

SENATE FINANCE COMMITTEE
March 4, 2016
8:44 a.m.

8:44:34 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 8:44 a.m.

MEMBERS PRESENT

Senator Anna MacKinnon, Co-Chair
Senator Pete Kelly, Co-Chair
Senator Peter Micciche, Vice-Chair
Senator Click Bishop
Senator Mike Dunleavy
Senator Lyman Hoffman
Senator Donny Olson

MEMBERS ABSENT

None

ALSO PRESENT

Janey Hovenden, Director, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community and Economic Development; Sarah Chambers, Administrative Operations Manager, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community and Economic Development; John Skidmore, Director, Criminal Division, Department of Law; Jon Sherwood, Deputy Commissioner, Medicaid and Health Care Policy, Department of Health and Social Services; Sana Efird, Assistant Commissioner, Department of Health and Social Services.

PRESENT VIA TELECONFERENCE

SUMMARY

SB 74 MEDICAID REFORM/PFD/HSAS/ER USE/STUDIES

SB 74 was HEARD and HELD in committee for further consideration.

#sb74

SENATE BILL NO. 74

"An Act relating to permanent fund dividends; relating to a medical assistance reform program; establishing a personal health savings account program for medical assistance recipients; relating to the duties of the Department of Health and Social Services; establishing medical assistance demonstration projects; and relating to a study by the Department of Health and Social Services."

8:44:58 AM

Co-Chair MacKinnon stated that the purpose of the day's meeting was to discuss the fiscal notes. She indicated that the bill would be set aside, as the committee was waiting for a committee substitute reflecting the work done the previous day. Some of the fiscal notes were still in draft form but were being finalized. She asked if there was anything to come before the committee before reviewing the fiscal notes.

Co-Chair MacKinnon specified that in the previous day twenty-seven amendments were offered of which twenty-six of them were passed and one was withdrawn. She relayed that with the committee's support she and her staff had divided the fiscal notes into departments so that one person could testify at a time. She invited Ms. Hovenden from the Department of Commerce, Community and Economic Development (DCCED) to come to the table to testify.

8:46:41 AM

JANEY HOVENDEN, DIRECTOR, DIVISION OF CORPORATIONS, BUSINESS AND PROFESSIONAL LICENSING, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, indicated that with her was Sarah Chambers, the Division's operations manager.

SARAH CHAMBERS, ADMINISTRATIVE OPERATIONS MANAGER, DIVISION OF CORPORATIONS, BUSINESS AND PROFESSIONAL LICENSING,

DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, introduced herself.

Senator MacKinnon clarified that there were two fiscal notes that the team would discuss. The fiscal notes were from DCCED. She corrected herself reporting there was only one fiscal note from the department.

[8:47:45 AM](#)

AT EASE

[8:49:24 AM](#)

RECONVENED

Co-Chair MacKinnon asked Vice-Chair Micciche to cover the financial portion of the fiscal note with an Office of Management and Budget (OMB) component number 2360.

[8:49:49 AM](#)

AT EASE

[8:50:08 AM](#)

RECONVENED

Vice-Chair Micciche discussed the draft fiscal note, OMB component number 2360. He reported appropriations for FY 17 in the amount of \$443.6 [thousand] for personal services, \$3 thousand for travel, \$89.2 thousand for services, and \$25 thousand for commodities. The FY 17 total was \$560.8 thousand. He reported that nearly the same split minus commodities each year totaled \$607.4 thousand from FY 18 through FY 22.

[8:50:56 AM](#)

Ms. Hovenden relayed that SB 74 encompassed the Prescription Drug Monitoring Program (PDMP) portion that affected the division. She explained that SB 98, the telemedicine bill, was imported into SB 74.

Senator MacKinnon asked Ms. Hovenden to avoid the use of acronyms.

Ms. Hovenden continued that the bill would incorporate \$443 thousand for one full-time permanent program coordinator I to manage the PDMP, two full-time permanent occupational licensing examiners, and two full-time permanent

investigator III's who would help with the telemedicine portion. The cost of travel was \$3 thousand for the program coordinator to attend two board meetings and to engage with communities and stake holders in the state opioid control program. The cost of services was \$25 thousand for legal costs to amend the regulations, printing, and postage in the first year. Other services equaled \$12 thousand for printing and postage to notify prescribers who would be required to register. The cost of contracts was \$2.2 thousand to expand the periodic data matching (PDM) database from monthly to weekly. The amount of \$108.6 thousand was for legal costs of investigations and appeals beginning in the second year. There was also a cost of \$50 thousand for department-wide services support for five new positions.

[8:53:11 AM](#)

Ms. Hovenden discussed commodities. The cost equaled \$5 thousand in the first year for computers, office panels, office furniture and other one-time needs for the five new positions. The division was a receipt supported service, therefore any fees that were not covered by any grants would be covered by licensees.

[8:53:38 AM](#)

Senator Bishop wondered if the committee was ready for comments on the fiscal notes.

