THE STATE of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

-Department of Health and Social Services
FINANCE AND MANAGEMENT SERVICES
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January 15, 2020

The Honorable Bert Stedman
Senate Finance Co-Chair
Alaska State Legislature
State Capitol, Room 518
Juneau, AK 99801-1182

The Honorable Natasha Von Imhof
Senate Finance Co-Chair
Alaska State Legislature
State Capitol, Room 516
Juneau, AK 99801-1182

The Honorable Neal Foster
House Finance Co-Chair
Alaska State Legislature
State Capitol, Room 505
Juneau, AK 99801-1182

The Honorable Jennifer Johnston
House Finance Co-Chair
Alaska State Legislature
State Capitol, Room 511
Juneau, AK 99801-1182

Dear Senators Stedman and von Imhof and Representatives Foster and Johnston:

The Operating Budget bill (CCS HB286) includes legislative intent language for the Department of Health and Social Services (DHSS) relating to Medicaid cost containment efforts.

The department shall submit quarterly progress reports on cost containment efforts to the co-chairs of the House and Senate Finance Committees and the Legislative Finance Division.

In accordance with this intent language, attached is a spread sheet outlining the Department's Phase I cost containment efforts with updated UGF savings numbers.

If you have additional questions, please contact me at 465-1630.

Sincerely,

Sana

Sana Efird
Assistant Commissioner

cc: Amanda Ryder, Acting Legislative Finance Director

Kelly Cunningham, Fiscal Analyst, Legislative Finance
Suzanne Cunningham, Legislative Director, Office of the Governor
Brian Fechter, Office of Management and Budget
Adam Crum, Department of Health and Social Services Commissioner
Anne Zink, Department of Health and Social Services Chief Medical Officer
Albert Wall, Department of Health and Social Services Deputy Commissioner
Heather Carpenter, Department of Health and Social Services Acting Deputy Commissioner
Marian Sweet, Deputy Director of Finance and Management Services
Anthony Newman, Department of Health and Social Services Legislative Liaison
Renee Gayhart, Division of Health Care Services Director
Gennifer Moreau-Johnson, Division of Behavioral Health Director
John Lee, Division of Senior and Disabilities Services Director

Medicaid Phase One Projections
January 15, 2020

Item	Original FY2020 UGF Savings Estimate	Comments	Adjusted FY2020 UGF Savings
Phase 1 Rate and Payment Adjustments			
5% Provider Rate Reduction	$ 21,123.9	Due to the Alaska State Hospital and Nursing Home Association (ASHNHA) lawsuit, savings originally anticipated will be offset by the settlement agreement to pay back providers from July 1, 2019 - September 30, 2019 for a reduced savings of approximately $9.0 million. Also, original reductions proposed for Home and Community Based Waiver/Personal Care providers were not implemented for a reduced savings of approximately $5.0 million.	$ 7,123.9
Withhold Inflation	$ 11,093.0	Due to the Alaska State Hospital and Nursing Home Association (ASHNHA) lawsuit, savings originally anticipated will be offset by the settlement agreement to pay back providers from July 1, 2019 - September 30, 2019 for a reduced savings of approximately $2.5 million.	$ 8,593.0
Hospital DRGs	$ 4,500.0	Unable to implement this year. Looking to implement in FY2021. DHSS has contracted with Myers & Stauffer to determine how to effectively implement this methodology in Alaska. The contract deliverables are to be completed no later than July 1, 2020. The State of Alaska anticipates implementing this payment methodology by January 1, 2021.	$ -
Long-term Care Rate Reduction	$ 2,000.0	Applied a 3% rate reduction on long-term care. The Upper Payment Limit (UPL) is a federal limit placed on fee-for-service reimbursement of Medicaid. This limit is the maximum a given state Medicaid program may pay a type of provider for Medicaid services. Alaska's long-term care providers were above the UPL and therefore, DHSS was required to reduce their payments to meet this federal guideline.	$ 2,000.0
Cost-Based End Stage Renal Disease	$ 1,000.0	This was implemented successfully on March 24, 2019. On target.	$ 1,000.0
Pharmacy Adjustments	$ 2,100.0	This represents a variety of efforts at cost savings and utilization efficiencies. One of these included provisions in SB44 that allow the state more flexibility and additional negotiating power with pharmaceutical companies. DHSS is on target to achieve the estimated savings.	$ 2,100.0
Phase 1 Cost Containment on Service Utilization			
Limit PT/OT/Speech Therapy to 12 visits per year	$ 1,000.0	Regulations are being updated and are required to implement the proposed authorization requirements. Effective date now projected to be July 1, 2020.	$ -

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Expand Care Management Program (CMP)	$	2,010.0	Not able to expand program as quickly as projected. May see only half of original savings predicted. • 320 recipients currently enrolled in the Care Management Program (CMP) as of 12/30/19. • Regulations are out for public comment through February 25th, 2020.	$ 1,000.0
Implement Nurse Hotline	$	500.0	Not Moving Forward in FY2020 - originally tied to Managed Care Organization (MCO).	$ -
Phase 1 Administrative and Program Changes				
Timely Filing Allowance Reduction	$	10,000.0	Requires statute change but, as this is a cost deferral, a change will not achieve actual savings.	$ -
Cost of Care Collection	$	500.0	On target to implement but with reduced savings. Updating regulations to remove waiver termination language and include "recipients representative" as defined in 7AAC 160.990(b)(70).	$ 250.0
Medicare Part B Premiums Recovery	$	1,188.0	Implemented - on target.	$ 1,188.0
Tribal Reclaiming	$	20,100.0	On target to realize savings.	$ 20,100.0
Tribal Reclaiming Medicare Part A/B Premiums	$	1,955.0	Further research into this measure demonstrated that, since this is not an Indian Health Services (IHS) program, and is not matched with federal funds based on race, this will not result in the savings originally anticipated.	$ -
Transportation Efficiencies	$	3,000.0	Contracting with the tribes to manage transportation has already achieved considerable transportation savings in the Medicaid budget. Therefore, DHSS does not anticipate additional savings this fiscal year.	$ -
Electronic Visit Verification	$	440.6	Capital project underway; will be implemented FY2021 or FY2022.	$ -
Transition Services to 1915(k)	$	123.0	Proposed amendment to regulations, waiver application and the State Plan Amendment are awaiting internal approval prior to being released for public comment.	$ -
Adult Preventative Dental	$	8,273.6	After discussions with Centers for Medicare and Medicaid Services (CMS) and gaining an understanding of the challenges and drawbacks of eliminating this service, DHSS decided not to proceed. This was considered an optional service when first introduced in Alaska but is now considered an "essential health benefit" of the Affordable Care Act.	$ -
Sub Total	**$**	**90,907.1**		**$ 43,354.9**
1115 Services Cost Shift to Medicaid				
Transition Behavioral Health Grants to 1115 Waiver Services	$	12,000.0	Reduction occurred in Treatment and Recovery Grants Budget not in Medicaid Services.	$ 12,000.0
Total	**$**	**102,907.1**		**$ 55,354.9**