

SENATE FINANCE COMMITTEE
January 31, 2018
9:03 a.m.

[9:03:18 AM](#)

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:03 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Anna MacKinnon, Co-Chair
Senator Click Bishop, Vice-Chair
Senator Peter Micciche
Senator Donny Olson
Senator Gary Stevens
Senator Natasha von Imhof

MEMBERS ABSENT

None

ALSO PRESENT

Shawnda O'Brien, Assistant Commissioner, Finance and Management Services, Department of Health and Social Services; Margaret Brodie, Director, Division of Health Care Services, Department of Health and Social Services; Monique Martin, Healthcare Policy Advisor, Department of Health and Social Services; Jon Sherwood, Deputy Commissioner, Medicaid and Health Care Policy, Department of Health and Social Services; Valerie Davidson, Commissioner, Department of Health and Social Services; Monica Windom, Director, Division of Public Assistance.

SUMMARY

^PRESENTATION: MEDICAID COST DRIVERS and REFORM UPDATE

[9:03:46 AM](#)

Co-Chair MacKinnon relayed that the committee was very interested in all state agencies and divisions. She emphasized that there was a fiscal deficit, and the

committee continued to place downward pressure on the budget. She reminded that Senator Micciche was chair of the Senate Finance Subcommittee for the Department of Health and Social Services and recalled that the department's budget was approximately \$2.4 billion including federal funds. The Medicaid program was the largest line item in the department's budget.

SHAWNDA O'BRIEN, ASSISTANT COMMISSIONER, FINANCE AND MANAGEMENT SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, informed that she would discuss the department's supplemental budget request before other department staff would continue the presentation. She discussed the presentation "Senate Finance Committee - Medicaid Cost Drivers and Reform Update" (copy on file).

Ms. O'Brien showed slide 2, "Supplemental Request," which also showed a pie chart:

- Distribution by Component
 - Adult Preventative Dental: \$ 2,230.0
 - Behavioral Health: \$12,640.0
 - Health Care Services: \$78,130.0

Ms. O'Brien reminded that the supplemental request had been \$100 million, but the department expected \$7 million of the request to be reduced for the Children's Health Insurance Program (CHIP) reauthorizations. She detailed that the department had broken out its supplemental request for Medicaid services into two line-items: one for regular Medicaid enrollment increases, and one for the estimated CHIP reauthorized amount (in the event that the reauthorization occurred).

[9:07:50 AM](#)

Ms. O'Brien looked at slide 3, "Supplemental Request," which also showed a pie chart:

Expansion: \$ 3,900.0
Non-Expansion: \$ 89,100.0

Senator von Imhof asked how the two Medicaid populations differed in terms of demographics.

Ms. O'Brien informed that the non-expansion population was comprised of disabled individuals, children, and the

elderly; and the traditional Medicaid population that had been seen in the past. The expansion population was the population unable to be served previously and was a smaller population of working and non-working adults.

Senator von Imhof asked if the expansion population was not necessarily people with disabilities, and if the non-expansion population was people with disabilities. She asked if a person could be considered disabled if they had a heroin addiction.

Ms. O'Brien was not certain if an addiction was a qualifying disability. She offered to follow up on the matter at a later time. She knew that alcohol addiction was a covered class.

Ms. O'Brien turned to slide 4, "CHIP Update":

- Funding reauthorized
 - For 6 more years, through FFY 2023
 - Extends Maintenance of Effort
 - Enhanced FMAP restored

Ms. O'Brien stated that the department had been uncertain of CHIP reauthorization at the time the supplemental request was formulated. The program had been authorized for an additional six years.

Senator von Imhof appreciated the slide. She noted that the federal match seemed to be declining. She wondered if there were plans to address the decline.

Ms. O'Brien stated that the department would take the reduction into consideration when looking at the long-term forecast. She discussed considerations such as the economy and population data. In the out years, it was difficult to get a precise projection of how to contain costs and make adjustments.

Senator von Imhof thought it was important to keep track of the decline in funding.

[9:11:54 AM](#)

Co-Chair MacKinnon understood that eligibility for the CHIP program was set at the federal level and required the state to pay 100 percent of healthcare costs for children that

entered the system. She wondered if the program covered more than preventive care, or if all healthcare services for a child were covered under CHIP.

Ms. O'Brien deferred the question to other DHSS staff.

MARGARET BRODIE, DIRECTOR, DIVISION OF HEALTH CARE SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, indicated in the affirmative.

Co-Chair MacKinnon asked if the state was required to have CHIP to receive federal matches for other programs.

Ms. Brodie stated that it was not mandatory to have a CHIP program, but the program covered the majority of children in the state.

