

Fiscal Note

State of Alaska
2019 Legislative Session

Bill Version:	SB 112
Fiscal Note Number:	8
(S) Publish Date:	4/15/2019

Identifier: LL0146-DHSS-MS-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: Medicaid Services
 Allocation: Medicaid Services
 OMB Component Number: 3234

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
OPERATING EXPENDITURES	FY 2020	FY 2020					
Personal Services			***	***	***	***	***
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits		(663,000.0)					
Miscellaneous							
Total Operating	0.0	(663,000.0)	***	***	***	***	***

Fund Source (Operating Only)

1002 Fed Rcpts (Fed)		(450,000.0)					
1003 GF/Match (UGF)		(213,000.0)					
Total	0.0	(663,000.0)	***	***	***	***	***

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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 If yes, by what date are the regulations to be adopted, amended or repealed? 07/01/22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:

The reductions included in the Governor's amended FY2020 column are the total Medicaid reductions proposed. The total reduction is not completely dependent on this legislation but is provided for informational purposes. This reflects the Governor's 3/27/2019 amendment package which reflects \$12.0 million moving from the Behavioral Health Treatment and Recovery Grant Component to Medicaid Services in acknowledgement of additional 1115 waiver revenue provided to these grantees.

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Division:	Department of Health and Social Services	Date: 04/10/2019 10:30 AM
Approved By:	Sana Efid, Administrative Services Director	Date: 04/10/19
Agency:	Office of Management and Budget	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2019 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.

This legislation allows the pharmacy program to incorporate the preferred drug list and prior authorized medication list to material adopted by reference. This will allow the Medicaid Pharmacist to respond quarterly when drug rebates are changed, less expensive generics are added to the market, or other changes lower the cost of medications for Medicaid beneficiaries. The current regulation process can leave a higher cost drug on the preferred list for 6 months to a year before changes can be made to the list.

Phase one savings are projected to total \$174,979.6 (\$90,907.1 GF and \$84,072.5 Fed); however, an additional \$12.0 million reduction (GF) will be taken from community behavioral health treatment and recovery grants in recognition of ongoing redesign efforts surrounding the 1115 waiver for behavioral health services which will leverage federal resources to pay for activities currently funded by state grants.

During Phase Two, DHSS will seek a public-private partnership to increase access to health care coverage for Alaskans at 0%-400% of the federal poverty level, easing the transition between Medicaid and the marketplace and supporting the enrollment of eligible Medicaid enrollees into private health plan coverage. Phase Two overall cost savings are indeterminate at this time.

A table on page three of this fiscal note shows the capital costs and IT projects associated with passage of this legislation.

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2019 LEGISLATIVE SESSION

BILL NO. LL0146

Analysis

Phase One Capital Costs:

Physician administered drug editing		
To be able to rebate for physician administered drugs without over 100 man-hours of work. 90% match.		
Federal	General Fund	Total
\$ 450,000	\$ 50,000	\$ 500,000
Diagnosis Related Group (DRG)		
To change the payment methodology for hospitals. 90% match.		
Federal	General Fund	Total
\$ 3,600,000	\$ 400,000	\$ 4,000,000
Rate Reductions		
To implement changes for savings. 75% match.		
Federal	General Fund	Total
\$ 225,000	\$ 75,000	\$ 300,000
Create new provider types for rate reductions as well as Electronic Visit		
To be able to implement Electronic Visit Verification and the 1115 waiver. \$300,000. 90% match.		
Federal	General Fund	Total
\$ 270,000	\$ 30,000	\$ 300,000
New transactions to accommodate managed care and the EVV system		
To automate as much of the systems as possible. 75% match.		
Federal	General Fund	Total
\$ 135,000	\$ 45,000	\$ 180,000
Total Costs		
Federal	General Fund	Total
\$ 4,680,000	\$ 600,000	\$ 5,280,000