

**ALASKA STATE LEGISLATURE
ADMINISTRATIVE REGULATION REVIEW COMMITTEE**

February 21, 2006

3:26 p.m.

MEMBERS PRESENT

Representative Tom Anderson, Chair
Senator Gene Therriault, Vice Chair
Representative Sharon Cissna
Representative Vic Kohring
Senator Lyman Hoffman

MEMBERS ABSENT

Senator Ben Stevens

OTHER LEGISLATORS PRESENT

Representative Lesil McGuire

COMMITTEE CALENDAR

CHANGES TO REGULATIONS ADOPTED BY DHSS 1/11/06 RE: DURABLE
MEDICAL EQUIPMENT SUPPLIES

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

KARLENE JACKSON, Commissioner
Department of Health and Social Services
Juneau, Alaska
POSITION STATEMENT: Provided opening remarks.

DWAYNE PEEPLES, Director
Health Care Services
Department of Health and Social Services
Juneau, Alaska
POSITION STATEMENT: Provided remarks regarding the new
regulations.

KATIE SHOWS, Staff

to Representative Seaton
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Related constituent complaints regarding
[durable medical equipment].

ALEX GIMARC

Anchorage, Alaska

POSITION STATEMENT: Related concerns with regard to the new
regulations.

TOM GIMPLE, CEO/Owner

Geneva Woods Pharmacy and Health Care Services

Anchorage, Alaska

POSITION STATEMENT: Related concerns with regard to the new
regulations.

RON HALE, Vice President

Home Medical Equipment

Geneva Woods Health Care Services

Geneva Woods Pharmacy, Inc.

Eagle River, Alaska

POSITION STATEMENT: Related concerns with regard to the new
regulations.

DIANA MATHIS, Director

Customer Service

Geneva Woods Health Care Services

Geneva Woods Pharmacy, Inc.

Anchorage, Alaska

POSITION STATEMENT: Related concerns with regard to the new
regulations.

ANDREA KADOW-LUJAN, Owner

Frontier Medical

Anchorage, Alaska

POSITION STATEMENT: Related concerns with regard to the new
regulations.

ACTION NARRATIVE

CHAIR TOM ANDERSON called the Administrative Regulation Review
Committee meeting to order at [3:26:50 PM](#). Representatives
Anderson and Cissna and Senators Therriault and Hoffman were
present at the call to order. Representative Kohring arrived as

the meeting was in progress. Also in attendance was Representative McGuire.

Durable Medical Equipment Supplies Regulation Changes

CHAIR ANDERSON announced that the only order of business would be a discussion regarding the recent changes to the Department of Health and Social Services regulations for durable medical equipment supplies.

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CHAIR ANDERSON explained that the committee's purview is to review regulations. He further explained that this summer there were discussions regarding holding off on [certifying] the regulations [relating to durable medical equipment]. However, the regulations went into effect on January 11, 2006, and thus it's now impossible to make those regulations ineffective. Chair Anderson expressed his frustration because a delay in certification of the regulations could've prevented this meeting. He then announced that regardless of the department's testimony today, he will probably introduce legislation to address these regulations.

3:32:01 PM

KARLENE JACKSON, Commissioner, Department of Health and Social Services (DHSS), began by clarifying that the durable medical equipment Medicaid regulations are exempt from the requirements of HB 33. In fact, all Medicaid regulations are exempt from the requirements of HB 33. Therefore, economic impact assessment isn't performed for regulations related to Medicaid. Commissioner Jackson then related that DHSS's largest challenge is balancing access to care against the cost of care. Medicaid is the largest part of the department's budget. In fact, of the proposed fiscal year 2007 budget of \$2 billion, \$1.2 billion is related to Medicaid. The aforementioned, she highlighted, is despite the fact that there has been more than \$120 million in cost savings in 2004 and 2005. The Lewn study and the forecasting model illustrate there will be a continuing shift of Medicaid services from families and children to seniors.

3:33:29 PM

DWAYNE PEEPLES, Director, Health Care Services, Department of Health and Social Services, referred to a PowerPoint presentation that should be included in the committee packet.

