

SENATE FINANCE COMMITTEE

April 8, 2019

9:01 a.m.

[9:01:15 AM](#)

CALL TO ORDER

Co-Chair von Imhof called the Senate Finance Committee meeting to order at 9:01 a.m.

MEMBERS PRESENT

Senator Natasha von Imhof, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Click Bishop  
Senator Peter Micciche  
Senator Donny Olson  
Senator Mike Shower  
Senator Bill Wielechowski  
Senator David Wilson

MEMBERS ABSENT

Senator Lyman Hoffman

ALSO PRESENT

Sana Efird, Administrative Services Director, Department of Health and Social Services, Office of Management and Budget; Donna Stewart, Deputy Commissioner, Department of Health and Social Services; Senator Cathy Giessel; Senator Gary Stevens; Senator Mia Costello.

SUMMARY

^MEDICAID COST CONTAINMENT

[9:02:36 AM](#)

SANA EFIRD, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, OFFICE OF MANAGEMENT AND BUDGET, discussed the presentation, "State of Alaska, Office of Management and Budget" (copy on file).

[9:02:47 AM](#)

Ms. Efird looked at Slide 2, "Medicaid Services FY2020 Operating Budget: Change Summary":

- Implement Cost Containment Measures and Reform Initiatives (\$225,000.0 UGF, \$450,000.0 Fed)
- Eliminate Adult Dental Medicaid Benefit (\$8,273.6 UGF, \$18,730.9 Fed)
- Collapse Medicaid Services to a Single Allocation
  - Efficiency Measure: Reduction in man-hours and time to process payment
  - Minimizes administrative burden related to transfers of budget authority
  - Reporting to the Legislature will remain consistent

Ms. Efrid explained that the slide showed the FY 19 management plan compared with the governor's FY 20 proposal. The difference was a decrement of \$714,061.9. She detailed the bullet points on Slide 2.

[9:06:09 AM](#)

Co-Chair von Imhof understood that the purpose of the hearing was to update the governor's February 13, 2019 budget proposal with more recent research and analysis.

[9:06:14 AM](#)

Ms. Efird responded that the governor's proposal remained the same from February 13<sup>th</sup>. She noted that the governor had proposed using the Statutory Budget Reserve balance to help meet the department meet the reduction. She said that the department would work to meet the governor's total proposed reductions.

[9:07:40 AM](#)

Co-Chair von Imhof summarized that the department would present today what could be delivered in 2020, without a supplemental ask in FY 21, and that there were other aspects that the department was still working on, meaning that answers might not be available before budget close-outs.

[9:08:28 AM](#)

Senator Micciche said that the state had been working on reductions in Medicaid for years. He said that the actual proposed reduction, after using the SBR, was \$77 million and not \$249 million. He hoped that real life solutions could be discussed. He lamented the complexity of the issue.

[9:10:04 AM](#)

Senator Wielechowski asked how, specifically, the \$714,061.0 in cuts would affect Alaskans.

[9:10:23 AM](#)

Ms. Efird said that the proposal would answer that questions.

[9:10:29 AM](#)

Senator Wielechowski asserted that he did not see any answers on future slides but would be patient and wait for an explanation.

[9:10:42 AM](#)

Co-Chair Stedman understood that the presentation would be an overview of the governor's February proposal, with no additional analysis or information. He worried that time was being wasted.

[9:11:22 AM](#)

Co-Chair von Imhof noted that the first slide of the presentation contained information released in February and recognized that there were timing issues as well as issues with CMS negotiations. She said that the committee was expecting further impact analysis of the budget cuts. She hoped that the department could highlight what was deliverable under the cuts, without using the SBR, and what and impact analysis would be using the decisions put forward by the governor.

[9:12:52 AM](#)

DONNA STEWART, DEPUTY COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, (DHSS) highlighted Slide 3, "Medicaid Program Adjustments":

## **Two-Phase Approach**

### Phase I: Cost Containment Efforts

- Implementation in SFY 2020
- Familiar strategies plus new approaches

### Phase II: Evaluate New Federal Opportunities

- New flexibilities released November 2018 may provide opportunities to better address the health care needs of the low-income and uninsured in Alaska
- Additional flexibilities to be released by May 15, 2019
- Implementation goal is for late SFY 2020 and SFY 2021

[9:14:09 AM](#)

Ms. Stewart looked at Slide 4, "Phase 1: Medicaid Cost Containment":

#### **Four Primary Levers for Reducing Medicaid Costs**

- Eligibility Adjustments
- Rate Adjustments
- Service/Utilization Adjustments
- Program/Administrative Adjustments

[9:14:27 AM](#)

Ms. Stewart addressed Slide 5, "Phase I: Medicaid Cost Containment - Eligibility Adjustments":

The Department is not recommending any adjustments to Medicaid program eligibility

[9:14:58 AM](#)

Ms. Stewart looked at Slide 6, "Phase I: Cost Containment - Rate Adjustments":

