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OFFICIAL BUSINESS

Alaska State Legislature

Senate

Office of the Secretary

PO. BOX V
CAPITOL BUILDING
JUNEAU, ALASKA 99811

January 12, 1989

MEMORANDUM

TO: Senator John Binkley, Co-chairman
Senator Rick Uehling, Co-chairman
✓ Finance Committee

FROM: Nancy Quinto
Secretary of the Senate

RE: Executive Order No. 72

The President has referred Executive Order No. 72 (transferring the rate-setting and some other related functions of the Medicaid Rate Commission to the Department of Health and Social Services) to your committee.

Section 23, Article III of the Constitution states:

The governor may make changes in the organization of the executive branch or in the assignment of functions among the executive branch or in the assignment of functions among its units which he considers necessary for efficient administration. Where these changes require the force of law, they shall be set forth in executive orders. The legislature shall have sixty days of a regular session, or a full session if of shorter duration, to disapprove these executive orders. Unless disapproved by resolution concurred in by a majority of the members in joint session, these orders become effective at a date thereafter to be designated by the governor.

Attachment



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 9, 1989

The Honorable Tim Kelly
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Kelly:

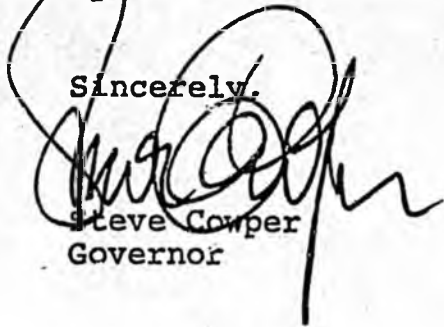
Under the authority of art. III, sec. 23, of the Alaska Constitution, I am transmitting Executive Order No. 72, transferring the rate-setting function, and some other related functions, regarding hospitals and long-term-care facilities under the medicaid and general relief-medical programs from the Medicaid Rate Commission to the Department of Health and Social Services. In line with that transfer, and in recognition that the commission will be providing advice to the department on rate-setting, the Executive Order changes the name of the commission to the Medicaid Rate Advisory Commission.

The Order reassigns the function of rate-setting to the department, to link it with the department's policy-setting and budgeting functions for the two programs, thus increasing overall efficiency in the administration of these closely integrated functions.

This transfer will allow the state to take effective management control so that rates set, in the aggregate, meet federal standards, thus assuring that the receipt of federal money under the medicaid program is not put in question by the rate-setting process. Additionally, this transfer will enable better management of the resources that Alaska allocates to the institutional care of its needy citizens and for better evaluation of the effectiveness of those services.

In summary, transferring the rate-setting function, and some other related functions, of the Medicaid Rate Commission to the Department of Health and Social Services will produce a single, more effective, and economically sound way of setting rates and developing policy for institutional care provided to needy Alaskans under these programs. I find that this transfer is necessary for the efficient administration of these programs.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'Steve Cowper', is written over the typed name and title.

Steve Cowper
Governor

Offered: 1/9/89
IN THE SENATE - Health, Education & Social
Services

IN THE HOUSE - Health, Education & Social
Services

EXECUTIVE ORDER NO. 72

2 Under the authority of art. III, sec. 23, of the Alaska Constitution,
3 and in accordance with AS 24.08.210, I order the following:

4 * Section 1. FINDINGS. As governor, I find that it would be in the
5 best interests of efficient administration to transfer the rate-setting and
6 some other related functions of the Medicaid Rate Commission to the De-
7 partment of Health and Social Services. Those functions of the commission
8 are integrally related to policy-setting and budgeting functions of the
9 department, and the transfer would greatly improve efficient adminis-
10 tration, to the benefit of all Alaskans.

11 * Sec. 2. AS 39.25.110(23) is amended to read:

12 (23) the executive director of the Medicaid Rate Advisory
13 Commission;

14 * Sec. 3. AS 47.07.040 is amended to read:

15 Sec. 47.07.040. STATE PLAN FOR PROVISION OF MEDICAL ASSISTANCE.
16 The department shall prepare a state plan in accordance with the
17 provisions of 42 U.S.C. 1396 -- 1396p (Title XIX, Social Security Act,
18 Medical Assistance) and submit it for approval to the United States
19 Department of Health and Human Services. The plan shall designate
20 that the Department of Health and Social Services is the single state
21 agency to administer this plan. The department shall act for the
22 state in any negotiations relative to the submission and approval of
23 the plan. The department[, INCLUDING THE MEDICAID RATE COMMISSION,]
24 may make those arrangements or regulatory changes, not inconsistent
25 with law, as may be required under federal law to obtain and retain
26 approval of the United States Department of Health and Human Services
27 to secure for the state the optimum federal payment under the pro-
28 visions of 42 U.S.C. 1396 -- 1396p (Title XIX, Social Security Act,
29 Medical Assistance). In addition, the department shall provide a

1 report to the legislature no later than March 15 of each year concern-
2 ing the status of this program and recommendations, with supporting
3 fiscal data, as to any changes in the coverage of eligible persons or
4 services to be provided.

