

**ALASKA STATE LEGISLATURE**  
**HOUSE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE**

March 4, 2016

12:35 p.m.

**MEMBERS PRESENT**

Representative Paul Seaton, Chair  
Representative Liz Vazquez, Vice Chair  
Representative Neal Foster  
Representative David Talerico  
Representative Geran Tarr

**MEMBERS ABSENT**

Representative Louise Stutes  
Representative Adam Wool

**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

**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
02/18/16	(H)	Heard & Held
02/18/16	(H)	MINUTE(HSS)
02/23/16	(H)	HSS AT 3:15 PM CAPITOL 106
02/23/16	(H)	Heard & Held
02/23/16	(H)	MINUTE(HSS)
02/25/16	(H)	HSS AT 3:15 PM CAPITOL 106
02/25/16	(H)	-- Testimony <Invitation Only> --
03/01/16	(H)	HSS AT 3:15 PM CAPITOL 106
03/01/16	(H)	Scheduled but Not Heard
03/03/16	(H)	HSS AT 3:15 PM CAPITOL 106
03/03/16	(H)	Heard & Held
03/03/16	(H)	MINUTE(HSS)
03/04/16	(H)	HSS AT 12:30 AM CAPITOL 106

**WITNESS REGISTER**

TANEEKA HANSEN, Staff  
 Representative Paul Seaton  
 Alaska State Legislature  
 Juneau, Alaska

**POSITION STATEMENT:** Presented the proposed amendments for HB 227 for the sponsor, Representative Seaton.

JON SHERWOOD, Deputy Commissioner  
 Medicaid and Health Care Policy  
 Office of the Commissioner  
 Department of Health and Social Services  
 Juneau, Alaska

**POSITION STATEMENT:** Answered questions during the amendment discussion of HB 227

VALERIE DAVIDSON, Commissioner  
 Office of the Commissioner  
 Department of Health and Social Services (DHSS)  
 Juneau, Alaska

**POSITION STATEMENT:** Answered questions during the amendment discussion of HB 227.

JEANNIE MONK, Alaska State Hospital and Nursing Home Association  
 (ASHNHA)  
 Anchorage, Alaska

**POSITION STATEMENT:** Testified during discussion on HB 227.

JOCELYN PEMBERTON, Executive Director  
Alaska Hospitalist Group  
Anchorage, Alaska

**POSITION STATEMENT:** Testified during discussion of HB 227.

**ACTION NARRATIVE**

[12:35:45 PM](#)

**CHAIR PAUL SEATON** called the House Health and Social Services Standing Committee meeting back to order from recess at 12:35 p.m. Representatives Seaton, Vazquez, Tarr, and Talerico were present at the call to order. Representative Foster arrived as the meeting was in progress.

**HB 227-MEDICAL ASSISTANCE REFORM**

[12:36:18 PM](#)

CHAIR SEATON announced that the only 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."

[12:37:32 PM](#)

CHAIR SEATON moved to adopt Amendment 5, labeled 29-LS1096\H.9, Glover, 2/22/16, which read:

Page 7, lines 14 - 26:  
Delete all material.

Renumber the following bill sections accordingly.

Page 7, line 31, through page 8, line 1:  
Delete "provided to Indian Health Service beneficiaries through the Indian Health Service and tribal health facilities"  
Insert "for recipients of behavioral health services, as defined by the department by regulation"

Page 11, line 13:  
Delete "sec. 12"  
Insert "sec. 11"

Page 11, following line 27:  
Insert a new bill section to read:

**"\* Sec. 17.** The uncodified law of the State of Alaska is amended by adding a new section to read:

IMPLEMENT FEDERAL POLICY ON TRIBAL MEDICAID REIMBURSEMENT. (a) The Department of Health and Social Services shall collaborate with Alaska tribal health organizations and the United States Department of Health and Human Services to implement changes fully in federal policy that authorize 100 percent federal funding for services provided to American Indian and Alaska Native individuals eligible for Medicaid.

(b) In this section, "Alaska tribal health organization" means an organization recognized by the United States Indian Health Service to provide health-related services."

Renumber the following bill sections accordingly.

Page 12, lines 6 - 7:  
Delete "and the provisions of secs. 12(e), 12(f), 15, and 16"  
Insert "the provisions of AS 47.07.036(e) and (f), added by sec. 11 of this Act, and the provisions of secs. 14 and 15"

Page 12, line 22:  
Delete "sec. 16"  
Insert "sec. 15"

Page 12, line 23:  
Delete "sec. 18"  
Insert "sec. 19"

Page 12, line 25:  
Delete "sec. 16"  
Insert "sec. 15"

Page 12, line 27:  
Delete "Section 12(e) of this Act"  
Insert "AS 47.07.036(e), added by sec. 11 of this Act,"

Page 12, line 29:  
Delete "added by sec. 12(e) of this Act"  
Insert "of AS 47.07.036(e), added by sec. 11 of  
this Act,"

Page 12, line 31:  
Delete "Section 12(f) of this Act"  
Insert "AS 47.07.036(f), added by sec. 11 of this  
Act,"