#### **Principles for Approaching Rate Adjustments**

- Protect Primary Care
- Protect Small Hospitals
- Protect Access to Services
- Align Payment with Other Public Payers

[9:15:20 AM](#)

Ms. Stewart addressed Slide 7, "Phase I: Cost Containment - Rate and Payment Adjustments." The adjustment would be in

the following areas and would result in a total of \$100,865.4:

**5 Percent Rate Reduction**

- Inpatient/Outpatient PPS hospital services
  - Critical Access Hospitals exempt
- Specialty Physician services
  - Primary care/obstetrics/pediatrics exempt
- All other providers
  - No reduction to Federally Qualified Health Centers (FQHC)

**Withhold Inflation**

**Hospital Diagnosis-Related Groups (DRG)**

**Acuity Based Nursing Facility Rate**

**Cost-Based End Stage Renal Disease (ESRD)**

**Pharmacy Adjustments**

[9:17:00 AM](#)

Senator Olson asked whether the DRG adjustment would affect rural hospitals.

[9:17:04 AM](#)

Ms. Stewart replied that the Indian Health Services (IHS) hospitals that received the federal encounter rate would not be subject to the DRG adjustments.

[9:17:45 AM](#)

Ms. Stewart continued to discuss Slide 7.

[9:18:31 AM](#)

Co-Chair von Imhof appreciated the proposed attempts to decrease spending. She expressed concern with the first four listed adjustments. She thought that the adjustments, when combined, jobs would be lost. She hoped that a proforma could be done to analyze how the different adjustments interplayed and the impact on services to patients.

[9:20:49 AM](#)

Senator Wielechowski expressed concern for the impacts the rate reductions. He wondered whether the administration had heard any concerns from providers.

[9:21:19 AM](#)

Ms. Stewart responded that several provider groups had commented on the rate reductions. She said that the department had faced a difficult choice as it moved forward to address the reductions proposed in the governor's budget. The department had made the choice to not effect eligibility but had to map out a strategy for meeting the reductions. She asserted that care had been taken to apply the rate adjustments evenly and equitably across providers types, while protecting primary care and critical access hospitals.

[9:22:09 AM](#)

Senator Wielechowski understood that pains were taken to not effect eligibility. He surmised that if the rates were cut to a point where providers could not provide healthcare, that impacted people's ability to get healthcare. He asked what effect the proposed reductions to providers would have on patient's access to healthcare.

[9:22:33 AM](#)

Ms. Stewart said that she had a slide further in the presentation that would address the question.

[9:22:49 AM](#)

Co-Chair von Imhof thought that it was one thing to make isolated cuts and another thing to provide for potential places of reduction without understanding the collective impact on a facility.

[9:23:14 AM](#)

Ms. Stewart looked at Slide 8, "Phase I: Cost Containment - Rate and Payment Adjustments." The slide showed some changes in Medicaid Hospital payments in FY 2015 through FY 2019. She noted the increase in overall funding for hospitals from FY 2015 through FY 2018. She pointed out that the Medicaid expansion population was first introduced in 2016. She highlighted the first half of FY 2019 and

stated that the total expended for the first 6 months of the fiscal year was more than total expended in all of FY 2015. She argued that the costs would double by FY 2020, if the trend continued.

[9:24:51 AM](#)

Co-Chair Stedman thought that the charts would be more helpful if they contained the percentage change form year to year. He surmised that total funds had increased approximately 18 percent per year. He requested further elaboration on the growth mechanisms and the rates of change.

[9:25:51 AM](#)

Ms. Stewart said that the next slide would highlight changes that had occurred with prior rate adjustments.

[9:25:59 AM](#)

Ms. Stewart highlighted Slide 9, "Phase I: Cost Containment -Rate and Payment Adjustments.":

#### **Medicaid Hospital Rate Adjustments SFYs 2015-2019**

Due to carryforward of hospital payments at the end of SFY 2018, SFY 2019 includes \$37.8 million in SFY 2018 expenditures. Total services for SFY2018 adjusts to \$483 million, and paid services for SFY 2019 services adjusts to \$259.3 million. SFY 2019 Trend is based on volume of services and will not yet be adjusted.

#### **Inpatient Hospital - Prior Rate Adjustments**

- 2019 - Rate reduction, rebasing and inflation adjustments in 2018 restored (facility rates restored to 2017 levels; inflation added for 2019)
- 2018 - 5% inpatient rate reduction, all facilities; withhold inflation; no rate rebasing
- 2017 - Withhold inflation, all facilities
- 2016 - Withhold inflation, all facilities

#### **Outpatient Hospital - Prior Rate Adjustments**

- 2019 - Rate reduction from 2018 restored
- 2018 - 5% outpatient rate reduction, all facilities

[9:28:04 AM](#)

Co-Chair Stedman thought that the slide was confusing. He believed that the trendlines could be better expressed. He wanted the public to be shown where the growth was occurring and why some reductions could be made, while others could not. He contended that the committee was disinterested in "flimflam" budget that would knowingly lead to supplementals. He warned that it was highly unlikely that the committee would decide to use the statutory budget reserve (SBR) to fund the agency.

