Publish Date:	3/18/2015

Identifier: 0055-DHSS-HCMS-03-16-15  
Title: MEDICAL ASSISTANCE COVERAGE; REFORM  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: Governor

Department: Department of Health and Social Services  
Appropriation: Medicaid Services  
Allocation: Health Care Medicaid Services  
OMB Component Number: 2077

## Expenditures/Revenues

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

(Thousands of Dollars)

	FY2016 Appropriation Requested	Included in Governor's FY2016 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2016	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits	132,281.4		159,036.6	184,612.1	187,091.9	189,903.5	193,751.9
Miscellaneous							
<b>Total Operating</b>	<b>132,281.4</b>	<b>0.0</b>	<b>159,036.6</b>	<b>184,612.1</b>	<b>187,091.9</b>	<b>189,903.5</b>	<b>193,751.9</b>

## Fund Source (Operating Only)

1002 Fed Rcpts	132,348.9		162,169.7	201,919.6	233,134.9	232,554.2	264,096.2
1003 G/F Match			(2,998.2)	(17,130.1)	(45,823.2)	(42,430.9)	(70,124.5)
1108 Stat Desig	(67.5)		(134.9)	(177.4)	(219.8)	(219.8)	(219.8)
<b>Total</b>	<b>132,281.4</b>	<b>0.0</b>	<b>159,036.6</b>	<b>184,612.1</b>	<b>187,091.9</b>	<b>189,903.5</b>	<b>193,751.9</b>

## Positions

Full-time							
Part-time							
Temporary							

## Change in Revenues

--	--	--	--	--	--	--	--

**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? yes  
If yes, by what date are the regulations to be adopted, amended or repealed? 07/01/16

## Why this fiscal note differs from previous version:

Not applicable, initial version.

Prepared By: Margaret Brodie, Director  
Division: Health Care Services  
Approved By: Sarah Woods, Deputy Director Finance & Management Services  
Agency: Health & Social Services

Phone: (907)334-2520  
Date: 03/15/2015 10:03 PM  
Date: 03/16/15

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2015 LEGISLATIVE SESSION

## Analysis

**Expansion:**

Section 6 of the bill expands Medicaid coverage to a new group: adults 19 through 64 years of age who are currently not eligible for Medicaid or Medicare who have income at or below 138% of the Federal Poverty Level (FPL) for Alaska. We estimate 20,066 enrollees in FY2016; 23,273 enrollees in FY2017; 26,492 in FY2018; 26,535 in FY2019; 26,580 in FY2020; and 26,623 in FY2021. The effective federal match rate for the expansion population is based on calendar year. To estimate savings based on state fiscal year we averaged the calendar rates to approximate the fiscal year federal medical assistance percentage (FMAP) rates; we also adjusted the rates to reflect enhanced federal match for tribal services provided to Indian Health Service beneficiaries. These rates are: 100% in FY2016, 97.8% in FY2017, 95.2% in FY2018, 94.3% in FY2019, 92.6% in FY2020, and 91.3% in FY2021.

The Health Care Medicaid Services component covers a range of both direct and indirect health care services for eligible Alaskans.

Regulations will be required to implement several provisions of the bill, both for expansion and for reform, beginning with regulations effective July 1, 2015.

**1115 Waiver:**

Under Section 10 of the bill, the Department is directed to apply for an 1115 Demonstration Waiver to use innovative service delivery models to improve Medicaid use of tribal health providers. The Department anticipates that it will apply and be approved for a waiver, beginning in FY2017. Initially, the waiver would consolidate medical transportation management of travel of Medicaid eligible, Indian Health Service (IHS) beneficiaries through tribal facilities. A second phase of the waiver, estimated to begin in FY2019, would seek to transition the provision of most, if not all, tribal services to Medicaid eligible, IHS beneficiaries through the demonstration waiver, consolidating the management and delivery of medically necessary services provided directly through tribal facilities and those contracted or referred to non-tribal facilities.

Under federal rules, Medicaid services provided at or through tribal health facilities to Medicaid eligible, IHS beneficiaries are funded at a 100% federal match rate. The Department anticipates that this waiver will substantially increase the percentage of Medicaid services provided to Medicaid eligible, IHS beneficiaries at the 100% federal match rate. The Department recognizes that the degree of savings is directly contingent on the provisions of the waiver that CMS approves.

We assume that in FY2017, 25% of all travel for Medicaid eligible, IHS beneficiaries will be covered under the waiver, with a general fund savings of \$6,500.0. In FY2018, we assume 100% of all travel will be covered, with a general fund savings of \$26,000.0. In FY2019 and 2020, we anticipate an additional \$30,500.0 annually in general fund savings for increased coverage of other services through tribal facilities, for a combined general fund savings of \$56,500.0. For FY2021, we assume savings of \$26,000.0 in travel and \$61,000.0 for other services through tribal facilities, for a combined general fund savings of \$87,000.0.

**Fines:**

Section 5 of this legislation grants the Department of Health and Social Services the authority to assess civil fines against Medicaid providers, in the event they are found to have violated AS 47.05, AS 47.07, or regulations adopted under these chapters. Fines are to be assessed within a range of from \$100 to \$25,000 per occurrence or offense. There is no additional cost to the department to implement fines under this section.

STATE OF ALASKA  
2015 LEGISLATIVE SESSIONBILL NO. 0**Analysis Continued**

Recoveries based on implementing fines in this section are calculated by taking the estimated number of civil fines and applying an average fine amount. It is estimated the amount of fines imposed per recovery will increase over time, but the number of fines assessed will decrease over time. In addition there would be a phase-in for the first year. The estimated amount of the recoveries would be \$25.0 in FY2016 and \$50.0 in subsequent years.

**Interest:**

Section 4 of the bill allows the Department to assess interest on recoveries for audits performed under AS 47.05.200 as well as other audits and reviews conducted by the state and federal government.

There is no additional cost to the department to implement interest penalties on identified overpayments, but recoveries will increase.

The Department estimates it will take four years to reach the current volume of outstanding appeals subject to interest penalties. Interest penalty recoveries are calculated by taking the current amount of outstanding appeals and applying an estimated recovery percentage. The result is multiplied by the statutory rate for post judgment interest of 3.75% and phased in over a period of four years, as shown below.

Amount of Interest Penalty Recoveries FY2016	\$ 42,455
Amount of Interest Penalty Recoveries FY2017	\$ 84,910
Amount of Interest Penalty Recoveries FY2018	\$127,365
FY2019 and beyond	\$169,821

**Audits:**

Section 3 of the bill decreases the number of required audits of Medicaid providers, conducted by an independent contractor, from at least 75 annual to at least 50 annually. Audits are conducted on a representative sample of all Medicaid providers in order to identify both overpayments and violations of criminal statutes. The department is directed to attempt to minimize concurrent state or federal audits of specific providers.

This section of the bill will have no fiscal impact on the department. Any change in the cost of audits is estimated to be offset by a change in recoveries.