

DEPARTMENT OF HEALTH AND SOCIAL SERVICES
FY18 - Summary of Significant Budget Issues

Governor's Budget Items Approved as Requested

Item #	Approp/ Allocation	Description	Amount/ Fund Source	Comment
1	Behavioral/ Health/ Behavioral Health Treatment & Prevention Grants	Grants for Reentry Support Services for Returning Offenders	\$1,000.0 Recidivism Reduction Fund (DGF) and UGF Backstop language if needed	<p>Per the second year fiscal note for SB 91, a total of \$2 million from the Recidivism Reduction Fund will be added (\$1 million in FY17 and another \$1 million in FY18) to fund increased access to evidence-based rehabilitation programs and to support offender transition and re-entry. According to the department, approximately 870 additional individuals are expected to be provided re-entry services in FY17, increasing to 2,826 by FY22.</p> <p>Legislative Fiscal Analyst Comment: SB 91 created a new Recidivism Reduction Fund, which is comprised of 50% of marijuana tax revenue. The legislature may use the fund for recidivism reduction programs and the funding is split three ways—1/3 each to the Departments of Corrections (DOC), Health and Social Services (DHSS) and Public Safety (DPS).</p> <p>It appears that FY17 and FY18 revenue will be insufficient to fully fund the \$3 million appropriated in FY17 and the \$6 million appropriated in FY18 (with available recidivism reduction funding of \$874.3 in FY17 and ~\$5.3 million projected in FY18). <i>To ensure that planned recidivism reduction programs continue to be funded, the legislature included UGF backstop language in the FY18 Mental Health Bill (Section 9, HB 59) to absorb any shortfall while the new tax revenue ramps up.</i></p> <p>In FY19, DHSS expects that a portion of the re-entry center services will be billable to Medicaid. As a result, \$375.0 of the \$2 million will be requested in Medicaid Services and the remainder (\$1,625.0) will remain in Behavioral Health (BH) Treatment and Recovery Grants. The \$375.0 is expected to match \$1,125.0 of federal Medicaid funding.</p>
2	Behavioral Health/ Designated Evaluation and Treatment (DET)	Medicaid Expansion related Reductions Funding needed for DET Transport Service	(\$862.9) UGF	Because federal law requires emergency rooms to treat individuals (even if they don't have insurance coverage or are unable to pay), the federal government provides funding to hospitals that treat indigent patients through Disproportionate Share Hospital (DSH) programs. This decrement was approved because Medicaid Expansion has resulted in a decline in DSH clients and hospitals are now able to bill Medicaid or insurance companies for services provided.

DEPARTMENT OF HEALTH AND SOCIAL SERVICES
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Governor's Budget Items Approved as Requested (continued)

Item #	Approp/ Allocation	Description	Amount/ Fund Source	Comment
3	Behavioral/ Health/ Various Allocations	Opioid Addiction and Substance Abuse Prevention and Treatment Grants	\$3,000.0 Federal Receipts	<p>The federal Substance Abuse and Mental Health Services Administration (SAMHSA) awarded three multi-year grants for the prevention and treatment of opioid addiction, misuse, and overdose in Alaska. The department plans to spend the additional authorization as follows:</p> <ul style="list-style-type: none"> • \$750,000 annually (for three years) from the Centers for Disease Control and Prevention's Prescription Drug Overdose Data-Driven Prevention Initiative to combat the opioid overdose crisis through data collection and analysis, policy review, an evaluation of the Alaska Prescription Drug Monitoring Program, and outreach and public education. • \$1 million annually (for up to three years) from SAMHSA to help expand and enhance medication-assisted treatment in Alaska. • Up to \$1 million annually (for five years) from SAMHSA to buy and distribute naloxone to first responders and key community partners, and to train them in its use. <p>The \$3 million of additional federal receipt authorization is requested in the following allocations:</p> <ul style="list-style-type: none"> • Behavioral Health Treatment and Recovery Grants: \$1,185.0 • Alcohol Safety Action Program (ASAP): \$280.0 • BH Administration: \$130.0 • BH Prevention and Early Intervention: \$1,405.0 <p>Legislative Fiscal Analyst Comment:</p> <ul style="list-style-type: none"> • Because the department received the award in the fall of 2016, the Legislative Budget and Audit Committee (LB&A) Committee approved a \$3 million RPL in October 2016 (for the FY17 budget). The FY18 budget request puts the federal receipts in the base budget. • During the 2016 session, the department received a \$6 million UGF supplemental appropriation for FY16-FY19, to combat Substance Use Disorders [Sec. 9, Ch. 1, 4SSLA 2016 (HB 257)]. According to DHSS, the new opioid grants from SAMHSA can supplement the \$6 million UGF but not replace it. The \$6 million UGF is for sobering centers, withdrawal management, and/or residential substance use disorder services.

