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330

Senator John Binkley

Senate Finance Committee
P.O. Box V • Juneau, Alaska 99811 • (907) 465-4985




Finance Committee
Co-Chairman

MEMORANDUM

January 25, 1990

TO: Senator Paul Fischer, Chairman
Senate Health, Education and Social Services Committee

FROM: Senator John Binkley 

RE: SB 330 - Relating to substance abuse services under the state medical assistance program; and reordering the priorities for eliminating coverage under Medicaid.

Senate Bill 330 would add substance abuse treatment to Medicaid options. It would bring millions of federal dollars into the state for programs that are now being paid for by general fund dollars. The bill was introduced at the end of last session, and the Department of Health and Social Services has been working on technical aspects of the legislation.

I would very much appreciate you scheduling a hearing on this bill in the near future. Thank you for your consideration.

POSITION PAPER
SENATE BILL NO. 330

For an Act entitled: "An Act relating to substance abuse services under the state medical assistance program; and reordering the priorities for eliminating coverage under Medicaid."

Senate Bill No. 330 would amend AS 47.07.030 by adding rehabilitation services for substance abuse to Alaska's Medicaid program, thus providing 50% federal funding for some of the services provided to Medicaid-eligible patients by programs approved by the Division of Alcoholism and Drug Abuse (formerly the Office on Alcoholism and Drug Abuse). Senate Bill No. 330 would also amend AS 47.07.035 to place this optional service tenth in priority among all of Alaska's optional Medicaid services, to be deleted only after a funding shortfall had necessitated eliminating the nine services which precede it.

Medicaid already covers some of the services needed by substance abusers, such as detoxification in a hospital setting and institutionalization in a psychiatric facility for those under 22 and over 64. However, no Medicaid funds currently go to non-hospital programs for providing services which Medicaid federal rules allow the program to reimburse. Senate Bill No. 330 would allow providers to bill the Division of Medical Assistance and receive Medicaid payments for providing two of the services they currently offer: Case management, often called "after care", and outpatient rehabilitation services, which primarily consist of group and individual counseling offered to clients living independently or in residential care settings.

There is a growing national consensus that substance abuse treatment is most effective, and also least expensive, if it is offered outside of an institutional setting, within or close to the patient's own community and in as normal an environment as is possible. SB No. 330 is consistent with the Department's policy of promoting the least intrusive, most cost-effective health care options. When patients are properly assessed and triaged, outpatient services for substance abusers can be at least as effective as more intense treatment.

Federal Medicaid rules do not allow the program to pay for any types of community-based care which are not medical or rehabilitative in nature. For example, Medicaid cannot pay the cost of room and board in a residential care facility.

There are also some strict limitations on the circumstances in which covered services can be provided when patients live in a residential care facility. However, a program in which Federal requirements are carefully followed would allow substantial federal Medicaid matching funds to reach approved programs, substituting for and supplementing existing state-only funds.

In its Fiscal Note, the Department proposes that only the state matching funds be transferred in FY91 and FY92 from the Grants budget of the Division of Alcoholism and Drug Abuse. The Federal Medicaid matching funds that this will generate will increase total funds available to approved alcohol and drug abuse programs.

This Medicaid option is particularly appealing right now because of three major new federal mandates:

1. Expansion of Medicaid coverage for pregnant women, effective 4/1/90, up to a family income qualifying limit of 133% of the Alaska Federal Poverty Level. There is a great need to expand services to pregnant women who have substance abuse problems, and this expansion of the number of women who will have Medicaid eligibility significantly increases the number of pregnant women for whom Medicaid reimbursement can be made.
2. Addition of the Unemployed Parent Coverage to the Aid to Families with Dependent Children program, effective 10/1/90. The majority of patients currently served by grantees are males under 40, who usually cannot qualify for Medicaid without being severely disabled. This grant will add over six hundred male parents per month to Medicaid just during FY91, significantly expanding the programs' ability to claim Medicaid for more individuals they already serve.
3. Addition of services for Medicaid recipients under 21. Beginning in July, 1990, all states must offer all Medicaid children who have a mental or physical need that is diagnosed in an EPSDT (Early Periodic Screening, Diagnosis and Treatment) screening any Medicaid service that is necessary to meet that need, even if the state has not chosen to include that service in its own Medicaid program. The Department has submitted an amend-

ment to its FY91 budget request for the costs of adding the new mandatory services of outpatient rehabilitation and targeted case management for Medicaid recipients under 21.

This mandate makes it logical to offer a broader range of substance abuse services under SB 330, since substance abuse problems do not magically cease upon a 21st birthday. Further, SB No. 330, were it to be amended as we suggest below, could offer the Department a framework in which to claim and to expend federal funds that is easier to manage than the adoption of administrative regulations which would be based solely on the federal mandate to offer these services to children.

