Alaska State Legislature

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Sponsor Statement – CS Senate Bill 74 (FIN)

CS for Senate Bill 74 begins the process of reform and cost containment needed to slow the growth of the Alaska Medicaid program. Medicaid has grown to over $1.6 Billion of the annual operating budget as of FY2016 authorized levels, and has accounted for 22% of the total UGF increases over the last ten years. The current and former administrations have testified the Medicaid program, as it stands, is not sustainable. Low oil prices and billions of dollars in revenue shortfalls have forced us to change how we do business. In July 2013, the Medicaid Budget Group of the Department of Health and Social Services reported the total spending on Medicaid services will reach $6.3 billion in 2032, including $2.8 billion in state matching funds. If we don't act now to bend the growth curve of Medicaid, many of our most vulnerable Alaskans will be without critical health care services they need.

CSSB 74 takes a measured approach by setting a framework for a medical assistance reform program into statute (Section 28). This program requires the Department of Health and Social Services to expand the use of telehealth, enhances fraud prevention, enforcement, and recovery, undertake additional pharmacy initiatives, reduce the cost of the state's home and community-based services with a new waiver program, provide electronic explanation of benefits to recipients, as well as referrals to a range of community and social supports.

The new reform program will also look at payment redesign (Section 28). Alaska has some of the highest Medicaid rates in the nation and has not employed many of the rate innovations of other states or those of Medicare. These innovations frequently streamline the payment process while eliminating billing and payment irregularities and errors. In addition to Medicare and many insurance carriers, 47 of 50 states employ the Diagnosis Related Group (DRG) Medicaid payment mechanism. With two of the remaining three in stages of implementation by July 2015, payment blueprints exist for us to employ.

The use of telehealth for primary care, urgent care, and behavioral health will also be expanded under CSSB 74 (Sections 1-7, 28, 31) addressing rising healthcare costs and limited patient access. A study by Alaska Native Tribal Health Consortium (ANTHC) found telehealth averted the need for travel significantly. The barrier requirement that physicians must be physically located in the State of Alaska in order to provide diagnosis, treatment, or prescriptions over telehealth is removed (Section 4). All physicians using telehealth must still be licensed by Alaska Medical Board.

As per this bill, the professional boards for Licensed Professional Counselors (Section 1), Martial and Family Therapists (Section 2), Psychologists and Psychological Associate Examiners (Section 6), and Social Work Examiners (Section 7) will now not be able to sanction providers from practicing telehealth. These boards are tasked with establishing a standard of care protocol and patient consent requirements.

Fraud prevention and prosecution is further enhanced throughout CSSB 74. Currently DHSS and the Department of Law have no remedies to address fraud that falls below a criminal act but is above the threshold of a simple overpayment. The Alaska Medical Assistance False Claim and Reporting Act (Section 10) is one new tool to fill that gap. This act, if approved by the Office of Inspector General, will allow the state to keep an enhanced recovery rate of 55% of Medicaid payments instead of the current 50%.

Under this Act, individuals can disclose evidence of fraud to the Attorney General for investigation. Individuals will receive Whistleblower protections as well as a portion of the recoveries if the fraud is proven. Providers are protected in this process by a three year sunset around the private plaintiff provisions to assure frivolous lawsuits remain in check (Section 36). The Attorney General can also dismiss private plaintiff claims found without merit. DHSS will now have the added tool of assessing civil penalties on Medicaid providers that commit fraud (Section 28). Additionally, DHSS will be able to ask the Court for a probable cause remedy to seize certain real or personal property of a fraudulent Medicaid provider (Section 28). The legislature would now receive an annual report relating to Medicaid fraud, abuse, errors, and vulnerabilities from DHSS and the attorney general (Section 32).

The legislation provides for an enhanced computerized eligibility verification system that will operate in conjunction with, but separate from, the AIRES eligibility system (Section 24). These systems will scan records and databases across the nation and ensure only eligible Alaskans receive benefits. The annualized savings from the use of the system must exceed the cost for implementation.