Co-Chair MacKinnon directed attention to the analysis on the second page of the fiscal note, remarking that there was a specific summary of the function of the program. She highlighted that the program was covered by receipts rather than from general fund (GF) dollars in an effort to monitor and make Alaskans safe as they utilized different opioids that were prescribed by pharmacists.

[8:54:07 AM](#)

Senator Bishop was curious if there was surplus commodities that could be repurposed to save money such as furniture and computers.

[8:54:42 AM](#)

Senator Olson remarked that the amount accounted for travel did not seem adequate to cover the costs for an investigator to be able to go in the field to perform investigations.

Ms. Hovenden asked the senator to restate his question.

Senator Olson pointed to the second line down on the fiscal note after personal services. Travel was funded at \$3 thousand. She had talked about the number of people that would be hired, investigators that would have to travel to do an adequate job. He did not think \$3 thousand was a sufficient amount of funds.

Ms. Hovenden commented that the investigations section used other state investigations whenever possible in order to avoid traveling. An exceptional case could require an investigator to travel across state lines or for investigative purposes.

[8:56:04 AM](#)

Senator Olson had a question pertaining to the increase for medical licensing in the State of Alaska because of telemedicine. He asked if the fee for a person practicing telemedicine that might not be in Alaska was the same as for a practitioner that resided in-state.

Ms. Hovenden responded that out-of-state practitioners would be required to pay the same fee as an in-state medical licensee.

[8:56:42 AM](#)

Co-Chair Kelly shared that he knew Ms. Hovenden from outside of the legislature and welcomed her to Senate Finance.

[8:57:06 AM](#)

Co-Chair MacKinnon referred to page 2 of the fiscal note. The department was suggesting that the division had seen a 400 percent increase in medical license applications since telemedicine was expanded through legislation effective November 2014. She asked if the percentage number was representative of 1 application, 10 applications, or 100 applications.

Ms. Hovenden deferred to Ms. Chambers.

Ms. Chambers stated that the increase that the division had seen over the previous year and half made up the sum total of all of the physician and other licenses regulated by the medical board which were in the 100s currently for new applications. An example of how the division was able to identify the increase with telemedicine was that since the effectiveness of HB 281 [Legislation passed in 2014 - Short Title: Prescription without Physical Examination] telemedicine companies were sending in stacks of 20-30 applications at a time. The division was obliged to license them if they were qualified. She was uncertain at present if they were all planning to practice under current law and come to Alaska to perform telemedicine services or were anticipating the passage of SB 74.

[8:59:01 AM](#)

Co-Chair MacKinnon asked in a normal application period, prior to the bill HB 281 that allowed telemedicine practice in Alaska, how many doctors sought licensure in the state.

Ms. Chambers did not have immediate access, but agreed to provide the committee with the information. She thought that typically the division saw about 10-20 new applications per month. The exponential growth exploded after HB 281 became law.

[8:59:59 AM](#)

Co-Chair MacKinnon asked how long it took the licensing board to approve those applications, and how it was different currently. She wondered if it took the same amount of time.

Ms. Chambers responded that typically it took two to three months to process a physician's application, due to the amount of documentation that needed to come from hospitals with privileges and other licensing jurisdictions. Once the information was received the division's staff took about twenty days on average to process the license. Processing time was outside the division's administrative process. However, in the previous summer the division saw delays increase because of the additional workload. The division had taken several steps administratively to mitigate the

delays. The division was currently back to the twenty day processing window. Any applications that needed investigative review or additional board review due to malpractice claims or other professional fitness might take a little longer. She summarized that the division went from eight to twelve weeks to the previous summer taking up to six months. The division had been able to remedy the issue administratively, however, there was no additional margin without expansion in staff.

[9:01:38 AM](#)

Vice-Chair Micciche wondered if the division went from five to twenty applications. He wondered if the division was close to licensing several of the providers wanting to participate in the telehealth industry in Alaska that were anticipating the passage of the bill. He asked if she thought the workload would be dramatically reduced once the companies had their physicians licensed.

Ms. Chambers thought that any forecasting of numbers of telemedicine providers would be conjecture. Based on the interest and the growth in the telehealth business model across the US, she did not believe the division had come close to exhausting the number of telemedicine companies that would be seeking licensure in all fifty states. She had seen an increase in the number of providers that wanted to practice in Alaska and did not think telemedicine would be diminishing as an American healthcare model any time soon.

[9:03:30 AM](#)

Vice-Chair Micciche reminded the committee that the costs were covered by the licensees. He wondered if it would be helpful for there to be an out-of-state fee adjustment for providers if the costs continued to be a larger proportion of the burden. He would be supportive of charging out-of-state physicians a greater license fee.

[9:04:15 AM](#)

Co-Chair Kelly agreed with Ms. Chambers' comment about telemedicine not diminishing as a healthcare model well into the future.

[9:04:29 AM](#)

Senator Olson commented on the 400 percent increase in applications. He wondered if it was accurate that the division thought there would be roughly 8 thousand to 9 thousand physicians licensed in the State of Alaska.