[9:30:27 AM](#)

Senator Micciche agreed with the previous speakers concerns. He felt that Medicaid was mismanaged. He spoke of \$187 million in IHS "leakage" in 2018. He wondered why eligibility and aggressive management of overutilization had not been addressed. He believed that eligibility and utilization management was the only way to achieve a significant reduction in Medicaid spending.

[9:32:13 AM](#)

Ms. Stewart replied that it had been a conscious decision by the administration not to address eligibility. She discussed the two-phase approach that had been taken by the administration; the first was to address what could be done in 2020, the second phase would be to explore additional flexibilities that would be coming from the federal government. She said that discussions on eligibility and utilization would happen in the future. She stressed that the goal was to address healthcare coverage for all low-income Alaskans and not only those eligible for the Medicaid program.

[9:32:49 AM](#)

Senator Micciche said that he supported the effort. He countered that the FY 2020 budget reductions were unattainable. He agreed that there were processes in place that could reduce the Medicaid spend over time, but he argued that the committee's responsibility was to communicate transparently with the public that the lack of support for the reductions was because the reductions were not attainable in FY 2020.

[9:34:00 AM](#)

Co-Chair Stedman asked for a debrief for the public on why the committee did not have control over a large part of the budget, and why some of the items being requested could not be delivered. He said that the committee would taken any reduction that was remotely reasonable to get the Medicaid budget under control, but that a lot of the issue was driven by federal policy.

[9:36:01 AM](#)

Co-Chair von Imhof spoke to Slide 4. She said that how patients utilized the system should be examined. She thought that better coordinated care would alleviate emergency room visits. She stated that the coordination would require data, trend tracking, and cooperation among healthcare providers. She recognized that the work would be challenging and time consuming but would be worth the work to address costs without degrading overall population health in the state.

[9:37:32 AM](#)

Ms. Stewart agreed. She said that the department would appropriately evaluate and put into place a system for healthcare coverage for all low-income Alaskans. She asserted that the governor's cuts were ambitious and that the Centers for Medicare and Medicaid Services (CMS) had been slow in provided necessary information to the state.

[9:38:48 AM](#)

Senator Bishop commented that the federal flexibilities should be implemented before making large cuts. He expressed concern that premiums to individual rate payers could increase.

[9:40:58 AM](#)

Senator Olson pointed to Slides 8 and 9. He understood that the majority of the increase was due to federal funds and because of Medicaid expansion.

[9:41:22 AM](#)

Ms. Stewart agreed. She said that most of the federal fund increase was due to the 2016 Medicaid expansion. She added that tribal reclaiming dollars had increased as part of the federal funding.

[9:42:07 AM](#)

Senator Wielechowski wondered how many more Alaskans were eligible in 2019, than in 2015.

[9:42:35 AM](#)

Ms. Efird replied approximately 46,000.

[9:42:42 AM](#)

Senator Wielechowski understood that 46,000 Alaskans were eligible for Medicare, at the cost of \$34 million.

[9:42:49 AM](#)

Ms. Efird corrected that the figure was approximately \$24 million.

Senator Wielechowski surmised that \$24 million was matched by \$300 million in federal funds.

Ms. Efird said that the figure was closer to \$1 billion for the Medicaid expansion.

[9:42:56 AM](#)

Co-Chair von Imhof thought that provider payments could be decreased by 5 percent but that would not address the issue of utilization. The same population would still be seeking treatment, and that treatment would have to be paid for by the state.

[9:44:07 AM](#)

Co-Chair Stedman asked the presenter to explain to the public why the state had to pay the Medicaid expenses.

[9:44:27 AM](#)

Ms. Stewart shared that when the state decided to move forward with the Medicaid program it had entered into a

contract with the federal government through CMS. For all federally required services the state would be obligated to assure that the services were delivered to eligible recipients. The expansion of 2016 increased they types of benefits that were provided and a relaxing of some utilization rules. She said that the expansion brought in more federal funding.

[9:45:38 AM](#)

Co-Chair Stedman reiterated that the committee lacked the ability to control the budget because of its contractual obligation with the federal government. He asked how long the state had been under contract with the federal government.

[9:46:43 AM](#)

Ms. Stewart said she would get back to the committee with the information. She noted that she had seen state plan amendments as far back as the 1970s.

[9:47:00 AM](#)

Co-Chair Stedman said he did not need a specific date. He stressed that the state had been under obligation for Medicaid for decades and could not be blamed on the last several governors or legislatures. He said that, due to the relationship with the federal government, this portion of the budget had been out of state control for decades.

[9:47:34 AM](#)

Senator Bishop believed that the Medicaid was signed into law in the 1960s by President Lyndon Johnson.

[9:47:44 AM](#)

Co-Chair von Imhof relayed that many states had gone through a managed care model, whereas Alaska was still a fee for service. She wondered whether Alaska could phase into a managed care model.