DEPARTMENT OF HEALTH AND SOCIAL SERVICES
FY18 - Summary of Significant Budget Issues

Governor's Budget Items Approved as Requested (continued)

Item #	Approp/ Allocation	Description	Amount/ Fund Source	Comment
4	Behavioral Health/ BH Treatment and Recovery Grants	Savings Related to Medicaid Expansion	(\$3,000.0) UGF	Federal receipts from Medicaid Expansion now cover a portion of behavioral health services that had been funded with UGF. Services that are transitioning to Medicaid reimbursement (from UGF grant funding) include services for adults with Serious Mental Illness (SMI grants) and eligible adults with Substance Use Disorders (SUD grants). According to the department, UGF grant reductions will occur through a phased, strategic process in order to stabilize services and avoid service reductions in communities. In FY17, the budget was reduced by \$5,779.6 and, with this \$3 million reduction, the total savings in Behavioral Health resulting from Medicaid expansion is \$8,779.6 (very close to the \$9 million of anticipated savings cited on page 7 of the February 2016 report titled <i>The Healthy Alaska Plan: A Catalyst for Reform</i>).
5	Health Care Services/ Residential Licensing	Delete three PFT Anchorage Positions as a Cost Savings Measure	Total: (\$299.3) (\$170.9) Federal Receipts (\$128.4) UGF (3) PFT Positions	The department requested this decrement and three full-time Anchorage positions as a cost saving measure. The deleted positions are a full-time, range 23, Certification and Licensing Administrator (06-1969); and two full-time, range 10, Office Assistant II's (06-1998 and 06-1983).
6	Juvenile Justice/ Ketchikan Youth Facility	Reduce I/A Receipts and Positions to Reflect the FY17 Closure of the Ketchikan Youth Facility	(\$1,025.7) I/A Rcpts (Other) (15) PFT, (1) PPT & (2) Temp Positions	In September 2016, the Division of Juvenile Justice (DJJ) closed the Ketchikan Regional Youth Facility and transferred funding and needed positions to other DJJ allocations. To "clean up the books," the Governor's FY18 budget deleted unneeded I/A Receipt authorization and 15 full-time positions (who received lay-off notices when the facility closed), one part-time, and two non-permanent positions.

DEPARTMENT OF HEALTH AND SOCIAL SERVICES
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Governor's Budget Items Approved as Requested (continued)

Item #	Approp/ Allocation	Description	Amount/ Fund Source	Comment
7	Public Assistance/ Child Care Benefits	Reduce Child Care Benefits	(\$500.0) UGF	<p>A total of \$500.0 of funding from Child Care Benefits was decremented. The UGF in Child Care Benefits was reduced by 6% since FY17 and by 16.3% since FY15.</p> <p>Legislative Fiscal Analyst Comment: The Governor vetoed \$1 million from this program in the FY17 budget. The Child Care Assistance Program provides assistance with child care costs for eligible families who are working or participating in an education or training program. There are three levels of Parents Achieving Self Sufficiency (PASS) daycare assistance recipients.</p> <ul style="list-style-type: none"> • PASS I: Parents on Adult Temporary Assistance Program (ATAP) • PASS II: Parents transitioning off ATAP • PASS III: Parents who are eligible based on family size and gross income (before taxes). <p>It is the PASS III recipients (currently about 2,085 non-OCS families) who will be impacted by this reduction. The average amount provided/month is \$695.56.</p>
8	Public Health/ Epidemiology	Reduce Unused Vaccine Assessment Authority	(\$11,988.6) VaccAssess (DGF)	<p>The legislature accepted the Governor's request to reduce vaccine assessment program authority to \$10.5 million to reflect the anticipated cost for FY18. In the event of a disaster or specific public health need, additional authority may be required to make vaccine purchases.</p> <p>Legislative Fiscal Analyst Comment: The Alaska Vaccine Assessment Program was created with the passage of Ch. 30, SLA 2014 (SB 169). This program facilitates the universal purchase of vaccines in Alaska by collecting payments from health plans, insurers, and other entities and remitting those funds to the Vaccine Assessment Fund. By purchasing all vaccines federally recommended for insured children and for certain adult vaccines, Alaska gains improved access to vaccines; health care providers receive state-supplied vaccines at no charge; and payers benefit from cost savings through the state's bulk vaccine purchase and distribution.</p>
9	Public Health/ Community Health Grants	Delete Community Health Aide Training and Supervision (CHATS) Grants and Reduce Anchorage Project Access	(\$1,164.1) UGF	<p>This decrement reduced UGF in this allocation by 82% (from \$1,414.1 to \$250.0). While funding for Community Health Aide Training and Supervision (CHATS) grants will be eliminated from this allocation, the CHATS program will be supported with Medicaid funding now available through recent Medicaid Reform Efforts.</p> <p>The remaining \$250.0 in this allocation will fund a grant to the Anchorage Project Access.</p>