Co-Chair MacKinnon thought the federal government had defined what services were covered in the program. She contemplated declining federal matching funds and discussed the increased use of the program. She asked Ms. Brodie to quantify the fund differences. She thought it was important for future legislatures to understand the ramifications of increased utilization of programs.

Ms. Brodie agreed to provide the information. She discussed the Federal Medical Assistance Percentage (FMAP) and noted that the FMAP had been temporarily at 88 percent, while the 65 percent was normal historical FMAP amount.

[9:15:48 AM](#)

Co-Chair MacKinnon asked if data for the committee's information would be useful to make informed decisions on the FY 19 budget. She stated that whatever past norms were, the difference in the FMAP would be viewed as an increase.

Ms. Brodie answered in the affirmative.

Senator Micciche asked the department to include numbers for other child-related services in the state when it provided the CHIP data. He wondered if there were other programs that could possibly satisfy the same category of service as CHIP.

Co-Chair MacKinnon asked if it was fair to say Denali Kid Care was a portion of the state's CHIP program.

Ms. Brodie answered in the affirmative.

Co-Chair MacKinnon wondered if other programs received CHIP funds.

Ms. Brodie stated that Pregnant Women Medicaid also fell under the auspices of CHIP.

Co-Chair MacKinnon recalled she heard that pregnant women on Medicaid were at 208 percent of the federal poverty rate.

Ms. Brodie recalled that pregnant women were at 203 percent of the federal poverty rate, and children were at 208 percent.

Co-Chair MacKinnon asked if the poverty rate was set by the federal government.

Mr. Brodie informed that the state worked with the federal government to determine the rates.

Co-Chair MacKinnon asked if Mr. Brodie could inform about the income threshold at 203 percent of the poverty rate.

Ms. Brodie offered to provide the information at a later time.

[9:18:39 AM](#)

Senator Micciche thought the description of non-expansion versus expansion populations had put emphasis on the disabled population. He asked for a better definition of the two populations and the poverty level.

MONIQUE MARTIN, HEALTHCARE POLICY ADVISOR, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, explained that Alaskans earning up to about 138 percent of the federal poverty level qualified for services under Medicaid expansion. The individuals were typically non-disabled adults without dependent children. She clarified that the department was looking at whether it was achieving savings by people waiting for a determination of disability through Social Security Income through the federal government. The department was trying to connect Alaskans with services and

looking at whether the department was helping with health outcomes and getting Alaskans back to work.

Ms. Martin relayed that the acronym "SSI" signified Social Security Income.

Vice-Chair Bishop asked for more information about the determination of income levels.

Co-Chair MacKinnon clarified that the committee wanted to see what income levels were accessing health care services. She discussed the varying cost of housing and food. She acknowledged that there were vast differences in the cost of living in different areas of the state.

[9:22:31 AM](#)

Senator Micciche observed that slide 5 showed that the Medicaid population was not primarily disabled. He discussed proportions of Medicaid categories.

Ms. Brodie discussed slide 5, "Medicaid Cost Drivers," which showed a bar graph depicting FY 2017 Medicaid enrollment compared to spending. She detailed that the blue bar showed enrollment of children, while the red bar showed enrollment of adults and included caretaker relatives and Medicaid expansion. The green area showed enrollment of disabled children, the purple showed enrollment of disabled adults, and the light blue showed the enrollment of elderly. She noted that the data shown on the slide was the same compared to other parts of the country in that the top percentage of expenditures was due to the elderly, disabled adults, and disabled children. She continued that 44 percent of the children enrolled only accounted for 24.4 percent of expenditures. The adult category had a similar expenditure breakdown.

Senator von Imhof thought it would be interesting to see the slide for other years in order to observe a trend line over time. She asked if the department had done any research on the cost drivers behind the Medicaid populations that comprised a greater share of the cost. She wondered if there was anything that could be done to mitigate the cost curve in the future.

Ms. Brodie re-stated that the spending ratio was consistent across the nation. She explained that it was costlier to

care for the elderly, who needed more services. Alaska had kept its costs lower than most other states because most of the services were provided in the consumer's home rather than institutionalization, which cost up to ten times as much. She discussed various elder-care services. The state had built its system on a home community-based service and did not have the institutions and beds for the elderly.

[9:26:13 AM](#)

Co-Chair MacKinnon acknowledged that the committee requests for data and information resulted in hours of work for departmental employees. She encouraged department staff in the gallery to offer any information that could be timely, in lieu of the committee making a request on paper. She asked if the deputy commissioner had any comments to offer.

JON SHERWOOD, DEPUTY COMMISSIONER, MEDICAID AND HEALTH CARE POLICY, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, corrected that "SSI" stood for Supplemental Security Income. He made the committee aware that he had Medicaid eligibility standards charts (copy on file). He offered to convey the information to be read in the record.

