

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSSB 32(HSS)
 (S) Publish Date: 2/27/09

Identifier (file name): SB032-DHSS-SDMS-01-29-09 Dept. Affected: Health & Social Services
 Title Medicaid: Home/Community Based Services RDU Senior & Disabilities Services
 Component Senior & Disabilities Medicaid Services
 Sponsor Ellis
 Requester Unknown Component Number 2662

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims	8,680.7	0.0	12,390.5	17,405.2	21,833.6	26,385.9	31,065.8	
Miscellaneous								
TOTAL OPERATING	8,680.7	0.0	12,390.5	17,405.2	21,833.6	26,385.9	31,065.8	

CAPITAL EXPENDITURES							
-----------------------------	--	--	--	--	--	--	--

CHANGE IN REVENUES (
-----------------------------	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	4,340.4		6,198.3	8,702.6	10,916.8	13,193.0	15,532.9
1003 GF Match	4,340.3		6,195.2	8,702.6	10,916.8	13,192.9	15,532.9
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	8,680.7	0.0	12,393.5	17,405.2	21,833.6	26,385.9	31,065.8

Estimate of any current year (FY2009) cost: 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

The proposed legislation would add home and community-based service providers to the Medicaid health facility rate setting statute, AS 47.07.070. This legislation would require the Department to use a similar rate methodology for establishing rates for home and community-based service providers.

Passage of this bill would likely require additional Medicaid benefits appropriations in the division of Senior and Disabilities of \$8,680.7 in 2010 and a 2.8% annual increase to home and community based provider payments in the basic cost of services each subsequent year. Costs would increase to a projected \$31,065.8 by 2015.

(continued on page 2)

Prepared by: William J. Streur, Deputy Commissioner Phone 907-269-7827
 Division Health Care Services Date/Time 1/29/09 12:00 AM
 Approved by: Alison Elgee, Assistant Commissioner Date 1/29/2009
Dept. Health & Social Services

FISCAL NOTE # 2

STATE OF ALASKA
2009 LEGISLATIVE SESSION

BILL NO. CSSB 32(HSS)

ANALYSIS CONTINUATION

BACKGROUND

This statute would affect an estimated 356 businesses who are providers of home and community based services, including residential living services. These services are delivered under four Medicaid waivers: Adults with Disabilities, Children with Complex Medical Conditions, Mental Retardation/Developmental Disabilities, and Older Alaskans. The total expenditure for these waivers in 2008 was \$141.5 million. Costs are projected to increase by \$4.1 million in 2009 to \$145.6 million, which is the baseline projection used for this fiscal note. By assuming the status quo, without changes in population or utilization, costs associated with rate increases can be isolated.

HCBS providers currently have their rates or rate methodologies established in regulation. Since 2004 all of those rates have been frozen (some longer), except for 2009, when the legislature approved a 4-6% increase. This statute will apply the current Medicaid law requiring that the Department use a rigorous, cost-based rate setting process for establishing Medicaid payment rates for health facilities to HCBS providers. There would be two types of additional costs incurred: costs for the rate adjustment and costs providers would incur to comply with new financial reporting requirements.

ESTIMATED RATE ADJUSTMENT

For the purpose of this fiscal note, it is assumed home and community based providers receive an annual inflation adjustment as facilities currently do under AS 47.07.070. The 2.8% is the inflation for Home Health Agencies as this is the closest provider category to the waiver service providers. The department does not have the detailed cost reports required to fully implement section 070 until 2012; however, the department has assumed it will make interim rate increases averaging 2.8% prior to that time. The 2.8% increase has been applied to the 2009 baseline starting in 2010 for an increase of \$26,235.0 by 2015. Other impacts to the amount of additional reimbursement rates to providers are not possible to determine at this point in time.

ESTIMATED COSTS TO COMPLY WITH NEW FINANCIAL REQUIREMENTS

Many home and community based providers do not have the financial infrastructure to comply with the rigorous financial requirements of AS 47.07.070. Home and community based providers would have to invest substantial sums in accounting and report processes which in turn are passed on to the state through higher Medicaid payment rates. These costs are in addition to the costs for the rate adjustments. One-time costs include accounting system upgrades (\$142.5) and purchase of specialized cost reporting software (\$338.2). Ongoing annual costs include recordkeeper/accountant/contractor to obtain assistance with accounting efforts (\$1,425.0); professional assistance in preparing cost reports and completing forms (\$855.0); and annual independent audit (\$1,543.8). Legal fees to challenge rate setting regulations (\$300.0) would occur in 2010 & 2011 while legal fees for providers who appeal their rates (\$1,007.0) would begin in 2012 once those rates are established. Total additional costs to comply with new financial requirements would be \$4,604.5 in 2010, \$4,123.8 in 2011, and \$4,830.8 each year thereafter.

FUND SOURCE

Costs are eligible for the federal medical assistance percentage which is projected to be 50%.