

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version:	CSHB 227(HSS)
Fiscal Note Number:	10
(H) Publish Date:	3/9/2016

Identifier: HB227-DHSS-HCMS-1-30-16
Title: MEDICAL ASSISTANCE REFORM
Sponsor: SEATON
Requester: House HSS

Department: Department of Health and Social Services
Appropriation: Medicaid Services
Allocation: Health Care Medicaid Services
OMB Component Number: 2077

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017	Included in	Out-Year Cost Estimates					
	Appropriation Requested	Governor's FY2017 Request	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services	1,100.0		1,100.0	1,100.0	1,100.0	1,100.0	1,100.0	1,100.0
Commodities								
Capital Outlay								
Grants & Benefits	(9,066.0)		(9,026.5)	(8,981.1)	(8,981.1)	(8,981.1)	(8,981.1)	(8,981.1)
Miscellaneous								
Total Operating	(7,966.0)	0.0	(7,926.5)	(7,881.1)	(7,881.1)	(7,881.1)	(7,881.1)	(7,881.1)

Fund Source (Operating Only)

1002 Fed Rcpts	(4,050.5)	6,700.0	9,349.5	12,949.5	16,549.5	20,149.5	20,149.5
1003 G/F Match	(4,050.4)	(6,700.0)	(17,450.4)	(21,050.4)	(24,650.4)	(28,250.4)	(28,250.4)
1108 Stat Desig	134.9		174.4	219.8	219.8	219.8	219.8
Total	(7,966.0)	0.0	(7,926.5)	(7,881.1)	(7,881.1)	(7,881.1)	(7,881.1)

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

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Estimated SUPPLEMENTAL (FY2016) cost: 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) cost: 7,850.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? yes
If yes, by what date are the regulations to be adopted, amended or repealed? 07/01/17

Why this fiscal note differs from previous version:

Not applicable; initial version.

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Division:	Health Care Services	Date:	01/30/2016 11:30 AM
Approved By:	Sana Efirid, Assistant Commissioner, Finance and Management Services	Date:	01/30/16
Agency:	Health and Social Services		

FISCAL NOTE ANALYSIS

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Analysis

Section 5 of the bill allows the Department to assess interest on recoveries for audits performed under AS 47.05.200 as well as other audits and reviews conducted by the state and federal government. There is no additional cost to the department to implement interest penalties on identified overpayments, but recoveries will increase.

The Department estimates it will take three years to reach the current volume of outstanding appeals subject to interest penalties. Interest penalty recoveries are calculated by taking the current amount of outstanding appeals and applying an estimated recovery percentage. The result is multiplied by the statutory rate for post-judgment interest of 3.75% and phased in over a period of three years, as shown below. (50% fed/50% GF match)

Amount of Interest Penalty Recoveries FY2017	\$ 84,910
Amount of Interest Penalty Recoveries FY2018	\$127,365
Amount of Interest Penalty Recoveries FY2019	\$169,821
FY2020 and beyond	\$169,821

Section 6 of this legislation grants the Department of Health and Social Services the authority to assess civil fines against Medicaid providers. Fines are to be assessed within a range of from \$100 to \$25,000 per occurrence or offense. There is no additional cost to the department to implement fines under this section.

Recoveries based on implementing fines in this section are calculated by taking the estimated number of civil fines and applying an average fine amount. It is estimated the amount of fines imposed per recovery will increase over time, but the number of fines assessed will decrease over time. The estimated amount of the recoveries would be \$50.0 per year. (50% fed/50% GF match)

Section 6(d): Office of Administrative Hearings Reimbursable Services Agreement \$500,000: The department anticipates the need for a reimbursable services agreement with the Office of Administrative Hearings to pay for the increased costs of appeals to the change in policy for overutilizers of emergency services. The department requests \$500,000 to cover the costs of these hearings. (services line expenditure, 50% fed/50% GF match)

Sections 9 and 16 require the Department to establish a primary care case management system for super-utilizers, and produce a report to the legislature on the program. This will require an assigned case manager to who will enroll and approve certain services for super-utilizers. Costs to implement include: Increase Alaska Medicaid Coordinated Care Initiative contract to manage this population: \$5.00 x 10,000 x 12 = \$600.0

Savings from implementation include: The estimated cost savings is based upon a Medicaid emergency room overutilizer population of approximately 10,000. The Department believes that it can reduce the number of emergency room visits by this overutilizer group by 30% with case management.