Co-Chair MacKinnon asked for the document to be disseminated in committee. She wondered if the charts would provide income levels of Medicaid recipients.

Mr. Sherwood answered in the affirmative. He clarified that there were two options for the CHIP program; through Medicaid expansion, or a standalone program. He explained that a standalone program did not require the offering of the same exact same benefits as Medicaid, however it did not have 100 percent eligibilities for tribal service and would constitute a substantial loss of federal funding. As a Medicaid expansion state, Alaska was subject to Medicaid maintenance of efforts requirements through 2023, and the reauthorization of CHIP act. Medicaid standards would have to be maintained regardless of if the state had a CHIP program.

Co-Chair MacKinnon asked if the administration made the decision in cooperation with the legislature, or if the department had made the determination.

Mr. Sherwood stated that the decision had been recommended by the department and included in the discussion with the

legislature when it moved forward to expand into the CHIP program.

Co-Chair MacKinnon asked when the discussion took place.

Mr. Sherwood thought the discussion took place in 1997 or 1998, as the program had started in March of 1999.

Co-Chair MacKinnon appreciated the discussion.

[9:30:23 AM](#)

Senator Micciche referred to slide 5 and appreciated the description of demographics. He wondered how actively the expenses in the Adults category were being managed. He asked if there was someone focused on the reduction of adult Medicaid enrollees. He asked about efforts to help individuals obtain employment, which he thought was a key to managing the healthcare cost problem. He wanted to care for the most vulnerable people while encouraging those who were physically able to be becoming working adults.

Ms. Brodie stated that the individuals in question were in a case management program, to ensure that proper services were being utilized. The department did not have a work program. She mentioned the Temporary Assistance for Needy Families (TANF) program, which had a work requirement. Some adults in the TANF program were within the adult Medicaid population.

Senator Micciche referenced efficiencies and savings gained in the budget. He pondered a partnership between HESS and the Department of Labor and Workforce Development (DLWD) to reduce the rolls of healthy employable adults on Medicaid. He thought the savings to the state could be substantial.

[9:34:22 AM](#)

Vice-Chair Bishop asked if the spending reflected on slide 5 reflected 100 percent federal spending, or if there were some enrollees that were supplementing the Medicaid funding with private health plans.

Ms. Brodie answered in the affirmative, particularly with the elderly population that used Medicare as primary healthcare insurance for which Medicaid paid the copay. There were a number of individuals that had private

insurance, and Medicaid was considered the payer of last resort.

Vice-Chair Bishop was familiar with TANF funds in his former role as commissioner of DLWD. He supported employment for healthy people. He thought that when workforce training funding was cut, there were ramifications.

Senator Micciche acknowledged that the spending shown on slide 5 was not all federal dollars. He was concerned with Unrestricted General Fund (UGF) spending, as well as a supplemental request that was greater than \$100 million.

Ms. Brodie stated that the spending was a combination of federal and state funds, and the slide represented what Medicaid had paid after other insurance had already paid its portion. The actual cost for healthcare for the individuals on the slide was much higher than what was represented on the graph.

[9:38:01 AM](#)

Co-Chair MacKinnon asked about the categories on slide 5 and wondered if the criteria for the categories was federally mandated.

Ms. Brodie informed that the federal government set the criteria for disability, however the state had the ability to set income thresholds.

Co-Chair MacKinnon asked about the income levels and inquired how the state was using objective criteria to outline the need of an individual.

Ms. Brodie stated that eligibility information referenced earlier in the meeting would show the difference in categories.

Co-Chair MacKinnon discussed the senior and disability property tax exemption available in her community of Eagle River. She considered the standards for disability and mentioned invisible disabilities. She asked if there were distinguishing criteria specific to any of the Medicaid population categories.

Ms. Brodie informed that the state was held to the standard of how the federal government was determining disability. She shared that she was a disabled veteran but would not qualify for Medicaid through her disability.

[9:42:25 AM](#)

Senator von Imhof referenced a movement towards Medicaid "Back to Work" within the Trump administration. She asked what percentage of the Adult category of Medicaid enrollees was part of the Alaska Temporary Assistance Program (ATAP).

Ms. Brodie did not have the figures available. She added that there was a good percentage of individuals in the Adult category that were employed.

Senator von Imhof thought it would be helpful to see the percentage of individuals in the Adult category that were part of the ATAP program or working.

Co-Chair MacKinnon asked if there was anything else the committee should know about slide 5 with reference to total spending. She asked about the spending depicted on the slide.

Ms. Brodie stated that the slide combined both federal and state spending.

