ALASKA STATE LEGISLATURE
HOUSE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE
February 18, 2016
3:03 p.m.

MEMBERS PRESENT

Representative Paul Seaton, Chair
Representative Liz Vazquez, Vice Chair
Representative Neal Foster
Representative Louise Stutes
Representative David Talerico
Representative Geran Tarr
Representative Adam Wool

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 227
"An Act relating to medical assistance reform measures; relating to administrative appeals of civil penalties for medical assistance providers; relating to the duties of the Department of Health and Social Services; relating to audits and civil penalties for medical assistance providers; relating to medical assistance cost containment measures by the Department of Health and Social Services; relating to medical assistance coverage of clinic and rehabilitative services; and providing for an effective date."

- HEARD & HELD

PRESENTATION: KEY COALITION

- HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 227
SHORT TITLE: MEDICAL ASSISTANCE REFORM
SPONSOR(s): REPRESENTATIVE(s) SEATON

01/19/16	(H)	PREFILE RELEASED 1/8/16
01/19/16	(H)	READ THE FIRST TIME - REFERRALS
01/19/16	(H)	HSS, FIN

02/02/16	(H)	HSS AT 3:00 PM CAPITOL 106
02/02/16	(H)	Heard & Held
02/02/16	(H)	MINUTE(HSS)
02/09/16	(H)	HSS AT 3:00 PM CAPITOL 106
02/09/16	(H)	-- MEETING CANCELED --
02/16/16	(H)	HSS AT 3:00 PM CAPITOL 106
02/16/16	(H)	Heard & Held
02/16/16	(H)	MINUTE(HSS)
02/18/16	(H)	HSS AT 3:00 PM CAPITOL 106

WITNESS REGISTER

JON SHERWOOD, Deputy Commissioner
Medicaid and Health Care Policy
Office of the Commissioner
Department of Health and Social Services
Juneau, Alaska
POSITION STATEMENT: Testified and answered questions during discussion of HB 227.

DUANE MAYES, Director
Central Office
Division of Senior and Disabilities Services
Department of Health and Social Services
Juneau, Alaska
POSITION STATEMENT: Testified and answered questions during the discussion of HB 227.

VALERIE DAVIDSON, Commissioner
Office of the Commissioner
Department of Health and Social Services (DHSS)
Juneau, Alaska
POSITION STATEMENT: Testified and answered questions during discussion of HB 227.

MILLIE RYAN, President
Key Coalition of Alaska
Juneau, Alaska
POSITION STATEMENT: Presented an update from the Key Coalition.

ACTION NARRATIVE

3:03:10 PM

CHAIR PAUL SEATON called the House Health and Social Services Standing Committee meeting to order at 3:03 p.m.

Representatives Seaton, Vazquez, Tarr, Talerico, and Stutes were present at the call to order. Representatives Wool and Foster arrived as the meeting was in progress.

HB 227-MEDICAL ASSISTANCE REFORM

3:03:44 PM

CHAIR SEATON announced that the first order of business would be HOUSE BILL NO. 227, "An Act relating to medical assistance reform measures; relating to administrative appeals of civil penalties for medical assistance providers; relating to the duties of the Department of Health and Social Services; relating to audits and civil penalties for medical assistance providers; relating to medical assistance cost containment measures by the Department of Health and Social Services; relating to medical assistance coverage of clinic and rehabilitative services; and providing for an effective date." He said that the focus would be on the fiscal notes.

3:07:45 PM

CHAIR SEATON directed attention to the responses from Department of Health and Social Services to the committee members' questions from the February 2 meeting [Included in members' packets].

REPRESENTATIVE VAZQUEZ said that she was not ready with questions to the fiscal notes.

CHAIR SEATON reiterated that he was asking about the written responses from the Department of Health and Social Services to the questions posed by the committee during the last House Health and Social Services Standing Committee.

3:09:24 PM

The committee took an at-ease from 3:09 p.m. to 3:11 p.m.

3:11:52 PM

CHAIR SEATON directed attention to the fiscal note on HB 227, labeled OMB Component Number: 2696. [Previously discussed on February 2, 2016.]

3:13:26 PM

JON SHERWOOD, Deputy Commissioner, Medicaid and Health Care Policy, Office of the Commissioner, Department of Health and Social Services, explained that the fiscal note, labeled OMB 2696, was for the Office of Rate Review [Allocation], as Section 12 of proposed HB 227 required one or more demonstration projects focused on innovative payments, including one for a global payment fee structure. This fiscal note included the one-time cost, $500,000 in FY17, for hiring a contractor to analyze and implement the new payment model. It was estimated that the ongoing actuarial work in subsequent years would have an annual cost of $100,000 and that there would not be any additional positions associated with this activity. He pointed out that the funding included a 50 percent federal match.