Number of paid ER visits in FY2015 - 114,570
 Average price per ER visit FY2015 (only for physician services) - \$613.39
 Assumes overutilizer made at least five trips to ER in FY2015 - 10,000 x \$613.39 x 5 = \$30,669.5 x 30% = \$9,200.9

Under **Section 12 (d) (1)** of the bill, the Department must apply for an 1115 Demonstration Waiver to use innovative service delivery models to improve Medicaid use of the tribal health providers. The Department will continue to explore 1115 Waiver options under Section 12; however, the Center for Medicare and Medicaid (CMS) recently informed Alaska that it is changing national policy and an 1115 is no longer the appropriate vehicle to pursue the tribal health model. The new policy will allow states to broaden the range of services eligible for 100% Federal Medical Assistance Percentage

Analysis Continued

Tribal Health Organizations. CMS has yet to publish the new policy in full detail, so the Department is cautious in projecting the impacts in the initial years of implementation.

Total Transportation to US TRAVEL for 2015 Payments

Total Monthly average reimbursement for AI/AN transportation claims = \$3,000,000

Monthly average X 12 months = \$3,000,000 x 12 = \$36,000,000 total costs. Refinancing from 50% federal/50% GF match to 100% federal results in **\$18,000,000 in GF match savings**, with a reciprocal increase to federal costs. This fund source change is to be equally spread at 20% per year for five years, or \$3,600,000 in annual, cumulatively building GF match savings across each subsequent year from FY2017-2021. The multi-year spread is because the cost shift to 100% federal is assumed to take several years. Full savings achieved in FY2021, year five of the effort.

Total Ground and Air Ambulance for 2015

Total quarterly average reimbursement for AI/AN claims = \$3,100,000

Total quarterly at \$3,100,000 X 4 quarters = \$12,400,000 total costs. Results in **\$6,200,000 GF match savings** and a reciprocal increase in federal costs. Assume a two-year spread to shift costs to 100% federal. \$3,100,000 in annual, cumulatively building GF match savings across the two-year span, FY2017-2018. Full savings achieved in FY2018, year two.

US Travel	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
fed	\$ 3,600.0	\$ 7,200.0	\$ 10,800.0	\$ 14,400.0	\$ 18,000.0	\$ 18,000.0
GF match	\$ (3,600.0)	\$ (7,200.0)	\$ (10,800.0)	\$ (14,400.0)	\$ (18,000.0)	\$ (18,000.0)
ambulance	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
fed	\$ 3,100.0	\$ 6,200.0	\$ 6,200.0	\$ 6,200.0	\$ 6,200.0	\$ 6,200.0
GF match	\$ (3,100.0)	\$ (6,200.0)	\$ (6,200.0)	\$ (6,200.0)	\$ (6,200.0)	\$ (6,200.0)
HCMS Total	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
fed	\$ 6,700.0	\$ 13,400.0	\$ 17,000.0	\$ 20,600.0	\$ 24,200.0	\$ 24,200.0
GF match	\$ (6,700.0)	\$ (13,400.0)	\$ (17,000.0)	\$ (20,600.0)	\$ (24,200.0)	\$ (24,200.0)

Section 17 directs the department to deliver three reports to the legislature. The department does not anticipate additional associated costs.

CAPITAL BUDGET COSTS (90% federal/10% GF match) associated with Section 12:

Section 12 (d)(2) of the bill directs the department to apply for a section 1915(i) option under 42 U.S.C. 1396n to improve services and care through home and community-based services to obtain a 50 percent federal match. To comply with this request, the department estimates the cost to make changes to the Medicaid Management Information System to be \$3,000.0. The department will commence planning for the system changes in FY2016.

Changes that need to be made to the Medicaid Management Information System are:

- 1) New benefit and enrollment plans
- 2) New accounting structures including all appropriate funding codes
- 3) New eligibility code structures

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Analysis Continued

- 4) New program limit structures
- 5) New reporting structures

Section 12 (d)(3) of the bill directs the department to apply for a section 1915(k) option under 42 U.S.C. 1396n to provide home and community-based services and support to increase the federal match for these programs from 50 percent to 56 percent. To comply with this request, the department estimates the cost to make changes to the Medicaid Management Information System to be \$3,000.0. The department will commence planning for the system changes in 2016.

Changes that need to be made to the Medicaid Management Information System are:

- 1) New benefit and enrollment plans
- 2) New accounting structures including all appropriate funding codes
- 3) New eligibility code structures
- 4) New program limit structures
- 5) New reporting structures

Section 12 (d)(2) and **Section 12 (d)(3)** of the bill may require funds for requirements identification and development related to Health Information Technology and the Health Information Exchange. The department estimates costs at \$1,850.0 for design and engineering for integrated support systems.

These items include:

- 1) Professional services contracts to design system interfaces
- 2) Professional services contracts to design data interfaces
- 3) Telemedicine