Page 13, line 2:  
Delete "added by sec. 12(f) of this Act"  
Insert "of AS 47.07.036(f), added by sec. 11 of  
this Act,"

Page 13, line 4:  
Delete "Section 15"  
Insert "Section 14"

Page 13, line 6:  
Delete "sec. 15"  
Insert "sec. 14"

Page 13, line 8:  
Delete "sec. 16"  
Insert "sec. 15"

Page 13, line 11:  
Delete "sec. 12(e) of this Act"  
Insert "AS 47.07.036(e), added by sec. 11 of this  
Act,"

Page 13, line 14:  
Delete "sec. 12(f) of this Act"  
Insert "AS 47.07.036(f), added by sec. 11 of this  
Act,"

Page 13, line 17:  
Delete "sec. 15"  
Insert "sec. 14"

Page 13, line 20:  
Delete "17(a)"  
Insert "16(a)"

REPRESENTATIVE TARR objected for discussion.

[12:37:53 PM](#)

TANEEKA HANSEN, Staff, Representative Paul Seaton, Alaska State Legislature, explained that proposed Amendment 5 removed the language that currently directed the Department of Health and Social Services to apply for a 1115 waiver for tribal health, and then directed the DHSS to collaborate with providers and the federal government to fully implement the Centers for Medicare & Medicaid Services (CMS) rule on this issue. She directed attention to page 7 of the proposed bill, and noted that the proposed amendment would delete Section 11, which previously deleted statutory language conflicting with the 1115 tribal waiver; as Amendment 5 removed the 1115 waiver from the bill, it was no longer necessary to change the statutes as proposed in Section 11. She pointed to page 7, line 31, Section 12, of the proposed bill, which deleted "provided to Indian Health Service beneficiaries through the Indian Health Service and tribal health facilities" and inserted "for recipients of behavioral health services, as defined by the department by regulation." She declared that this was a change in direction for application of the 1115 waiver from a tribal waiver to a behavioral waiver. She explained that a new bill section, Section 17, would direct the department to implement the federal policy on tribal Medicaid reimbursement. She relayed that the remainder of the amendment was re-numbering and re-naming as necessary.

[12:40:06 PM](#)

CHAIR SEATON acknowledged that the necessary contractual agreements between tribal and non-tribal providers would require a significant level of collaboration and that it may be a worthwhile investment for the state to incentivize this collaboration in order to ensure reception of the 100 percent federal medical assistance percentage (FMAP). He asked if this option existed in the proposed bill, or if it was necessary or beneficial, to authorize the department to offer incentives.

JON SHERWOOD, Deputy Commissioner, Medicaid and Health Care Policy, Office of the Commissioner, Department of Health and Social Services, relayed that DHSS had some ability to incentivize, although it would be useful to have language in the proposed bill which made it clear that this was part of the department's responsibility. He discussed similar language in a previously proposed bill.

CHAIR SEATON expressed his concern that a shift of providers included enough incentives and agreements. He asked if the department had this same concern.

MR. SHERWOOD replied that the strength of the new policy was that it did not require a shift of individuals to different providers to achieve this 100 percent FMAP, if those providers were willing to enter into agreements with each other, tribal and non-tribal, around the coordination of care. He declared that nothing else had to change, neither the providers nor the payment rates. He pointed out that the state did not have any direct control over these relationships.

[12:43:36 PM](#)

VALERIE DAVIDSON, Commissioner, Department of Health and Social Services (DHSS), reported that the tribal policy change had some additional requirements which the department had to demonstrate to CMS, in order for the state to make the 100 percent claim. She explained that a requirement for the referrals was that the Indian Health Service (IHS) provider must maintain control of the medical record and then electronically transfer information through a health information exchange or some other means. She noted the challenge: all of the savings from these opportunities and partnerships go to the state while there was more work for the tribal and non-tribal providers to start a partnership. She affirmed this chance for incentives and opportunities to participate on the health information exchange.

[12:45:16 PM](#)

CHAIR SEATON [moved to adopt] conceptual Amendment 1 to proposed Amendment 5, which stated: on page 2, line 1, [of the proposed amendment] following "Medicaid", insert "collaboration may include incentives for providers to participate in contracts for referrals".

REPRESENTATIVE VAZQUEZ objected for discussion.

REPRESENTATIVE VAZQUEZ asked for an explanation to the type of incentives.

CHAIR SEATON explained that this was permission for contractual incentives, or whatever DHSS could design to enhance the collaboration and the contracts. He pointed out that he was not detailing the incentives, but only wanted to make it clear in the proposed bill that Department of Health and Social Services

had the authority to provide them. He noted that, unless everyone wins, the state would not realize the cost savings.

REPRESENTATIVE TARR asked for clarification that the use of "may" instead of "shall" made this permissive and not proscriptive.

CHAIR SEATON expressed his agreement, although he stated that he did not have a specific incentive to offer. He said that he wanted to ensure that the department had the authority to enter into conversations for incentives, so that the state would recognize as much of the 100 percent FMAP as available.