CHAIR SEATON reflected that the demonstration project was intended as an analysis for saving money and improving health through a managed care or global payment model for Medicaid recipients.

MR. SHERWOOD added that the provisions of the bill required the program to reduce the growth in cost.

3:15:21 PM

CHAIR SEATON directed attention to the fiscal note labeled OMB Component Number: 2788, Allocation: Women, Children and Family Health.

MR. SHERWOOD explained that this fiscal note was for Women, Children and Family Health [Allocation] within the Division of Public Health [Appropriation] to satisfy the requirement in Section 15 of the proposed bill which required the Department of Health and Social Services to design and implement a project studying the impact of nutrition, including Vitamin D, on pre-term birth rates. He reported that the fiscal note assumed that the project would have a cost of $661,100 per year for three years, beginning in FY17. He noted that $500,000 of this would include a contract with either the University of Alaska or a medical school to conduct the study, and the remainder of the funding would pay for one full time nurse consultant to write the request for proposals (RFP) and manage the contract. He noted that funds for travel necessary for training and counseling expenses was also included in the project cost. He pointed out that all of these expenditures would come from the general fund. He compared this to similar language in proposed HB 148, although HB 148 had not required that the study be conducted.

CHAIR SEATON shared that amendment language would be forthcoming to require a third party contract, as currently there were models for this allowing for its completion at a reasonable cost. He pointed out that this fiscal note, OMB 2788, identified what was currently written in the proposed bill. He referenced a South Carolina project, Protect Our Children Now, [Included in members' packets] noting that it was also about to start in Montana. He pointed out that, as the Department of Health and Social Services had previously stated that it was "not set up to do research," a contract was much more economic and efficient.

3:20:03 PM

CHAIR SEATON moved on to the fiscal note, labeled OMB Component Number: 2663, Allocation: Senior and Disabilities Services Administration.

MR. SHERWOOD explained that this fiscal note addressed the administrative costs for the Division of Senior and Disabilities Services associated with the proposed bill, specifically that Section 12 of the proposed bill required implementation of the 1915(i) and (k) options. He reported that it was anticipated that new staff would be required to develop and oversee these new options. There would be one new staff beginning in FY17, with two additional staff beginning in FY18. He reported that the annual cost associated for each staff was $116,300 per year, and that funds would be necessary to make modifications to the "Automated Service Plan" management information system used by the division to manage its home and community based programs, at an estimated cost of $300,000 over 3 years, of which 90 percent would be federally funded. He pointed out that there would also be costs associated with the increase of functional assessments during the start-up period, as more people applied at program inception, estimated to be $250,000 over the first three years of the program. He noted that all of the increased costs, with the exception of the aforementioned modifications to the management information system, would have a 50 percent federal match.

CHAIR SEATON asked if the costs were anticipated to be the same.

MR. SHERWOOD replied that originally it had been envisioned for savings from the waiver by entering into an agreement to treat expenditures for tribal beneficiaries which occurred outside the tribal system as being delivered through a tribal facility,

which was the criteria for receiving 100 percent federal funds. He relayed that the governor had recently received a letter from Secretary Burwell [U.S. Department of Health and Human Services] indicating that the "1115 waiver was not the way they wanted us to pursue this, and they were actually going to change national policy." He explained that there was an expectation for comparable savings to the original forecast with this waiver, although there was not yet a final policy which allowed for "some degree of uncertainty in terms of the timing, exactly when we can start and how fast we can bring it up." He expressed an expectation for the savings to be at least the same as those for the waiver projection. He declared that it would reduce the administrative cost, as it would not be necessary to implement an 1115 waiver which carried its own administrative burdens for data reporting and evaluation, not necessary with a change in federal policy. He directed attention to earlier testimony on a fiscal note for the cost of a position under the medical assistance administration component necessary to manage the claims under the new policy, noting that it would not be seen under the costs for the Senior and Disabilities Services Administration.

CHAIR SEATON asked what kind of savings this would generate.

MR. SHERWOOD, in response, said that all the money shown in the fiscal note for Senior and Disabilities Services was related to adding the 1915 (i) and (k) optional services, which would increase federal funding for the currently provided services, but were not associated with the aforementioned change in policy for the claims on tribal services or the 1115 waiver initially proposed.

