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SENATE COMMITTEE REPORT

FURTHER

3/31/88

DATE TURNED INTO OFFICE _____

Mr. President:

_____ Finance _____ Committee considered _____ SB 491 _____

coverage under medicaid for heart transplant surgery; and reordering the priorities for eliminating coverage under medicaid

and recommended

[] replace with _____ CS _____) [] same title
[] or adopt _____ CS _____) [] new title

[] attached amendment(s) and

[] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

[] letter of intent adopted _____

Committee [] attached or [] adopted fiscal note(s)

[] new [] updated or [] previous
[] zero [] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[] Committee Backup attached _____ Chairman signature and recommendation

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

**FISCAL NOTE(S) ATTACHED **
IN ACCORDANCE WITH AS 24.08.035
(see below)

3/15/88
Mr. President:

DATE TURNED INTO OFFICE 3/31/88

HESS Committee considered SB 491

coverage under medicaid for heart transplant surgery; and reordering the priorities for eliminating coverage under medicaid

and recommended:

[] replace with CS _____ [] same title
[] attached amendment(s) and [] new title

[✓] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

[] letter of intent adopted and attached

** Committee [✓] attached or [✓] adopted fiscal note(s)
[] zero [✓] fiscal impact

FN

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

~~2 Do Not Pass~~
~~2 Do Not Pass~~

1 Paul Gish (Do Pass)
Chairman signature and recommendation

[✓] Committee Backup Attached

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

PO. BOX H
JUNEAU, ALASKA 99811-0601
PHONE: (907) 465-3030

March 23, 1988

The Honorable Paul Fischer
Alaska State Senate
P.O. Box V
Juneau, AK 99811

Dear Senator Fischer:

I am writing to you because of your interest in Medicaid heart transplant policies, and to update you on the action of the Medical Care Advisory Committee (MCAC).

As you may know, the MCAC met March 4 and 5, 1988 in Juneau. The MCAC is a federally required Board created to advise the commissioner regarding the Medicaid program. One of the items on the MCAC agenda was the issue of adding heart transplants to Medicaid. Their final recommendation was:

"Due to the high cost of heart transplantations and the unknown additional cost of related medical expenses for a projected small number of recipients, we feel that the [Medicaid] monies could provide more services to a larger number of individuals in previously identified priority groups within the Medicaid population". Therefore, the Medical Care Advisory Committee recommends against Medicaid coverage of heart transplants.

Despite this decision, the department recognizes the interest in this issue and remains sympathetic to the medical needs of recipients.

The Senate HESS Committee has introduced legislation designed to add heart transplants to Medicaid recently. Because organ transplant procedures are covered under inpatient hospital care and physician services, enabling legislation is not necessary for the service to be covered. Medicaid in Alaska already covers skin, bone, bone marrow, cornea, kidney and liver transplants; liver transplants being limited to children. This policy is contained in our State Plan, which is Alaska's contract with the federal Health Care Financing Administration. The plan sets out the services, covered groups and payment methodologies of our Medicaid program.

March 23, 1988

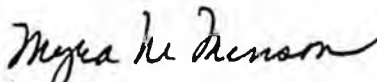
The addition of heart transplants to the Medicaid program can be accomplished through a State Plan change without additional legislation. Placing heart transplants in statute without mentioning other covered organ transplants could create confusion for the department among facilities, recipients and advocates. As reflected in the MCAC recommendation, the major concern with adding heart transplants relates to financing. In view of this year's supplemental appropriation request and the constant escalation in health care costs, the department does not feel it would be a responsible action to add a costly new service without legislative endorsement and an additional appropriation or intent language to seek a supplemental if costs are incurred related to the new program.

The Division is currently developing a cost analysis of heart transplants which I will be happy to discuss with you at your convenience. It appears the procedure can range from \$200,000 to \$500,000 for the initial year depending on complications attendant to the recipient. For each following year, we are anticipating a cost of \$30,000 to \$50,000 per person for immunosuppressive drugs and follow-up care.

Coverage of heart transplants under Medicaid will not guarantee an eligible recipient access to the service. The recipient would still have to meet the criteria for a transplant, which includes physical and psychological factors, determined appropriate by the transplant facility. The number of transplants is also limited by a national shortage of donor organs. So a donor facility-approved recipient may receive costly out-of-state diagnostic work-ups without ever receiving the needed organ.