REPRESENTATIVE VAZQUEZ asked about any incentives, other than cost sharing.

CHAIR SEATON offered his belief that there had been discussion for coordination with the e-health network. He reiterated that he wanted to provide the department with the authority.

REPRESENTATIVE VAZQUEZ suggested asking DHSS what incentives they had in mind.

COMMISSIONER DAVIDSON relayed that there had been mention of the cost associated with participation in the health information exchange for providers.

CHAIR SEATON asked if that would be a 90 [percent] - 10 [percent] [federal] match.

COMMISSIONER DAVIDSON expressed her agreement.

REPRESENTATIVE VAZQUEZ asked if that was the only incentive envisioned.

COMMISSIONER DAVIDSON said yes but that any other ideas for significant savings in federal match would be entertained, and that the department "would appreciate the latitude to pursue those opportunities."

CHAIR SEATON relayed that this conceptual amendment resulted from discussions for the new policy and the potential roadblocks that could limit it, and not from Department of Health and Social Services, in order to make it as beneficial as possible to the state.

[12:51:47 PM](#)

REPRESENTATIVE VAZQUEZ removed her objection to conceptual Amendment 1. There being no further objection, conceptual Amendment 1 to Amendment 5 was adopted.

[12:52:39 PM](#)

CHAIR SEATON returned attention to proposed Amendment 5.

REPRESENTATIVE VAZQUEZ read from page 7, lines [15 - 21}, of the proposed bill.

The department, in implementing this section, shall take all reasonable steps to implement cost containment measures that do not eliminate program eligibility or the scope of services required or authorized under AS 47.07.020 and 47.07.030 before implementing cost containment measures under (c) of this section that directly affect program eligibility or coverage of services. The cost containment measures taken under this subsection may include new utilization review procedures, changes in provider payment rates, and precertification requirements for coverage

REPRESENTATIVE VAZQUEZ asked why the proposed amendment would delete this provision.

MS. HANSEN explained that this section was being removed from the bill so that the language would remain in statute. She directed attention to page 7, lines 21 - 26, which, in the proposed bill, were being deleted from the statute. With the proposed amendment, all of subsection (b) would remain in statute.

REPRESENTATIVE VAZQUEZ relayed that she would have to look at the statute.

CHAIR SEATON offered his understanding that, as Section 11 of the proposed bill had a deletion, adoption of the proposed Amendment 5 meant nothing would change in the current statute, AS 47.07.036(b).

REPRESENTATIVE VAZQUEZ expressed her agreement.

REPRESENTATIVE TARR removed her objection. There being no further objections, Amendment 5, as amended, labeled 29-LS1096\H.9, Glover, 2/22/16, was adopted.

[12:57:04 PM](#)

CHAIR SEATON moved to adopt Amendment 6, labeled 29-LS1096\H.11, Glover, 2/29/16, which read:

Page 8, line 27:  
Delete "design and"

Page 9, line 1:  
Delete "department shall design the managed care system"  
Insert "managed care system must be designed"

REPRESENTATIVE TARR objected for discussion.

MS. HANSEN explained that proposed Amendment 6 also reviewed Section 12 of the proposed bill, and she directed attention to the changes on pages 8 and 9. She stated that the purpose of the proposed amendment was to allow greater flexibility for the proposed demonstration project, so that the department did not have to design the project but only had to implement it. She shared that a local group on the Kenai Peninsula was interested in a similar project.

CHAIR SEATON explained that this amendment would allow for a request for proposal (RFP) without the need for a departmental design of the demonstration project.

REPRESENTATIVE TARR expressed her appreciation for the wording of the proposed amendment, as it allowed flexibility. She removed her objection. There being no further objection, Amendment 6, labeled 29-LS1096\H.11, Glover, 2/29/16, was adopted.

[1:00:46 PM](#)

REPRESENTATIVE TALERICO moved to adopt Amendment 9, labeled 29-LS1096\H.14, Glover, 3/2/16, which read:

Page 9, following line 9:  
Insert a new subsection to read:

"(g) To the extent consistent with federal law, the department may not increase provider payment rates unless and until the department

(1) implements a demonstration project under (e) or (f) of this section that results in a cost savings of at least 10 percent for provider payments as compared to provider payments for fiscal year 2016 for the group or groups of medical assistance recipients participating in the project; and

(2) determines that implementation of the payment model tested in the demonstration project for all medical assistance recipients will save a minimum of 10 percent of the amount spent for provider payments in fiscal year 2016 for all medical assistance recipients."

Reletter the following subsection accordingly.