[9:44:07 AM](#)

Ms. Brodie spoke to slide 6, "Alaska Medicaid Cost Drivers, FY2012 - FY 2017" which showed a bar graph and a table. The slide showed the big cost drivers for the previous 5 years. The largest cost drivers in the Medicaid program had been hospital services, physician services, and pharmacy services. In FY 17, there had been a 5 percent rate reduction in hospital services and a 12 percent reduction in physician services rates. Even with the rate reduction, there had still been an increase in spending for basic medical services for individuals.

Co-Chair MacKinnon asked about the graph on slide 5 and wondered if the graphs would appear differently if the spending categories were broken down.

Ms. Brodie stated that the graphs would look significantly different, particularly the 24.4 percent for children would

be smaller do to the receipt of an 88 percent Federal Medical Assistance Percentage (FMAP). For adults, the spending would be significantly smaller due to the match for Medicaid expansion. She affirmed that the majority of the funding in the two categories were federal dollars.

Co-Chair MacKinnon thought it was important to consider where UGF dollars were being invested.

[9:47:16 AM](#)

Senator von Imhof observed that there was more activity in FY 16 and FY 17 in all categories. She asked if Ms. Brodie attributed the increase to a growth in enrollment.

Ms. Brodie answered in the affirmative.

Co-Chair MacKinnon mentioned that there were differences of opinion on Medicaid expansion. She thought the costs associated by the growth in health coverage were uncertain. She asked if there was growth because the state was dovetailing with Indian Health Service (IHS) recipients and migrating the individuals to Medicaid. She noted that IHS had a cap, while Medicaid funds could be spent without limitation. She stated that the previous day the committee had heard that 40 percent of Medicaid recipients were from His.

Ms. Brodie informed that there would be somewhat of an increase through the state's care coordination agreements. She stated that the chart would look very different if it only considered UGF.

Co-Chair MacKinnon asked if it was accurate to say that the state's coordination agreements had an impact on the number of individuals receiving Medicaid services.

Ms. Brodie answered in the affirmative.

VALERIE DAVIDSON, COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, stated that for FY 17, Alaska Natives and American Indians comprised approximately 40 percent of the Medicaid program, which equated to almost 73,000 people. Those individuals who were IHS beneficiaries as well as Medicaid beneficiaries were covered at 100 percent federal match for services provided through an IHS facility. Due to

the expanded tribal claiming policy, the state was seeing a significant shift from UGF expenses to federal expense.

[9:51:21 AM](#)

Senator von Imhof thought tribal claiming was an important part of Medicaid expansion. She asked for clarification that there was an increase in agreements between providers, and how the increase had helped with the shift from UGF to federal dollars.

Commissioner Davidson stated that in FY 17, through SB 74 [Medicaid expansion and reform legislation passed in 2016] and collaboration of the committee, the department had anticipated \$32 million in savings of UGF through IHS beneficiaries care coordination agreements. The agreements included referral services and travel. The department had been able to save \$35 million. Currently there were just less than 800 care coordination agreements between tribal and non-tribal providers in the state. The department's goal for FY 18 was to save \$42 million in general funds (GF), and it was on target to meet the goal.

Senator von Imhof asked if new agreements would save an additional \$42 million.

Commissioner Davidson answered in the affirmative.

Senator Micciche thought there had been reference to a cost of \$20 million per year for the Medicaid expansion population. He considered expansion services that had not been calculated before 2015 and thought there was an expense of \$369 million. He asked what percentage of \$370 million was a cost to the state.

Ms. Martin stated that slide 16 would break out GF costs for Medicaid expansion. The state cost for FY 17 was \$16 million.

Senator Micciche asked if the federal match rates were close to 100 percent for expansion.

Ms. Martin stated that slide 15 would address federal match rates.

Commissioner Davidson referenced an earlier question about employment. She informed that 8 out of 10 Medicaid

enrollees in Alaska lived in working households but were in low-paying jobs that did not necessarily have healthcare coverage. She continued that a significant portion of the 20 percent of non-working enrollees may be elderly or have serious disabling conditions that prevented full-time work.

[9:55:17 AM](#)

Vice-Chair Bishop asked about the department's \$100 million supplemental request. He asked the commissioner about the department's projection to save \$42 million in the forthcoming year.

Commissioner Davidson stated that the department projected \$42 million in savings through the care coordination agreements with tribal health in FY 18.

Vice-Chair Bishop asked about the supplemental request.

Commissioner Davidson stated that the supplemental request was for FY 18.

Vice-Chair Bishop asked if the supplemental request could be reduced by the amount of expected savings.

Commissioner Davidson stated that the FY 18 supplemental request already included the \$42 million in projected savings.