Ms. Chambers reported that there were 4.1 thousand physicians licensed in the state regardless of their location. The department could only see the amount expanding. However, she did not know if the amount would increase by 20 thousand or 50 thousand - it would be difficult to determine. The division was evaluating the numbers as well as its experience being as conservative as possible with the goal of still meeting service level needs that the facilities demanded.

Senator Olson commented that a potential investigator would have to travel. He reiterated his point that the proposed \$3 thousand for travel related to investigation seemed insufficient.

[9:06:22 AM](#)

Vice-Chair Micciche stated that the department's expectation was that the investigations would take place within the state, and the state would make a license no longer valid until an investigator was able to do an evaluation. Further, if it appeared that additional funding was needed he would support the idea. He encouraged the department to think about it.

[9:07:10 AM](#)

AT EASE

[9:07:33 AM](#)

RECONVENED

Co-Chair MacKinnon set aside DCCED's fiscal note. She directed the committee to the Department of Law's (DOL) fiscal note component 2203. She invited Mr. Skidmore to the table. She directed Senator Micciche to walk through the highlighted financials on the front of the fiscal note.

Vice-Chair Micciche indicated the fiscal note was from DOL, the appropriation was for the Criminal Division, OMB component number 2203. The allocation was for the criminal appeals and special litigation. He detailed the FY 17

requested appropriation: \$316.6 thousand for personal services, \$1.5 thousand for travel, \$39.8 for services, \$6.1 for commodities, and \$1.5 for capital outlay. The total FY 17 appropriation request was \$365.0 thousand. He noted that in the out years the numbers were consistent at \$365 thousand. He relayed that the fund sources included primarily federal receipts of \$273.7 thousand, and GF dollars in the amount of \$91.3 thousand.

[9:09:00 AM](#)

Co-Chair MacKinnon explained that the funding source would be an issue for her. She thought the money should be matching funds from receipts received from the program. The committee would review her concern prior to moving the bill from committee. She invited Mr. Skidmore to walk members through the details of the fiscal note.

[9:09:22 AM](#)

JOHN SKIDMORE, DIRECTOR, CRIMINAL DIVISION, DEPARTMENT OF LAW, addressed the fiscal note. He explained that the fiscal note talked about adding a program for the False Claims Act. He explained the False Claims Act encouraged citizens to file claims when they believed there had been fraud within a Medicaid application either by a recipient or a provider. It encouraged citizens to make claims because they could benefit from bringing it to the attention of state government. He furthered that the law would require the department to review the claims, because any claim brought forward was actually brought forward on behalf of the state. Additionally, when claims were reviewed there was one of four outcomes. First, the department could decline the claim from going forward if it was already the subject of a criminal investigation. Second, the department could dismiss the claim because the department believed it to be frivolous. The third potential outcome was that after reviewing a case the department could determine that the citizen should move forward with a complaint on their own. The department would not be prosecuting a civil action, but a citizen would likely have a lawyer that would be acting on their behalf. He noted that the third option would be the opportunity that would have the greatest amount of benefit to the citizen. The fourth possibility was that the state would look at the claim, decide it was appropriate, and that the state's

lawyers would pursue the claim. In such a circumstance there was a greater recovery for the state than for the citizen.

Mr. Skidmore referenced one attorney and one paralegal requested on the fiscal note that were originally intended to be on the civil side of the Department of Law. However, it was determine that the more appropriate place for them was in the Medicaid Fraud Control Unit (MFCU) for the Criminal Division. He thought the benefit for placing the positions in MFCU was that 75 percent of the unit's cost was paid for with federal funds. Only 25 percent of the costs were paid with state funds. He also mentioned that instead of having just one attorney and one paralegal assigned there were already two other attorneys that were within MFCU as well as 10 investigators to allow for more resources to apply to the review of cases. Conversely, the other benefit that existed was that the MFCU had seen in the previous several years an uptick in the number of cases the unit took and the number of recoveries received as well as saving the state in the neighborhood of \$30 million. Even if there was not a significant number of false claims, initially, he suggested the additional resources placed within MFCU could also be used to further prosecute other cases within the unit that the department hoped would increase the types of recoveries that they were already seeing on the criminal side.

[9:12:48 AM](#)

Mr. Skidmore concluded that the option in front of the committee was that if the fiscal note was fully funded it would be the most robust scenario for Department of Law and for the state in the pursuit of false claims. He understood there had been some questions and concerns about whether the state and the criminal division could absorb the costs without adding any additional personnel. His response was that there was the possibility that the state could attempt to absorb them. However, in that case, it would not be possible for the department to exercise the forth option of pursuing any claims civilly. The current attorneys would not have the capacity to do so. The other three options would remain available. He explained that the difficulty in making an assessment would be the number of referrals brought to the Criminal Division of the Department of Law. He asserted that the department could not predict the number of referrals that would be brought to the criminal

Division. If there were only a few false claims brought to the department spread out proportionately over time it would not have a dramatic impact on the division. However, if there were several claims initiated, without the additional resources, a policy decision would have to be made as to whether the savings would be worth having to cut back the funding for criminal prosecutions or provide the funding to be more robust. He made himself available to the committee for questions.