Page 12, lines 6 - 7:

Delete "and the provisions of sec. 12(e), 12(f), 15, and 16"

Insert "the provisions of AS 47.07.036(e) - (g), added by sec. 12 of this Act, and the provisions of secs. 15 and 16"

Page 12, line 27:

Delete "Section 12(e) of this Act"

Insert "AS 47.07.036(e), added by sec. 12 of this Act,"

Page 12, line 29:

Delete "added by sec. 12(e) of this Act"

Insert "of AS 47.07.036(e), added by sec. 12 of this Act,"

Page 12, line 31:

Delete "Section 12(f)"

Insert "AS 47.07.036(f), added by sec. 12,"

Page 13, line 2:

Delete "added by sec. 12(f) of this Act"

Insert "of AS 47.07.036(f), added by sec. 12 of this Act,"

Page 13, following line 3:

Insert a new subsection to read:

"(d) AS 47.07.036(g), added by sec. 12 of this Act, takes effect only if the commissioner of health and social services notifies the revisor of statutes in writing under sec. 18 of this Act, on or before January 1, 2017, that all of the provisions of AS 47.07.036(g), added by sec. 12 of this Act, have been approved by the United States Department of Health and Human Services."

Reletter the following subsection accordingly.

Page 13, line 11:

Delete "sec. 12(e)"

Insert "AS 47.07.036(e), added by sec. 12 of this Act,"

Page 13, line 14:

Delete "AS 47.07.036(f), added by sec. 12 of this Act,"

Page 13, following line 16:

Insert a new bill section to read:

"\* **Sec. 25.** If AS 47.07.036(g), added by sec. 12 of this Act, takes effect, it takes effect on the day after the date the commissioner of health and social services notifies the revisor of statutes in writing under secs. 18 and 21(d) of this Act."

Reorder the following bill sections accordingly.

Page 13, line 19:

Delete "21(d)"

Insert "21(e)"

REPRESENTATIVE TARR objected for discussion.

[1:01:02 PM](#)

REPRESENTATIVE TALERICO shared that there had been repeated discussions for the potential of cost savings, pointing to several different opportunities for payment structures. He said that the proposed amendment was an incentive to move rapidly forward, directing attention to the dates and figures in the proposed amendment and noting that all of these had the potential for adjustment. He asked for a list to what the priorities were when there were reforms. He opined that the committee had been "throwing quite a bit of weight towards the

department to do some things," which included the responsibility to amend the state plan with these changes, noting that the department was capable although this was "a reasonably heavy lift for the department," as well as establish criteria in several areas for pilot programs or demonstration projects, including coordinated care, reduction of pre-term births, and services and care through home and community based services. He spoke about the need for payment reform, care management, work force development, and innovative service delivery models. He asked whether DHSS had established a priority list, and whether they had sufficient resources. He declared the need for a conversation regarding the priorities.

MR. SHERWOOD acknowledged that the points were well taken and that this was "a heavy lift for the department." He directed attention to the priority schedule in the fiscal notes for the department to work toward. He declared that the department takes the need for Medicaid reform very seriously. He pointed to some "quick wins" which included refinancing using federal funds to replace general funds for systems already in place, including tribal policy, and 1915(i) and (k). He shared that other reforms focused on bending the long term cost curve in the Medicaid program by bringing in better practices to benefit the entire health care system. He reported that this required partnership with others in the health care system. He noted that a target for payment reform was often projected to be about 2 percent which, although initially not the same volume as the refinance programs, would grow these savings when projected over time. He declared the understanding that the work needed to begin immediately and the foundation needed to be laid. He opined that the fiscal notes reflected payment reform, and that most of this would occur in about two years. He expressed appreciation for "making priorities clear because there are a lot of things to be done in this bill."

REPRESENTATIVE TALERICO replied that this was what he had been looking for, noting that even the fiscal notes were cumbersome. He asked if there was anything the committee could do to provide assistance to the Department of Health and Social Services.

[1:10:53 PM](#)

REPRESENTATIVE TARR asked if there could be any unintended consequences from line 4 of proposed Amendment 9, noting the difficulty for finding Medicare doctors. She pointed out that not increasing the rates could lead to a shortage of providers participating in the demonstration projects.

MR. SHERWOOD pointed to line 3 of the proposed amendment, "to the extent consistent with federal law," reporting that new federal regulations required proof that access was being provided whenever there was a change in rate methodology. He said that the extent the department could restrict rates was "somewhat questionable." He acknowledged that the burden for approval of a freeze would "increase substantially" and that it may not be obtainable, even with extensive effort. He noted that this could result in a diversion of resources away from pursuit of the legislative goals, and could refocus providers on aspects of the program that were less central to the reforms.

REPRESENTATIVE TARR asked if the federal regulations created an additional burden.

MR. SHERWOOD replied that the department did not have a lot of history with how the federal government would view this. He pointed out that physical access was different than regulation of access for adequate financial considerations to the providers.

REPRESENTATIVE VAZQUEZ asked about the specific federal regulation.

MR. SHERWOOD replied that he would research it.

REPRESENTATIVE VAZQUEZ asked how he could know that Alaska paid well in compensation to Medicaid providers.

MR. SHERWOOD explained that the common measure was for a percentage of Medicare paid to health professionals subject to the fee schedule under Medicare Part B. He reported that, typically, Alaska paid over the Medicare rate, at times more than 30 percent, whereas most other states do not pay above the Medicare rate. He share that one could also look at the high percentage of providers participating in the program relative to other states.