Recommendation

Because case management and counseling services are difficult to define and monitor, it is very easy for providers of case management services and outpatient rehabilitation services to offer services which may not be acceptable under Federal Medicaid rules. While the Division of Medical Assistance must and will regulate service conditions and reimbursement rates, it lacks the staff and expertise to totally ensure that these services are actually being provided appropriately and effectively under the conditions imposed by federal program authorities. The Division of Alcohol and Drug Abuse has this expertise, and regularly conducts thorough on-site program reviews of each of its grantees.

Also, the term "rehabilitation services" is not well defined in federal law and regulation, and service definitions that are highly subject to interpretation have a high probability of expanding to include services that were not originally intended.

Therefore, we respectfully suggest that SB No. 330 be amended to add a Section 3, amending AS 47.07.900 by adding the following definition:

(11) "Rehabilitation services for substance abuse" means targeted case management and substance abuse outpatient services rendered by providers approved by the Department of Health and Social Services.

With or without this specificity, the Department would include these service definitions in regulation, and it would

also require that participating programs be approved by both the Division of Alcoholism and Drug Abuse and the Division of Medical Assistance.

However, the Department would be much better able to manage growth and utilization if the statutes themselves precisely limit and define these services. We feel this addition would also minimize any confusion on the part of providers as to which services are allowable for Medicaid reimbursement.

Position

We believe that, with careful implementation, regulation, and monitoring, the changes proposed by SB No. 330 will benefit both the providers and the recipients of services. The introduction of Medicaid federal matching funds into the state's treatment system for drug and alcohol victims offers a long-term opportunity to expand and improve the availability of that treatment. This funding would also add stability to the support of a system that is presently totally reliant on state general funded grants.

The Department supports the passage of SB No. 330.

RECOMMENDED:

Kim Busch
For: Kim Busch, Director
Division of Medical Assistance

DATE:

3/28/90

RECOMMENDED:

Matt Felix
Matt Felix, Director
Division of Alcohol & Drug Abuse

DATE:

3/28/90

APPROVED:

Myra M. Munson
Myra M. Munson, Commissioner
Dept. of Health & Social Services

DATE:

3/29/90

DRAFT

STATE OF ALASKA
1990 LEGISLATIVE SESSION

BILL VERSION: SB No. 330
PUBLISH DATE: 5/7/89

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act Relating to Substance Abuse Services...
Sponsor: Binkley
Requestor: _____

Agency Affected: Health and Social Services
BRU: Various-See Analysis
Components: Various--See Analysis

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	50.8	52.8	54.9	57.1	59.4	61.8
TRAVEL	10.0	10.0	10.0	10.0	10.0	10.0
CONTRACTUAL	188.9	157.6	163.5	169.6	176.0	182.7
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	5.0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	338.0	934.2	1,241.8	1,608.1	2,044.4	2,564.0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	593.7	1,155.6	1,471.2	1,845.8	2,290.8	2,819.5

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	82.7	134.4	340.2	525.4	745.8	1,007.9
FEDERAL FUNDS	442.2	905.4	1,063.1	1,250.3	1,472.6	1,736.8
OTHER	68.8	65.8	67.9	70.1	72.4	74.8
TOTAL	593.7	1,155.6	1,471.2	1,845.8	2,290.8	2,819.5

POSITIONS:

FULL-TIME	1	1	1	1	1	1
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

No FY90 impact. Analysis attached.

Prepared by: Kim Busch Phone: 465-3355
Division: Division of Medical Assistance Date: 7-20-90

Approved by Commissioner: _____ Date: _____
Agency: _____

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

Senate Bill No. 330
Fiscal Note Attachment
Cost Analysis for Rehabilitation Services

As written, SB No. 330 has no effective date. Considerable time is required in order to design coverage and reimbursement limitations, make the necessary data system changes necessary to adjudicate and pay bills, and enroll and train new providers. A start date of January 1, 1991 is assumed. Therefore, FY91 costs are for development and for six months of actual program operation.

I. Contractual Costs

a. The Alaska Medical Payments System will require modification to pay providers of these new services. The contractual costs include the following: provider manuals, a new claims form, tables included in the system for each type of service, computer programming, computer reports, the addition of collocation codes, the provision of notice to providers, on-site training of providers by the contractor's staff, provider relations, and a computer system test. This is a one-time FY91 cost of 75.0 (37.5 Federal, 37.5 SGFM).

b. The Division of Medical Assistance must pay the claims processing contractor \$6.23 for each claim processed. Estimated claims volume for FY91 is 6,919 assuming a January 1, 1991 start date. Funding for Claims Processing is 75% FED, 25% SGFM. FY91 processing costs = 43.1 (32.3 FED, 10.8 SGFM). For FY92 and forward, claims volume is expected to increase by 4.2% per year, but the \$6.23 cost per claim is fixed by contract and will not increase.

