

**HOUSE CS FOR SENATE BILL NO. 109(RLS)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-THIRD LEGISLATURE - FIRST SESSION**

**BY THE HOUSE RULES COMMITTEE**

**Offered: 5/17/03**

**Referred: Today's Calendar**

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act repealing the statute that sets priorities for the Department of Health and**  
2 **Social Services to apply to administration of the medical assistance program when there**  
3 **are insufficient funds allocated in the state budget for that program; authorizing the**  
4 **department to make cost containment decisions that may include decisions about**  
5 **eligibility of persons and availability of services under the medical assistance program;**  
6 **and providing for an effective date."**

7 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

8 \* **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
9 to read:

10 LEGISLATIVE INTENT. (a) It is the intent of the legislature that the Department of  
11 Health and Social Services should have the authority to make cost containment decisions  
12 related to the Medicaid program under AS 47.07 during any fiscal year when the department  
13 finds that the cost of medical assistance for all persons eligible under the program will exceed

1 the amount allocated in the state budget for that fiscal year. Further, it is the intent of the  
 2 legislature that the department continue to provide coverage for all Medicaid approved  
 3 medications. If the department develops a preferred drug list to improve the Medicaid  
 4 program's efficiency, it is the legislature's intent that the department should work with  
 5 providers to develop the preferred drug list and that the department should establish an  
 6 authorization system that is minimally intrusive to the providers while protecting access to  
 7 medically necessary medications. The legislature encourages the department to develop case  
 8 management systems or tools that allow for the comparison of cost savings associated with a  
 9 preferred drug list or alternative cost containment methodologies.

10 (b) The legislature intends, with the enactment of sec. 3 of this Act, that the cost  
 11 containment decisions made by the Department of Health and Social Services should be those  
 12 that best reflect the needs and interests of the eligible recipients and the coverage options  
 13 available under AS 47.07 and that the department should take all reasonable measures to  
 14 effect cost containment in ways that least affect the recipients who are eligible for services  
 15 and the types of services that are available.

16 \* **Sec. 2.** AS 47.07.030(c) is amended to read:

17 (c) Notwithstanding (b) of this section, the department may offer a service for  
 18 which the department has received a waiver from the federal government if the  
 19 department was authorized, directed, or requested to apply for the waiver by law or by  
 20 a concurrent or joint resolution of the legislature. [THE DEPARTMENT SHALL  
 21 ANNUALLY MAKE AVAILABLE TO THE LEGISLATURE ITS  
 22 RECOMMENDATIONS ABOUT WHERE A SERVICE OFFERED UNDER THIS  
 23 SUBSECTION SHOULD BE PLACED ON THE PRIORITY LIST IN AS 47.07.035.  
 24 THE DEPARTMENT SHALL NOTIFY THE LEGISLATURE THAT THE  
 25 RECOMMENDATIONS ARE AVAILABLE.]

26 \* **Sec. 3.** AS 47.07 is amended by adding a new section to read:

27 **Sec. 47.07.036. Cost containment measures authorized.** (a) If the  
 28 department finds that the costs of medical assistance for all persons eligible under this  
 29 chapter will exceed the amount allocated in the state budget for a fiscal year, the  
 30 department may implement cost containment measures to reduce anticipated program  
 31 costs for that fiscal year as authorized under this section.

1 (b) The department, in implementing this section, shall take all reasonable  
 2 steps to implement cost containment measures that do not eliminate program  
 3 eligibility or the scope of services required or authorized under AS 47.07.020 and  
 4 47.07.030 before implementing cost containment measures under (c) of this section  
 5 that directly affect program eligibility or coverage of services. The cost containment  
 6 measures taken under this subsection may include new utilization review procedures,  
 7 changes in provider payment rates, pre-certification requirements for coverage of  
 8 services, and agreements with federal officials under which the federal government  
 9 will assume responsibility for coverage of some individuals or some services for some  
 10 individuals through such federal programs as the Indian Health Service or Medicare.

11 (c) If cost containment measures authorized under (b) of this section are  
 12 insufficient to reduce the anticipated program costs for a fiscal year to the amount  
 13 allocated in the state budget for the program for that fiscal year, the department may,  
 14 to the extent authorized under federal law and the state's constitution, deny any or all  
 15 optional services listed in AS 47.07.030(b) - (d) to a person eligible for services under  
 16 AS 47.07.020 or deny program eligibility to a person who is eligible for the medical  
 17 assistance program under the optional coverage provisions of AS 47.07.020(b) - (i).  
 18 However, the department may not eliminate program participation of a person who is  
 19 eligible for coverage under AS 47.07.020(a), nor may the department deny coverage  
 20 of a service described in AS 47.07.030(a) for a person who is eligible for the medical  
 21 assistance program under AS 47.07.020.

22 \* **Sec. 4.** AS 47.07.035 is repealed.

23 \* **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to  
 24 read:

25 **APPLICABILITY.** AS 47.07.036, enacted by sec. 3 of this Act, applies only to  
 26 eligibility determinations made and medical services performed on or after July 1, 2003.

27 \* **Sec. 6.** This Act takes effect July 1, 2003.