Thank you for your interest in the Medicaid program.

Sincerely,



Myra M. Munson
Commissioner

SB 491

"An Act relating to coverage under medicaid for heart transplant surgery; and reordering the priorities for eliminating coverage under medicaid"

I. Purpose of SB 491:

The purpose of SB 491 is to mandate that the Department of Health and Social Services pay for heart transplants for Medicaid-eligible Alaskans.

II. Sectional Analysis:

Section 1 establishes heart transplants as a Medicaid covered service.

Section 2 adds heart transplants to AS 47.07.035 and provides the Department with legislative direction on the priority of heart transplants in the event of a funding shortfall.

III. Background

Since the federal Medicare Program determined that heart transplants should no longer be considered as experimental thirty-one states have chosen to offer funding for heart transplants to Medicaid-eligible citizens. The rationale is that access to the full range of health care services should be equally available to all citizens regardless of income.

As with most new medical technology, heart transplants are expensive and benefit only a select few. Access to a heart transplant is limited by screening conducted by hospital transplant programs and, sometimes, by the payor, by the availability of suitable donor organs, and by the available financing. It is not unusual for payors to either negotiate or otherwise limit the payment price for transplants.

Alaska's Medicaid Program already provides payment for the other organ transplants that are covered under most states' Medicaid Programs (i.e., kidney, cornea, bone marrow, and liver for children). Since payment for transplants does not require the enrollment of new types of medical providers and can be described within the context of services already provided under the Medicaid Program (i.e., physician services, hospital services, transportation services, etc.) and the General Relief Medical Assistance Program (i.e., pharmacy services) it is not necessary to amend either AS 47.07.030 or AS 47.07.035 in order for the Department to provide payment for transplants. Placing heart transplants in statute without mentioning other covered organ transplants could create confusion for the department among facilities, recipients and advocates.

The Alaska Medical Care Advisory Committee which is the federally-mandated policy advisory committee for the Medicaid Program addressed the issue of adding heart transplants at their March meeting. Their final recommendation to the Department was against Medicaid coverage of heart transplants based on the following rationale:

"Due to the high cost of heart transplantations and the unknown additional cost of related medical expenses for a projected small number of recipients, we feel that the [Medicaid] monies could provide more services to a larger number of individuals in previously identified priority groups within the Medicaid population".

The major concern of both the MCAC and the Department with regard to adding heart transplants relates to financing. In view of this year's supplemental appropriation request and the constant escalation in health care costs, the Department does not believe it would be a responsible action to add a costly expansion of existing services without legislative endorsement and an additional appropriation or intent language to seek a supplemental if costs are incurred related to heart transplants.

IV. Recommendation

The Department does not recommend that the legislature amend the statutes by adopting the language in SB 491. Instead, we recommend that if the legislature wishes to direct the Department to pay for heart transplants for Medicaid-eligible citizens, the legislature should provide additional funding in the Medicaid and General Relief Medical Assistance Programs. This will allow the Department to provide a few Medicaid-eligible citizens with access to heart transplants without jeopardizing access to other necessary medical services for the majority of recipients.

Recommended by: Kim Busch
Kim Busch, Director
Division of Medical Assistance

Date: 3-28-88

Approved by: Myra M. Munson
Myra M. Munson, Commissioner
Department of Health and
Social Services

Date: 3-28-88

Introduced: 3/15/88
Introduced: Health, Education and
Social Services and Finance

5-1982A

1 IN THE SENATE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2 SENATE BILL NO. 491

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to coverage under medicaid for heart
7 transplant surgery; and reordering the priorities for
8 eliminating coverage under medicaid."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 47.07.030(a) is amended to read:

11 (b) In addition to the mandatory services specified in (a) of
12 this section, the department may offer only the following optional
13 services: personal care services in a recipient's home; emergency
14 hospital services; heart transplant surgery and related services;
15 long-term care noninstitutional services; medical supplies and equip-
16 ment; clinic services; inpatient psychiatric facility services for
17 individuals age 65 or older and individuals under age 21; physical
18 therapy; occupational therapy; chiropractic services; treatment of
19 speech, hearing, and language disorders; and mental services; pros-
20 thetic devices and eyeglasses; optometrists' services; intermediate
21 care facility services, including intermediate care facility services
22 for the mentally retarded; skilled nursing facility services for
23 individuals under age 21; and reasonable transportation to and from
24 the point of medical care.