CSSB 74 directs DHSS to partner with third-party entities on projects that will direct individuals to the right care, in the right place at the right time, while also testing out innovation payment models on a wider scale (Section 31). DHSS and a statewide hospital organization will design and implement a demonstration project to reduce non-urgent use of emergency departments by Medicaid recipients. DHSS will also contract with third parties to implement coordinated care projects. This process will bring forward the best proposals for Alaska from groups such as managed care organizations, accountable care organizations, and provider-led entities. These projects are meant to be sustainable to achieve consistent results across regions while assigning individuals to primary care providers and coordinating benefits. New payment models will be a part of these projects, which can include global payments, bundled payments, capitated payments, and shared savings and risk. A third-party actuary will be utilized to review projects and recommend implementation on an expanded regional or statewide basis. Coordinated care Medicaid programs are a proven tool to provide better health care for recipients and a higher functioning system in many other states.

Over the last twenty years, the use of prescription opioid pain reliever use has increased dramatically along with overdose deaths and addiction. In 2015, 54 Alaskans died from prescription opioid drug overdose and 33 individuals died from heroin. Opioids have become a gateway drug for heroin, and both have become epidemics for our state. Opioids need to be monitored to ensure they are used in safe and appropriate manner to control pain and reduce doctor shopping. The Prescription Drug Monitoring Program or the PDMP is the state's tool to monitor these drugs. CSSB 74 incorporates recommendations from the Controlled Substances Advisory Committee (CSAC) that were made in January 2016 (Sections 13 – 19). The PDMP will now be mandatory for prescribers and pharmacists to register and check a patient's prescription records before dispensing, prescribing, or administering a controlled substance that is a Federal Schedule II, III, or IV drug. Licensed practitioners and pharmacists can now delegate access to a supervised employee or clinical staff streamlining use of the database (Section 15). There are also carve outs for checking the PDMP in an inpatient setting, emergent situations, in and emergency room, or before, during, or within the first 24 hours of surgery (Section 18).

For years, the legislature has heard how fragmented our behavioral health system of care has become through piecemeal change creating silos and requirements restricting access to care. These barriers are reduced through the Medicaid reform program (Section 28) which requires DHSS in coordination with the Alaska Mental Health Trust Authority to efficiently manage a comprehensive and integrated behavioral health system with evidence based, data driven practices and measurable outcomes. Grantee status requirements for outpatient community mental health clinics and drug and alcohol treatment centers are removed (Sections 33 & 34). Not only will this increase the number of providers available to provide behavioral health services, but it brings the state into compliance with federal policies by the Centers for Medicaid and Medicare (CMS).

CSSB 74 begins the process to explore privatization (Section 40). The department is directed to conduct feasibility studies at Alaska Psychiatric Institute, Alaska Pioneer Homes, and select facilities of the Division of Juvenile Justice (DJJ). There are various options for privatization the department can explore through the studies that would result in the best options for Alaskan consumers while ensuring state dollars are stretched as far as possible. Some options include turning over DJJ facilities to local tribal organizations in order to create a residential psychiatric treatment center; turning an entirely GF program into a tribal run Medicaid reimbursable program providing culturally relevant services. The Department of Administration is directed to conduct a feasibility study for creating a health care authority to coordinate health care plans and consolidate purchasing effectiveness for health care paid directly or indirectly by the State, including Medicaid.

The call to reform Medicaid is not new. In the fall of 2010 the Medicaid Task force convened and developed a report for the Governor in May 2011. The Medicaid Reform Advisory Group was created in December 2013, and worked up until the transition to the new administration. While several of the reform measures of these groups were implemented and helped to contain costs, we must build on their efforts and go even further. CSSB 74 gives the legislature the ability to fundamentally review how the state is doing business in the Medicaid program. In these serious budget times, reform cannot wait.