He explained that the department is constantly reviewing expenditures and utilization [trends]. As a result, the department implements cost containment and service adjustments wherever necessary. Additionally, the department is in the process of responding to audits from independent auditors established by legislation. Furthermore, the federal Centers for Medicaid and Medicaid Services are initiating some federal legislation, including a payment error review and methodology. A payment error review and methodology is an additional line item review for expenditures. A preliminary [payment error review and methodology] will occur this summer when an independent contractor will draw against the department's expenditure data in late 2007. Mr. Peeples informed the committee that as part of the routine review of the expenditure centers, the department noticed that there were some complaints from providers, physicians, recipients, and legislators. He noted that specifically the incontinence supplies and durable medical equipment (DME) expenditure were found to be a cost center that is increasing rapidly. Mr. Peeples then highlighted a letter from Dr. de Schweinitz regarding one her patients, which is illustrative of what the department found with its audits and payment error reviews in regard to Medicaid paying for medically unnecessary incontinence supplies without a prescription and to a patient who wasn't incontinent. He noted that in all areas there was difficulty with regard to documentation for medical necessity.

[3:37:28 PM](#)

CHAIR ANDERSON requested explanation with regard to reimbursement.

MR. PEEPLES explained that the DME component of Medicaid includes many miscellaneous supplies, including incontinence supplies. Within the DME expenditures the department observed accelerated expenditures such that projections for fiscal year (FY) 2006 would be about \$1.2 million over budget. There was also a fairly rapid growth in the recipients receiving diapers, which began after FY 02 when there were minor changes with regard to reimbursements, payments, and limits on diapers and incontinence supplies. Up to [FY 02] there was a monthly maximum of about \$200 per month covering all of the supplies. However, once those limits were lifted and per item pricing was implemented such that diapers, for example, would be reimbursed at \$.93 each, there was a growth in the population receiving incontinence supplies. In reviewing who was receiving these services, eligibility and receipt of other services was also

reviewed. The aforementioned review determined that the vast majority of recipients were in the waiver programs, which primarily falls under the Division of Developmental Disabilities. He related that about 64 percent were receiving assisted living home support, personal care attendants, and other services from the department, including the ability to provide shopping and other services for living at home or in an assisted living area. The other 26 or so percent were individuals between the age of 3 and 20 who have special needs.

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REPRESENTATIVE CISSNA drew attention to the slide specifying that 64 percent of recipients who receive incontinence supplies are eligible for supportive services, and inquired as to what that means.

MR. PEEPLES explained that 64 percent of recipients were receiving other supportive living services from the department, including personal care attendant services. These recipients may also be living in an assisted or supported living home. The reimbursement for those services includes an allocation for shopping and picking up goods.

REPRESENTATIVE CISSNA surmised then that the aforementioned is being mentioned because these recipients don't necessarily need incontinence supplies delivered since shopping services are available.

MR. PEEPLES replied yes, adding that there are alternative methods by which these supplies can be delivered to these individuals.

REPRESENTATIVE CISSNA inquired as to how many of these recipients live within driving distance of a location at which they can purchase these incontinence supplies.

MR. PEEPLES said that he didn't have that readily available, and thus offered to find out. However, he informed the committee that if the supplies aren't readily available in the immediate community, there is an allocation within Medicaid budget to allow for these supplies to be mailed.

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MR. PEEPLES, in response to Representative Cissna, stated that it's not the department's intention to cut off the availability of these supplies to anyone.

CHAIR ANDERSON related his understanding that the quality of incontinence supplies from a supplier may not be found at a local store in the community.

MR. PEEPLES said that most of the large chains such as Carrs, Safeway, Wal-Mart, and Fred Meyer are DME suppliers that are registered and enrolled as a Medicaid provider. In further response to Chair Anderson, Mr. Peeples related that due to criticisms in this area, the department went to Wal-Mart to purchase Huggies diapers under a legitimate DME prescription. The department purchased 80 Huggies for which Medicaid paid \$.24 for each. However, the department's fee schedule allows \$.50 each for such an item. Wal-Mart can't charge more than it would charge anyone coming in off the street, and thus under Medicaid's rules [the department] will pay \$.24 per diaper.