25 * Sec. 2. AS 47.07.035 is amended to read:

26 Sec. 47.07.035. PRIORITY OF MEDICAL ASSISTANCE. If the depart-
27 ment finds that the cost of medical assistance for all persons eligi-
28 ble under this chapter will exceed the amount allocated in the state
29 budget for that assistance for the fiscal year, the department shall
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1 eliminate coverage for optional medical services and optionally eligi-
2 ble groups of individuals in the following order:

- 3 (1) heart transplant surgery and related services;
- 4 (2) chiropractic services;
- 5 (3) [(2)] adult dental services;
- 6 (4) [(3)] emergency hospital services;
- 7 (5) [(4)] treatment of speech, hearing, and language disor-
8 ders;
- 9 (6) [(5)] optometrists' services and eyeglasses;
- 10 (7) [(6)] occupational therapy;
- 11 (8) [(7)] prosthetic devices;
- 12 (9) [(8)] medical supplies and equipment;
- 13 (10) [(9)] clinic services;
- 14 (11) [(10)] physical therapy;
- 15 (12) [(11)] personal care services in a recipient's home;
- 16 (13) [(12)] long-term care noninstitutional services;
- 17 (14) [(13)] inpatient psychiatric facility services;
- 18 (15) [(14)] intermediate care facility services for the
19 mentally retarded;
- 20 (16) [(15)] intermediate care facility services;
- 21 (17) [(16)] individuals under age 21 who are not eligible
22 for benefits under the federal aid to families with dependent children
23 program because they are not deprived of one or more of their natural
24 or adoptive parents;
- 25 (18) [(17)] skilled nursing facility services for persons
26 under age 21;
- 27 (19) [(18)] aged, blind, and disabled individuals who,
28 because they do not meet the income requirements, do not receive
29 supplemental security income under Title XVI of the Social Security

1 Act, but who are eligible, or would be eligible if they were not in a
2 skilled nursing facility or intermediate care facility, to receive an
3 optional state supplementary payment;

4 (20) [(19)] individuals in a hospital, skilled nursing
5 facility, or intermediate care facility whose income while in the
6 facility does not exceed 300 percent of the supplemental security
7 income benefit rate under Title XVI of the Social Security Act, but
8 who, because of income, are not eligible for the optional state sup-
9 plementary payment;

10 (21) [(20)] individuals under age 21 under supervision of
11 the department, for whom maintenance is being paid in whole or in part
12 from public money and who are in foster homes or private child-care
13 institutions.
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FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to coverage under Medicaid for heart transplant surgery
Sponsor: _____
Requestor: _____

Agency Affected: Dept. of Health & Social Service
BRU: Medical Assistance
Components: Medicaid Facility

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	700.0	1,000.0	1,350.0	2,050.0	2,250.0	2,425.0
MISCELLANEOUS						
TOTAL OPERATING	700.0	1,000.0	1,350.0	2,050.0	2,250.0	2,425.0

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	350.0	510.0	700.0	1,070.0	1,190.0	1,292.5
FEDERAL FUNDS	350.0	490.0	650.0	980.0	1,060.0	1,132.5
OTHER						
TOTAL	700.0	1,000.0	1,350.0	2,050.0	2,250.0	2,425.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

** SEE ATTACHED ANALYSIS **

Prepared by: Kim Busch, Director *Kim Busch*
Division: Medical Assistance

Phone: 465-3355
Date: March 28, 1988

Approved by Commissioner: Myra Munson *Myra Munson*
Agency: Department of Health and Social Services

Date: 3-28-88

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

FISCAL NOTE ANALYSIS SB 491

This fiscal notes assumes an annual pharmaceutical (\$10.0) and post operative maintenance (\$40.0) cost per heart transplant of \$50.0. It further assumes the national experience of recipient survival at 50% of the transplants are alive at the end of 5 years. Therefore, the fiscal note has been adjusted in the appropriate year three of the maintenance costs to reflect those who did not survive.