[9:48:00 AM](#)

Ms. Stewart related that SB 74 included a requirement for care coordination demonstration projects. She said that

there were four different types of projects that could move forward, one of which was for managed care. She said that as the request for proposals (RFP) went out there had been an opportunity for any potential insurers to submit a model for managed care in the state. She said that a model had been submitted and discussions were ongoing. She asserted that the department would stay abreast of all potential flexibilities.

[9:49:20 AM](#)

Senator Wilson asked for a timeframe of the RFP and the possibility of managed care.

[9:50:10 AM](#)

Ms. Stewart said that there were two types of managed care that could move forward and the department needed to make sure that the model that moved forward was the right one for the state.

[9:50:54 AM](#)

Senator Wilson asked how long the process would take.

[9:50:57 AM](#)

Ms. Stewart asked whether he meant a timeline for the implementation of a plan a manage care model or for the review of the RFP.

[9:51:12 AM](#)

Senator Wilson said he would like to know both.

[9:51:15 AM](#)

Ms. Stewart shared that the completion of the model review should be done by the end of the fiscal year. If another model was necessary, it would be considered part of phase-two and would take longer.

[9:51:47 AM](#)

Senator Micciche said that Medicaid was not designed to become the economy of many parts of the state, but had become just that, and had brought about people with a

resistance to change. He asked whether there were people within the department who were significantly resistant to evaluating real life solutions reducing the cost to the state. He declared that he supported quality healthcare for the people of Alaska but that the mismanagement was getting out of hand.

[9:53:33 AM](#)

Ms. Stewart believed that the new commissioner was assembling a team that would be willing to make the desired changes within the program.

[9:54:52 AM](#)

Senator Wielechowski asked whether the administration had applied for a Medicaid Block Grant Waiver.

[9:55:04 AM](#)

Ms. Stewart replied in the negative.

[9:55:25 AM](#)

Ms. Stewart discussed Slide 10, "Phase I: Cost Containment - Rate and Payment Adjustments." The slide showed a bar graph that charted the average Medicaid utilization of inpatient days from 2015 to 2017.

[9:56:05 AM](#)

Ms. Stewart looked at Slide 11, "Phase I: Cost Containment - Rate and Payment Adjustments." The slide showed two bar graphs that compared inpatient hospital expenditures for FY 2015 through 2019 to outpatient hospital expenditures for the same fiscal years.

[9:56:21 AM](#)

Ms. Stewart addressed Slide 12, "Phase I: Cost Containment - Rate and Payment Adjustments":

**Hospitals Not Affected by Proposed Rate Adjustments**

- Cordova Community Medical Center
- Norton Sound Regional Hospital
- Peace Health Ketchikan

- Petersburg Medical Center
- Providence Kodiak Medical Center
- Providence Seward Medical Center
- Providence Valdez Medical Center
- Samuel Simmons Memorial
- Sitka Community Hospital
- South Peninsula Hospital
- Wrangell Medical Center
- Hospitals paid Indian Health Service inpatient encounter rate

[9:56:53 AM](#)

Co-Chair Stedman looked at Slide 11. He asked where the department hoped the numbers would land for FY 2020. He requested more detail on the dates for FY 2019.

[9:57:44 AM](#)

Ms. Stewart said that the department had applied the rate reduction as evenly as possible across all provider types and did not have a number they were trying to achieve for their budget. The department did not have a number they were aiming for in FY 2020. She furthered that the if the state continued on trend for the next 6 months of the current fiscal year the numbers were expected to increase.

[9:59:08 AM](#)

Co-Chair Stedman categorized the graph as a liner interpretation, or extrapolation, of the first 6 months. He assumed that the relationship was linear between the first and last 6 months.

[9:59:24 AM](#)

Ms. Stewart said that the chart was based on the last four years of historical data and included the highs and lows of the peak time when services were utilized within the hospitals. She said it was not taking a line and extending it out but applied a factor for what was believed would be the utilization in those particular months.

[9:59:57 AM](#)

Co-Chair Stedman said that it would be helpful to hear from the department what their expectations were for FY 2020. He

thought a target could be useful, rather than simply a standard reduction mechanism.

[10:00:40 AM](#)

Co-Chair von Imhof believed that the attachment to the presentation, "Phase One Cost Containment Implementation Schedule" could shed some light later in the meeting.

[10:00:59 AM](#)

Senator Bishop looked at Slide 12, he wondered whether the all the hospitals had been contacted to assure they would not be affected by the proposed rate adjustments.

[10:01:13 AM](#)

Ms. Stewart replied that because they were critical access hospitals, they would not be subject to the 5 percent rate reduction or the withhold of inflation.

[10:01:18 AM](#)

Senator Bishop said he would follow up with the listed hospitals.

[10:01:54 AM](#)

Senator Wilson asked how many hospitals fell under the IHS umbrella.

[10:02:10 AM](#)

Ms. Stewart replied that if the hospital was paid under the federal encounter rate the rates could not be adjusted for those facilities.