[9:14:22 AM](#)

Senator Olson asked about the department's position on using funds to pursue Medicaid fraud cases in lieu of other criminal cases. Mr. Skidmore thought that when talking about Medicaid fraud, MFCU was devoted strictly to these types of cases. The department's ability to talk about other white collar cases. He suggested that because it was within Medicaid fraud the state had resources to try to go after those types of cases. As to whether it was criminal or civil, he explained that criminal cases had a higher burden of proof and civil cases had a lower burden of proof. Having the civil option would allow the state to pursue additional fraud claims that it would otherwise have not been able to pursue civilly.

[9:15:43 AM](#)

Senator Olson asked if it included being able to recoup some of the money. Mr. Skidmore answered in the affirmative. Senator Olson clarified that it applied to the civil portion. Mr. Skidmore responded affirmatively.

[9:15:54 AM](#)

Co-Chair MacKinnon asked how many attorneys the state had on the civil side and on the criminal side.

Mr. Skidmore provided an approximation of 120 attorneys on the criminal side. The criminal attorneys were spread across the state in 13 different offices and were responsible for the prosecution of "street crimes" (robbery, murder, rape, assaults, and thefts). The same 120 attorneys included a division that handled the appeals of the criminal cases as well as a special prosecutions unit. The attorneys in that unit handled various types of cases

including child support cases and fish and wildlife cases. Most of those attorneys were paid for with reciprocal service agreements (RSA's). He did not have the numbers for the Civil Division close at hand but would provide them.

Co-Chair MacKinnon would reach out herself.

[9:17:30 AM](#)

Co-Chair MacKinnon directed attention to fiscal note component 2665 and invited Deputy Commissioner Sherwood to the table. She indicated that the remaining fiscal notes were from the Department of Health and Social Services (DHSS).

Vice-Chair Micciche indicated the fiscal note pertained to the Division of Behavioral Health. He reviewed the FY 17 appropriation request:

Personal Services:	\$115.9 Thousand
Travel:	\$ 2.0 Thousand
Services:	\$ 9.4 Thousand
Commodities:	\$ 8.1 Thousand

Total Operating: \$135.4 Thousand

Senator Micciche pointed out that there was a 50/50 match between federal and GF dollars. He highlighted that in looking at FY 18 and into the future the only reduction was in commodities for a total of \$127.8 thousand offset 50/50 between the federal and GF match.

[9:19:01 AM](#)

JON SHERWOOD, DEPUTY COMMISSIONER, MEDICAID AND HEALTH CARE POLICY, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, gave a brief overview of some common information to avoid some questions while going through the fiscal notes. He detailed that DHSS had 13 fiscal notes, many of which were interconnected and addressed multiple provisions of the bill. He would do his best to provide an overview of each note. He had many people available for questions on the phone and in the room. He informed committee members that the department had not had time to update the fiscal notes to reflect the 26 amendments that had been adopted the previous day. The fiscal notes did not include estimates of

the financial participation from the Alaska Mental Health Trust Authority (AMHTA), noting that the Trust had indicated its willingness to provide support in Medicaid reform. He emphasized the department's deep appreciation of the support of the Trust and its partnership. The amount and the specifics of the Trust's participation would be decided on later in the month. The department wanted to respect the Trust's process.

[9:20:54 AM](#)

Mr. Sherwood addressed fiscal note 2665, stating that the bill called upon the department to coordinate with the AMHTA to manage a comprehensive integrated behavioral health system. The department planned on implementing significant behavioral health performance and would apply for an 1115 waiver. The fiscal note reflected the cost of one position in the Division of Behavioral Health to work on the division's redesign and the 1115 waiver. The position would also support the contracting efforts with an administrative services organization once the waiver was operating. There was an extra cost in the first year in order to get new equipment for the new employee.

[9:21:39 AM](#)

Co-Chair MacKinnon asked if it was fair to say that there would be a fiscal note in the group that contained a negative number.

Mr. Sherwood confirmed that several of the fiscal notes had negative numbers, but added there would be some costs in some components.

Co-Chair MacKinnon pointed out that all that had been discussed were additional state employees that required additional investment versus the fiscal notes with cost saving measures. She wanted to clarify that the purpose of SB 74 was to reform the system to provide quality services to Alaskans but to also reduce or redirect some of the funds. The cost saving fiscal notes would come before the committee.

[9:22:29 AM](#)

Vice-Chair Micciche assumed that with the letter from the Centers for Medicare and Medicaid Services (CMS) the level

of coverage would be much higher for some behavioral health services. He asked if the number was conservative. He also asked if some of the matches would be higher than 50/50. Mr. Sherwood confirmed it was the administrative component. He specified that the higher matches had to do with Medicaid services and certain specialized administrative functions. The one being addressed was the general administrative match of 50/50.