REPRESENTATIVE VAZQUEZ asked about the percentage of providers participating in Medicaid.

MR. SHERWOOD replied that it varied by provider type, but was generally in the 90 percentile.

[1:17:56 PM](#)

JEANNIE MONK, Alaska State Hospital and Nursing Home Association (ASHNHA), stated that there was "a pretty good understanding of the impact," although she expressed concern that freezing the provider rates as an incentive to do something different may not result in the desired incentives. She directed attention to pilot projects that allowed providers to change the incentives in order to provide better care at a lower cost. If the rates are reduced or frozen, the resources would be reduced, as well. She pointed out that under federal law, the Emergency Medical Treatment and Active Labor law, hospitals must accept Medicaid if a patient goes to the emergency room. She noted that physicians did not have that same requirement, and therefore, a rate freeze could result in providers no longer accepting Medicaid. She stated that ASHNHHA would rather not have rates frozen, as it would "be harmful to the effort at implementing these projects." She reported that hospitals and nursing homes received cost based reimbursement from the state, which meant they were paid the actual cost for providing the services. These rates were analyzed and a new rate developed every four years, while in between these re-basing years, there would be inflationary increases. She emphasized that freezing rates meant no increase. She acknowledged that, although some facilities could absorb this, facilities with a high percentage of Medicaid patients were not able to shift cost to other payers. She offered her belief that the questions for asking about capacity and what would be done first were very good, as there was "a lot of reform on the table." She pointed out that, as reform takes more time than wanted or anticipated, it needed to be managed "in a thoughtful way."

REPRESENTATIVE TARR opined that it was necessary to take the opportunity to be diligent and that reform would be evident in the next year.

[1:22:21 PM](#)

CHAIR SEATON mused that previously there had been permission for coordinated care although there were not any incentives, even though it had been allowed statutorily. He reminded the committee of a previous change from "shall design" to offering an RFP and contract from the department to those providers of the services for what made sense. He expressed some concern that global payment models would accept all the risk, and then rates would be frozen until there was demonstration for money saved. He pointed out that the savings could come from coordinated care and improvement of the health care status, a longer term commitment. He questioned whether, under this

proposed amendment, anyone would propose a global payment model as it could be more risky. He expressed a concern that lower cost had to be demonstrated prior to allowing a design to work.

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REPRESENTATIVE TALERICO stated that he would like to hear about incentives to ensure that everyone "was on board" and "part of the system," noting that this would take participation from everyone. He declared that the providers had to be very involved, and that Department of Health and Social Services should not have to take all of the responsibility. He shared that he was impressed with the variety of payment option programs, declaring that it was critical to provide assistance to DHSS and the providers when moving forward. He expressed his concern for "a slow boat moving forward" as it was necessary for the boat to have momentum all the time. He shared an anecdote of color coding for momentum.

1:30:02 PM

REPRESENTATIVE TARR asked if the providers saw the changes coming with an expectation for participation.

COMMISSIONER DAVIDSON replied that DHSS had heard a consistent message from providers and beneficiaries that this was "a must have" and that people were incentivized to make this happen. She offered her belief that there were a sufficient number of provisions in the proposed bill, outlined in the fiscal notes, for savings. She declared that the challenge was for what period of time and for which incentives and investments to realize savings. She pointed out that with behavioral health, people were not able to access the treatment programs and services in the necessary ways to impact the costs to corrections, public safety, child maltreatment, and emergency departments. She suggested that these areas would need an investment, although the savings may not be seen in DHSS. She asked if DHSS would be hindered from moving forward if those savings were not recognized in the department. She offered an analogy that a ship had already been built, and although it was not the most efficient ship with lots of builders and visions, it was now necessary to streamline the ship to ensure that everyone was moving in the same direction with the current.

1:34:30 PM

REPRESENTATIVE TALERICO withdrew proposed Amendment 9.

1:34:43 PM

CHAIR SEATON moved to adopt Amendment 7, labeled 29-LS1096\H.12, Glover, 2/29/16, which read:

Page 8, line 2, following "42 U.S.C. 1396n":

Insert "designed to result in cost savings to the state and"

Page 8, line 5, following "42 U.S.C. 1396n":

Insert "designed to result in cost savings to the state and"

REPRESENTATIVE TARR objected for discussion.

MS. HANSEN explained that the proposed amendment was to Section 12 of the proposed bill, and would insert the phrase "designed to result in cost savings to the state" and would apply to applications for the 1915(i) and (k) options. She reminded the committee that these options provided an opportunity to leverage federal funds for services which the state already provided and that the state had the ability to design the criteria, as well as design and target the population already being served. She stressed that this language emphasized that the intention for these options was to generate cost savings.

REPRESENTATIVE TARR expressed her support.

REPRESENTATIVE VAZQUEZ objected.

REPRESENTATIVE TARR removed her objection.