[10:02:33 AM](#)

Senator Wilson understood that this was for IHS facilities only.

[10:02:44 AM](#)

Ms. Stewart agreed.

[10:02:49 AM](#)

Senator Olson assumed the list of unaffected hospitals was complete.

[10:02:52 AM](#)

Ms. Stewart replied yes. She clarified that the final bullet had not been itemized.

[10:03:10 AM](#)

Senator Olson assumed that Maniilaq Health Center would be affected by the reduction.

[10:03:18 AM](#)

Ms. Stewart said that Maniilaq was a federal encounter rate and would not be affected.

[10:03:21 AM](#)

Senator Olson asked about the Southeast Alaska Regional Health Consortium (SEARHC) facility in Sitka.

[10:03:24 AM](#)

Ms. Stewart replied that if an IHS facility determined that they would be under the perspective payment system, and were not also a critical access hospital, they would be subject to the adjustments. She shared that the hospital in Sitka was a critical access hospital and had chosen to be under the perspective payment system and would not be subject to the reductions.

[10:04:22 AM](#)

Co-Chair Stedman queried the status of the Sitka Community Hospitals being merged into SEARHC. He thought that the merger would change the numeric.

[10:04:55 AM](#)

Ms. Stewart highlighted Slide 13, "Phase I: Cost Containment - Rate and Payment Adjustments":

**Recap Rate and Payment Adjustment Notes**

- Withhold Inflation

- Applies to all providers granted annual inflation except hospitals with small facility agreements

- Inflation withheld 2016, 2017 and 2018

**Implement Hospital Diagnosis Related Groups "DRG" Payment System**

- Will not apply to critical access hospitals
- 5 percent inpatient/outpatient rate reduction will end when DRGs go live
- January 1, 2020 implementation

**Implement Acuity Based Skilled Nursing Facility Rates**

- System similar to Medicare Resource Utilization Groups (RUGs)
- January 1, 2020 implementation

**Move to Cost-Based Rates for End Stage Renal Disease (ESRD) Clinics**

- Ready for implementation
- Additional discussions with providers on innovative payment model
- Current ESRD rates are 233 percent above Medicare rates; revised rates remain 22 percent higher than Medicare

**Pharmacy Adjustment**

- Position the program to react more nimbly to drug price changes
- January 1, 2020 implementation

Ms. Stewart addressed Slide 14, "Phase I: Cost Containment - Rate and Payment Adjustments":

**Access and Provider Rates**

- All rate adjustments must be approved through the Centers for Medicare and Medicaid Services (CMS) State Plan Amendment (SPA) process

- CMS also requires states to submit "Access Monitoring Review Plans"

- Effect of rate adjustments meeting or exceeding 5% are monitored for three years to ensure access is not impacted by the adjustments

- Recipient and provider enrollment by location, as well as utilization information is submitted to CMS annually for monitoring purposes

- Baseline information submitted when adjustments move forward

- Alaska Medicaid 2017 Access Monitoring Review Plan

[10:06:54 AM](#)

Co-Chair Stedman spoke to Slide 13. He noted the final bullet point. He asked whether the Office of Management and Budget (OMB) was going to adjust the requested reductions to reflect the mid-year fiscal year implementation.

[10:08:01 AM](#)

Co-Chair von Imhof surmised that the estimate by the department considered the 6-month savings versus extrapolating it to an annual savings.

[10:08:16 AM](#)

Ms. Stewart replied in the affirmative. She noted the DRG 2020 implementation; the 5 percent inpatient and outpatient rate reductions would end when the DRGs went live, as well as the hold of inflation. She said that once the new payment model began, those two items would not be in effect.

[10:09:01 AM](#)

Co-Chair Stedman hoped to hear from OMB whether their numbers were the same as the department.

[10:09:21 AM](#)

Ms. Efird said that the department's numbers for Phase 1 had been considered by OMB. She said it was the Phase 2 reductions that were still under consideration. She related that the date of implementation for each of the Phase 1 initiatives had been considered in calculating the savings that would occur in FY 2020.

[10:10:14 AM](#)

Co-Chair Stedman asked whether the aggregate reduction target number would change. He said that the targeted implementation date of January 1, 2020 could be factored into the subcommittee budget. He wondered whether OMB was considering the remaining 6 months of the fiscal year or using the original targeted reduction amounts.

[10:10:51 AM](#)

Co-Chair von Imhof interjected that the next several slides detailed Phase 1. She said that a more detailed summary was in member packets titled, "State of Alaska Medicaid Program Phase 1 Cost Containment Implementation Schedule" (copy on file). She said that the summary suggested decreases, that the committee assumed were manageable and deliverable, were less than what appeared on Slide 2. She shared that upcoming slides would offer more details.

[10:11:51 AM](#)

Senator Shower asked whether the department believed that the \$714.061.0 in reductions could be realistically achieved.