[9:23:15 AM](#)

Co-Chair MacKinnon directed attention to fiscal note OMB component number 242.

Vice-Chair Micciche reviewed the fiscal note applicable to the Division of Health Care Services medical assistance administration costs. He relayed the FY 17 appropriation request:

Personal Services:	\$355.9 Thousand
Services:	\$107.9 Thousand
Commodities:	\$ 37.4 Thousand

Total Operating: \$501.2 Thousand

Vice-Chair Micciche noted a similar 50/50 fund source match of federal receipts and GF monies. On outgoing years there was a slight increase for personal services and services and a reduction of commodities bringing the value to \$529.00 in FY 18. The total would decrease to \$412.1 thousand in FY 20 and remain the same through FY 22.

[9:24:34 AM](#)

Mr. Sherwood explained that the fiscal note was for the department's medical assistance administration component where many of the administrative and support components for the Medicaid program were located. Many parts of the bill impacted the support components including fraud and abuse prevention, primary care case management, health homes, the emergency room reduction project, the coordinated care demonstrations, and the tribal claiming policy change. The largest part of the fiscal note is personnel costs. On position would be added to develop regulations, policy, and work on appeals for fraud provisions. He reported that typically, the department saw an increase in appeals

activity when changes were made that might adversely impact providers. He expected that the position would be eliminated after two years. There were two positions that would be added to work on primary care case management, managed care provisions in Section 18, health homes, telemedicine provisions in Section 19, and the hospital and emergency room reduction project in Section 20. One position would be added to implement and support the new tribal claiming policy. The state needed to track, process, and oversee the contract provisions for providers required to get an enhanced federal match. The department increased its services line by \$75 thousand per year to accommodate a higher appeals volume around fraud and abuse which would go to the Office of Administrative Hearings. He indicated Director Brodie was available for questions.

[9:26:19 AM](#)

Co-Chair MacKinnon reported that the committee had been joined by Senator Hoffman. She drew the committee's attention to the fiscal note, OMB component number 2696 from DHSS.

Senator Hoffman reported being at a committee closeout meeting.

Vice-Chair Micciche reported that the fiscal note pertained to rate review within the Division of Health Care Services. He reviewed the FY 17 appropriation request:

Personal Services:	\$112.3 Thousand
Services:	\$509.4 Thousand
Commodities:	\$ 9.6 Thousand

Total Operating: \$631.3 Thousand

Vice-Chair Micciche pointed out there was a 50/50 match with federal receipts and GF dollars which included one full-time position. He reported that from FY 18 into the future there was a reduction in services down to 209.4 thousand and a reduction in commodities down to \$2.0 thousand. The total was \$323.7 thousand each year through FY 22.

[9:28:08 AM](#)

Mr. Sherwood addressed the fiscal note, pointing out that sections 17, 19, and 20 all contained provisions that would require payment reform or innovative payment methods. Under Section 19 the department would need to apply for an 1115 demonstration waiver focused on innovative payment models. The department had assumed it would issue a one-time contract for \$500 thousand in FY 17 to analyze and implement the payment models and have an ongoing \$100 thousand in subsequent years for actuary work for updating and maintaining the rates. The department estimated that it needed one additional position to work on the payment reform projects. Section 20 of the bill required that there would be an annual actuarial report on the coordinated care demonstration projects. The department increased the ongoing actuarial contract by \$100 thousand to reflect the additional work for a combined ongoing cost for actuarial services of \$200 thousand.

[9:29:34 AM](#)

Co-Chair MacKinnon wondered, when Mr. Sherwood was providing or presenting to the committee a range number on the salary schedule, if he was giving members a starting range or a payment method that was somewhere in the middle. Mr. Sherwood was unsure, and referred Co-Chair Mackinnon's question to Ms. Efird.

SANA EFIRD, ASSISTANT COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, relayed that, although she would need confirmation, the department normally budgeted for a step C allowing for someone that might have some experience, but not for a high level position.

Co-Chair MacKinnon asked if Ms. Efird could confirm the information for the committee.

Ms. Efird responded in the affirmative.

[9:30:53 AM](#)

Co-Chair MacKinnon directed attention to the next fiscal note, OMB component number 233.

Vice-Chair Micciche pointed out that the fiscal note related to the Division of Public Assistance. He reported that the FY 17 appropriation request of \$854.5 thousand was a 2-year program of contract services. The fund source was

composed of about 10 percent in federal dollars and 90 percent of GF dollars. The only other year of cost was in FY 18 in the amount of \$349 thousand - split similarly with a little less than 10 percent of funding from federal dollars and the remainder from GF dollars. There were no costs for FY 19 through FY 22.