The following mix of heart transplants is anticipated in terms of recipients and average cost per transplant:

2 recipients = 1 at \$200.0 and 1 at \$500.0
 3 recipients = 2 at \$200.0 and 1 at \$500.0
 4 recipients = 3 at \$200.0 and 1 at \$500.0
 5 recipients = 3 at \$200.0 and 2 at \$500.0

The average cost per heart transplant is estimated at \$200.0. Other states also report that especially difficult transplants or the necessity to transplant more than one heart into a recipient is periodically necessary. Therefore, this analysis accounts for these situations outside of the base average cost per transplant by estimating their costs at \$500.0 each.

Pharmaceuticals in the maintenance costs have assumed the Title XIX Pharmacy program will continue to be funded with 100% state general funds.

Inflationary costs have not been calculated into this analysis.

The following table displays the projections for implementation of a Medicaid heart transplant program in Alaska:

Year	Transplants	FY88	FY89	FY90	FY91	FY92	FY93
1	2	700.0	100.0	100.0	100.0	50.0	50.0
2	3		900.0	150.0	150.0	150.0	75.0
3	4			1,100.0	200.0	200.0	200.0
4	5				1,600.0	250.0	250.0
5	5					1,600.0	250.0
6	5						1,600.0
Total		700.0	1,000.0	1,350.0	2,050.0	2,250.0	2,425.0
Federal		350.0	490.0	650.0	980.0	1,060.0	1,132.5
GFM		350.0	490.0	650.0	980.0	1,060.0	1,132.5
GF		-0-	20.0	50.0	90.0	130.0	160.0

ALASKA STATE LEGISLATURE

. . 15th. Legislature . . 2nd. . Session

SENATE...BILL..... NO. .491.

By .THE .NEALER, . EDUCATION. AND. .
SOCIAL SERVICES COMMITTEE

"An Act relating to coverage under
medicaid for heart transplant
surgery; and reordering the
priorities for eliminating
coverage under medicaid."

Introduced in the Senate . . . 3/15 , 19 . 88 . .

HISTORY IN THE SENATE

19	88	Read first time and referred to Committee on										
3	15	HESS, Finance Reported back with recommendation that										
3	31	<i>HESS: 100 pass, 5 do not pass, FN to Fin</i>										
		Read second time and										
		Read third time and										
		<table border="0"> <tr><td>PASSED</td><td>Effective Date</td></tr> <tr><td>Yeas</td><td>Yeas</td></tr> <tr><td>Nays</td><td>Nays</td></tr> <tr><td>Excused</td><td>Excused</td></tr> <tr><td>Absent</td><td>Absent</td></tr> </table>	PASSED	Effective Date	Yeas	Yeas	Nays	Nays	Excused	Excused	Absent	Absent
PASSED	Effective Date											
Yeas	Yeas											
Nays	Nays											
Excused	Excused											
Absent	Absent											
		Reconsideration Reconsideration not taken up										
		<table border="0"> <tr><td>PASSED</td><td>Effective Date</td></tr> <tr><td>Yeas</td><td>Yeas</td></tr> <tr><td>Nays</td><td>Nays</td></tr> <tr><td>Excused</td><td>Excused</td></tr> <tr><td>Absent</td><td>Absent</td></tr> </table>	PASSED	Effective Date	Yeas	Yeas	Nays	Nays	Excused	Excused	Absent	Absent
PASSED	Effective Date											
Yeas	Yeas											
Nays	Nays											
Excused	Excused											
Absent	Absent											
		Reported correctly engrossed Signed by President Sent to House										

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19		Read first time and referred to Committee on										
		Reported back with recommendation that										
		Read second time and										
		Read third time and										
		<table border="0"> <tr><td>PASSED</td><td>Effective Date</td></tr> <tr><td>Yeas</td><td>Yeas</td></tr> <tr><td>Nays</td><td>Nays</td></tr> <tr><td>Excused</td><td>Excused</td></tr> <tr><td>Absent</td><td>Absent</td></tr> </table>	PASSED	Effective Date	Yeas	Yeas	Nays	Nays	Excused	Excused	Absent	Absent
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Absent	Absent											
		Reported correctly engrossed Signed by Speaker Returned to Senate										

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19		Received from House
		To enrolling
		Reported correctly enrolled
		Sent to Governor
	 by Governor
		Chapter No.
		Filed with Lt. Governor