[10:12:15 AM](#)

Ms. Efird replied that the department had been asked to do everything as aggressively as possible to meet the total reduction shown on Slide 2. She added that some elements were out of the department's control; approval would be needed from CMS, which was why the governor had included the SBR language. The governor had directed the department to aggressively pursue, and achieve, as many cost savings in FY 2020 as possible.

[10:13:10 AM](#)

Senator Shower reiterated his question. He argued that the numbers in the proposed governor's budget were unattainable. He worried that he was being duped.

[10:14:27 AM](#)

Ms. Efird responded that the department could not answer the question until it received additional information from CMS. She reiterated that it remained to be seen what flexibilities would be allowed to be pursued by states. She hoped that the information would be available by May 2019.

[10:16:13 AM](#)

Senator Wilson understood that the state was waiting for information from CMS, which meant that the proposed rate reductions would not take affect in the FY 2020 budget. He thought that use of the SBR was an unacceptable plan when the hope was to have a budget that contained the actual

reductions that could be implemented by July 1, 2019. He requested a plan that detailed the actual realized numbers that could be implemented by July 1, 2019. Additionally, he wanted a modified budget plan from OMB, without using the SBR.

[10:17:44 AM](#)

Co-Chair von Imhof believed that the problem was with the timing of the implementation of Phase Two.

[10:18:01 AM](#)

Ms. Stewart agreed. She said that the lack of the approval of a state plan by CMS by July 1, 2019, could mean that the department would not be able to move forward with the proposed rate adjustments. She said that the department had until September 30, 2019, to have the state plan approved by CMS in order for a July 1 implementation date. The plan was to submit the amendments as quickly as possible in order to make sure the rates became effective on July 1. She reiterated that the information from CMS was forthcoming and that the goal for Phase Two was implementation at the end of FY 2020 and for FY 2021 as well.

[10:20:31 AM](#)

Senator Wielechowski referred to the cuts on Slide 2. He wanted to know the impact of the overall cuts on recipients.

[10:21:33 AM](#)

Ms. Efird said that the department did not want to speculate on the impacts before the additional information was received from CMS. She stated that there was no way of knowing what the impact of Phase Two would be until the state received that information.

[10:22:04 AM](#)

Senator Wielechowski asked if the department expected the committee to approve the budget with the overall \$714 million in cuts, without being able to tell the public where the \$527 million in cuts would be made after the

implementation of Phase 2. He asked whether this request was a change from the governor's original budget proposal.

[10:22:17 AM](#)

Ms. Efird said that the governor had not changed his proposed budget.

[10:22:23 AM](#)

Senator Wielechowski asked whether details could be provided that explained where the \$527 million in cuts would be reflected.

[10:22:48 AM](#)

Ms. Efird replied that the department would provide the information as soon as possible.

[10:23:07 AM](#)

Senator Micciche felt that no one in the administration, that knew anything about Medicaid, believed that the \$714 million in cuts was attainable. He asserted that a budget needed to be funded for FY 2020, which required real-life data. He asked what the department was doing to buoy the market of healthcare in Alaska; were cost base rates for services in other states being considered.

[10:24:58 AM](#)

Ms. Stewart replied that several different provider groups were being investigated. She noted that any change in rate would be controversial; the state would explore additional options but would need to evaluate the possible effects to providers and recipients.

[10:26:00 AM](#)

Co-Chair von Imhof pointed out that there was a discrepancy between the numbers on Slide 2 and Slide 20. She clarified that Slides 14 through 20 described cost containment efforts currently underway by the department. She commended the committee for illuminating the gap; she believed that moving forward, the committee would need to decide whether they wanted to budget blindly in anticipation of certain events occurring on or before September 30, 2019. She

requested that the remainder of the presentation focus on the actual deliverables that the department thought could be delivered for FY 2020.

[10:27:10 AM](#)

Ms. Stewart stated that Slide 14 had been covered.

[10:27:25 AM](#)

Ms. Stewart discussed Slide 15, "Phase I: Cost Containment - Service/Utilization Adjustments." The first item was to adjust the number of eligible visits per individual for physical, occupational, and speech therapy to 12 visits of each type of service, per year. The limit would pertain to adults only, therapy visits for children was not yet allowed. If a provider believed that an individual needed additional services to get to 100 percent capacity, those additional services may be authorized. The next item was to expand the "Lock-In" program, so that recipients that appeared to be "shopping around" for pharmaceuticals would be put in a care management program and locked into either a specified primary care provider or a pharmacy that best met their needs. The third item was to implement a nurse hotline to address getting individuals into appropriate care in a timely manner. The final item was the elimination of Adult Preventative Dental, which was a line item in the governor's budget and a service within the Medicaid program.

[10:30:03 AM](#)

Senator Wielechowski looked at Slide 14 and reiterated his question about the impacts of the cuts on providers and patients access to healthcare. He wondered whether there would be any impact analysis done before the plan was implemented.

Ms. Stewart replied that a lookback at the history of the services and the corresponding beneficiaries and providers would be evaluated.

[10:31:04 AM](#)

Senator Wielechowski asked whether the department felt comfortable that there would be no impact to patients

access to providers if the \$714 million in cuts was approved by the committee.