CHAIR SEATON asked if the Department of Health and Social Services would help with the language to the amendment so there would be a request to achieve the desired outcome.

MR. SHERWOOD replied that the language was readily available.

3:27:23 PM

REPRESENTATIVE STUTES, directing attention to the governor's budget and its departmental cuts, asked how much was actual cuts as opposed to changing payment from state to federal.

MR. SHERWOOD expressed his agreement that there were some fund source changes in the budget, although he did not have the numbers.

REPRESENTATIVE STUTES asked for this to be provided, suggesting that a significant amount of money was simply a transfer of funds as opposed to actual cuts in the budget.

CHAIR SEATON emphasized that the object was to provide better health and social services with more and better service for the citizens of Alaska, while reducing costs to the state.

MR. SHERWOOD, in response to Chair Seaton, replied that he would speak about the change in expenditures for long term care during discussion for other fiscal notes.

REPRESENTATIVE STUTES asked if patient travel fit into the administrative category.

MR. SHERWOOD replied that travel for Medicaid recipients was included in the Health Care Medicaid Services component.

3:33:06 PM

REPRESENTATIVE VAZQUEZ, directing attention to the option for a 1915(i) waiver mentioned in the proposed bill, suggested that there could be additional beneficiaries to Medicaid, including those individuals suffering from dementia. She asked if these additional enrollees had been taken into consideration.

MR. SHERWOOD explained that the provisions would increase services available under 1915(i), but would not expand the number of eligible individuals. The increase of available services would expand the Medicaid program, but this would also provide off-setting reductions in other grant funded programs. He relayed that the intention was to target the 1915(i) services as closely as possible to the populations served by those grants.

REPRESENTATIVE VAZQUEZ suggested that this may merely be semantics, as there currently were individuals with dementia, but no other diagnosis, who did not qualify for the waiver programs, although they received grant benefits. She offered her understanding that they would be eligible for waiver services under 1915(i), which would expand the number of Medicaid beneficiaries.

MR. SHERWOOD explained that these people would have to financially and generally qualify for Medicaid as individuals who were not waiver recipients, although there were higher

income eligibility standards for waiver recipients. If that criteria was not currently met, this would not allow someone to use those enhanced eligibility standards. However, an individual would be eligible for waiver like services without having to qualify for the waiver, if an individual was already eligible for Medicaid. He expressed agreement that this did add to the services covered under Medicaid. He acknowledged a critical point that it was important in the design of 1915(i) that the state design the functional eligibility criteria for the services to ensure that "the people we're serving as close as we can reflect the people that we're providing services to through our grant programs right now."

REPRESENTATIVE VAZQUEZ offered her belief that implementation of the 1915(i) and (k) options would not allow a cap to be placed at a later time.

MR. SHERWOOD explained that, unlike waivers which could restrict the number of individuals served in any given year, there was no fixed cap for services for 1915(i) or (k). He noted that it was critical for the eligibility criteria to be established in a prudent, conservative way.

3:37:43 PM

REPRESENTATIVE STUTES asked if the 1915(i) or (k) waivers would allow for a wait list.

MR. SHERWOOD replied that there would not be a wait list for the optional services.

REPRESENTATIVE STUTES asked about those individuals currently on the wait list.

MR. SHERWOOD replied that individuals who meet the functional criteria established for 1915(i) or (k) options would be entitled to receive the services, and would not be on a wait list for Medicaid purposes.

REPRESENTATIVE STUTES asked if individuals would have to meet those obligations to be currently on the wait list.

MR. SHERWOOD replied no, and explained that the only current wait list was a registry for those with developmental disabilities. He noted that those individuals had to meet the developmental disabilities established in statute, and that there was nothing in the proposed bill that required that the

eligibility criteria for the 1915(i) or (k) options be defined as equivalent for the eligibility to the development disabilities registry. He surmised that many individuals would have conditions that did not qualify them for the registry, whereas others on the registry would not qualify for the services. He pointed out that it was necessary for eligibility to 1915(k) to meet an institutional level of care.

REPRESENTATIVE VAZQUEZ asked for clarification that not everyone on the present wait list would qualify for the 1915 options.

MR. SHERWOOD replied that was probably true. "Without having defined what the specific criteria is for those two options, it's hard for me to make a definitive statement. I don't want to be glib about it."

