

# Fiscal Note

State of Alaska  
2016 Legislative Session

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

Identifier: HB227-DHSS-RR-1-29-16  
 Title: MEDICAL ASSISTANCE REFORM  
 Sponsor: SEATON  
 Requester: House HSS

Department: Department of Health and Social Services  
 Appropriation: Health Care Services  
 Allocation: Rate Review  
 OMB Component Number: 2696

**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
<b>OPERATING EXPENDITURES</b>	<b>FY 2017</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	
Personal Services								
Travel								
Services	500.0		100.0	100.0	100.0	100.0	100.0	100.0
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
<b>Total Operating</b>	<b>500.0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**Fund Source (Operating Only)**

1002 Fed Rcpts	250.0		50.0	50.0	50.0	50.0	50.0	50.0
1003 G/F Match	250.0		50.0	50.0	50.0	50.0	50.0	50.0
<b>Total</b>	<b>500.0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**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:** 0.0 *(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? No  
 If yes, by what date are the regulations to be adopted, amended or repealed? n/a

**Why this fiscal note differs from previous version:**

Not applicable; initial version.

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Division:	Health Care Services	Date:	01/28/2016 11:00 AM
Approved By:	Sana Efird, Assistant Commissioner, Finance and Management Services	Date:	01/29/16
Agency:	Health and Social Services		

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2016 LEGISLATIVE SESSION

## Analysis

**Section 12(d)-(f)** requires the Department to apply for a §1115 demonstration waiver to establish one or more demonstration projects focused on innovative payment models. The projects may include managed care organizations, community care organizations, patient-centered medical homes, or innovative payment models.

One demonstration project must focus on coordinated care that includes a global payment fee structure (i.e., a “managed care system”). One goal of the managed care system is to reduce the per capita growth rate for medical assistance expenditures by at least two percentage points. The managed care system will be measured based on quality and performance outcomes.

Redesigning payment processes and/or service delivery models would require changes in regulation, and possibly State Plan Amendments (in addition to the demonstration waiver). Changes in regulation would vary for each provider type and would require stakeholder input before implementation.

Demonstration projects that focus on innovative payment models, including a managed care system with care coordination and global payments, will involve complex data analysis and calculations that require actuarial expertise. Once an innovative payment model is established, administration of the system would still require actuarial expertise that is available by contract.

The initial and ongoing costs associated with hiring a contractor to perform this work are not fully known at this time. Based on consultation with other states and experts concerning the cost of actuarial services for Medicaid managed care systems, the Department estimates a one-time \$500.0 contract for a firm to analyze and implement one or more innovative payment models, and an annual \$100.0 contract for actuarial work and assistance with administration.