[10:31:15 AM](#)

Ms. Stewart said that the way the that the department had approached the reductions to services was the Two-phase approach. She reiterated that Phase One contained the items in FY 2020 that the department believed could be accomplished. She did not believe that providers would be lost through those adjustments. In Phase Two would be more of a restructuring and transformation of the Medicaid program and it was hoped that any changes would be positive and not negative.

[10:32:01 AM](#)

Senator Bishop requested that the department work with his office on the elimination of Adult Preventative Dental.

[10:32:25 AM](#)

Ms. Stewart highlighted Slide 16, "Phase I: Cost Containment - Service/Utilization Adjustments":

**Recap Service/Utilization Adjustments**

**•Limit Physical Therapy, Occupational Therapy and Speech Therapy Visits**

- Each therapy will be limited to 12 visits per year
- Additional visits may be granted with prior approval
- Limits will not apply to children
- Implementation October 1, 2019

**•Expand "Lock-In" Program**

- Also known as Medicaid Care Management program
- Estimate of 3,200 additional individuals will be added to the program in 2020

**•Implement 24-hour Nurse Hotline**

- Provide recipients with resource to discuss health issues
- Reduce excess utilization by connecting recipients with appropriate level of care
- Implementation January 1, 2020

**•Eliminate Adult Dental**

- Optional service

- Adult emergency dental services remain covered

[10:32:33 AM](#)

Ms. Stewart addressed Slide 17, "Phase I: Cost Containment - Administrative/Program Changes." The adjustments totaled a cut of \$48,609.7, in the following areas:

- Reduced Timely Filing Allowance
- Streamline Cost of Care Collection
- Reclaiming Medicare Part B Premium
- Tribal Reclaiming - All Services
- Tribal Reclaiming Medicare Part A/B Premium
- Transportation Efficiencies
- Transition Behavioral Health Grants
- Electronic Visit Verification
- Transition Services to 1915(k)

Ms. Stewart provided additional details about each adjustment.

[10:36:15 AM](#)

Senator Wilson asked about the Transition Behavioral Health Grants. He understood that when the Medicaid expansion took place behavioral health grants were decreased, between \$8 million and \$12 million, in the hope that the Medicaid billables would match the decreased grants. He said he had asked the department to show where community mental health providers had been able to bill Medicaid for amounts like their behavior health grants and had been told that the information was unavailable until end of 2018. He said he had asked the question again, post 2018, and was told that there was no way to determine that the Medicaid dollars, under the 1115 waiver, would match the behavioral health grants. He felt that this was a simple data base comparison and expressed concern that the information was unavailable.

[10:38:18 AM](#)

Ms. Stewart responded that she was not familiar with the history of behavioral health issues. She relayed that most of the services currently being funded by the grants would become Medicaid services once the 1115 waiver moved into effect, which would take time. She did not know whether all

providers were enrolled in the Medicaid program yet because the second part of the 1115 waiver had not yet passed. The only portion that had been approved to date was the Substance Use Disorder portion, so there was a possibility that the infrastructure had not yet been developed to get the information to Senator Wilson.

[10:39:40 AM](#)

Senator Wilson understood that the people receiving the behavioral health services under the grants were not Medicaid eligible. He wondered how Medicaid would pay for the services, formerly covered by the grants, for patients who did not qualify for Medicaid.

[10:40:07 AM](#)

Ms. Stewart said that the first portion of the waiver that was approved in November 2019 was for different types of Substance Use Disorder services that had not been covered by the Medicaid program prior. Individuals that were Medicaid eligible were not able to get access to those services except through the grant program. She said that because of the change, the services had become Medicaid eligible services and individuals could receive those services under Medicaid. She expected that Phase Two of the 1115 waiver would add more services that were not currently under Medicaid.

[10:41:27 AM](#)

Senator Olson spoke to Slide 17 and asked what services would be reduced as a result of the \$12 million reduction in Transitional Behavioral Health Grants.

Ms. Efird believed that there would be collection for federal dollars in the Medicaid budget. She felt that federal dollars coming in thorough the 1115 waiver would make up for the reduction.

[10:42:34 AM](#)

Senator Olson asked what would be cut or reduced if the federal dollars did not materialize.

[10:42:39 AM](#)

Ms. Efird replied that nothing would be cut. She furthered that if the department did not have enough federal authority to accept the funds, additional funding authority could be requested from the Legislative Budget and Audit Committee.

[10:43:03 AM](#)

Co-Chair von Imhof expressed concern in the timing of decreasing \$12 million in grants before the 1115 waiver was fully approved.