REPRESENTATIVE VAZQUEZ repeated her robust opposition to the 1915 options, as there were not any studies to show the real cost to the state. She declared that there were a lot of grants and a lot of hype, but no economic study to show any savings. She stated that this cost shifting to the federal government relied on a specific FMAP, and it was unclear whether this match would continue given the issues on the national level. She stated that earlier testimony had indicated that many of those people currently on the waiting list for the developmental disabilities waiver would now qualify at a 50 percent federal match. In light of the current fiscal situation, she opined that "we oughta be more sure."

CHAIR SEATON pointed out that this proposed amendment required the waivers, and was not a discussion for whether or not the

waivers should be had, which had already been addressed in a previous amendment. He stated that this proposed amendment inserted language that said it was necessary for the design of the application of those waivers to result in a cost savings to the state. The purpose was for the waiver process to be constructed to result in a cost savings.

[1:40:05 PM](#)

REPRESENTATIVE VAZQUEZ maintained her objection because it related to the implementation of the 1915 options, for which she objected due to the lack of real data for saving money.

[1:41:06 PM](#)

A roll call vote was taken. Representatives Talerico, Tarr, Foster, and Seaton voted in favor of Amendment 7, labeled 29-LS1096\H.12, Glover, 2/29/16. Representative Vazquez voted against it. Therefore, Amendment 7 was adopted by a vote of 4 yeas - 1 nay.

[1:41:46 PM](#)

CHAIR SEATON moved to adopt Amendment 8, labeled 29-LS1096\H.13, Glover, 2/29/16, which read:

Page 9, line 14, following "other":

Insert "or between a provider and a recipient who are physically separated from each other"

REPRESENTATIVE TARR objected for discussion.

MS. HANSEN explained that proposed Amendment 8 added to the definition of telemedicine in Section 12, on page 9, line 14 of the proposed bill, to include the option for being between a provider and a recipient.

CHAIR SEATON shared that the proposed amendment was offered as it was not thought that telemedicine was always between providers as in many cases providers were not available. He stated that the definition of telemedicine could be broad or narrow.

REPRESENTATIVE TARR expressed her appreciation for telemedicine in provider - patient relationships, and that it was necessary to have a definition which did not prevent this. She asked

whether DHSS wanted this definition to be even broader, so as to not limit any opportunities.

COMMISSIONER DAVIDSON relayed that DHSS did not have any objection to the proposed amendment.

[1:45:05 PM](#)

REPRESENTATIVE VAZQUEZ stated her appreciation for the proposed amendment, sharing that the definition did need to be expanded. She suggested a need to reconsider the definition of provider to include a department employee to allow for more flexibility.

MR. SHERWOOD reported that the department currently did some assessment through telehealth, although a non-licensed host affiliated with the provider was often at the site. He questioned whether the language in the proposed amendment was as critical as it would be if the language was being used more broadly, although for consistency to align with future definitions it would probably not interfere.

CHAIR SEATON asked whether this did not need to be expanded in this section of the proposed bill because the definition for tele-medicine meant the practice of health care delivery and did not include re-assessments.

MR. SHERWOOD relayed that he was thinking of this connected with the implementation of a demonstration project, such as a global payment fee structure. He stated that it would not necessarily relate directly to the activities in this demonstration project. He acknowledged that he was unclear whether the language would pertain more for provider projects and not for the administration activities.

REPRESENTATIVE VAZQUEZ declared that the Department of Health and Social Services had model telehealth regulations, which were touted as "the best in the nation;" however, she stated, there was not a statute in place. She asked if the regulations were conforming with the intention of the proposed bill, declaring that she wanted to make this statutorily capable.

MR. SHERWOOD replied that the department did not have an objection to the access to telemedicine, but that he was unsure whether the proposed bill would attain as broad of a result as intended.

[1:50:21 PM](#)

CHAIR SEATON questioned whether subsection (g), page 9, line 12, of the proposed bill, was specific only to the global payment model defined in subsection (f), or whether it referred to all of Section 12 of the proposed bill.

MR. SHERWOOD apologized for any misinterpretation of the proposed bill.

CHAIR SEATON opined that the definition applied to the entire Section 12.

CHAIR SEATON reminded the committee that, as Section 12 had previously been amended "fairly heavily," a committee substitute containing all the adopted amendments was necessary in order to "see everything with the pieces, how they all fit together."

REPRESENTATIVE TARR removed her objection.

REPRESENTATIVE VAZQUEZ stated that she did not object to the specific amendment; however, before final passage of the proposed bill, she wanted to look at the regulations to see if any further amendment was necessary for this particular section. She reiterated that the department regulations were nationally touted as "the model regulations on the subject."

MR. SHERWOOD expressed to Representative Vazquez, "you are absolutely correct."

[1:54:32 PM](#)

There being no further objections, Amendment 8, labeled 29-LS1096\H.13, Glover, 2/29/16, was adopted.

