

# Fiscal Note

State of Alaska  
2019 Legislative Session

Bill Version:	SB 112
Fiscal Note Number:	5
(S) Publish Date:	4/15/2019

Identifier: LL0146-DHSS-RR-4-10-2019  
 Title: MEDICAID EXPANSION; DRUG COST  
 CONTAINMENT  
 Sponsor: RLS BY REQUEST OF THE GOVERNOR  
 Requester: Governor

Department: Department of Health and Social Services  
 Appropriation: Health Care Services  
 Allocation: Rate Review  
 OMB Component Number: 2696

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2020 Appropriation Requested	Included in Governor's FY2020 Request	Out-Year Cost Estimates				
			FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
<b>OPERATING EXPENDITURES</b>	<b>FY 2020</b>	<b>FY 2020</b>					
Personal Services							
Travel							
Services	400.0						
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>400.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

1002 Fed Rcpts (Fed)	200.0						
1003 GF/Match (UGF)	200.0						
<b>Total</b>	<b>400.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

**Change in Revenues**

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Estimated SUPPLEMENTAL (FY2019) cost:** 0.0 *(separate supplemental appropriation required)*

**Estimated CAPITAL (FY2020) cost:** 0.0 *(separate capital appropriation required)*

**Does the bill create or modify a new fund or account?** No  
*(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes  
 If yes, by what date are the regulations to be adopted, amended or repealed? 07/01/22

**Why this fiscal note differs from previous version/comments:**

Not applicable, initial version based on the Governor's February 13, 2019 FY2020 amended budget request.
--

Prepared By:	Doug Jones, Acting Executive Director	Phone:	(907)269-0361
Division:	Office of Rate Review	Date:	04/10/2019 03:30 PM
Approved By:	Sana Efirid, Administrative Services Director	Date:	04/10/19
Agency:	Office of Management and Budget		

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2018 LEGISLATIVE SESSION

Analysis

This bill creates a framework for the Department of Health & Social Services (DHSS) to make adjustments to the Medicaid program in FY 2020 and beyond. With the new flexibility sought from the Centers for Medicare & Medicaid Services (CMS) as authorized by this bill, a continuum of coverage for low income Alaskans will be created.

DHSS expects to make the changes to the Medicaid program in two major phases. Phase One, planned for FY2020, will focus on more immediate changes to the program that are currently within the control of the department, seeking regulatory changes and state plan amendments through the Centers for Medicare & Medicaid (CMS) as necessary. This bill updates cost containment options for DHSS under AS 47.07.036 by providing for the adoption of emergency regulations to expedite implementation of these changes. Phase Two, to be implemented in FY2021 and beyond, will be a more extensive transformation of the current Medicaid program in partnership with leadership at CMS. These changes will be accomplished through participation in federal waiver programs.

DHSS is already implementing initiatives to improve patient safety and health outcomes of members, thereby reducing costs. Section 6 of this legislation requires DHSS take all reasonable efforts to implement cost containment measures. The implementation of a diagnosis-related group-based payment methodology for hospitals is aligned with DHSS's focus on improving patient care and shifting the focus to the quality of the services provided. The current hospital per diem methodology is inconsistent with this goal, as it incentivizes quantity of care rather than quality. A diagnosis-related group-based payment methodology will enhance the DHSS's ability to implement performance review and cost-saving measures, including potentially preventable readmissions and hospital acquired conditions.

DHSS will also implement an acuity-based reimbursement methodology for nursing facilities. The acuity-based model provides a structure for the collection, organization, analysis, and reporting of resident assessment data to support patient care, as well as supporting resident assessment protocols and helping to monitor quality of care.

The Office of Rate Review will issue a request for proposal to select a contractor for the implementation of the diagnosis-related group-based and nursing home acuity level payment methodologies. A one-time expenditure will be necessary to cover the contract cost.

Diagnosis-related group-based contractor:	\$125.0 total, \$62.5 GF, \$62.5 Fed
<u>Nursing Home acuity contractor:</u>	<u>\$275.0 total, \$137.5 GF, \$137.5 Fed</u>
Total:	\$400.0 total, \$200.0 GF, \$200.0 Fed

Savings realized by passage of this legislation will support the reduction to the Medicaid Services component in the Governor's FY2020 operating budget. All savings are reflected in the fiscal note for the Medicaid Services component.