II. Grants/Claims Costs

The costs of providing outpatient rehabilitation and case management services to Medicaid eligible persons under 21 are included as an amendment to the Department's FY91 budget request. Coverage of abuse services for recipients under 21 is now required by federal law (Omnibus Reconciliation Act of 1989). This fiscal note reflects only the costs of providing services to adults.

FY91 costs are derived from actual FY90 data of those Medicaid adult clients currently served by grantees of the Division of Alcoholism and Drug Abuse, and the costs of services they receive. No increase in numbers served or in costs of services are assumed for FY91.

FY91 Outpatient Rehabilitation Services:

586 Adults x \$853.24 = \$500,000

FY91 Case Management Services:

275 Adults x \$469.33 = 176,000

For FY92 and subsequent years, Grants costs are projected from this FY91 base, increased annually by 19.1%, which is a composite of the following factors: (a) an annual price increase of 4.5%; (b) an annual increase of 4.2% in the numbers of adult Medicaid Eligible clients served by approved providers; and (c) an annual increase of 10.4% in the rate at which existing services are utilized by recipients.

All Grants costs are 50% FED, 50% SGFM. General Fund Match is provided by a transfer of appropriated funds from the Alcohol Abuse Grants component of the Alcohol and Drug Abuse Services BRU to the Medicaid Non-Facility component of the Medical Assistance BRU.

III. Personal Services (RSA)

SB No. 330 will require the addition of one position in the Division of Alcoholism and Drug Abuse. This range 18 position will be dedicated to Medicaid services, so that salary and support costs will qualify for 50% FED, 50% SGFM Medicaid funding. Funding will be through an RSA with the Division of Medical Assistance.

This position will travel regularly to each approved program, training and conducting quality assurance reviews related to assuring that each Medicaid claim is adequately documented a federally-approvable service provided to a Medicaid-eligible person, and that the services provided were also necessary and in compliance with the requirements of any state grant agreement. This position bears the primary responsibility for insuring that federal Medicaid program and fiscal audits of providers will not result in fiscal audits sanctions or penalties.

For FY91, the position is expected to begin 7/1/90, in order to assist grantees in preparing individual implementation plans to insure that each grantee's transition from grant funding to partial Medicaid revenue does not result in cash flow problems that would impact service delivery.

FY91 Costs:	Personal Services	50.8
	Travel	10.0
	Contractual	2.0
	Supplies	1.0
	Equipment	5.0*
	TOTAL	68.8

For FY92 and following, the FY91 Personal Services cost is increased by 4% annually; other costs remain unchanged.

* (Personal Computer-FY91 one-time cost)

IV. FY91 FUNDING SYNOPSIS

	MEDICAID NON-FACILITY	CLAIMS PROCESSING	SOADA ADMINISTRATION	ALCOHOL ABUSE GRANTS	TOTAL
Personal Services			50.8		50.8
Travel			10.0		10.0
Contractual		68.8 (RSA) 118.1	2.0		188.9
Supplies			1.0		1.0
Equipment			5.0		5.0
Grants	676.0			(338.0)	338.0
TOTAL	676.0	186.9	68.8	(338.0)	593.7
Funding					
General Fund	338.0	82.7 ⁽¹⁾		(338.0)	82.7 ⁽²⁾
Federal Funds	338.0	104.2			442.2
Other (IA)			68.8		68.8
				TOTAL	593.7

(1) New SCFM = 82.7

(2) New Federal Match = 442.2

For FY92 and each subsequent year, reduction/transfer from alcohol abuse grants is 676.0.

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: An Act Relating to Substance Abuse Services...
 Sponsor: Binkley
 Requestor: _____

Agency Affected: Health and Social Services
 BRU: Various-See Analysis
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	50.8	52.8	54.9	57.1	59.4	61.8
TRAVEL	10.0	10.0	10.0	10.0	10.0	10.0
CONTRACTUAL	188.9	157.6	163.5	169.6	176.0	182.7
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	5.0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	338.0	934.2	1,241.8	1,608.1	2,044.4	2,564.0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	593.7	1,155.6	1,471.2	1,845.8	2,290.8	2,819.5

CAPITAL	0	0	0	.0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	66.7	186.5	342.3	527.5	747.9	1,010.0
FEDERAL FUNDS	458.2	903.3	1,061.0	1,248.2	1,470.5	1,734.7
OTHER	68.8	65.8	67.9	70.1	72.4	74.8
TOTAL	593.7	1,155.6	1,471.2	1,845.8	2,290.8	2,819.5

POSITIONS:

FULL-TIME	1	1	1	1	1	1
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

No FY90 impact. Analysis attached.