[1:55:00 PM](#)

CHAIR SEATON moved to adopt Amendment 10, labeled 29-LS1096\H.15, Glover, 3/2/16, which read:

Page 2, following line 13:

Insert a new subparagraph to read:

"(C) collaborate with community mental health clinics and drug or alcohol treatment centers that receive state grants and that have historically provided behavioral health services in the state to expand the availability of behavioral health services while maintaining quality and cost controls;"

REPRESENTATIVE TARR objected for discussion.

MS. HANSEN explained that proposed Amendment 10 added a new subparagraph (C) to the intent language in Section 1 of the proposed bill, which she read. She stated that this was a further directive to the department that these reforms needed to be continued in collaboration with the community health providers which had been supporting that population.

REPRESENTATIVE TARR acknowledged that, although this was intent language and did not have the entire force of law, this was "a huge piece of what we're trying to accomplish with Medicaid reform."

[1:56:42 PM](#)

CHAIR SEATON [moved to adopt] conceptual Amendment 1 to proposed Amendment 10: on line 4, delete "receives" and insert "have received." There being no objection, conceptual Amendment 1 to proposed Amendment 10 was adopted.

[1:58:27 PM](#)

REPRESENTATIVE TARR removed her objection. There being no further objection, Amendment 10, labeled 29-LS1096\H.15, Glover, 3/2/16, as amended, was adopted.

[1:58:47 PM](#)

CHAIR SEATON moved to adopt Amendment 11, labeled 29-LS1096\H.16, Glover, 3/2/16, which read:

Page 6, following line 3:

Insert a new bill section to read:

"\* **Sec. 6.** AS47.05.200 is amended by adding a new subsection to read:

(f) After reviewing audit reports received under this section, the department may collaborate with medical assistance providers or provider entities to provide or create educational information for medical assistance providers regarding the most frequent errors or overpayment types."

Renumber the following bill sections accordingly.

Page 10, line 21:

Delete "sec. 9"  
Insert "sec. 10"

Page 11, line 13:  
Delete "sec. 12"  
Insert "sec. 13"

Page 12, line 6:  
Delete "sec. 9"  
Insert "sec. 10"

Page 12, lines 6 - 7:  
Delete "and the provisions of secs. 12(e), 12(f),  
15, and 16"  
Insert "the provisions of AS 47.07.036(e) and  
(f), added by sec. 13 of this Act, and the provisions  
of secs. 16 and 17"

Page 12, line 21:  
Delete "sec. 9"  
Insert "sec. 10"

Page 12, line 22:  
Delete "sec. 16"  
Insert "sec. 17"

Page 12, line 23:  
Delete "sec. 18"  
Insert "sec. 19"

Page 12, line 24:  
Delete "sec. 9"  
Insert "sec. 10"

Page 12, line 25:  
Delete "sec. 16"  
Insert "sec. 17"

Page 12, line 27:  
Delete "Section 12(e) of this Act"  
Insert "AS 47.07.036(e), added by sec. 13 of this  
Act,"

Page 12, line 28:  
Delete "sec. 18"  
Insert "sec. 19"

Page 12, line 29:

Delete "added by sec. 12(e) of this Act"

Insert "of AS 47.07.036(e), added by sec. 13 of this Act,"

Page 12, line 31:

Delete "Section 12(f) of this Act"

Insert "AS 47.07.036(f), added by sec. 13 of this Act,"

Page 13, line 1:

Delete "sec. 18"

Insert "sec. 19"

Page 13, line 2:

Delete "added by sec. 12(f) of this Act"

Insert "of AS 47.07.036(f), added by sec. 13 of this Act,"

Page 13, line 4:

Delete "Section 15"

Insert "Section 16"

Page 13, line 5:

Delete "sec. 18"

Insert "sec. 19"

Page 13, line 6:

Delete "sec. 15"

Insert "sec. 16"

Page 13, line 8:

Delete "sec. 9"

Insert "sec. 10"

Delete "sec. 16"

Insert "sec. 17"

Page 13, line 10:

Delete "secs. 18 and 21(a)"

Insert "secs. 19 and 22(a)"

Page 13, line 11:

Delete "sec. 12(e) of this Act"

Insert "AS 47.07.036(e), added by sec. 13 of this Act,"

Page 13, line 13:

Delete "secs. 18 and 21(b)"  
Insert "secs. 19 and 22(b)"

Page 13, line 14:

Delete "sec. 12(f) of this Act"  
Insert "AS 47.07.036(f), added by sec. 13 of this  
Act,"

Page 13, line 16:

Delete "secs. 18 and 21(c)"  
Insert "secs. 19 and 22(c)"

Page 13, line 17:

Delete "sec. 15"  
Insert "sec. 16"

Page 13, line 19:

Delete "secs. 18 and 21(d)"  
Insert "secs. 19 and 22(d)"

Page 13, line 20:

Delete "17(a), 18, 19, and 21"  
Insert "18(a), 19, 20, and 21"

REPRESENTATIVE TARR objected for discussion.

MS. HANSEN explained that proposed Amendment 11 inserted a new Section 6, on page 6, line 3, which she read, and then renumbered the following sections accordingly.