[9:31:59 AM](#)

Mr. Sherwood addressed the fiscal note, explaining that two provisions of the bill affected the Division of Public Assistance. First, section 13 required the department to establish an enhanced computerized income asset and identity verification system to determine fraud and eliminate duplication of benefits through the use of a third party vendor. The annual savings to the state resulting from the system had to exceed the cost of the system. He pointed out that the department had assumed that it would incur start-up costs of \$250 thousand in FY 17 for establishing an interface between the department's eligibility system, ARIES, and the third party system. The department also expected to incur another \$400 thousand in state implementation costs for user exception testing, documentation training, increased supports through implementation, and similar needs. The department estimated an annual charge for the service to average \$349 thousand per year with it going live on January 1, 2017. If, after an 18 month period, the third party vendor had not demonstrated savings, the department would cancel the contract. Therefore, the department had not shown any costs beyond FY 18. If there was a demonstration of savings the department would use the savings to continue to finance the system.

[9:33:30 AM](#)

Mr. Sherwood discussed section 17 of the bill which directed the department to refer Medicaid recipients to various resources for education and career opportunities. The department had included a one-time FY 17 cost of \$30 thousand for program notices to be sent to recipients since it did not have face-to-face encounters with many Medicaid recipients at the time of application or renewal. Costs would be shared 50/50 with the federal government. The majority of the costs for the third party vendor eligibility verification system was not subject to federal funding because the department had similar interfaces built

into Alaska's Resource for Integrated Eligibility Services (ARIES) which had already been funded by the federal government at a level of 90 percent. Typically, it would not give the state additional monies that were duplicative of things it had already paid for.

[9:34:44 AM](#)

Co-Chair MacKinnon directed attention to fiscal note OMB component number 2663.

Vice-Chair Micciche cited the fiscal note appropriation related to the Division of Senior and Disabilities Services. He relayed the FY 17 appropriation request:

Personal Services:	\$ 97.3 Thousand
Travel:	\$ 2.3 Thousand
Services:	\$186.8 Thousand
Commodities:	\$ 2.5 Thousand

Total Operating: \$288.9 Thousand

Senator Micciche indicated that the funding source was a 90/10 split with the federal government picking up the 90 percent portion. The numbers increased in FY 18. There was one position in FY 17 which increased to three positions in FY 18 costing \$318.3 thousand for personal services, \$6.9 thousand for travel, \$193.8 thousand for services, and \$7.5 thousand for commodities. The split in funding was less. The total cost in FY 18 was \$526.5 thousand. In FY 19 the services costs increased fairly dramatically to \$540.7 thousand for what he assumed was systems development. The total for FY 19 was \$873.4 thousand. From FY 20 to FY 22 the numbers stabilized for a total of \$343.3 and became a 50/50 with federal receipts and a GF match.

[9:36:23 AM](#)

Mr. Sherwood addressed the fiscal note. He referred to Section 19 of the bill, which required the department to apply 1915(i) and 1915(k) options which would increase the federal funds the state received to provide home and community-based services. The fiscal note reflected the associated administrative costs. He continued that the department anticipated having to add positions to plan, develop, and manage the two options. One position would be added in FY 19 [FY 17] to begin the work and two more in FY

18 as the department began to bring up the programs. The department believed it was important to get the design and implementation of the program right, as they would generate considerable GF savings. The department had to ensure that the eligibility requirements and service limits were well designed and strictly enforced in order to achieve the savings. In addition to the costs of the positions, the department would have costs associated with modifying the automated service plan, which was the management information system within the division. He estimated that the \$550,000 cost would be spread out over the first three years and would be 90 percent funded with federal dollars. He pointed out the one-time cost in FY 19 of \$346.9 thousand for assessing individuals for the 1915(i) option. It would apply for individuals coming from grant programs to Medicaid where they would not have had an equivalent assessment out of the programs. The costs would be 50 percent funded with GF dollars.

[9:38:24 AM](#)

Co-Chair MacKinnon directed attention to fiscal note, OMB component number 2875.

Vice-Chair Micciche indicated that the fiscal note was the second pertaining to the Division of Senior and Disabilities Services. The allocation was for general relief/temporary assisted living. He indicated that the fiscal note demonstrated a savings beginning in FY 19 when the grants and benefits for operating costs diminished by \$4.689 million from FY 19 through FY 22.

[9:39:19 AM](#)

Mr. Sherwood addressed the fiscal note, informing the committee it was the first of three notes that reflected a 100 percent reduction of GF program funding for home and community based services resulting from the implementation of the 1915(i) option. The expenditures would be offset in a later Medicaid fiscal note where the expenses would be from 50 percent GF and 50 percent federal funds. The note was for the general relief and temporary assisted living home which paid for assisted living home care for vulnerable adults who did not qualify for Medicaid home and community-based waiver services. With the implementation of 1915 Medicaid would pay for a substantial amount of the services covered under the program.

9:40:02 AM

Co-Chair MacKinnon asked if the application had been made or was in progress. Mr. Sherwood replied that with the help of AMHTA, they had hired a contractor, Health Management Associates (HMA), to help the department with the issue. The department had started having stake holder meetings, holding committee meetings, planning, and conducting preliminary analysis in addition to both 1915(i) and 1915(k) options. The work had been started but was a substantial process to plan and implement.