Prepared by: Kimberly B. Bush
 Division: Division of Medical Assistance

Phone: 465-3355
 Date: 3-23-90

Approved by Commissioner: Maria J. Jensen
 Agency: _____

Date: 3/27/90

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

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b. The Division of Medical Assistance must pay the claims processing contractor \$6.23 for each claim processed. Estimated claims volume for FY91 is 6,919 assuming a January 1, 1991 start date. Funding for Claims Processing is 75% FED, 25% SGFM except for the 9.1% for profit and overhead which is funded at 50% FED and 50% SGFM. FY91 processing costs = 43.1 (31.3 FED, 11.8 SGFM). For FY92 and forward, claims volume is expected to increase by 4.2% per year, but the \$6.23 cost per claim is fixed by contract and will not increase.

II. Grants/Claims Costs

The costs of providing outpatient rehabilitation and case management services to Medicaid eligible persons under 21 are included as an amendment to the Department's FY91 budget request. Coverage of abuse services for recipients under 21 is now required by federal law (Omnibus Reconciliation Act of 1989). This fiscal note reflects only the costs of providing services to adults.

FY91 costs are derived from actual FY90 data of those Medicaid adult clients currently served by grantees of the Division of Alcoholism and Drug Abuse, and the costs of services they receive. No increase in numbers served or in costs of services are assumed for FY91.

FY91 Outpatient Rehabilitation Services:
586 Adults x \$853.24 = \$500,000
FY91 Case Management Services:

375 Adults x \$469.33 =	176,000
FY91 Total	<u>\$676,000</u>

For FY92 and subsequent years, Grants costs are projected from this FY91 base, increased annually by 19.1%, which is a composite of the following factors: (a) an annual price increase of 4.5%; (b) an annual increase of 4.2% in the numbers of adult Medicaid Eligible clients served by approved providers; and (c) an annual increase of 10.4% in the rate at which existing services are utilized by recipients.

All Grants costs are 50% FED, 50% SGFM. General Fund Match is provided by a transfer of appropriated funds from the Alcohol Abuse Grants component of the Alcohol and Drug Abuse Services BRU to the Medicaid Non-Facility component of the Medical Assistance BRU.

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For FY91, the position is expected to begin 7/1/90, in order to assist grantees in preparing individual implementation plans to insure that each grantee's transition from grant funding to partial Medicaid revenue does not result in cash flow problems that would impact service delivery.

FY91 Costs:	Personal Services	50.8
	Travel	10.0
	Contractual	2.0
	Supplies	1.0
	Equipment	5.0*
	TOTAL	<u>68.8</u>

For FY92 and following, the FY91 Personal Services cost is increased by 4% annually; other costs remain unchanged.

* (Personal Computer-FY91 one-time cost)

IV.

FY91 FUNDING SYNOPSIS

	MEDICAID NON-FACILITY	CLAIMS PROCESSING	SOADA ADMINISTRATION	ALCOHOL ABUSE GRANTS	TOTAL
Personal Services			50.8		50.8
Travel			10.0		10.0
Contractual		68.6 (RSA)			
		118.1	2.0		188.9
Supplies			1.0		1.0
Equipment			5.0		5.0
Grants	676.0			(338.0)	338.0
TOTAL	676.0	186.9	68.8	(338.0)	593.7
Funding					
General Fund	338.0	66.7 ⁽¹⁾		(338.0)	66.7
Federal Funds	338.0	120.2			458.2
Other (IA)			68.8		68.8
				TOTAL	593.7

(1) New SCFM = 66.7

(2) New Federal Match = 458.2

FY92 FUNDING SYNOPSIS

	MEDICAID NON-FACILITY	CLAIMS PROCESSING	SOADA ADMINISTRATION	ALCOHOL ABUSE GRANTS	TOTAL
Personal Services			52.8		52.8
Travel			10.0		10.0
Contractual		65.8 (RSA)			
		89.8	2.0		157.6
Supplies			1.0		1.0
Equipment			0		0
Grants	1,610.2		0	(676.0)	934.2
TOTAL	1,610.2	155.6	65.8	(676.0)	1,155.6
Funding					
General Fund	805.1	57.4		(676.0)	186.5
Federal Funds	805.1	98.2			903.3
Other (IA)			65.8		65.8
				TOTAL	1,155.6

FY92 is the final year of reduction/transfer from alcohol abuse grants to Medical Assistance; at that point one full year funding of the program will be in the Medical Assistance base. In future years Medical Assistance will budget for Medicaid eligible using this service.