5 * Sec. 4. AS 47.07.070 is amended to read:

6 Sec. 47.07.070. PAYMENT TO HEALTH FACILITIES. (a) The commis-
7 sion shall advise the department on the prospective [DETERMINE PRO-
8 SPECTIVELY THE] rate of payment to a health facility under this chap-
9 ter and AS 47.25.120 -- 47.25.300 based on a fair rate for reasonable
10 costs incurred by the facility. The department shall set the rates of
11 payment to a health facility. The department [COMMISSION] shall by
12 regulation list the factors it considers in making its rate determina-
13 tions under this section, after consideration of any recommendations
14 made by the commission.

15 (b) In determining a rate of payment to a health facility under
16 this section, the department [COMMISSION] shall consider the propor-
17 tionate share of the facility's financial requirements for patient
18 care for

19 (1) costs of current operations, including salaries and
20 wages, purchased services, supplies, insurance, leases, depreciation,
21 taxes, interest expense, maintenance and other health facility operat-
22 ing expenses; and

23 (2) education, research, and appropriate capital develop-
24 ment.

25 (c) In determining a rate of payment to a health facility under
26 this section, the department [COMMISSION] may consider whether the
27 rate of utilization of the facility has been reduced because of impro-
28 vident or careless development of the facility.

29 (d) In determining a rate of payment to a health facility under

1 this section, the department [COMMISSION] shall consider the appro-
2 priation limit set by the legislature for the department's programs
3 under this chapter and under AS 47.25.120 -- 47.25.300, and available
4 federal revenue.

5 * Sec. 5. AS 47.07.071 is amended to read:

6 Sec. 47.07.071. REPORTS BY HEALTH FACILITIES. Not later than
7 120 days after the end of each fiscal year of a health facility, the
8 facility shall submit to the department [COMMISSION] a report on the
9 facility's financial performance during the fiscal year.

10 * Sec. 6. AS 47.07.072 is amended to read:

11 Sec. 47.07.072. REPORT BY THE DEPARTMENT [COMMISSION]. Not
12 later than September 30 of each year, the department [COMMISSION]
13 shall submit to the governor a report on the prospective payments made
14 under this chapter during the current fiscal year and an estimate of
15 the prospective payments that will be made during the remainder of the
16 current fiscal year and the next fiscal year. The report shall state
17 the assumptions that are used as a basis for the estimates.

18 * Sec. 7. AS 47.07.073 is amended to read:

19 Sec. 47.07.073. UNIFORM ACCOUNTING, BUDGETING, AND FINANCIAL
20 REPORTING. (a) The department [COMMISSION] by regulation shall
21 require a uniform system of accounting, budgeting, and financial
22 reporting for health facilities receiving prospective payments under
23 this chapter. The regulations shall provide for reporting revenues,
24 expenses, assets, liabilities, and units of service. The department
25 [COMMISSION] shall specify the date the system becomes effective for
26 each health facility.

27 (b) In adopting regulations under this section, the department
28 [COMMISSION] shall consider

29 (1) accounting, budgeting, and financial reporting

1 procedures used by health facilities;

2 (2) variations among health facilities in the types of
3 health care services provided by health facilities;

4 (3) the size and organizational structure of health facil-
5 ities;

6 (4) the methods used by health facilities to obtain pay-
7 ments; [AND]

8 (5) other factors the department [COMMISSION] considers
9 relevant; and

10 (6) the recommendations of the commission.

11 (c) The department [COMMISSION] may waive or modify a require-
12 ment for accounting, budgeting, or financial reporting for a health
13 facility if waiver or modification is

14 (1) necessary to avoid excessive costs to the facility; and

15 (2) consistent with the policies of this chapter.

16 (d) Notwithstanding other provisions of this section, the de-
17 partment [COMMISSION] may, by regulation, modify the system of ac-
18 counting, budgeting, and financial reporting required under this
19 section for a health facility having fewer than 25 acute care beds in
20 order to reduce the operating costs of that facility.

21 * Sec. 8. AS 47.07.075 is amended to read:

22 Sec. 47.07.075. APPLICATION OF ADMINISTRATIVE PROCEDURE ACT.
23 Actions of the department regarding health facility payment rates
24 [COMMISSION] under this chapter [AS 47.07] and AS 47.25.120 -- 47.25.-
25 300 are subject to the provisions of the Administrative Procedure Act
26 (AS 44.62).

