

# FISCAL NOTE

**STATE OF ALASKA**  
**2009 LEGISLATIVE SESSION**

Fiscal Note Number: 4  
 Bill Version: CSSB 32(FIN)  
 (S) Publish Date: 3/30/09

Identifier (file name): SB032CS(FIN)-DHSS-SDMS-03-19-09 Dept. Affected: Health & Social Services  
 Title Medicaid: Home/Community Based Services RDU Senior & Disabilities Services  
 Component Senior & Disabilities Medicaid Services  
 Sponsor Ellis  
 Requester Senate Finance 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
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims	0.0*		0.0*	6,152.6	12,477.5	18,979.5	25,663.6	
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>6,152.6</b>	<b>12,477.5</b>	<b>18,979.5</b>	<b>25,663.6</b>	

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES (</b>								
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts				3,076.3	6,238.8	9,489.8	12,831.8
1003 GF Match				3,076.3	6,238.8	9,489.8	12,831.8
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>6,152.6</b>	<b>12,477.5</b>	<b>18,979.5</b>	<b>25,663.6</b>

Estimate of any current year (FY2009) cost: \_\_\_\_\_

**POSITIONS**

Full-time							
Part-time							
Temporary							

**ANALYSIS:** (Attach a separate page if necessary)

The proposed legislation amends AS 47.07 to add payment rate provisions for Medicaid providers of personal care services and home and community-based services. This legislation would require the Department to review rates annually and set rates considering periodic cost surveys and the Centers for Medicare and Medicaid Services' home health agency inflation rate. The effective date is July 1, 2011.

Passage of this bill would likely increase Medicaid benefit costs by \$6.2 million in FY2012. Annual inflation of 2.8% each subsequent year would increase benefit costs to a projected \$25.7 by FY2015.

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Prepared by: William J. Streur, Deputy Commissioner Phone 907-269-7827  
 Division Health Care Services Date/Time 3/19/09 12:00 AM  
 Approved by: Alison Elgee, Assistant Commissioner Date 3/19/2009  
DHSS Finance & Management Services

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**BILL NO.** CSSB 32(FIN)

**ANALYSIS CONTINUATION**

This statute would affect approximately 350 businesses who are providers of home and community based services (HCBS), 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. Expenditures for these waivers in FY2008 were \$141.5 million. This bill would also affect an estimated 52 businesses not included above that provide personal care services. Expenditures for personal care services in FY2008 were \$72.3 million. Total costs in FY2008 that would be subject to the rates is \$213.8 million.

HCBS and personal care providers currently have their rates or rate methodologies established in regulation. Since FY2004 all of those rates have been frozen (some longer), up until Y2009, when the legislature approved a 4-6% increase. This statute will require the Department to adjust Medicaid payment rates to HCBS and personal care providers to consider data from periodic cost surveys and the home health agency inflation rate.

**ESTIMATED RATE ADJUSTMENT**

This fiscal note assumes that rates are set under section 47.07.069(b)(3) applying the home health agency inflation rate (2.8%). FY2009 projected benefits of \$219.7 million (FY2008 actual costs plus 2.8%) are the baseline used to calculate the incremental costs in the fiscal note. Annual inflation adjustments of 2.8%, beginning in FY 2012, increase benefit costs by \$6.2 million the first year of implementation. By FY2015, costs increase \$25.7.

The Department has no way of estimating the impact of considering the periodic cost survey data on rates set under this bill as it does not have reliable cost survey data from providers upon which to base such an estimate. Therefore, this fiscal note does not reflect any increased or decreased cost from factoring in the cost survey data.

**FUND SOURCE**

Costs are eligible for the federal medical assistance percentage which is projected to be 50% in FY2012 and beyond.

\* -- The legislation would not require rates increases in FY2010 or FY2011; however, any rate increases funded in those years could reduce the amount of new expenditures required to implement the bill.