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MR. PEEPLES continued with his PowerPoint and turned the committee's attention to the slide entitled, "Proposed Regulation Changes." Overall the DME regulations do more than set only one cost for incontinence supplies. These regulations expand who can prescribe such that nurse practitioners and physicians' assistants are now allowed to do the prescriptions. These regulations also expanded support and payment for home infusion therapy in which individuals receive multi-ingredient compounds at home rather than having to go to the hospital. Furthermore, the prior authorization (PA) form was revised in order to tighten the medical necessity documentation for future audits. The department established a series of pricing methodologies and Medicare rates for Alaska were adopted wherever possible. The American Druggist Blue Book ("Blue Book"), with some adjustments, is being utilized wherever possible for wholesale pricing. For those areas unpriced, the department will track what it's actually being priced and establish some rates. For some items, such as the incontinence supplies, the department sets prices.

MR. PEEPLES continued with the slide entitled, "Incontinence Supply Pricing Methodology." He explained that the department talked to some wholesale providers and reviewed what the Pioneers' Homes were paying for [incontinence supplies]. The department also reviewed the charges found in the Medicaid

Management Information System (MMIS). The department also reviewed Minnesota's Medicaid program for which a fairly extensive study that resulted in regulations pricing incontinence supplies based on the average of seven manufacturers' retail suggested prices. To that price the cost of mailing to rural Alaska was included, which basically summed the manufacturers' suggested retail price. After that, the department took a sampling in Anchorage, Juneau, and other communities that led to an average for Anchorage. With regard to reimbursement, the department reimburses by the following: the billed charges, the rate identified in the fee schedule established under regulations, and the provider's lowest charge that is advertised, quoted, or posted. Mr. Peeples then turned attention to the slide entitled, "Enrolled Alaska Suppliers," which lists the chains and DME providers that can or do [provide] incontinence supplies. He moved on to the slide entitled, "Medicaid Recipient Retail Purchase" that provides the specifics of the earlier mentioned example of a recipient obtaining diapers from a Wal-Mart in Anchorage. In the regulations and past practice, the department has and continues to cover delivery expenses. In fact, the new regulations allow the department to go above the limits, and based on a PA will approve additional quality expenditures and other needed costs.

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CHAIR ANDERSON inquired as to the number of complaints the department has received and from where/what group did those complaints emanate. He also inquired as to how the department has tried to resolve these complaints.

MR. PEEPLES said that he couldn't recall the number of complaints. However, the Utilization Review Unit of First Health [Services Corporation] and departmental staff identified problems. In the payment error study some of the same problems were identified as in the Myers & Stauffer (ph) audits, he related. Therefore, the subject of the complaints varied. With regard to the medical documentation, there is the possibility that the state could have to reimburse the federal government for any disallowed costs in FY 07.

COMMISSIONER JACKSON, in response to Chair Anderson, said that she has listened to the concerns of any provider who has called for an appointment. Those concerns have been brought to Mr. Peeples to work through. In fact, as recently as this morning she said she met with some providers to discuss how to move

forward to keep Medicaid costs down while ensuring that people receive what they need.

3:57:53 PM

REPRESENTATIVE CISSNA relayed that the complaint she heard was in regard to the inordinate amount of supplies received in one community, such that there was difficulty in finding storage. She related her understanding that the aforementioned situation has been addressed.

MR. PEEPLES said that the department hopes to address the [problem of excess supplies] through closer scrutiny of the PA process with regard to the medical necessity.

3:59:22 PM

KATIE SHOWS, Staff to Representative Seaton, Alaska State Legislature, informed the committee that in the summer of 2005, Representative Seaton's office received various calls from a caregiver who was frustrated with the amount of supplies brought to her house to care for her mother. The caregiver related that she couldn't refuse the products. Ms. Shows relayed that she also spoke with a case manager at a local organization who had a similar experience with her mother-in-law as well as numerous other clients. She noted that she also spoke with a disabled individual who had a DME provider bring him a very expensive chair to aid him in standing, although he didn't need it at that particular time. Ms. Shows opined that all these individuals were concerned that funds weren't being put toward basic services. The aforementioned complaints led Ms. Shows to speak with Lisa Brown and Dave Campana, DHSS, who said they were working on regulations.

MS. SHOWS, in response to Chair Anderson, clarified that the department response was that it was in the process of drafting regulations that would address the issue. She noted that she informed the constituents regarding the department's response and there hasn't been any communication from the constituents with regard to any further problems.