Co-Chair MacKinnon expressed appreciation for the work of the commissioner and the department. She referred to the deficit and reminded that the department was a huge cost-driver for the state.

[9:57:34 AM](#)

Senator von Imhof asked if an analysis had been done to examine potential savings of paying premiums toward the insurance exchange market versus paying for individuals to be on Medicaid. She referenced the Trump Administration's signing of an advisory pertaining to insurance going across state lines.

Ms. Martin recalled that in 2015 the department had gone through the Medicaid re-design process and had actuarial work to look at providing coverage to the expansion population, similar to the "private option" that had been

implemented in the State of Arkansas. At the time, the department had no expenditure experience for the expansion population. The actuarial firm had suggested the department not proceed because of the cost. She referenced the Department of Administration's Healthcare Authority and considered that now the department had real-world experience in expenditures for the Medicaid expansion population.

Senator von Imhof stated that she would look at it.

Co-Chair MacKinnon referenced a conversation about state employees potential qualification for Medicaid. She recalled that a group of employers that were not covered, and did not think the state was fully taking advantage of a program that it was paying for.

Ms. Brodie stated that there were quite a few state employees on the Medicaid program. She stated that individuals in some of the lower-level positions within the state qualified for Medicaid. Employees also had state insurance, which would pay before Medicaid paid the remaining balance of medical expenses.

Co-Chair MacKinnon asked about IHS, and the 100 percent reimbursement benefit. She acknowledged that some state employees were in poverty conditions and thanked the employees for their service to the state.

[10:01:52 AM](#)

Senator Micciche thought there was an impression that a large proportion of people on Medicaid were employed. He asked the department to provide data to inform on the topic. He recalled that the previous day's presentation indicated that approximately half of the people in Alaska were employed, and about a third of them were on Medicaid.

Senator Micciche understood that there was a five-year limit for TANF services. He asked if there was a waiver in rural areas that allowed TANF to go on indefinitely.

Ms. O'Brien stated that there were some allowances for a TANF waiver. The department had previously provided data as to where waivers were occurring in the state. She stated she would need to contact the public assistance director to determine if the data had changed. The overall number of

individuals included in the exemption of the 60-month rule were children. She offered to provide updated information if it was available.

Senator Micciche thought the state had to be aggressive with controlling the cost growth of Medicaid. He thought it was necessary to move forward in addressing the proportion of Medicaid users that were unemployed.

Co-Chair MacKinnon asked if there was anyone from the department present that could speak to additional information on the employment data being discussed.

[10:04:56 AM](#)

MONICA WINDOM, DIRECTOR, DIVISION OF PUBLIC ASSISTANCE, relayed that the department had looked at the number of adults in exempt areas the previous year, and there were zero families over 60 months. She stated that she would look to see if there was new data to share.

Senator Micciche stated that his original question was about Medicaid utilization, and the proportion of employment. He thought the information was important for the subcommittee process.

Ms. Windom stated that she had preliminary numbers but needed to look into the matter further. She stated that of the 218,000 people on Medicaid; about 19,000 to 20,000 were disabled, about 10,000 were elderly, and 93,000 were children. The remainder was 95,000 adult Medicaid users, and 76,000 of the families had earned income already. She would research the number of users that were pregnant and how many others were subject to other work requirements. She discussed a new program in Anchorage under which the department was working with non-profits to help Supplemental Nutrition Assistance Program (SNAP) recipients go back to work, and there was no GF spend for the program.

Senator Micciche stated that he would wait for final numbers.

[10:07:00 AM](#)

Ms. Brodie reviewed slide 7, "MMIS":

- Certification Update

Ms. Brodie informed that she would provide the committee an update on certification. In September 2016, the Centers for Medicare and Medicaid Services (CMS) did an onsite visit of the department's Medicaid Management Information System (MMIS) system, which looked at the system operation. The review had included thousands of artifacts showing all functions of the system, along with documentation to show efficacy of the system. Alaska was the first state in the new certification process, which required much more documentation and information to become certified. In October 2016 the department had received a request for 13 additional items in order for the system to be certified, as well as a recommendation of 27 more items to work on. The department had accomplished most of the 13 items over the previous year.

Ms. Brodie continued her remarks. She described an issue with the National Correct Coding Initiative (NCCI) edit. She stated that the system needed to be corrected on a nationwide basis and was estimated to be completed by April of 2018. She The department's next steps would be addressing the 13 items with CMS and implementing the majority of the recommendations made by CMS. The department would be working with CMS over the next few months and hoped to receive the certification at the end of the process.

[10:10:45 AM](#)

Co-Chair MacKinnon acknowledged the challenge of getting the system certified. She thanked the team for continuing to persevere. She noted that certification affected the rate of reimbursement from the federal government. She expressed concern that there could be potential loss in funds without certification. She wondered if there had been any indication of loss in reimbursement as the department was working through the issues.