3:42:02 PM

DUANE MAYES, Director, Central Office, Division of Senior and Disabilities Services, Department of Health and Social Services, reported that there were currently between 610 - 620 people on the registry. He noted that there were two types on the registry, those that may qualify for the 1915(k) option as they need institutional level of care, and those who may qualify for the 1915 (i) option as they need less than the institutional level of care. He offered that the implementation of both (k) and (i) would allow a refinance for the current grant funding so that 50 percent would be federal dollars. He shared that those who did not qualify for the (k) option would be served through the (i) option.

CHAIR SEATON asked for clarification that not everyone on the registry would meet the new definition for (i).

MR. MAYES replied that it was necessary for a well-defined eligibility process to ensure good controls.

CHAIR SEATON acknowledged that this was a concern. He asked if the criteria were totally developed within the Department of Health and Social Services, or if the Alaska State Legislature had any role for development.

MR. SHERWOOD replied that, as currently written, the criteria would be developed by the department. He offered his belief that (k) required development of the proposal in conjunction with a consumer advisory board. He stated that the general options would be cited in the statute, and the department would

define the specific criteria, as it could often get quite technical, and include a level of detail which was not usually placed in statute.

CHAIR SEATON asked if intent language from the legislature would be helpful to the Department of Health and Social Services for development of the criteria.

MR. SHERWOOD replied that the department could work with committee to research language that would be useful.

CHAIR SEATON stated that the committee members would talk with the department "to figure out what some of those parameters could be." He shared that there was concern for [Medicaid] expansion without any ability to contract. He noted that there would also be public input for the development of the intent language in the bill.

3:47:14 PM

REPRESENTATIVE VAZQUEZ asked if experts had already been hired by the department for analysis.

MR. SHERWOOD replied that the Alaska Mental Health Trust Authority had assisted with the hiring of a national consulting firm, Health Management Associates, which had worked with many state Medicaid departments and directors. He pointed out that this had benefited the department. Specifically for the 1915(k) option, the initial recommendation had been for broad coverage because of the potential for expanded coverage. Currently, the recommendation was to focus on personal care services, as this was already covered as a state plan option, and was available to everyone who was Medicaid eligible, regardless of current waiver status. He acknowledged that the advice of experts had brought some good insights.

CHAIR SEATON asked for any documentation from these study groups.

3:49:29 PM

CHAIR SEATON directed attention to the fiscal note labeled OMB Component Number: 2875.

MR. SHERWOOD explained that this fiscal note focused on Section 12 of the proposed bill, and 1915(i), the home and community based services option. He reiterated that this option was for

Medicaid to replace state funded services, which brought a 50 percent federal funding. He explained that this component, temporary assisted living, was a program that would be impacted as it provided assisted living care to individuals who did not meet criteria for waivers, or whose application was pending. He reported that use of the 1915(i) would refinance approximately $4.7 million annually by transferring individuals to it, beginning in FY19. He noted that this was a general fund savings, and added that later there would be the associated Medicaid expenditure. He pointed out that this was not the entire general relief assisted living program, as there were still people who were not Medicaid eligible or did not meet the criteria.

CHAIR SEATON asked for clarification that the general fund savings would be about 50 percent from this switch.

MR. SHERWOOD replied that this expenditure represented a bit more than half of the almost $8 million spent for the general relief program in the current budget. He noted that this component would save about $4.7 million annually from the general funds, but the expenditure of the $4.7 million in Medicaid services would be halved as 50 percent would be federal funding.

REPRESENTATIVE VAZQUEZ asked if this fiscal note should be revised.

MR. SHERWOOD explained that the 50 percent would show up in another fiscal note as an expenditure, and he offered his understanding that this was the correct way to reflect it as a budget component.

3:54:16 PM

CHAIR SEATON directed attention to the fiscal note labeled OMB Component Number: 2787.

MR. SHERWOOD explained that this fiscal note was an allocation for Senior Community Based Grants in the Senior and Disabilities Services, and was another grant program which paid for home and community based services through the general fund. He shared that Department of Health and Social Services anticipated that the 1915(i) option would reduce the expenditure by $735,000 annually beginning in FY19. He noted that this was "the same basic math as the one before, there would be an offsetting increase later when we look at the Senior and Disabilities

Services Medicaid Services." He reported that it would also be 50 percent federally funded.

3:55:38 PM

CHAIR SEATON directed attention to the fiscal note labeled OMB Component Number: 309.

MR. SHERWOOD explained that this fiscal note was also an appropriation for Senior and Disabilities Services and was an allocation for Community Developmental Disabilities Grants, which were grants for individuals with developmental disabilities. He stated that this was the largest grant program in the Division of Senior and Disabilities Services, as it was for more than $11 million, that could be refinanced beginning in FY 19.