4:03:20 PM

ALEX GIMARC began his testimony by informing the committee that he is the parent of Grant Bradley, a 20-year-old with cerebral palsy and is confined to a wheelchair. He further informed the committee that his son will probably have to live with him as

long as he lives. He related that his son will also be in diapers for the rest of his life. Under the old regulations, diapers were covered at \$.93 per diaper. He explained that his son uses special order diapers from Geneva Woods; these diapers have a high carrying capacity for liquids and are very tough. With the aforementioned diapers, his son doesn't have to be changed as often and he remains clean, dry, and without health issues. However, the new rates mean that they can't obtain those diapers nor can they obtain wet wipes. Mr. Gimarc opined that if there is a problem with diapers and the Medicaid reimbursements rates, the [department] could speak with the vendors, the clients, simply choose new numbers with little to no public input, or reimbursement fees could be held constant over a period of years while inflation forces a slow, steady cost savings. The latter was what was being done [prior to the new regulations]. He further opined that reimbursement rates aren't the issue and micro-managing the cost to clients and vendors isn't the solution. He suggested that the money could be vouchered directly to the clients, the rules could be changed such that Medicaid/Medicare is supplementary insurance rather than the only insurance. Mr. Gimarc related his experience with Medicaid/Medicare that "you're up by a factor of three to five on anything called medical equipment simply because of the paperwork burden carried by the vendors and the clients." Mr. Gimarc concluded by relating that he can defend his son, but there are many elderly and handicapped individuals who need help working through the bureaucracy.

4:06:49 PM

TOM GIMPLE, Owner, Geneva Woods Pharmacy and Health Care Services, LLC, ("Geneva Woods") related his background in business that illustrates that he is no stranger to budget issues and tough ones at that. He further related that he and his wife moved to Anchorage four years ago to allow their daughters to attend school there. He then informed the committee as to how he came to be the owner of Geneva Woods. He explained that he viewed owning Geneva Woods as an opportunity to eliminate the "fire drills" between the state and the health care providers and to stop the consistent re-budgeting from the state and the private sector. The state, he opined, can't afford to take care of these individuals alone and thus need the private sector's help. However, there didn't appear to be a process in place to do so, which is why he hasn't been successful in that vein.

MR. GIMPLE then turned to Geneva Woods, which offers a variety of health services including home medical equipment and the delivery of monthly supplies. Geneva Woods also provides rehabilitation and respiratory care, home I/V infusion, and retail and closed-door pharmacy services. Geneva Woods has offices in Anchorage, Wasilla, Soldotna, and Juneau. Mr. Gimple specified that one can view Geneva Woods as the business that provides the services and products that an individual leaving the hospital would need at home. He emphasized that he is proud to represent the over 200 employees of Geneva Woods who care about the community and work to make health care better. He then related, "I'll also tell you that in my business experience, I've never been in a more difficult situation relative to what we're allowed to charge for our products and services, the endless paperwork it takes to try to get paid, and then the amount of time it takes to get our revenue." Mr. Gimple opined that the pledge of health care providers, including Geneva Woods, is to be a proactive part of the solution. There needs to be a process by which [health care providers] and the regulatory writers such that the issues can be discussed and addressed before [the regulations are promulgated]. Mr. Gimple further opined that Geneva Woods cares deeply about those to whom it provides care, and wants to continue to take care of those who can't take care of themselves. However, at some point Geneva Woods can't continue to supply the care to Alaska that it has provided since 1977. If Geneva Woods and other health care providers decide to close, the clients who can't receive their incontinence supplies will end up in emergency rooms. The aforementioned, he opined, leaves the state in worse shape than facing the fact that the state's population is aging and it will cost more to take care of those "we have told we'll take care." Mr. Gimple requested that the committee members consider their constituents and the promises made to take care of those who can't take care of themselves. He highlighted the importance of cutting through the rhetoric and understanding the need for a process to resolve and address this issue and the associated costs. In closing, Mr. Gimple opined, "I think that this is a byproduct of a bigger problem and ... there's a way that we can get together to figure out how we can work to try to do both things: be as economically and fiscally responsible as we can, but also not let down the people that we promised we'd take care of."