27 * Sec. 9. AS 47.07.110 is amended to read:

28 Sec. 47.07.110. MEDICAID RATE ADVISORY COMMISSION ESTABLISHED.
29 The Medicaid Rate Advisory Commission is established in the Department

1 of Health and Social Services.

2 * Sec. 10. AS 47.07.180 is amended to read:

3 Sec. 47.07.180. DUTIES. (a) The commission shall review pro-
4 posed payment rates [AND MAY REVIEW BUDGETS] of health facilities and
5 advise the department on [ESTABLISH] payment rates for health facil-
6 ities under this chapter and AS 47.25.120 -- 47.25.300.

7 (b) The commission shall advise [CONSULT WITH] the department on
8 the state plan as it relates to health facilities. [THE COMMISSION
9 MAY NOT CHANGE THE UNIT OF PAYMENT WITHOUT THE WRITTEN CONSENT OF THE
10 DEPARTMENT.]

11 (c) When the department enters into a substantially revised
12 state plan under AS 47.07.040, and when, as part of the revised state
13 plan, the department [COMMISSION] adopts regulations that [WHICH]
14 substantially change the methods used or the factors considered in
15 determining the prospective payment rates, the commission may, at its
16 discretion, recommend that the department redetermine the prospective
17 payment rates for all facilities from the effective date of the new
18 regulations forward. Each redetermined rate will be effective from
19 the date of the department's [COMMISSION'S] new order as to each
20 facility.

21 (d) By March 1 of each year, the department [COMMISSION] shall
22 develop for the fiscal year starting the next July 1 an annual esti-
23 mate of medical assistance program expenditures in health facilities
24 under the jurisdiction of the department under this chapter and
25 AS 47.25.120 -- 47.25.300 [COMMISSION]. The estimate shall consider
26 anticipated utilization and payment rates for each facility. The
27 methodology used by the department [COMMISSION] to develop the esti-
28 mate shall be consistent with the regulations governing the depart-
29 ment's [COMMISSION'S] rate-setting process.

1 * Sec. 11. AS 47.07.190 is amended to read:

2 Sec. 47.07.190. EMPLOYMENT OF PERSONNEL. The department [COM-
3 MISSION] may employ and determine the salary of an executive director,
4 who shall provide staff assistance to the commission. With the ap-
5 proval of the department [COMMISSION], the executive director may
6 select and employ additional staff. The commission shall be assisted
7 by the officers or personnel of the department as the commissioner of
8 health and social services directs [SHALL DIRECT]. The executive
9 director of the commission is in the exempt service under AS 39.25.

10 * Sec. 12. AS 47.07.900(4) is amended to read:

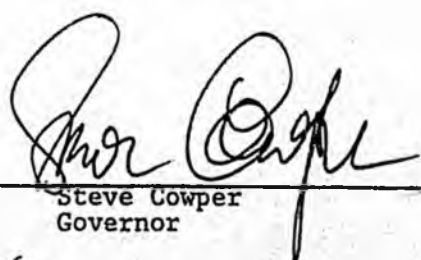
11 (4) "commission" means the Medicaid Rate Advisory Commis-
12 sion;

13 * Sec. 13. TRANSITION. Regulations related to rate-setting and proce-
14 dures adopted by the Medicaid Rate Commission under authority of AS 47.07.-
15 040 -- 47.07.900 before the effective date of this Order, remain in effect
16 until regulations relating to those functions are adopted by the Department
17 of Health and Social Services under AS 47.07.040 -- 47.07.900 (as amended
18 by this Order), and take effect. The Department of Health and Social
19 Services shall administer those Medicaid Rate Commission regulations until
20 its own regulations take effect.

21 * Sec. 14. COMMISSION MEMBERSHIP. The current membership of the
22 Medicaid Rate Commission is not affected by the transfer of functions under
23 this Order.

24 * Sec. 15. This Order takes effect March 11, 1989.

25
26 DATED: January 9 1989.

27
28 
29 _____
Steve Cowper
Governor

No. 13

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Executive Order making the Medicaid Rate Commission advisory
Sponsor: Rules Committee
Requestor: Governor

Agency Affected: Health & Social Services
BRU: Medicaid Rate Commission
Components: Medicaid Rate Commission

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		-0-	...	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
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FUNDING: (Thousands of Dollars)


GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

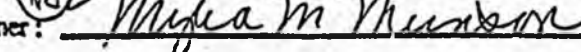
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

The Division does not anticipate a change in appropriations for the Medicaid Rate Commission as a result of passage of this bill.

Prepared by: ^{For:} Kim Busch 
Division: Medical Assistance

Phone: 465-3355
Date: 1/11/88

Approved by Commissioner: 
Agency: DHSS

Date: 1-2-89

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