9:40:47 AM

Co-Chair MacKinnon suggested that the state needed the department to act efficiently and expeditiously. She commented that FY 19 seemed like a conservative date to start showing a savings. She encouraged him to go back and scrub the numbers again.

Mr. Sherwood stated that for the 1915(k) option which was not reflected in the fiscal note, the department did plan to bring up the issue 6 months sooner. Currently, it was in the process of implementing major changes to the department's home and community-based waiver program around care planning and care coordination, as it would impact many of the same providers. He was cautious of overloading the system with change, and pointed out that the implementation needed to be done very carefully in order to achieve the anticipated savings. He acknowledged the pressure on the department and would re-assess. He asserted that there were other things going on in the system that would limit moving as quickly as in some of the other areas.

9:42:17 AM

Co-Chair MacKinnon directed attention to fiscal note, OMB component number 2787.

Vice-Chair Micciche spoke to the third fiscal note related to the Division of Senior and Disabilities Services. He reviewed that there was no change in FY 17 and FY 18. In FY 19 there was a savings of \$735.2 thousand per year from FY 19 through FY 22.

[9:43:01 AM](#)

Mr. Sherwood stated that the fiscal note was the second showing reductions in 100 percent GF funded programs as a result of adding the 1915(i) options. The senior grants paid for adult daycare and in-home services which would be covered by 1915 (i) for Medicaid eligible individuals.

[9:43:24 AM](#)

Co-Chair MacKinnon directed attention to fiscal note, OMB component number 309.

Vice-Chair Micciche addressed the fiscal note associated with the Division of Senior and Disabilities Services. The fiscal note demonstrated a savings from the program. He reviewed that there was no change in FY 17 and FY 18. In FY 19 there was a savings of \$11.635 million per year from FY 19 through FY 22.

[9:44:05 AM](#)

Mr. Sherwood mentioned that the fiscal note was the third of three fiscal notes having to do with 1115(i) [1915(i)] showing reductions in a grant program. He stated that community developmental disabilities grants provided home and community-based services to support individuals with developmental disabilities who were not served by the Medicaid Home and Community-Based Waiver Program. He continued to explain that the 1915 option would allow the department to cover services for individuals through the Medicaid program bringing in federal funds.

[9:44:44 AM](#)

Senator Hoffman asked where the savings were going to take place within the state of Alaska. He wondered if they were primarily in Anchorage, Fairbanks, and Juneau or if they were throughout the state. Mr. Sherwood explained that the savings would apply to people with developmental disabilities living throughout the state. He offered to provide the committee with the breakout, as services were available throughout many parts of Alaska.

[9:45:26 AM](#)

Co-Chair MacKinnon directed attention to the DHSS fiscal note, OMB component number 317.

Vice-Chair Micciche moved to the fiscal note pertaining to departmental support services within the Commissioner's office. He reviewed that there was a one-time cost for services in FY 17. It was an expense for contract services for \$575 thousand funded with GF dollars. He reported no costs from FY 18 through FY 22.

[9:46:09 AM](#)

Mr. Sherwood stated that Section 27 of the bill directed the department to conduct feasibility studies for privatizing the pioneer homes, certain Division of Juvenile Justice facilities, and the Alaska Psychiatric Institute (API). The current fiscal note did not reflect the previous day's amendment regarding the feasibility studies for API. The department estimated needing \$575 thousand in GF dollars to conduct feasibility studies for the pioneer homes and the Juvenile Justice facilities. An additional \$160 thousand in GF in FY 17 was needed to conduct a feasibility study for privatizing API.

[9:47:11 AM](#)

Senator Hoffman asked about the backlog for deferred maintenance on all of the pioneer homes. Mr. Sherwood did not have the number readily available, but he could provide it. He commented that it was not an insignificant number.

[9:47:39 AM](#)

Co-Chair MacKinnon asked Mr. Sherwood to provide the information to the committee.

[9:47:52 AM](#)

Co-Chair MacKinnon directed attention to fiscal note, OMB component number 320.

Vice-Chair Micciche signified that the fiscal note correlated to departmental support services. He reported that the total operating cost for FY 17 was \$121.5 thousand. The total for FY 18 and into the future was \$111.5 thousand per year. There was a higher GF match in FY

17 and in FY 18 and in the out years the funding was a 50/50 match of federal receipts and GF monies.

[9:48:41 AM](#)

Co-Chair MacKinnon asked if there were any full-time position changes.

Vice-Chair Micciche confirmed that there was a full-time position hired in FY 17 and continued out through FY 22.

[9:48:56 AM](#)

Mr. Sherwood relayed that the fiscal note was for the department's financial management services. Section 17 of the bill directed the department to prepare a report by November 15th of each year with a number of complex metrics that spanned across programs and data systems. He conveyed that to plan, develop, and manage the new reporting requirement the department would add one new position beginning in FY 17. The cost was 60 percent GF and 40 percent federal funds. He confessed that as he was reviewing his notes to prepare for the meeting he realized he had carried a 50/50 match in the out years. He would revise the fiscal note when the department submitted its revisions for the amendments. The reason the portion of GF dollars equaled 60 percent was that a blended match rate was used for multiple programs.