[10:43:25 AM](#)

Ms. Stewart highlighted Slide 18, "Phase I: Cost Containment - Administrative/Program Adjustments":

#### **Recap Administrative/Program Adjustments**

- Reduce Timely Filing**
  - Adjusts the time a provider may file a claim from 12 months to 6 months
  - Will reduce false claims and claim submission errors
  - October 1, 2019
- Streamline Collection of Cost of Care Amounts**
  - Improve collection of required amounts
- Reclaiming for Medicare Part B Premiums**
  - Program can claim 100% match for Medicare Part B premiums paid for those 120-138% FPL
- Increase Tribal Reclaiming -All Services**
  - Identify additional opportunities for tribal reclaiming with total increase from \$84 million to \$104 million per year
- Tribal Reclaiming -Medicaid Part A/B Premium**
  - Program can claim 100% match for Medicare Part B premiums paid on behalf of Alaska Natives 120-138% FPL -will work with CMS to claim all payments made 0-138% FPL

[10:43:39 AM](#)

Ms. Stewart addressed Slide 19, "Phase I: Cost Containment - Administrative/Program Adjustments":

#### **•Transportation Efficiencies**

- Pay provider posted rates for ground transportation
- More closely audit requests for non-emergency air transportation and accommodations
- Increase use of bus passes as appropriate
- Implementation October 1, 2019
- Transition Behavioral Health Grants**
  - Services currently funded by grant dollars will transition to Medicaid under 1115 waiver
  - Grants reduced from \$51 million to \$39 million
- Electronic Visit Verification**
  - Improve verification of services delivered under Home and Community Based Services waivers
  - Reduce excess hours billed
  - Implementation January 1, 2020
- Transition Additional Services to 1915(k)**
  - No change to service delivery
  - Eligible for higher FMAP
  - Implementation January 1, 2020

[10:43:45 AM](#)

Ms. Stewart discussed Slide 20, "Phase I: Cost Containment - Total Adjustments." The slide showed the numbers, under Phase 1, that the department believed was possible in FY 2020. The adjustment totaled \$186,979.6.

Co-Chair von Imhof said that the \$249 million decrease from Slide 2 left a \$146 million gap when considering the \$102.9 million on slide 20. She noted that there was an additional federal gap and the committee would need to grapple with both. She highlighted previous questions on the effect of the cuts on access to healthcare.

[10:46:26 AM](#)

Senator Micciche thought that the committee had to focus on the \$186 million in total fund reductions, which was 25 percent of the governor's total budget cuts. He thought that the number was attainable. He asserted that he supported making Medicaid as streamlined and cost effective as possible.

[10:47:24 AM](#)

Senator Wilson requested a cost comparison of what the state paid to providers compared to other states and whether a small co-pay had been considered.

[10:48:26 AM](#)

Ms. Stewart replied that she could provide those comparisons. She said that the state was currently allowed to implement co-pays for beneficiaries and were currently using some. She said that further information could be provide to the committee. She noted that there was a cap at the federal level for how much could be charged to a Medicaid beneficiary for any cost sharing within the program.

[10:50:25 AM](#)

Senator Wielechowski asked whether there was any concern about the cut to Adult Preventative Dental and if it could increase costs of emergency dental services.

[10:50:43 AM](#)

Ms. Stewart responded that emergency dental was the most access of the dental services; while it was believed that there would be an increase in emergency services, the number was already quite high.

[10:51:19 AM](#)

Senator Wielechowski asked whether the numbers had been modeled. He thought that cutting preventative services that eventually ended up in emergency services did not seem like a cost savings.

[10:51:45 AM](#)

Ms. Stewart replied that there had been no modeling done. She said that given the particular population, the largest number of services being received through dental was not preventative, but emergency dental services. She said that staff was not available to do modeling of the numbers on adult dental.

[10:52:43 AM](#)

Senator Bishop argued that preventative care was the way to go; spending money on the front end would save spending on the backend.

[10:53:14 AM](#)

Senator Olson asked whether Phase Two pertained to the use of block grants.

[10:53:25 AM](#)

Ms. Stewart replied that a suite of options would be available to the state, block grants would only be one option.

[10:53:33 AM](#)

Senator Olson queried the plan for when the block grants ran out before the need for services.

[10:53:45 AM](#)

Ms. Stewart said that she was not familiar with the program and could not answer the program.

[10:53:59 AM](#)

Senator Olson thought that either the department reduced services or asked the legislature for supplemental funding.

[10:54:06 AM](#)

Ms. Stewart stated that she did not know what the options would look like.

[10:54:18 AM](#)

Co-Chair von Imhof reminded the committee that the question was hypothetical; while block grants were being bandied in the press, the parameters were still unknown.

[10:54:29 AM](#)

Senator Shower spoke to underfunding under the Affordable Care Act (ACA). He asked whether the department would demand that the federal government fully fund IHS and veterans' affairs.

10:55:16 AM

Ms. Stewart replied that the Medicaid program paid off a rate set by the federal government for services and IHS would work independently with the federal government. She said that an issue that has been worked on was to get a process in place to replace the laborious tribal reclaiming to get the 100 percent reimbursement for services delivered to IHS individuals.

10:56:55 AM

Co-Chair von Imhof discussed housekeeping.

#

ADJOURNMENT

10:57:10 AM

The meeting was adjourned at 10:57 a.m.