CHAIR SEATON explained that, during the discussion of audits and reporting requirements, it was decided to ensure that DHSS informed providers of any mistakes made by similar provider types, in order to avoid problems with future audits.

MR. SHERWOOD stated that the department had no objections.

[2:01:14 PM](#)

REPRESENTATIVE TARR removed her objection. There being no further objection, Amendment 11, labeled 29-LS1096\H.16, Glover, 3/2/16, was adopted.

[2:01:49 PM](#)

CHAIR SEATON [moved to adopt] conceptual Amendment 1 to proposed HB 227, page 11, line 11, delete the date, "February" and insert "July".

REPRESENTATIVE TARR objected for discussion.

MS. HANSEN explained that this would change the report on cost savings associated with waivers and options. She stated that the current time line would only have allowed six months of service to collect cost savings information, and twelve months of payment information would be more worthwhile.

REPRESENTATIVE TARR, recalling that July 1 was the start date of the new fiscal year, asked if that was too soon to have captured a year of data.

MR. SHERWOOD expressed his agreement with Representative Tarr that it was necessary to allow time for data to be submitted. Generally speaking, July was the close-out of one fiscal year with the start-up of a new fiscal year and budget, while the federal fiscal year closed at the end of September. He declared a preference for November to submit reports, as it allowed time to finalize and review the claims data.

REPRESENTATIVE TARR stated her desire to ensure that the work was diligent, and she asked if DHSS would object to a change to November, 2018, for a progress report to keep the legislature in the loop.

MR. SHERWOOD replied that, as long as there was an understanding that some data may be incomplete the department could report on the progress of activities for which they had information.

REPRESENTATIVE TARR asked if Chair Seaton was open to this.

CHAIR SEATON stated that, as numbers and results were not expected in 2018, a status report would be acceptable.

REPRESENTATIVE TARR wanted to ensure that the state could respond according to any federal changes.

REPRESENTATIVE VAZQUEZ stated support for the conceptual amendment by Representative Tarr.

CHAIR SEATON expressed his agreement.

REPRESENTATIVE TARR removed her objection.

CHAIR SEATON withdrew proposed conceptual Amendment 1.

2:10:30 PM

CHAIR SEATON [moved to adopt] conceptual Amendment 2: on page 11, line 11, delete "February 1, 2019" and insert "November 1, 2018 and November 1, 2019" as the dates of the status reports to the Alaska State Legislature. There being no objection, conceptual Amendment 2 for proposed HB 227 was adopted.

2:11:20 PM

CHAIR SEATON directed attention to the written comments already submitted, titled "House Bill 227 Amendments." [included in members' packets]

MS. HANSEN shared that this was not a legally drafted amendment, although there could be comments that the committee might want to consider for a future amendment or project.

2:13:23 PM

JOCELYN PEMBERTON, Executive Director, Alaska Hospitalist Group, stated that her group participated in BPCI (Bundled Project for Care Improvement) with Medicare patients in Alaska. She asked that consideration be given for an opportunity for local physicians to be incentivized based on episodes of care. She explained that this project, BPCI, determined total costs for patients who originate at hospitals, based on historical data associated to their diagnosis and care, and that incentivized physicians to minimize the costs across the full continuum of care with a shared savings arrangement that would benefit the final cost to the state. She noted that the group offered physician involvement around changing the financial incentives for patient care.

CHAIR SEATON surmised that this would be included in Section 12 of proposed HB 227 and he asked if a bundled payment model would come under an RFP for a coordinated care model.

REPRESENTATIVE TARR suggested that these other demonstration projects were supposed to address this concept, expressing her hope that this would be accomplished. She opined that this sounded similar to the global payment schedule.

MS. PEMBERTON explained that although the two projects were similar, the global payment schedule allowed the department to pay an annual or a monthly cost for patients, whereas the bundled payment schedule was more episodic and based on a diagnosis. She explained that this was a stair step toward risk sharing within the provider community. She acknowledged the similarity, although slightly different. She offered the perspective that the current language in the proposed bill was broad, and that she wanted to bring the BPCI project to the attention of the House Health and Social Services Standing Committee as it was well defined by CMS, and could be piggybacked with them with very few administrative requirements.

REPRESENTATIVE TARR asked for more time to better understand this before consideration.

CHAIR SEATON relayed that the committee did not have to decide on the projects, but only to see if this fit into the panoply of demonstration projects to provide savings and better health that had been included in the proposed bill. He expressed his pleasure that more than one provider in Alaska had declared a willingness to step forward to share some risk in the payment models, as opposed to being strictly fee for service.

COMMISSIONER DAVIDSON complimented the committee for maintaining broad and flexible language in the proposed bill so the department could consider many models.

CHAIR SEATON relayed that this had been the goal.

MS. HANSEN suggested that the committee might find interesting language relating to the percentage of local providers in the aforementioned amendment comments and suggestions.

CHAIR SEATON stated that the adopted amendments would be drafted into a committee substitute.

[HB 227 was held over.]

[2:24:19 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Health and Social Services Standing Committee meeting was adjourned at 2:24 p.m.