[9:50:12 AM](#)

Co-Chair MacKinnon asked if the department already had new software with the ability to make blended rate calculations.

Mr. Sherwood deferred to Ms. Efird.

Co-Chair MacKinnon requested an answer in writing.

[9:50:56 AM](#)

Co-Chair MacKinnon directed attention to fiscal note, OMB component number 2660.

Vice-Chair Micciche reviewed the complex fiscal note pertaining to Behavioral Health Medicaid Services. He reported that the FY 17 ask was \$315 thousand split evenly

between federal and state GF receipts which included \$2.7 million from the governor's FY 17 request and met by federal receipts. Operating costs increased in FY 18 to \$4.9 million, in FY 19 to \$9.9 million, in FY 20 to \$14.2 million, in FY 21 to \$19.065 million. The operating costs for FY 22 remained at \$19.065 million. He pointed out that the federal receipt matches would increase in FY 18 through FY 22: the federal government's portion would be \$17 million and the state's GF portion would be \$1.2 million.

[9:52:18 AM](#)

Co-Chair MacKinnon asked if there was any estimated capital for the project.

Vice-Chair Micciche stated that the estimated capital for FY 17 was \$3 million.

Co-Chair MacKinnon expressed appreciation for Senator Micciche reviewing the numbers with the committee.

[9:52:54 AM](#)

Mr. Sherwood pointed out that the behavioral health note was the first of the three fiscal notes to address Medicaid Services. The fiscal note reflected two different parts of the bill. The first was the provision to manage a comprehensive integrated behavioral health program and do an 1115 demonstration waiver. The second was to implement the new federal policy on 100 percent federal claiming for tribal services. He pointed out several different types of expenses. There were increases to the grants and benefits line to reflect an increase in Medicaid expenditures related to reform of the behavioral health system and eventually to cover larger substance abuse treatment facilities under the 1115 waivers. The fiscal note reflected a blended match rate for different Medicaid populations whose federal match rate varied between 15 percent and 100 percent. The waiver began in FY 18 and grew over time. There were increases in the services line to reflect the cost of paying an administrative services organization to develop and manage a network of providers, manage utilization, monitor outcomes, and audit for fraud, waste, and abuse. The fund source was 50 percent federal and 50 percent GF dollars. The contract would begin in FY 18.

Mr. Sherwood detailed a 2-year cost in FY 17 and FY 18 for a consulting contract in the services line to assist the department in designing and implementing the managed behavioral care system and to develop the 1115 waiver - a 50 percent federal and 50 percent GF funds match. He discussed ongoing Medicaid Management Information System (MMIS) operations support in the services line beginning in FY 17 split 50/50. He noted that the expenses were summarized on the table of page 3 of the fiscal note.

Mr. Sherwood explained that the fiscal note also addressed a capital need of \$3 million for one-time MMIS system changes. He noted that the other portion of the fiscal note reflected the change in federal policy around claiming 100 percent federal funds for services provided to tribal beneficiaries. The department estimated shifting some of the behavioral health services, particularly residential psychiatric treatment services to 100 percent claiming from the 50 percent federal claiming. Although the shifts did not affect total expenditures, they did impact the fund sources for the behavioral health Medicaid. He directed attention to the bottom of page 3 of the fiscal note that showed the department's projections of the shift for behavioral health.

[9:55:29 AM](#)

Co-Chair MacKinnon asked the committee members to review fiscal notes, OMB component number 2077 and OMB component number 2662, which would be taken up the following Monday.

Co-Chair MacKinnon asked the department to "scrub their numbers" and commented that it seemed like the department had several new employees and not many cost savings on the fiscal notes that had been reviewed. She suggested the department needed to be more conservative with its expenditures. She thought the department had been a little aggressive on the personnel side to accomplish a savings.

[9:56:30 AM](#)

Co-Chair Kelly commented on Senator MacKinnon's remarks. The department added a total of 27 people anticipating a significant savings in the out years due to the adoption of some of the waivers capturing additional funds. He suggested that the bill would be back in the senator's possession as the committee moved the bill out. He was

happy to let the administration "piggy back" on his bill, but he was concerned that the legislature had not received estimations on some of the proposed reforms. He listed savings from telemedicine, eligibility verification, and care coordination. He expressed interest in learning more about travel costs. He suspected that there would not be the anticipated savings he had hope for in FY 17 but would achieve a long-term savings. He did not want the bill to move forward without all of the important information. He noted the more private sector piece that had been discussed. He wanted better numbers.

[9:59:03 AM](#)

Co-Chair MacKinnon thought there would be a committee substitute coming out and her staff would provide a copy to committee members. She was unsure if the bill would be ready to move from committee on the following Monday. She mentioned scrubbing the numbers, as they were not what the committee had expected.

SB 74 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[9:59:52 AM](#)

The meeting was adjourned at 9:59 a.m.