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RON HALE, Vice President, Home Medical Equipment, Geneva Woods Health Care Services, Geneva Woods Pharmacy, Inc., referring to

his PowerPoint presentation included in the ringed binder entitled, "Effects of Regulations on Patient Care and Durable Medical Equipment Providers." The aforementioned is included in the committee packet. He began by informing the committee that Geneva Woods has been providing quality and cost effective patient care services to Alaskans for over 25 years. These new regulations have compromised Geneva Woods' ability to obtain the best products and pricing from suppliers, he opined. He specified that Geneva Woods has experienced seven years of dwindling margins. Furthermore, the department's unwillingness to recognize the costs of providing these services in addition to the cost of purchasing the product and reselling it. Moreover, there has been no increase in allowables, which basically means that costs have been cut for the past seven years. Mr. Hale related that at this point there are no more vendor discounts to be had and in fact, some vendors are providing supplies below market cost and some are being forced from the market place. Moreover, the department has turned a deaf ear to the public, he opined.

MR. HALE then turned to Phase I of the regulation change back in November 2004, which was the first fee schedule increase in seven years. However, the regulations also included some dramatic and far-reaching changes that would cause costs to increase. Then in October 2005 Phase II of the regulations occurred during which public comments were heard, although the department virtually ignored them. He noted that the public comments are included [in the ringed binder] in the committee packet. Mr. Hale explained that providers were very excited about the fee increase of Phase I and no one noticed that the fee schedule located on page 74 of the 75-page regulation had changed. Furthermore, the regulations didn't include a narrative about the fees. By the time a provider in Southeast Alaska noticed the problem, the public comment period was closed and thus other steps would have to be taken. Mr. Hale characterized the cuts as Draconian in nature and amounting to over a 40 percent cut on the average across the board. Another problem was that for over three years there was no current provider manual, which instructs the providers in regard to how to process claims. He related that he then contacted the lieutenant governor and requested that the commissioner be contacted regarding reopening the comment period for the regulations. Commissioner Jackson reopened the public comment period, but only for the fee schedule portion of the regulations. Once the word was out about the change in fee schedule, there was an overwhelming response from patients, caregivers, and providers. He noted that the committee packet

should include the document of all the people responding to the problems [created] by these changes. The department responded by attaching a cover letter with its rationale for the fee schedule [to the comments]. Although the department had adjusted the allowables slightly, it wasn't enough to cover costs. The division director responded to the request to extend the regulation implementation date, but it was only extended for 30 days for creams, lotions, and wipes. The problem was that the department couldn't identify what providers would be paid for the aforementioned supplies.

[4:23:32 PM](#)

CHAIR ANDERSON recalled Mr. Peeples' example of access to products by going to Wal-Mart to purchase Huggies and Mr. Gimarc's testimony regarding lower cost products. He asked Mr. Hale's view of those examples.

MR. HALE explained that Mr. Gimarc's problem is that the diapers his son requires aren't routinely sold by Wal-Mart and other box stores. Those are more expensive diapers for which the reimbursement doesn't cover [the entire cost]. Although Mr. Gimarc can submit a special request for approval to purchase a more expensive product, when a provider only has one client on that product that provider wouldn't be able to purchase the product for that one client. Therefore, although there's a mechanism to address the situation, it's difficult, he opined.

[4:25:45 PM](#)

MR. HALE continued with his PowerPoint presentation and reiterated that the allowables aren't sufficient as illustrated by the chart on slide 12. He acknowledged that the allowables for two of the incontinence products were increased, but pointed out that overall the adjustment was a 40 percent decrease. Mr. Hale then turned to the certificate of medical necessity (CMN) and PA form, which actually increase costs and delay payments.

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MR. HALE, in response to Representative Cissna, noted that samples of the forms are included in the ringed binder in the committee packet.

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MR. HALE continued by explaining that providers have to wait for the forms to be returned before the provider can bill. Therefore, payments were delayed and products weren't supplied because of the lack of a CMN form. He opined that the department and division must have better communication and cooperation with providers in order to solve these problems. During a teleconference regarding various issues, the question was posed regarding what education was being provided to the physicians. Unfortunately, the department made no special attempt to educate physicians or providers, he said.

