

# Fiscal Note

State of Alaska  
2015 Legislative Session

|                     |           |
|---------------------|-----------|
| Bill Version:       | HB 148    |
| Fiscal Note Number: | 8         |
| (H) Publish Date:   | 3/18/2015 |

Identifier: 0055-DHSS-SDMS-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: Senior and Disabilities Medicaid Services  
OMB Component Number: 2662

## Expenditures/Revenues

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

(Thousands of Dollars)

|                        | FY2016<br>Appropriation<br>Requested | Included in<br>Governor's<br>FY2016<br>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      | 2,908.8                              |  | 3,488.8                 | 20,953.8        | 21,101.4        | 21,255.1        | 21,336.7        |
| Miscellaneous          |                                      |  |                         |                 |                 |                 |                 |
| <b>Total Operating</b> | <b>2,908.8</b>                       | <b>0.0</b>                                     | <b>3,488.8</b>          | <b>20,953.8</b> | <b>21,101.4</b> | <b>21,255.1</b> | <b>21,336.7</b> |

## Fund Source (Operating Only)

|                |                |            |                |                 |                 |                 |                 |
|----------------|----------------|------------|----------------|-----------------|-----------------|-----------------|-----------------|
| 1002 Fed Rcpts | 2,908.8        |            | 3,412.0        | 18,983.2        | 19,085.5        | 19,155.5        | 19,172.6        |
| 1003 G/F Match |                |            | 76.8           | 1,970.6         | 2,015.9         | 2,099.6         | 2,164.1         |
| <b>Total</b>   | <b>2,908.8</b> | <b>0.0</b> | <b>3,488.8</b> | <b>20,953.8</b> | <b>21,101.4</b> | <b>21,255.1</b> | <b>21,336.7</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? 07/01/17

## Why this fiscal note differs from previous version:

Not applicable, initial version.

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Agency: Health & Social Services

Phone: (907)269-2083  
Date: 03/15/2015 03:00 PM  
Date: 03/16/15

## FISCAL NOTE ANALYSIS

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## 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 (PPL) for Alaska. We estimate 20,066 enrollees in FY2016; 23,273 enrollees in FY2017; 26,492 in FY 2018; 26,535 in FY2019; 26,580 in FY2020; and 26,623 in FY2021.

Note: 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.

Senior and Disabilities Medicaid Services covers Personal Care Assistance (PCA) services, which provide support related to an individual's activities of daily living (i.e. bathing, dressing, eating) as well as instrumental activities of daily living (i.e. shopping, laundry, light housework). This new group of eligible individuals could potentially access PCA services. Three percent of the currently eligible Medicaid enrollees receive Personal Care Assistance (PCA) services. The expansion group is thought to be healthier than current Medicaid population groups. The Department assumes that 1% would require and be found eligible for PCA services with an estimated annual cost increase as enrollment among the newly expanded eligible group increases.

FY2016 new enrollees: 20,066

1% of new enrollees: 139 recipients

PCA expenditures: per person: \$21.0

**1915(k) option**

Section 10 of the bill directs the department to apply for the 1915(k) option under Medicaid.

The "Community First Choice Option" (CFC), also known as 1915(k), will be used for people who meet an institutional level of care (LOC). The 1915(k) option authorities will replace all current 1915(c) waivers, as all 1915(c) recipients do meet the LOC. The 1915(k) option offers a 56% federal match, an increase of 6%, thus lowering the general fund match to 44%.

The 1915(c) waivers are:

- Children with Complex Medical Conditions (CCMC)
- Adults with Physical and Developmental Disabilities (APDD)
- Alaskans Living Independently (ALI)
- Intellectual and Developmental Disabilities (IDD)

All four of the waivers would transition to the 1915(k) option authority.

Estimated 1915(c) recipients transitioning to the 1915(k) option = 5,200

Federal funding under current 1915(c) waiver at FMAP (50%) = \$ 110,827.7

Federal funding under proposed 1915(k) option at FMAP (56%) = \$ 117,477.4

The program transition results in an increase of \$6,649.7 in federal receipts, and a corresponding GF decrease.

Implementation of the new funding option will require substantial changes to the current Home and Community Based Services (HCBS) operational infrastructure. The estimated effective date for this refinancing proposal from (c) to (k) is FY2018.

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**Analysis Continued**

**1915(i) State Plan option**

Section 10 of the bill directs the department to apply for the 1915(i) option under Medicaid. The 1915(i) option includes a federal match of 50%, reducing to 50% what is currently a 100% general fund contribution for certain services.

The Department will use this option to refinance the following 100% GF-funded grant programs: General Relief/Temporary Assistance (GR), certain Senior Community Based Grant components, and Community Developmental Disabilities Grant (CDDG).

General Relief/Temporary Assistance (GR) provides temporary residential care for vulnerable adults who are ineligible for assistance from other programs.

Current funding for GR program: \$8,113.0

Total number served: 630

Average cost per individual: \$12,878.00

Estimated eligible for 1915(i): 349

General fund to be reduced: \$ 4,494.3

Senior Community Based Grant component's Adult Day and Senior In-Home Services serve some individuals who are Medicaid eligible.

**Adult Day Grant:**

Total general fund expenditures: \$1,757.0

Total number served: 416

Average cost per individual: \$4,223.58.

Estimated eligible for 1915(i): 114

General fund to be reduced for the Adult Day Grant: \$481.5.

**Senior In-Home Grant:**

Total general fund expenditures: \$2,917.3

Total number served: 1,528

Average cost per individual: \$1,909.20.

Estimated eligible for 1915(i): 123

Estimated general fund to be reduced for the Senior In-Home Grant: \$234.8.

The combined estimated general fund to be reduced through the use of the 1915(i) option = \$716.3

Community Developmental Disabilities Grant (CDDG) program provides home and community-based services to support individuals to live as independently as they are able.

Total general fund expenditures: \$11,635.8

Total number served: 953

Average cost per recipient: \$12.2

Estimated eligible for 1915(i): 953

Estimated general fund to be reduced: \$11,635.8

State Plan and regulation changes are required to implement the new option and would involve extensive public comment.