CHAIR SEATON stated that it was necessary to ensure that the Department of Health and Social Services programs and services were necessary and beneficial, even as the costs were being shifted to federal funding. He asked that the department share any necessary changes, as "we [the committee] only have a certain amount of knowledge and we're relying on you, the experts, to make sure that ... if the population has grown away from a previous policy choice, that we make the correct policy choice at this point in time."

MR. SHERWOOD expressed his appreciation, stating "we really do want to keep looking at our services and making sure that we're hitting the needs that individuals have and not simply going on inertia." He shared that the department was always open to that conversation.

3:58:50 PM

CHAIR SEATON directed attention to the fiscal note labeled OMB Component Number: 2660.

MR. SHERWOOD explained that this, for Behavioral Health, was the first of the three Medicaid Services fiscal notes. He relayed that Section 12 of the proposed bill included language instructing the necessity to seek an 1115 demonstration waiver to improve Medicaid for tribal providers. He noted that DHSS had received notification from the U.S. Department of Health and Human Services for a change in policy, which would eliminate the need for an 1115 waiver. He opined that it was still appropriate, as there had been changes in some of the other

language around innovation and improving tribal services. He stated that the change allowed services, presently not considered to be delivered through a tribal facility, to now be considered through a tribal facility and allowed DHSS to claim 100 percent federal fund match rate. He reported that this was anticipated to begin in FY17, and the first year savings were encompassed in the reductions in the governor's budget. Although the department did not yet have the final policy, in order to claim the enhanced match, it was necessary to have agreements in place between tribal providers and non-tribal providers around care management. There were assumptions for a start with agreements with the larger providers of services in the initial years, before branching out to the smaller providers. He declared that DHSS did not anticipate substantial difficulty in obtaining those agreements. He stated that there was not any change in expenditures for Behavioral Health, although there was a change in revenue source, as federal receipts were increased while general fund receipts were decreased beginning in FY17.

REPRESENTATIVE VAZQUEZ asked how these savings would be realized, as it did not appear through the implementation of 1915(i) and (k).

MR. SHERWOOD replied that the savings would be realized by implementing the change in federal policy which CMS had announced was forthcoming. He stated that it appeared to be exactly aligned with the intent language in Section 1, paragraph (2)(A) on page 2, line 5.

REPRESENTATIVE VAZQUEZ asked about the specific federal policy change.

4:05:47 PM

VALERIE DAVIDSON, Commissioner, Office of the Commissioner, Department of Health and Social Services (DHSS), explained that after the initial review of 1115 waiver for partnership opportunities with tribal health organizations in order to maximize 100 percent match opportunities, Secretary Burwell [U.S. Health and Human Services] indicated that an 1115 waiver process would not necessarily work for some of these services as it required budget neutrality for the federal government for the Centers for Medicare and Medicaid Services. The Secretary suggested that instead, there would be a change in national policy to provide 100 percent federal match for travel and accommodation services and that for services initiated in an

Indian Health Services facility but not available and needed to be referred out, it would still be considered for a 100 percent federal match. She pointed to the guidance published in the federal register which indicated the kind of services, including specialty and long term care and support services.

REPRESENTATIVE VAZQUEZ asked what type of services this would encompass.

MR. SHERWOOD, in response, asked if this referenced the aforementioned fiscal note, labeled OMB Component Number: 2660, and then reported that it would include the residential psychiatric treatment facilities to which tribal beneficiaries were currently referred.

CHAIR SEATON asked if this new federal policy was anticipated to also be for long term care, as well as for any referred tribal health services when Indian Health Services (IHS) did not have the capacity.

COMMISSIONER DAVIDSON replied that the federal guidance had indicated that there had to be agreement between the parties, such as a Memorandum of Agreement (MOA) or a contract. This would require that an individual could not self-refer, but would need to be referred through an IHS facility in order for the state to claim the 100 percent federal match.

REPRESENTATIVE VAZQUEZ asked whether the federal match was just a policy, and not in statute.

COMMISSIONER DAVIDSON pointed out that although it was in federal statute, the Centers for Medicare and Medicaid Services (CMS) had a narrow interpretation for "through an IHS facility." She opined that guidance by CMS now indicated that the policy had been applied too narrowly.

REPRESENTATIVE VAZQUEZ asked if this was based on a current federal policy.

COMMISSIONER DAVIDSON replied that the CMS policy was created by whichever current administration, and that it could be changed. It was stated that the current policy had been in place since IHS facilities had been permitted to bill Medicaid, in the late 1970s.