MR. HALE then expressed concern in regard to the state's slow response to the problems, such as in regard to the Blue Book. He explained that the Blue Book is a database by First Data Corporation that depends on suppliers to send data regarding average wholesale prices. He further explained that if the average wholesale price isn't in the Blue Book, the provider can't sell it. In fact, he recently provided the department with the average wholesale price of some products from the manufacturer, but since those aren't in the system he can't provide those products. Mr. Hale opined that First Health and the department must have better communication on changes. Currently, there is incredible confusion in the market place and providers are placed at risk during audits. He relayed that if Geneva Woods was audited today, it wouldn't be covered by any documentation. Although any questioning with regard to the lack of documentation can be explained successfully, it shouldn't be necessary [because the documentation was eliminated].

MR. HALE continued relating his concerns, including the fact that shipping of rental equipment is paid only one way. Although equipment can be shipped to outlying communities, the return shipping costs are almost expensive as some of the equipment itself. Therefore, there is no incentive to ship equipment, such as a bed, to places such as Nuiqsut. The aforementioned means that a patient who may have been discharged from the hospital may not be [due to the inavailability of the bed]. He then expressed concern that the municipality rule is too restrictive and unclear, and furthermore it leaves the provider to determine whether a competitor provides the same product. Therefore, it's up to Geneva Woods to find out if there is another provider and whether they sell the same products as Geneva Woods. If there is a DME provider in Nuiqsut and Geneva Woods ships the same product that provider offers to Nuiqsut, Geneva Woods can't receive payment for the shipping. The aforementioned is a large problem and it compromises providers for audits.

MR. HALE opined that the impact of these regulations is that Alaskans are being disenfranchised. He then showed the committee a video from CBS News 11 regarding reducing the amount of money for reimbursing health care providers for incontinence supplies.

4:41:39 PM

REPRESENTATIVE MCGUIRE opined that the regulatory process should be transparent to the public and those impacted. Therefore, when the change in fee schedule is located on page 74 of a 75-page document, it does give the appearance of deception.

4:42:30 PM

MR. HALE then informed the committee of a patient in Hoonah who needed cotton swabs. Although this patient had a prescription, no one in Hoonah was willing to sign the CMN because the patient's provider wasn't present. There is no way to get this individual supplies without a CMN, and thus this patient is forced to a higher level of care in a facility. In another example, Mr. Hale related that on January 11 he received a request for a nebulizer, for which there was a PA requirement, at 4:55 p.m. However, after 5:00 p.m. there is no mechanism to obtain a PA with First Health and thus the patient was instructed to contact 911 if he had problems while the PA was in the works. Fortunately, in the aforementioned situation the department was contacted and authorized the prior authorization. Several days later and after field testing these things, several PA requirements were removed, as related by the state. However, those PA requirements remain in the regulations and the manual. This is problematic in audit situations because there is nothing in writing stating that the prior authorizations have been removed. Moreover, it seems that First Health didn't know of the PA requirements to begin with, which he interpreted as lack of communication between DHSS and First Health. Mr. Hale also related that he can't find a diaper liner for male clients that he can afford to provide. Although the diaper liner is cheaper than the diaper, the reimbursement for the liner is less. Therefore, adult males are forced to use diapers.

MR. HALE informed the committee that DME providers are leaving the market. For example, Valley Medical Supply stopped selling incontinence supplies on January 11 because it couldn't find products at prices it could afford to pay. Although the state has said there are 31 active DME providers, there are only 11 or

12 active DME providers, he stated. The impact of these regulations also includes the lose of jobs for Alaskans because providers who can't afford to provide products will begin to layoff staff. He noted that the [ringed binder] in the committee packet should include the list of DME providers and letters from Fred Meyers and Three Bears located in Wasilla indicating that those stores aren't in the business of providing incontinence supplies to Medicaid patients and aren't willing to do so due to the bureaucratic requirements to obtain payment. Although it may be easy to go to Wal-Mart with a client to purchase supplies, what isn't addressed is whether Wal-Mart is ever paid for those supplies and whether after going through the requirements would Wal-Mart be willing to do it for 1,800 individuals.

MR. HALE continued reviewing the impact of these regulations, including the lower standard of care for Alaska's most vulnerable population. He explained that the result of lowering the allowables is that [it causes DME providers to offer] inferior products. The use of inferior products, he said, results in increased usage. He reiterated, "In effect we're lowering the standard of care for our vulnerable population; it's not the same kind of care you and I would get if we went to the hospital."

