



ALASKA STATE LEGISLATURE

House Health & Social Services Committee

Rep. Ivy Spohnholz & Rep. Tiffany Zulkosky

Co-Chairs

Rep. Geran Tarr
Rep. Matt Claman
Rep. Harriet Drummond

Rep. Sharon Jackson
Rep. Lance Pruitt

TO: Members of the House Finance Committee
FROM: Rep. Ivy Spohnholz, Co-Chair
Rep. Tiffany Zulkosky, Co-Chair
DATE: March 21, 2019
SUBJECT: Medicaid Services Appropriation Reductions

Due to the compressed timeframe for the subcommittee process, and late provision of information from the Department of Health and Social Services regarding the specific impacts of its proposed cuts to Medicaid, we weren't able to make formal recommendations in this particular area of the budget in time for the subcommittee closeout. However, we would like to make the following additional budget recommendations based on the best available information we have at this time.

We are willing to support the following budgetary reductions as presented to the DHSS House Finance Budget Subcommittee, with the associated General Fund savings:

- Withhold Inflation--\$11,093 savings with exceptions noted below
- Hospital Diagnosis-Related Groups--\$4,500.0 savings
- Acuity Based Nursing Facility Rate--\$2,000.0 savings
- Cost-Based End Stage Renal Disease--\$1,000.0 savings
- Pharmacy Adjustments--\$2,100.0 savings
- Limit Physical, Occupational, and Speech Therapy visits unless deemed medically necessary by a provider--\$1,000.0 savings
- Expand Care Management Program--\$2,010.0 savings
- Implement Nurse Hotline--\$500.0 savings
- Reduce the Timely Filing Allowance--\$10,000.0 savings
- Pursue Reclaiming on Medicare Part B Premium \$1,188.0 savings
- Pursue greater Tribal Reclaiming--\$20,100.0 savings
- Pursue Tribal Reclaiming for Medicare Part B Premium--\$1,955.0 savings
- Implement Electronic Visit Verification--\$440.6 savings
- Transition some services to a 1915(k) waiver--\$123.0 savings

With the implementation of these cost containment strategies, the Department projects to save about \$58 million in general fund expenditures.

We urge the Department to seriously consider holding harmless the following, in any attempt to withhold inflation-based adjustments to Medicaid payments:

- Federally Qualified Health Centers
- Critical Access Hospitals
- Behavioral Health Service Providers
- Primary Care Providers
- Skilled Nursing Facilities

Because general fund offsets resulting from Medicaid reforms and enhanced reimbursement resulting from Medicaid expansion have realized considerable savings, we do not support rate reductions at this time. However, if the Department does pursue rate reductions to reduce Medicaid expenditures, we encourage the Department to hold-harmless behavioral health service providers and skilled nursing facilities in addition to the other entities the Department has identified that will not have their rates reduced. Alaska is in the midst of a behavioral health crisis and it is paramount that the residents of Alaska have as much access to those services as possible.

We look forward to working with the Department regarding Medicaid cost-containment strategies that do not limit Alaskans' access to care, but instead seek to improve the way we deliver care so as to improve health outcomes. In the final analysis, improving Alaskans' health will produce the most lasting and sustainable cost savings.

cc: Members of the House Health and Social Services Committee

Adam Crum, Commissioner, Department of Health and Social Services