DEPARTMENT OF HEALTH AND SOCIAL SERVICES
FY18 - Summary of Significant Budget Issues

Governor's Budget Items Approved as Requested (continued)

Item #	Approp/ Allocation	Description	Amount/ Fund Source	Comment
10	Senior and Disabilities Services/Community Developmental Disabilities Grants	SB 74 Related Savings from Implementation of 1915 Medicaid Option	(\$5,817.9) UGF	SB 74 authorizes DHSS to apply for federal waivers and options to reform the Medicaid program and charges the department with “reducing the cost of...senior and disabilities services provided to recipients of medical assistance under the state’s home and community-based services waiver.” The division, with support from Health Management Associates, conducted an extensive stakeholder input and data analysis. Based upon that work, it was determined the division could not control costs if the refinance effort used the 1915(i) option because it’s a state plan benefit and would create an entitlement. Therefore, the recommendation is to use a separate Medicaid authority, 1915(c). This option allows DHSS to shift eligible recipients from the 100% general funded Community Developmental Disabilities Grant Program (CDDG) to the 50% federal/50% general funded 1915(C) Medicaid option. In FY15, 969 individuals accessed CDDG services with an average cost per recipient of \$12,008.04 per individual per year—for a total cost of \$11.6 million.
11	Senior and Disabilities Services Administration	Second Year Medicaid Reform Fiscal Note Funding for SB 74	\$452.4 Total \$226.2 Federal Receipts \$226.2 UGF 2 PFT Positions	<p>Section 38(d)(1) and (2) of SB74 directs the state to apply to the Centers for Medicare and Medicaid Services (CMS) to develop the 1915 options. Under these options, the state will realize savings in the provision of home and community-based services because it allows for the services to be funded with 50% Federal Receipts and 50% UGF (instead of 100% UGF).</p> <p>The increment is needed because the department expects increased costs associated with initial eligibility assessments of individuals previously served through general fund grant programs or services. The estimated number of new assessments is 1,539.</p>

DEPARTMENT OF HEALTH AND SOCIAL SERVICES
FY18 - Summary of Significant Budget Issues

Governor's Budget Items Approved as Requested (continued)

Item #	Approp/ Allocation	Description	Amount/ Fund Source	Comment
12	Medicaid Services/ Various	Second Year Medicaid Reform Fiscal Note Funding for SB 74	\$21,828.1 Total \$21,785.6 Federal Receipts \$42.5 MedRecover (DGF)	<p>Several second year SB 74 (Ch. 25, SLA 2016) fiscal note increments were approved in the FY18 Medicaid Services Budget as follows:</p> <p>--Behavioral Health Medicaid Services: \$3,049.5 Fed Rcpts. This funding is needed to provide a continuum of community-based services that addresses housing, employment, and recidivism reduction. Savings are anticipated in Corrections, Public Safety, the Judiciary, and the Office of Children's Services.</p> <p>--Health Care Medicaid Services: \$11,062.5 (\$11,020.0 Fed Rcpts and \$42.5 MedRecover (DGF)). Funding is needed to implement a variety of SB 74 initiatives, including Medicaid EOBs, a Primary Care Case Management system, a Prescription Drug Monitoring Program and contract(s) with coordinated care entities.</p> <p>--Senior and Disabilities Medicaid Services: \$7,716.1 Fed Rcpts. Increased federal authorization is needed due to the expansion of the 1915 State Plan Options. Under these options, the state will realize savings in the provision of home and community-based services because it allows for the services to be funded with 50% Federal receipts and 50% UGF (instead of 100% UGF).</p>