[4:50:46 PM](#)

CHAIR ANDERSON discussed how the committee should proceed this evening.

The committee took an at-ease from 4:51 p.m. to 4:53 p.m.

CHAIR ANDERSON announced that the committee would hear testimony from the next witness and return tomorrow to resume the meeting.

[4:53:52 PM](#)

DIANA MATHIS, Director, Customer Service, Geneva Woods Health Care Services, Geneva Woods Pharmacy, Inc., began by referring the committee to slide 19, which relates the increased time it takes to process Medicaid paperwork and pay for services. If all goes well with the new regulations, it will take 4.75 hours to set up a new customer while it would take about 1.5 hours to purchase these products on one's own. She indicated that the committee should have an example of the steps that are required to move through the process and procedures. In fact, it seems

that the process is moving back to the manual system rather than toward the electronic system.

4:56:26 PM

MR. HALE concluded by referring to slide 20, which reviews the following solutions. First he recommended establishing the November 2004 fee schedule that increased allowables. The aforementioned would keep many providers in business and avoid sending patients to receive higher levels of care. He also recommended rolling back the new CMN/PA requirements. There are CMN requirements for almost every item produced. No longer is a doctor's prescription good enough. He further recommended rescinding the one-way shipping rule, the NDC, and AWP pricing for skin protectants. Mr. Hale opined that if fraud, waste, and abuse is a problem, then regulations on the books should be enforced. Furthermore, delivering products allows the identification of fraud, waste, and abuse. He related that Geneva Woods has actually turned in individuals that have products staked in the garage. "We can't ... make people be compliant ... unless we can see it. The physician writes the prescription, we provide the product based on what we've seen, and we can't force them to be compliant any more than the physician can," he said. Mr. Hale then suggested that the department establish in regulation an association with the new State of Alaska Home Medical Equipment Providers Association and develop standards of ethical conduct for providers. All the providers in the association will subscribe to a higher ethical standard, he opined. Mr. Hale also suggested requesting additional funding to cover the increases for the Medicaid recipients because the growth is occurring in the number of recipients. Therefore, there needs to be a determination as to why there is such exponential growth in order to address it. He recommended establishing regulations that move patients into, not away from, the least restricted and least costly environment. "We can be challenged to do more as an industry, not less," he stated.

5:02:55 PM

ANDREA KADOW-LUJAN, Owner, Frontier Medical, recalled the department's concern with regard to some of the prescriptions that didn't have an incontinence diagnosis, which is referred to as diagnosis compatibility. Although that has been in the regulations for quite some time, it has never been enforced. She explained that Frontier Medical has a very sophisticated computer system that is too smart for the Medicaid Management

Information System (MMIS) that First Health uses. Furthermore, the Health Insurance Portability and Accountability Act HIPAA mandates electronic transfer of health information, including payments. She related that Frontier Medical and other providers are experiencing serious delay in reimbursement because of the manual process. Ms. Kadow-Lujan informed the committee that Frontier Medical employs one Medicare biller who handles the same billing volume as five Medicaid billers. First Health has one employee to handle all DME claims, and the new regulations and the system require that employee to address claims manually. She related that three of the providers in Anchorage all utilize the same vendor for all of the incontinence supplies, which has caused a serious backorder problem. With regard to the department's view with the expense of delivery, Ms. Kadow-Lujan acknowledged that there are expenses associated with providing these services. However, she pointed out that the massive amounts of paperwork and the collection of money are part of those costs for providers. She related that administrative expenses have skyrocketed since January 11, and in fact four new employees have been hired just to review, process, and verify information from First Health's CMN/PA documents. Ms. Kadow-Lujan acknowledged the department's efforts in controlling costs and in complying with requirements from CMS. However, she noted her agreement with Mr. Hale that much of this could've been alleviated by listening to the providers. She concluded by expressing concern that the new regulations undermine the entire Alaska Medicaid program and fail to serve the recipients that it's promulgated to serve.

[5:07:59 PM](#)

ADJOURNMENT

The Administrative Regulation Review Committee meeting was recessed at 5:08 p.m., to be continued at 8:30 a.m. on February 21, 2006.