

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version:	HCS CSSB 74(FIN)
Fiscal Note Number:	48
(H) Publish Date:	4/11/2016

Identifier: SB074HCSCS(FIN)-DHSS-RR-4-7-16
Title: MEDICAID REFORM;TELEMEDICINE;DRUG
 DATABAS
Sponsor: KELLY
Requester: House Finance

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 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							
Travel							
Services	500.0		200.0	200.0	200.0	200.0	200.0
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	500.0	0.0	200.0	200.0	200.0	200.0	200.0

Fund Source (Operating Only)

1002 Fed Rcpts	250.0		100.0	100.0	100.0	100.0	100.0
1003 G/F Match	250.0		100.0	100.0	100.0	100.0	100.0
Total	500.0	0.0	200.0	200.0	200.0	200.0	200.0

Positions

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If yes, by what date are the regulations to be adopted, amended or repealed? 07/01/17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

The analysis section is revised to reflect updated bill references and a minor change to section 39.

Prepared By: Margaret Brodie, Director
Division: Health Care Services
Approved By: Sana Efird, Asst. Commissioner, Finance and Management Services
Agency: Health and Social Services

Phone: (907)334-2520
Date: 04/07/2016 12:50 PM
Date: 04/07/16

**REPORTED OUT OF
HFC 04/11/2016**

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2016 LEGISLATIVE SESSION

Analysis

Section 36 (47.05.270(a)(8)) requires the Department to adopt regulations to design and implement a program for reforming the state medical assistance program under AS 47.07. The reform program must include redesigning the payment process by implementing fee agreements that include certain premium payments, penalties, bundled payments, and global payments. This work will specifically be accomplished through the demonstration projects required under Section 38 of the bill because the projects will focus on innovative payment models. Therefore, fiscal impact for this section is fully accounted for in the analysis of Section 38 of the bill (see below).

Section 38 (47.07.036(e)) 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.

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.

While the Department will contract for actuarial services and support, the Office of Rate Review will be responsible for the rate calculations and financial analysis. The Department anticipates that this work can be accomplished without adding any positions.

Section 39 (47.07.039(c)) requires that for any contract with a managed care organization, primary care case manager, accountable care organization, prepaid ambulatory health plan, or provider-led entity to implement a demonstration project, the fee structure may include global payments, bundled payments, capitated payments, shared savings and risk, or other payment structures. Since this pertains to implementing a demonstration project and concerns innovative payment models, the fiscal impact for this section is fully accounted for in the analysis of Section 38 of the bill (see above).

Section 39 (47.07.039(e)) requires the Department to contract with a third-party actuary to review demonstration projects after two years of implementation and make recommendations for the implementation of a similar project on a statewide basis. Starting in 2018, on or before December 31 of each year, the actuary must submit a final report to the department regarding any demonstration project that has been in operation for at least two years. Since this will likely result in actuarial review of multiple projects or project components each year in the immediate future, this work would be incorporated in the actuary contract described in the analysis of Section 38 of the bill (see above). To account for this increased workload, the Department estimates that the annual contract for actuarial work and assistance with administration would be increased by an additional \$100.0.