REPRESENTATIVE VAZQUEZ asked if this was a recent interpretation.

COMMISSIONER DAVIDSON replied, "yes."

CHAIR SEATON asked if this guidance had been published in the federal register.

MR. SHERWOOD clarified that it had been published by CMS, but not in the federal register.

CHAIR SEATON asked if that could be provided to the committee.

4:11:57 PM

CHAIR SEATON shared that the committee was looking at an increase in bonding authority for tribal health facilities as it was beneficial, and he asked whether this would be impacted by the aforementioned CMS policy.

COMMISSIONER DAVIDSON replied that this would depend on the community, noting that IHS had an interest for providing care as close to home as possible, as this care, in a culturally appropriate environment, led to better health outcomes. She acknowledged the work to construct long term facilities in some hub communities, including Kotzebue and Bethel. She opined that people in rural and urban communities preferred having the care provided as close to home as possible.

CHAIR SEATON suggested that the proposed bill might receive intent language to accelerate bringing services and facilities closer to home.

4:14:59 PM

CHAIR SEATON directed attention to the fiscal note labeled OMB Component Number: 2077, an allocation for Health Care Medicaid Services.

MR. SHERWOOD stated that this was another Medicaid Services fiscal note for the proposed bill, pointing out that, as many parts of the proposed bill affected Medicaid Services, there were many things going on in the fiscal note. He explained that there were fund source shift and changes in expenditures, as well as capital budget costs for system changes to the MMIS. In Section 12, there was a fund source shift, decreasing general funds and increasing federal funds by $6.7 million in FY17 and growing to $24.2 million in FY22, around the tribal claiming policy, shifting air travel and ambulance service for tribal

members to 100 percent federal funding. In Sections 5 & 6 of the proposed bill, provisions would be implemented for the collection of interest, penalties, and civil fines by DHSS, reflected in the fiscal note under revenues, as well as increased expenditures in the grant line, and it was necessary for the authority to spend those receipts. He noted that there was an increase in expenditures under Services, to reflect an increase in administrative hearings, $500,000, and case management services under the emergency room super utilizers provision, $600,000, in FY17. He pointed out that these services had a 50 percent federal match. He directed attention to Section 9 of the proposed bill, as the super utilizer program was projected to reduce expenditures in the grant line by $9.2 million annually beginning in FY17, also a 50 percent federal fund match. He expressed an anticipation for the need for capital funds to make extensive system modifications to the MMIS to implement the 1915(i) and (k) options, as well as conduct required identifications and development for the health information technology components for some of the listed projects, $7.85 million with a federal match of 90 percent. He declared that this was the most complicated fiscal note.

REPRESENTATIVE STUTES asked if these fiscal notes were sustainable, offering an analogy to school bonding for payments of 70 percent by the State of Alaska. She questioned whether projections should be made for 100 percent federal funding.

MR. SHERWOOD explained that the federal funding for the Medicaid program had been "remarkably stable over its history." He noted that there had been times of economic hardship when the U.S. Congress had increased its federal match rate to states to provide additional relief. He stated that there had never been a substantial reduction other than back to the base. He allowed that although it was possible that federal funding could change, DHSS operated as best as possible on the history and awareness that Medicaid was a critical program in all 50 states. He stated that it would be very difficult to get congressional support to dramatically reduce the program that would have such a big impact across all the states.

REPRESENTATIVE STUTES relayed that she had held the same conversation in Kodiak regarding the state school bonding, "they've been doing it since the what, 60s or 70s, and they've never changed. Why shouldn't we do it, and guess what, it changed."

CHAIR SEATON clarified that the Alaska State Legislature had passed a statute which made that change for school bonding, pointing out that it was not retroactive, but was, instead for any new bonds. He declared that there was no more security than that both houses of congress in the federal government had to agree, and the president had to sign it, as this was a provision of law, not regulation. He acknowledged that this could, however, happen. He pointed out that the Medicaid Expansion bill allowed an opt-out by the state should the federal reimbursement rate drop below 90 percent.

4:24:29 PM

CHAIR SEATON directed attention to the fiscal note labeled OMB Component Number: 2662, an allocation for Senior and Disabilities Medicaid Services. He noted that some costs had shown on this fiscal note which mirrored savings on other fiscal notes, as there was shifting from a grant program to Medicaid.

