Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version:	CSSB 74(STA)
Fiscal Note Number:	26
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Identifier: SB074CS(STA)-DHSS-HCMS-04-14-15
Title: MEDICAID REFORM/PFD/HSAS/ER USE/STUDIES
Sponsor: KELLY
Requester: Senate Finance Committee

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)

	FY2016 Appropriation Requested	Included in Governor's FY2016 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2016**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**
Personal Services							
Travel							
Services	4,323.4		2,173.4	2,173.4	2,173.4	2,173.4	2,173.4
Commodities							
Capital Outlay							
Grants & Benefits	(7,201.7)		(7,226.7)	(7,226.7)	(7,226.7)	(7,226.7)	(7,226.7)
Miscellaneous							
Total Operating	**(2,878.3)**	**0.0**	**(5,053.3)**	**(5,053.3)**	**(5,053.3)**	**(5,053.3)**	**(5,053.3)**
Fund Source (Operating Only)							
1002 Fed Rcpts	(1,426.7)		(2,501.7)	(2,501.7)	(2,501.7)	(2,501.7)	(2,501.7)
1003 G/F Match	(1,426.6)		(2,501.6)	(2,501.6)	(2,501.6)	(2,501.6)	(2,501.6)
1108 Stat Desig	(25.0)		(50.0)	(50.0)	(50.0)	(50.0)	(50.0)
Total	**(2,878.3)**	**0.0**	**(5,053.3)**	**(5,053.3)**	**(5,053.3)**	**(5,053.3)**	**(5,053.3)**
Positions							
Full-time							
Part-time							
Temporary							
Change in Revenues							

Estimated SUPPLEMENTAL (FY2015) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2016) 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? 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If yes, by what date are the regulations to be adopted, amended or repealed? 07/01/17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:

This fiscal note has been updated to reflect the bill sectional identifiers corresponding to the Senate State Affairs Committee Substitute for SB 74. Additionally, Section 4(a)(8) includes several new parameters, addressed in the analysis below.

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Division: Health Care Services — Date: 04/14/2015 05:00 PM
Approved By: Sarah Woods, Deputy Director Finance & Management Services — Date: 04/14/15
Agency: Health & Social Services

FISCAL NOTE ANALYSIS

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Analysis

Section 3 of this legislation grants the Department of Health and Social Services the authority to assess civil fines against Medicaid providers, in the event they are found to have violated AS 47.05, AS 47.07, or regulations adopted under these chapters. 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. In addition there would be a phase-in for the first year. The estimated amount of the recoveries would be $25.0 in FY2016 and $50.0 in subsequent years.

Section 4(a)(2) of this bill requires that the Department provide an Explanation of Benefits to recipients who receive Medicaid services. There is currently no comprehensive mechanism to notify recipients when a claim is filed and paid on their behalf.

We conservatively estimate that about 50% of all Medicaid eligibles receive a service in any given month. It would require the distribution of an explanation of benefits (EOB) to approximately 70,000 recipients each month.

Providing an explanation of benefits would require a system modification to automatically produce a benefit statement attached to each claim per recipient. We estimate that it will cost $375.0 to modify the Xerox payment processing system to accommodate this aspect of the bill. This will be a one-time cost to be incurred in FY2016.

Contractor to prepare and distribute 70,000 letters monthly - $15.0/month
Operations/overhead/staff costs to answer explanation of benefit questions - $75.0/month
Postage - $34.0/month
Total - $124.0 x 12 = $1,488.0

Section 4(a)(3) of the bill expands use of telemedicine for primary, behavioral and urgent care. **Section 4(b)** requires the Department to improve access to telemedicine. **Section 8(d)(1)** requires the department to identify legal barriers that prevent the expanded use of telemedicine as part of a managed care demonstration project. These provisions intend to decrease costs associated with travel to hub locations by increasing access to various levels of care via real time and store-and-forward delivery in recipients' home community. In Medicaid, telemedicine services are considered the same as a face-to-face visit as long as it falls within the scope of the practitioner's license. Telemedicine services are available to a wide array of providers that fall within the scope of Medicaid's coverage provisions. The department already has a number of telemedicine initiatives underway to coordinate and expand these efforts across tribal and non-tribal providers. The Department anticipates no additional cost or savings as result of this section.

Section 4(a)(4) of the bill directs the Department to enhance Medicaid fraud prevention, detection and enforcement. Additional systems changes will be needed to accommodate a projected 3,000 additional Medicaid providers for an estimated cost of $200.0. Ongoing maintenance costs of $20.0 per month plus $275.0 of initial start-up contractor staff costs will be needed.

Xerox contractual costs: $200.0 + $240.0 + $275.0 = $715.0

Section 4(a)(6) and Section 6(a)(6-7) of the bill would require the department to design and adopt regulations to address Medicaid reform for pharmacy initiatives, establish a prescription drug monitoring program and develop strict guidelines for the prescribing of narcotics.

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Analysis Continued

The department has implemented numerous pharmacy initiatives during the last 5 years. Previously implemented initiatives include program coverage reforms, claims pricing and payment reforms, increased usage of generic medications, prior authorizations, quantity limits, therapeutic duplication edits, independent expert reviewers of atypical requests for high doses of pain medications, and independent expert reviewers of psychotropic medication regiments for foster children.

Research and development of new claims processing edits, payment rates, and program coverage rules occur continuously and are already incorporated into the department's workflow.

To meet the prescription monitoring database HCS will need $85.0 for an RSA with the Department of Commerce, Community and Economic Development.

Section 4(a)(7) of the bill requires the Department to implement enhanced care management. In **Section 8**, this legislation proposes to design and initiate a managed care demonstration project on or before January 31, 2016. Because of the potential overlap between enhanced care management and other provisions of the legislation, we are not able to determine savings at this time.

Section 4(a)(8) of the bill requires a redesign of the Medicaid payment process. This section converts the process from a fee-for-service model that incentivizes volume, to an outcome-based model that incentivizes efficient care. This section now also requires premium payments for centers of excellence, penalties for certain poor hospital outcomes, bundled payments and global payments. At this time, the Department is unable to comment on what impact these new provisions will have. $1,150.0 will be needed for one-time systems changes and consultation work to design and implement payment methodology changes, provider education, and policy documentation. The Department is not able to provide specific cost savings associated with this section at this time.

Section 4(a)(10) of the bill requires medical services to be provided in the home community of the recipient, potentially through use of telemedicine or other diagnosis and treatment in recipients' home communities unless unavailable. Currently, travel is only authorized when medically necessary and when the service required is not available in the recipient's home community. Travel is authorized to the closest, available, appropriate provider. We do not project any additional costs or savings as a result of this addition.

Section 6 of the bill requires the Department to implement a demonstration project to reduce non-urgent use of emergency department services by Medicaid recipients by September 1, 2015.
- Development of an electronic exchange, $150.0 one-time
- Alaska Prescription Drug Monitoring Program, $85.0 annually (mentioned above)
- Increase Alaska Medicaid Coordinated Care Initiative contract (current contract cost is $3.85 per client per month) to manage this population: $3.85 x 7,800 x 12 = $360.4.

The estimated cost savings is based upon a Medicaid emergency room over-utilizer population of 7,800. The Department believes that it can reduce the number of emergency room visits by this over-utilizer group by 30% with case management.

Number of paid ER visits in FY2014 - 114,570
Average price per ER visit FY2014 (only for physician services) - $613.39
Assumes over-utilizer made at least five trip to ER in FY2014 - 7,800 x $613.39 x 5 = $23,922.2 x 30% = $7,176.7