Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version:	CSSB 74(FIN)
Fiscal Note Number:	33
(S) Publish Date:	3/9/2016

Identifier: SB074CS(FIN)-DHSS-MAA-3-8-16
Title: MEDICAID REFORM/PFD/HSAS/ER USE/STUDIES
Sponsor: KELLY
Requester: Senate Rules

Department: Department of Health and Social Services
Appropriation: Health Care Services
Allocation: Medical Assistance Administration
OMB Component Number: 242

Expenditures/Revenues

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

	FY2017 Appropriation Requested	Included in Governor's FY2017 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2017**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
Personal Services	218.4		218.4	218.4	218.4	218.4	218.4
Travel	1.0						
Services	95.3		93.8	93.8	93.8	93.8	93.8
Commodities	19.2		4.0	4.0	4.0	4.0	4.0
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	**333.9**	**0.0**	**316.2**	**316.2**	**316.2**	**316.2**	**316.2**
Fund Source (Operating Only)							
1002 Fed Rcpts	167.0		158.1	158.1	158.1	158.1	158.1
1003 G/F Match	166.9		158.1	158.1	158.1	158.1	158.1
Total	**333.9**	**0.0**	**316.2**	**316.2**	**316.2**	**316.2**	**316.2**
Positions							
Full-time	2.0		2.0	2.0	2.0	2.0	2.0
Part-time							
Temporary							
Change in Revenues							

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If yes, by what date are the regulations to be adopted, amended or repealed? 07/01/17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

Provided more accurate language in narrative regarding demonstration projects. Updated to reflect the provisions of the current CSSB074(FIN), version U.

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Division:	Health Care Services	Date:	03/05/2016 12:00 AM
Approved By:	Sana Efird, Assistant Commissioner, Finance and Management Services	Date:	03/08/16
Agency:	Health and Social Services		

REPORTED OUT OF SFC 03/08/2016

FISCAL NOTE ANALYSIS

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Analysis

Sections 8 through 12 and 26-28 establish a series of new provisions intended to strengthen fraud and abuse prevention and remediation, and include the addition of a new Alaska Medicaid False Claim and Reporting Act. These provisions would authorize the department to assess interest and penalties on overpayments, impose civil fines, and seize property of medical assistance providers who have or are committing medical assistance fraud.

Promulgation of associated regulations will take approximately six months, with implementation effective January 1, 2017. There will be a significant increase in appeals from these new policies. Although the Department anticipates that this additional workload can be accomplished without any additional positions, it will require additional training and minimal travel costs associated with this training. The estimated training cost for tuition is $1.5 and $1.0 for estimated travel costs.

Due to the increase in appeals with the Office of Administrative Hearings for fraud and abuse handled under these sections, the reimbursable services agreement with that office is increased by $75.0 per year to accommodate the increased workload.

Section 29, pp. 28-29, direct the department to implement the Primary Care Case Management system or managed care organization (MCO) contract authorized under AS 47.07.030(d). This system would require certain Medicaid recipients to obtain approval from a case manager or MCO before receiving certain services in order to increase the use of primary and preventive care, and decrease the use of specialty care and hospital services.

Additional staff will be required to develop this program, including establishing and overseeing the contract with the Administrative Services Organization, and data development and analysis. Two positions will be established to support this and all other health delivery and payment reform initiatives in this bill (Section 30, subsection (d)(3), Health Homes; Section 30, subsection (d)(5) telemedicine; Section 31 (47.07.038) hospital emergency use reduction).

Personal Services:
One permanent full-time Medical Assistance Administrator IV for program development and management; Range 21, Anchorage; $112.4 annually
One permanent full-time Medical Assistance Administrator III for data systems and analysis; Range 20 Anchorage; $106.0 annually
Services: Office space, phones, reimbursable service agreements (RSAs) for position support costs: $18.8 annually
Commodities: Office supplies: $4.0 annually
One-Time Commodities Cost: Computer, software, and office equipment: $15.2

Section 30 (d)(3) directs the department to implement the Health Homes option under section 1945 of the Social Security Act. Health Homes provide integrated and coordinated care for people with chronic health conditions. The department would need approximately two years for planning and development prior to implementation in order to determine eligibility criteria for recipients and for providers, design the new payment methodology and required reporting systems, develop and receive approval on the State Plan Amendment and associated regulations, and make required modifications to the Medicaid Management Information System.

The planning phase for this initiative would begin in FY2018, with implementation in FY2020. The positions established to develop the Primary Care Case Management system (Section 29 of this bill) will staff this initiative.

Section 31, pp.30-31 (47.07.038) directs the department to establish, in collaboration with the Alaska State Hospital and Nursing Home Association, a hospital-based project designed to reduce the use of hospital emergency

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Analysis Continued

departments by Medicaid enrollees.

The department proposes the existing Health Information Exchange (HIE) be utilized as the foundational technology for electronic exchange of patient information among hospital emergency departments. This technology is already in place, but education and outreach to emergency department staff to help them learn how to use the HIE is required.

Program staff support would be required for negotiation and contracting with hospitals for the shared-savings payment reform associated with this initiative, and also for data systems and analysis. The positions established to develop the Primary Care Case Management system (Section 29 of this bill) will staff this initiative.

Section 31 (47.07.039) directs the department to contract with one or more third parties to implement one or more coordinated care demonstration projects for Medicaid recipients, with proposals requested on or before 12/31/2016. Demonstration projects must include three or more of the following: comprehensive primary-care-based management for medical and behavioral health service; care coordination including assignment of recipients to local primary care providers, where possible; health promotion; comprehensive transitional care and post-discharge follow-up care; referrals to community and social support services; sustainability and the ability to implement in other areas of the state; integration and coordination of benefits and services; and local accountability for health and resource allocation.

The demonstration projects will be implemented in three regions of the state. Planning and development would begin in FY2017, with implementation starting in FY2019. An estimated 30,000 Medicaid recipients would be enrolled to receive services through entities yet to be determined. The entities would be reimbursed on a fee-for-service basis plus shared-savings, with the entities receiving any savings accrued to the state Medicaid program, for the first two years. The entities would begin accepting financial risk in the third year, with a shared savings/shared losses payment plan implemented in FY2021.

Program staff support would be required for negotiation and contracting with the entities, and also for data systems and analysis. The positions established to develop the Primary Care Case Management system (Section 29 of this bill) will staff this initiative.