Ms. Brodie stated that the department had been operating the system at a 50 percent match, while a certified system received a 75 percent match. She continued that CMS would certify the system retroactively to October 1, 2013; and the state would get all the money back that had been withheld.

Co-Chair MacKinnon highlighted that the state should see an influx of funding when the system was certified, and it would be reflected by one-time funds that would be an anomaly in the department's budget. She hoped to see the retroactive funds in the FY 19 budget cycle.

Ms. Brodie stated that she hoped to see the funds in the FY 18 cycle.

Co-Chair MacKinnon hoped for the funds in the FY 18 cycle as well. She discussed the complexity of the system.

Senator Micciche thought that the governor's proposed budget assumed that the state was not certified. He commented that the 25 percent difference in federal match was significant.

Ms. Brodie stated that the amount was estimated at just over \$13 million, which was the federal match amount for running the system - which included paying the contractor and approximately 10 state workers.

Senator Micciche asked if the \$13 million was cumulative since 2013.

Ms. Brodie answered in the affirmative.

Co-Chair MacKinnon clarified that the 25 percent remaining federal match that was owed the state was for the system itself rather than for Medicaid claims.

[10:14:47 AM](#)

Ms. Brodie added that the department was doing a Medicaid Information Technology Architecture (MITA) 3.0 assessment of the system, which was what CMS used across the country. Every part of the system would be examined and rated on a scale of 1 to 5. A rating of 1 denoted an aspect of the system that would be difficult to change, while a rating of 5 signified an item that was easily changeable. She thought that it would be found that the department's claims payment function would be rated a 3 or a 4.

Co-Chair MacKinnon informed that the committee would be considering the same presentation the following day.

Ms. Martin stated she would discuss Medicaid reform. She expressed a preference for forgoing a discussion on process in favor of discussing how the department would achieve the savings outlined in SB 74.

Ms. Martin discussed slide 8, "Medicaid Reform":

- Senate Bill 74 (2016) signed into law - June 2016
- Implementation began in FY17
- Additional information on Medicaid Reform
 - <http://dhss.alaska.gov/HealthyAlaska>
 - Annual Medicaid Reform Report:
<http://dhss.alaska.gov/HealthyAlaska/Pages/Initiatives/Initiative-11.aspx>

Ms. Martin drew attention to web links on the slide that would provide greater detail.

[10:18:24 AM](#)

Ms. Martin displayed slide 9, "Medicaid Reform," which showed a table depicting a summary of fiscal note savings in SB 74. The department had divided the bill into 16 major initiatives for implementation, not all of which had associated savings. She pointed out the FY 17 savings reflected on the slide as per the fiscal notes. She noted that the department exceeded the projected savings by almost \$6.5 million in FY 17.

Senator von Imhof referenced the initiative entitled "Federal Tribal Policy" on the table on slide 9. She considered the figures associated with the initiative and asked if there was anticipated savings of \$140 million.

Ms. Martin answered in the affirmative and discussed care coordination agreements. The tribal office had focused on low-volume, high-dollar claims in order to garner savings as quickly as possible. The office had also focused on transportation in FY 17, in order to maximize federal funds. As the care coordination agreements were signed, savings would continue into future fiscal years and the department would continue to expand its reach.

Senator Micciche congratulated Commissioner Davidson for bringing forward ideas for federal tribal policy changes that were successful.

Co-Chair Hoffman noted that the three-year cumulative savings represented over 80 percent of the savings attributed to the federal tribal policy.

Co-Chair MacKinnon discussed the difference in federal funds and state general funds. She noted that the administration had tried to coordinate with the federal government to deploy funds in the state. She emphasized that although the expansion was successful, it had increased the size of the overall budget. She thought it was important to have like comparisons when considering the budget. She emphasized that the legislature had actively pursued federal funds to help in the state's time of need.

Ms. Martin added that the department had recognized the need to help reduce the UGF spend in the Medicaid program. The department had not lost sight of long-term savings opportunities to reduce the overall cost of the program.

[10:23:19 AM](#)

Ms. Martin spoke to slide 10, "Medicaid Reform":

Federal Tribal Claiming Policy

FY17 Fiscal Note (\$32,065.5)

FY17 Actuals (\$35,018.9)

FY18 Fiscal Note (\$41,900.5)

FY19 Fiscal Note (\$64,325.5)

On Track? Yes

- CMS Guidance: services "received through" an IHS facility
- Care Coordination Agreements required between Tribal and Non-Tribal Providers
 - 786 Care Coordination Agreements
- Referral validation required for 100% FMAP

Ms. Martin drew attention to the green table at the top of the slide and informed that should would illuminate both successes and challenges. She recalled the committee had been focused on transportation the previous session. She clarified that the state was not a party to tribal care coordination agreements; rather the agreements were between tribal and non-tribal providers. She stated that all providers had been very willing to work together and saw

the importance of reducing the state spend for the Medicaid program.