MR. SHERWOOD expressed his agreement that a substantial portion of the fiscal note was to show a movement of expenditures from the current grant programs to the 1915(i) and (k) options, which were to begin in FY 19. He noted that the other part of the fiscal note was for the change in tribal policy as it would impact our long term care services, assuming that this impact would first be seen in the larger nursing facilities before moving to the smaller nursing facilities and the home and community based waiver services. He pointed out that this fund source shift [from payment through general funds to federal funds] would increase from FY17 through FY22.

CHAIR SEATON asked for clarification that the term "refinancing" meant switching to an increased federal match for Medicaid from 100 percent state general funds.

MR. SHERWOOD explained that the terminology came from the refinancing for a more favorable home mortgage interest rate, although it now referred to a shift for a more favorable federal match rate.

REPRESENTATIVE TARR asked how the reform measures already in existence dovetailed with the proposed changes. She asked what vehicle would be used to move forward as some of the recommendations by the Agnew::Beck report would not require statutory change.

4:30:32 PM

COMMISSIONER DAVIDSON expressed her agreement that there were a lot of reform activities, and that "it's my heart's dream that the legislature and the administration are so heavily invested and providers and stakeholders recognize that health reform, Medicaid Reform specifically, is not a nice to have, it is a must have because we realize that our current program in its current form is not sustainable." She acknowledged the budget challenge, but stated that challenges necessitate innovation and a different way of doing things. She listed a variety of reform opportunities taking advantage of changes, which included different refinancing opportunities available. She reported that the Alaska State Hospital and Nursing Home Association suggested for all the parties to gather and create a public-private partnership to ensure better primary care management, monitoring prescription drug information, and over utilization of the emergency rooms. She referenced the Agnew::Beck report which partnered with HMA, who also worked on the 1915(i) and (k) options. She mentioned the Menges report which reviewed the proposed legislative reform options and offered an assessment for moving forward. She pointed out that various contractors recognized that the stakeholders would benefit from more intensive conversations with Oregon and Colorado for their experiences about accountable care organizations and care coordination models. She relayed that there was also a lot of conversation among the parties, noting that the Agnew::Beck report was posted on the DHSS website. She reported that legislation might be required to make mandatory progress on health care reform.

4:35:37 PM

REPRESENTATIVE TARR suggested that a good exercise for efficiency and priority would be to place the proposed bill side by side with the various reports. She expressed concern that the consideration of multiple proposals would make more work for the department.

COMMISSIONER DAVIDSON relayed that some of that work had been done in the Committee Substitute (CS) for SB 78, which included many of the recommendations from the Agnew::Beck report. She acknowledged that SB 78 was still in the Senate, and its Medicaid Committee working group.

CHAIR SEATON relayed that proposed HB 227 had also gone through the same process, though not in a subcommittee, as the proposed amendments were looking at the various suggestions. He

expressed a problem that the legislature had given DHSS the option for a model of care coordination, whereas it was now a requirement. He pointed out that the demonstration projects would not necessarily go forward in the future without requirement. He pointed out the DHSS recognized the legislative intent to do these things, and that there would be funding to initiate these requirements.

4:39:18 PM

COMMISSIONER DAVIDSON reflected on a prior provision that had not been extended which allowed for a $50 million discretionary budget authority which allowed DHSS to move funds from various divisions, if necessary, to take advantage of opportunities to realize savings or reform or redesign programs. She said that, as this authority was no longer available, there was a lost opportunity for more flexibility.

CHAIR SEATON asked if this was the authority to move money already appropriated, and not a new allocation, within the department to accomplish those specific goals.

COMMISSIONER DAVIDSON replied that it was for money already appropriated.

REPRESENTATIVE TARR asked for a chart listing the 1915(i) and (k) services and the 1115 services.

COMMISSIONER DAVIDSON relayed that the department would supply this chart.

REPRESENTATIVE STUTES asked about payment for travel by recipients.

COMMISSIONER DAVIDSON explained that the Medicaid program paid for pre-approved medically necessary travel.

REPRESENTATIVE STUTES asked how this was tracked by the department, stating that this was "a fairly abused program."

COMMISSIONER DAVIDSON said that DHSS would provide more specific information about travel. She stated that the no-show rate by Medicaid appointments was no different than by any other payer, noting that this was mainly due to weather. She explained that the pre-authorizations by providers for Medicaid beneficiaries had to be medically necessary, and was only approved, and valid,

for specific days. She noted that any delays could void the authorization.

CHAIR SEATON asked for more information as this was a recurring theme heard by the committee.