DEPARTMENT OF HEALTH AND SOCIAL SERVICES
FY18 - Summary of Significant Budget Issues

Governor's Budget Items with Modifications

Item #	Approp/ Allocation	Description	Gov Request	Amount Approved	Comment
13	Children's Services/ Foster Care Special Need and Foster Care Base Rate	Replace UGF with Federal Receipts to Reflect Increased Efforts by OCS to Collect Title IV-E Fed Rcpts	Net Zero (\$600.0) UGF \$600.0 Federal Receipts	Net Zero (\$1,460.0) UGF \$1,460.0 Federal Receipts	<p>To more closely align Title IV-E Federal Receipts with a recommendation in a 2015 Performance Review, the legislature replaced \$860.0 more UGF than the Governor requested in the FY18 budget.</p> <p>Office of Children's' Services (OCS) has recently increased the capacity for Title IV-E federal reimbursement through policy changes in administrative claiming such as:</p> <ul style="list-style-type: none"> • Increased scrutiny over the review process in determining necessary services for children and families served by the OCS; • Working to recommend certain services to be provided through Medicaid eligible providers; and • Increasing the capacity for federal reimbursement through policy changes and efficiencies in administrative claiming under Title IV-E. <p>Legislative Fiscal Analyst Comment: A 2015 Performance Review by Legislative Audit indicated that, if Alaska reaches the national average eligibility for Title IV-E funding, it would allow for \$4,635.6 in annual UGF savings. Because DHSS only partially concurred with this, in FY17, the legislature replaced half of the recommended UGF. When combined with the fund changes in FY18, the total replacement of UGF with federal receipts is \$4,086.5 (88% of the recommendation).</p>

DEPARTMENT OF HEALTH AND SOCIAL SERVICES
FY18 - Summary of Significant Budget Issues

Governor's Budget Items with Modifications (continued)

Item #	Approp/ Allocation	Description	Gov Request	Amount Approved	Comment
14	Juvenile Justice/ Nome Youth Facility	Restore Nome Youth Facility funding and positions in order to avoid closing the facility	(\$1,693.9) UGF (15) PFT & (3) Temp Positions	\$1,693.9 UGF 15 PFT & 3 Temp Positions	<p>The FY17 budget included one-time funding for the Nome Youth Facility and intent that the Division of Juvenile Justice (DJJ) collaborate with the community of Nome and tribal and public health organizations to transition the Nome Youth Facility from state to local ownership. In order to close the facility in FY18, the department's FY18 budget request decremented the funding and positions for the Nome Youth Facility.</p> <p>The legislature reversed the Governor's decrements and position reductions for the Nome Youth Facility in order to keep the facility open in FY18.</p> <p>Legislative Fiscal Analyst Comment: The legislature's \$1,693.9 UGF appropriation was accompanied by contingency language that the funding would be decremented if DHSS determined, by June 1, 2017, that the cost of closing the Nome Youth Facility did "...not exceed the cost of continuing to operate the Nome Youth Facility at the level of services and access to programs currently provided by the Nome Youth Facility...." Because DHSS did not make any determination prior to June 1, 2017, the contingency was not met and the funding was not decremented. Funding for the Nome Youth Facility remains in the FY18 budget.</p>

Legislative Additions and Deletions

Item #	Approp/ Allocation	Description	Amount/ Fund Source	Comment
15	Various	Reduce a portion of the UGF on the Personal Services Line	(\$555.8) UGF	<p>The legislature reduced a total of \$555.8 of UGF from the Personal Services line in the Department of Health and Social Services in the following allocations:</p> <ul style="list-style-type: none"> --Front Line Social Workers: \$300.0 --Public Health Nursing: \$84.2 --Commissioner's Office: \$171.6 <p>The impacts of these reductions were not known at the time of publication.</p>

DEPARTMENT OF HEALTH AND SOCIAL SERVICES
FY18 - Summary of Significant Budget Issues

Legislative Additions and Deletions (continued)