Ms. Martin continued that the department had worked early on to reduce transportation costs. The care coordination agreements and the achievement of 100 percent federal match required that the IHS beneficiary (and Medicaid recipient) get care through the tribal health facility. The state was receiving 100 percent of savings for any Alaska Native or American Indian person who was travelling to a hub community (such as Bethel or Sitka) for healthcare.

Senator Micciche wondered if part of the DHSS team was pursuing additional care coordination agreements.

Ms. Martin informed that there were 786 agreements as of three days previously, while at the start of the fiscal year there had been 751. She stated that the department was constantly adding care coordination agreements. The department was examining long-term care services and supports, which could be challenging.

[10:26:00 AM](#)

Ms. Martin reviewed slide 11, "Medicaid Reform":

Coordinated Care Demonstration Projects
FY17 Fiscal Note 4.8
FY17 Actuals 4.8
FY18 Fiscal Note 42.6
FY19 Fiscal Note (\$1,457.4)
On Track? Yes

- Three potential models:
 - Managed Care Organization
 - Care Management Entity
 - Provider-Based Reform

- DHSS in negotiations with offerors and CMS

Ms. Martin shared that the Coordinated Care Demonstration Projects were one of the large system-wide reforms the department was undertaking for the Medicaid program. The endeavor had required a Request for Proposals (RFP) process and called out a proposal review committee to review proposals and make recommendations as to how to proceed. She added that the department was delayed in signing a

contract and hoped that it would be signed in the very near future. She noted that there had not been a typical scope of work as seen in other state RFPs, and thereby offers submitted to the department were greatly varied.

Ms. Martin continued to discuss slide 11, noting that the department was considering three offers. The department considered one offer for each of the three potential models as listed on the slide. The department continued to work with CMS regarding potential waivers needed to implement the models. She specified that a 1915(b) waiver would be needed to implement managed care in the state. She noted that CMS had stringent and lengthy regulations about implementing managed care.

Senator Micciche asked if family caregivers would fit under the categories being discussed. He had attended a conference and heard about reduced costs and expanded family caregivers.

Ms. Martin offered to follow up with the Division of Senior and Disability Services. She stated that the department wanted to be conscientious (regarding the demonstration projects) not to get in the way of one behavioral health reform with the 1115 waiver; or the 1915 (i), (n), or (k) options. She would later discuss other potential reform efforts at the department.

[10:29:27 AM](#)

Ms. Martin spoke to slide 12, "Medicaid Reform":

Behavioral Health Reform

- 1115 Behavioral Health Demonstration Project Application
 - Submit to CMS by January 31st
- Administrative Service Organization RFP
 - Timing with Federal Public Comment period
- Goals:
 1. Reduce Alaska's over-reliance on acute and institutional-level care and shift to more community or regionally-based care
 2. Intervene as early as possible in the lives of Alaskans to address behavioral health conditions

3. Improve the overall behavioral health system accountability by reforming the existing system of care

Ms. Martin stated that the department planned to submit the 1115 waiver to the CMS later in the day. She informed that the department was delayed 5 to 6 months in submitting the waiver. She detailed that 1115 waivers required budget neutrality for the federal government; and the department had gone through an intense actuarial process with a contractor. The department had considered services it would no longer offer through Medicaid as well as new services that would increase and target populations.

Ms. Martin continued to discuss slide 12 and noted that the actuary had identified savings in the behavioral health component. Typically, waivers allowed for frontloading upfront costs such as expanding capital services as the state looked to expand treatment services throughout the state.

Ms. Martin discussed the Administrative Service Organization, which was designed to help reform the existing system of care and how the system was managed. She detailed that the department had ended the comment period for its RFP at the end of December, and the federal government would conduct its own comment period. The department would incorporate any new findings from the federal comment period into the RFP.

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Ms. Martin discussed slide 13, "Medicaid Reform":

1915 (i) and (k) Options

FY17 Fiscal Note 71.1

FY17 Actuals 71.1

FY18 Fiscal Note (\$5,118.8)

FY19 Fiscal Note (\$10,781.6)

On Track? Delayed / Modified

- Contractor recommendations:

- 1915(k) - Community First Choice
 - Personal care services with a 6% FMAP enhancement
 - Institutional level of care criteria required
 - Skills training to foster independence and self-care will also be provided

- Do not proceed with 1915(i) - Due to cost containment concerns

- New 1915(c) waiver - Individualized Supports Waiver
 - Intellectual and Developmental Disabilities previously served by state-funded grants
 - Institutional level of care criteria
 - Annual cap of \$17,500 in services per participant

Ms. Martin discussed home and community-based waiver services. The 1915(i) and 1915(k) options would allow the state to get either an enhanced federal match or to move from 100 percent GF to a partial federal match. She detailed that the 1915(c) waiver offered a delayed opportunity for savings. The programs would commence on May 1, 2018. She asked if she could provide the committee with a more concise summary of budgetary changes related to the changes reflected on the slide.