4:44:16 PM

CHAIR SEATON stated that the proposed bill was looking at a change for behavioral health grants, as currently only grant recipients could bill Medicaid. This would be changed, as well as the requirement for supervision by psychiatrists when behavioral health services were provided. He asked if there were any problems or any "easy fixes that we can accomplish in the bill if there is a problem."

MR. SHERWOOD replied that he was reluctant to begin the conversation, as it was very complicated. He relayed that most often any reference to the psychiatry oversight referred to the criteria around physicians, mental health clinics, and billings for services. He reported that psychiatrists could bill Medicaid for other licensed professionals serving in their clinic, but it required the psychiatrist be present 30 percent of the time. He relayed that community behavioral health clinics could also use non-licensed clinicians for services, although they had a different standard for medical oversight. He stated that psychologists were listed in statute as an optional service, and were only authorized for their independent service for psychological assessment and testing, not for therapy, as that would require a regulation change. He said that most other professionals desiring to bill Medicaid independently, as "other licensed practitioners of the healing arts," would need to be named in the statute, AS 47.070.30(b), which listed the covered optional services.

CHAIR SEATON declared that he wanted to have this conversation should the need for an amendment be brought forward. He noted that the proposed bill removed the criteria to be a behavioral health grant recipient, noting that psychiatrists don't do therapy, but usually administered drugs. It seemed there was a disconnect between the services provided for mental health when trying to integrate behavioral health into primary health under Medicaid. He stated that there was a requirement that it needed to be under the auspices of psychiatrist. He asked for the department to look at this issue, determine whether there was another category of provider to list in the statute, and what was the fiscal impact.

4:49:30 PM

CHAIR SEATON declared that he wanted providers to know that the committee was looking and listening, and if there were any other aspects of Medicaid reform that could be helpful for improving health and controlling health care costs, the suggestions would be welcomed.

[HB 227 was held over]

Presentation: Key Coalition

4:50:52 PM

CHAIR SEATON announced that the final order of business would be a presentation by the Key Coalition.

MILLIE RYAN, President, Key Coalition of Alaska, stated that the Key Coalition was an advocacy organization with and for people with intellectual and developmental disabilities. She shared that she was also the Executive Director of REACH, Inc. in Juneau. She said that the Key Coalition had reviewed the services, many of which were through the home and community based Medicaid waiver or through the Medicaid state plan, and had identified ways for the state to save money. She expressed concern that the senior and disability services was decreasing the number of draws from the developmental disability registry from 200 people each year to 50 people. This would result in a significant increase to the waiting list and would cost the state more money in the long term. She reported that the longer people waited, the greater the need for services and the greater the cost. She emphasized that there were better alternatives for cost savings, and suggested restoring the draw for services back to 200 people. She suggested that the residential option for semi-independent living, which allowed several people to receive services at the same time by coming together as a group, be reinstated. She pointed out that this new system resulted in more expensive one-on-one directional supervision for their daily routine. She suggested that savings could be recognized when, instead of the skilled services for day rehabilitation for people with intellectual and developmental disabilities, an unskilled companion service could be provided to those individuals who only wanted to go out in the community and meet people, visit, etc., as this unskilled service was billed at a lower rate. She reported that there was also assistive

technology and home monitoring systems which reduced the need for direct staff support.

4:55:35 PM

MS. RYAN relayed that there were efficiencies and consistencies in administrative processes that would help with cost. She suggested a soft cap for services, which could be used for new people receiving services to better understand the needed service times. She suggested a very fast process to get the necessary increased hours. She stated that currently this was a fairly onerous process that could take a few weeks. She relayed that there were other administrative processes that could be streamlined. She shared that Key Coalition had made an attempt to cost out the savings, based on their best estimates, as well as provider assistance. She reported that the increase of semi-independent living services would save the state about $2 million. She shared an estimate that 100 individuals replacing 5 hours of day rehabilitation with unskilled companion services would save about $650,000 annually, a mix of both state and federal funding. She reported that technology could reduce the need for direct support, a considerable savings. She offered an anecdote for one individual which had resulted in almost $96,000 in savings for that year. She noted that many groups had offered recommendations on efficiencies and consistencies, with a potential savings of $800,000. She opined that proper implementation of the 1915(i) and (k) would greatly benefit people with developmental disabilities and help them to get off the wait list, and she declared support for this. She declared that the Division of Senior and Disabilities Services would need to have the community developmental disability grants available and fully funded.

5:00:44 PM

ADJOURNMENT

There being no further business before the committee, the House Health and Social Services Standing Committee meeting was adjourned at 5:00 p.m.