Item #	Approp/ Allocation	Description	Amount/ Fund Source	Comment
16	Children's Services/ Front Line Social Workers	Add funding for 31 new PFTs to reduce caseloads and increase training	Total: \$3,861.2 \$1,435.5 Federal Receipts \$2,425.7 UGF 31 PFT Positions	The legislature added a portion of the funding needed in FY18 for 31 new PFT positions to reduce excessive caseloads of new workers, extend training to a more appropriate level, and add mentors and supervisors. Legislative Fiscal Analyst Comment: To reflect the time needed to recruit new employees, the legislature did not fully fund the 31 positions in FY18. To fully fund the positions and training for the new positions, another \$246.1 of federal receipts and \$864.7 of UGF will be needed in FY19.
17	Medicaid Services/ Health Care Medicaid Services	Decrement the estimated amount of UGF expended for abortions in FY16	(\$153.2) G/F Match (UGF)	The legislature decreased Medicaid Services by \$153.2 UGF (the amount expended for abortions in FY16).
18	Public Health/ Nursing	Phase out 5% of UGF base funding to encourage collaboration with other Health Care Providers	Net Zero (\$1,136.8) UGF \$378.9 UGF IncOTI \$757.9 UGF IncTs (FY18-FY20)	Although FY18 funding for Public Health Nursing is similar to FY17 funding, the legislature approved several transactions that will phase out five percent of the Nursing's UGF over three years. Intent was also added that Public Health Nursing develop a three-year plan to contract with community health centers and/or other health care providers to realize efficiencies while offering similar levels of services. To allow time to implement efficiencies and collaboration with other providers, the legislature replaced 5% (\$1,136.8) of Nursing's base UGF funding with temporary increments to be phased out over four years (from FY18-FY21) as follows: --FY18: \$1,136.8 (no reductions) --FY19: \$757.9 (a reduction of \$378.9) --FY20: \$379.0 (a reduction of \$378.9) --FY21: \$0

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Legislative Additions and Deletions (continued)

Item #	Approp/ Allocation	Description	Amount/ Fund Source	Comment
19	Public Assistance/ Alaska Temporary Assistance Program (ATAP)	Reduce UGF and seek other sources to meet Maintenance of Effort Requirements	(\$3,000.0) UGF	<p>Alaska receives about \$44.6 million of federal funding for the Temporary Assistance to Needy Families (TANF) program. The State is required to expend \$36.6 million of state "Maintenance of Effort" (MOE) on TANF eligible activities. Recent budget reductions have made it more difficult to "find" the needed \$36.6 million of MOE. A total of \$10 million of UGF has been decremented by the legislature between FY16 and FY18 (\$7 million in FY17 and another \$3 million in FY18).</p> <p>Although the legislature provided \$200.0 of one-time funding in FY18 (see item 20) to fund a contractor to identify state programs or expenditures that can be used to meet the state's MOE, DHSS expects to need a supplemental appropriation in FY18 if sufficient MOE funding isn't identified.</p> <p>If the State does not meet its required \$36.6 million MOE requirement, the Federal Government will impose a penalty equal to the amount of MOE that is not met and may reduce the federal award in the following fiscal year.</p>
20	Public Assistance/ Public Assistance Administration	One-time funding to hire a contractor to identify state programs/expenditures that can be used for MOE	\$200.0 UGF IncOTI	The legislature decremented \$3 million of ATAP UGF in FY18 (see item 19), but provided \$200.0 of one-time funding in FY18 for a contractor to identify state programs or expenditures that can be used to meet the state's MOE. The department will be exploring whether Power Cost Equalization Program expenditures (as well as expenditures from other programs) can be counted toward the state's MOE.
21	Public Assistance/ Adult Public Assistance	Align Funding with Anticipated FY18 Expenditures	(\$3,290.4) UGF	The legislature reduced the budget to approximately equal the anticipated need for FY18.
22	Departmental Support Services/ Administrative Support Services and Information Technology Services	Replace UGF with I/A Receipts	Net Zero (\$990.5) UGF \$990.5 I/A Rcpts (Other)	<p>The legislature replaced UGF with Inter-agency Receipts with the expectation that reductions be made and/or other divisions pay for provided services. The UGF was replaced with I/A in the following amounts: --Administrative Support Services: \$577.7 --Information Technology Services: \$412.8</p> <p>Essentially, this fund source change is an unallocated reduction.</p>

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FY18 - Summary of Significant Budget Issues

Legislative Additions and Deletions (continued)