Co-Chair MacKinnon answered in the affirmative. She referenced slide 13 and asked how the annual cap of \$17,500 in services was established.

Ms. Martin referred the question to the director of Senior and Disability Services.

Co-Chair MacKinnon asked for follow-up information from the director at a later time. She discussed other average caps that had been referenced in committee. She knew that on average there was 5 percent of the population that could be driving 80 percent of the cost of the system. She discussed the expense of hospice care.

Ms. Martin agreed to provide the additional information.

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Commissioner Davidson spoke to slide 14, "Medicaid Reform":

Primary Care Case Management

FY17 Fiscal Note (\$93.5)
FY17 Actuals (\$4,250.0)
FY18 Fiscal Note (\$800.9)
FY19 Fiscal Note (\$2,145.1)
On Track? Yes

- Temporarily expand Alaska Medicaid Coordinated Care Initiative (AMCCI)
- Coordinated Care Demonstration Projects and behavioral health system reform to develop / test new models
 - Transition Medicaid recipients to appropriate program

Ms. Martin stated that the department could start achieving immediate savings by ramping up a program it already had, without building too much infrastructure. Ultimately the Medicaid recipients in question would transfer to a Coordinated Care Demonstration Project or receive services through the behavioral health 1115 waiver.

Senator von Imhof asked if the Alaska Medicaid Coordinated Care Initiative (AMCCI) was more about the flow of funds or if it pertained to a cooperative flow of provider information and management.

Ms. Martin stated that AMCCI was a care-management case-management service, through which a contractor worked on a per-member monthly fee. The contractor helped Medicaid recipients navigate the healthcare delivery system in a more efficient manner, thereby avoiding more hospitalizations.

Senator von Imhof asked about the potential activities and the health information access of a care coordinator.

Ms. Martin explained that there were two different levels of care management service. There was a telephone service that connected "super utilizers" with appointment reminders. There was also an in-person care coordination service that included face-to-face meetings with program users that helped identify needed services.

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Senator Micciche contemplated the fiscal note for FY 17 and considered actual savings. He wondered if an Alaska Native receiving Medicaid services through an IHS facility would receive a 100 percent funding match.

Ms. Martin answered in the affirmative. She qualified that there would also be a 100 percent match with a referral to a non-IHS facility.

Senator Micciche asked if the department was encouraging tele-health and other lower-cost options. He referenced the supplemental budget and asked if the department was aggressively pushing people towards lower-cost healthcare alternatives.

Ms. Martin stated that in the RFP for the Coordinated Care Demonstration Project, the department identified the importance of maximizing the tribal claiming policy as well as tele-health.

Co-Chair MacKinnon asked about overlap of recipients.

Ms. Martin stated that the reinsurance program applied to those who purchased healthcare insurance on the individual marketplace. She continued that the marketplace plans could only be purchased by those that did not qualify for Medicaid or other minimum essential coverage. She recalled that the department was trying to reduce federal subsidies for the re-insurance pool. Without opportunities at healthcare.gov and federal subsidies, some individuals would likely move to the Medicaid program. The department worked closely with the Division of Insurance.

[10:43:14 AM](#)

Co-Chair MacKinnon referenced care coordination and recalled that the committee had asked for additional information on the topic previously. She discussed cost savings through care coordination and utilization of healthcare. She offered to follow up with the Division of Insurance for further detail.

Ms. Martin added that the department was working with the Department of Administration and its Healthcare Feasibility

Study. She queried whether there was an opportunity to replicate any of the Coordinated Care Demonstration Projects, or state employees on the AlaskaCare program.

Co-Chair MacKinnon reminded that the state had a budget deficit and commented that DHSS was a user of GF dollars. She commented on the cost of Medicaid, and the importance of looking at how the resources were being utilized.

Vice-Chair Bishop pondered whether the commissioner and her team discussed the same topics (such as cost saving measures) within the department.

Co-Chair MacKinnon thanked members for submitting questions. She appreciated the work of the department. She recognized that some work of the department was difficult.

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ADJOURNMENT

[10:47:48 AM](#)

The meeting was adjourned at 10:47 a.m.