Item #	Approp/ Allocation	Description	Amount/ Fund Source	Comment
23	Medicaid Services/ Various	Decrement to incorporate projected FY18 savings included in the SB 74 fiscal notes	(\$17,261.1) UGF	<p>Based on fiscal notes attached to SB 74 (Ch.25, SLA 2016), a total of \$17.5 million of Medicaid UGF savings was projected in the Medicaid program in FY18. DHSS removed that amount in their FY18 request. However, an identical amount was requested to cover caseload and other cost increases, leaving the FY18 Medicaid budget request at the same level as the FY17 budget. The legislature reduced the Governor's FY18 request by \$17.3 million.</p> <p>Legislative Fiscal Analyst Comment: If FY18 services/rates remained at FY17 levels, the Governor's FY18 Medicaid Services budget was submitted with an anticipated shortfall of \$45 million.</p> <p>DHSS had plans to reduce the shortfall to \$15 million through the following actions:</p> <ul style="list-style-type: none"> --reduce rates <ul style="list-style-type: none"> --for Professional Services to 115% of Medicare (the FY17 rate is 130%): \$8 million --for Hospital Inpatient & Outpatient by 5%: \$6.2 million --freeze rates for facilities that are periodically rebased: \$0.6 million --other actions: <ul style="list-style-type: none"> --revert to rate codes in place before January 2015: \$12.8 million --reduce Waiver Day Habilitation from 15 hours to 8 hours/week: \$2.6 million. The Conference Committee added back \$1,486.0 of UGF to increase Day Habilitation Services in assisted living homes from 8 hours to 12 hours. (See item 24.) <p>Legislative reductions of \$17.3 million, plus the \$15 million shortfall in the Governor's budget, leave the Medicaid budget with an anticipated shortfall of \$32.3 million in FY18 (assuming the above cost savings measures are implemented). Without those actions, the anticipated shortfall is more than \$60 million.</p> <p>How DHSS will address this shortfall (whether through reduced services, utilization, rates or a supplemental request) is unknown at this time.</p>

DEPARTMENT OF HEALTH AND SOCIAL SERVICES
FY18 - Summary of Significant Budget Issues

Legislative Additions and Deletions (continued)

Item #	Approp/ Allocation	Description	Amount/ Fund Source	Comment
24	Medicaid Services/ Senior and Disabilities Medicaid Services	Add funding to increase Day Habilitation services from 8 to 12 hours	\$1,486.0 UGF	As a cost saving measure, DHSS proposed reductions in Waiver Day Habilitation Services from 15 hours/week to 8 hours/week (see item 23). The legislature added funding with the intent of providing up to 12 hours per week. In addition, the legislature added intent that "the level of funding for day habilitation services in assisted living homes be sufficient to provide a 'soft cap' on recipients of up to 12 hours of services per week."

FY17 Supplemental Appropriations

Item #	Approp/ Allocation	Description	Amount/ Fund Source	Comment
25	Public Assistance/ Public Assistance Field Services	Reappropriate up to \$500.0 of FY17 lapsing balances to address a backlog	\$0.0 Reappropriation of up to \$500.0	The legislature authorized an appropriation of up to \$500.0 to Public Assistance Field Services to address a backlog of eligibility determinations. The one-time appropriation should be available by scooping up to \$500,000 of unexpended FY17 UGF balances from various DHSS appropriations/allocations.

DEPARTMENT OF HEALTH AND SOCIAL SERVICES
FY18 - Summary of Significant Budget Issues

FY17 Supplemental Appropriations

Item #	Approp/ Allocation	Description	Amount/ Fund Source	Comment
26	Medicaid Services/ Various	FY16 Provider Payments made in FY17 and additional Federal Claiming for Medicaid Services	Total: \$304,611.4 \$26,786.6 UGF \$277,824.8 Federal Receipts	<p>In FY14, multiple Medicaid Management Information System (MMIS) defects resulted in the need to provide advances to about 800 Medicaid providers. Legislative Audit disallowed the FY14 "advances" so DHSS was forced to book these expenditures in FY15 and FY16. OMB requested a \$52 million "Multi-Year (FY15-FY16)" supplemental appropriation to address the advances. Because the legislature approved \$30 million for FY15 (and no funding for FY16), DHSS deferred provider payments until FY17.</p> <p>The UGF appropriation will pay the claims in FY17 in order to stop the cycle of delaying provider payments until the following fiscal year.</p> <p>Additional federal funding authority is needed for a variety of reasons (i.e., to pay reprocessing claims resulting from MMIS errors, Medicaid Expansion and Medicaid reforms).</p> <p>Legislative Fiscal Analyst Comment: To ensure that FY17 payments were not carried forward into FY18, the legislature also appropriated the amount of UGF necessary to fully fund Medicaid Services costs in FY17. The estimated cost of subsection 15(a), HB 57 is zero.</p>