

**SB**

**149**

**SENATE COMMITTEE REPORT**  
**First Committee of Referral**

DATE: 3/24/97

FURTHER: Finance

Date of 5-Day Notice: 3/27/97  
 (in accordance with Uniform Rule 23)

DATE TURNED  
 IN TO OFFICE: 4/4/97

HESS Committee considered      SENATE BILL NO. 149

"An Act relating to reports and audits concerning health care facilities; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill:**  
 same title  
 new title
- House Bill:**  
 same title  
 technical title  
 new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
		<i>James Ward</i>	✓		
		<i>Andrew A. Lewman</i>	✓		
		<i>Greg Ellis</i>	✓		
		<i>Lynda Owen</i>	✓		
CHAIR: <i>G. Wells</i>	✓	CHAIR:			

**NEW FISCAL NOTE(S):**

Department	Date	Zero	Fiscal
Health + Social Services	4/2/97	✓	

**PREVIOUS FISCAL NOTE(S):\***

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

**FISCAL NOTE**

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

BILL NO. SB 149

Revision Date: \_\_\_\_\_  
 Title: An Act relating to rates, reports, and  
inspections of health facilities under AS 47.07.  
 Sponsor: Senate HESS  
 Requestor: Senate HESS

Dept. Affected: Health and Social Services  
 BRU: Medical Assistance  
 Component: Medicaid Facilities  
 COMPONENT SERIAL NO. 230  
 See also (SN#): \_\_\_\_\_

**Expenditures/Revenues:**

(Thousands of Dollars)

OPERATING	FY98	FY99	FY00	FY01	FY02	FY03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGES IN REVENUES ( )</b>						
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**FUND SOURCE**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please specify)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of any current year (FY97) cost: \$0.0

**ANALYSIS:** (Attach a separate page if necessary)  
 The attached bill amends AS 47.07.074 to clarify that the Department of Health and Social Services is authorized to consider the department's audits of financial and statistical information submitted by health care facilities, for the purpose of establishing Medicaid payment rates for such facilities. This bill also addresses the timing of the submission of reports by health facilities, and provides that Medicaid audits may be conducted less than annually on health care facilities.

*July 31/20197*  
 Prepared by: Jack Nielson  
 Division: Medical Assistance/MRAC  
 Approved by Commissioner: Karen Perdue, Commissioner  
 Agency: Department of Health & Social Services

Phone: 562-1996  
 Date: 03/28/97  
 Date: 4-2-97

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## Senate Committee on Health, Education and Social Services

### SENATE HESS COMMITTEE SPONSOR STATEMENT

#### SB 149 - Health Care Facility Audits & Reports

SB 149 clarifies that Medicaid audits may be used in the Medicaid rate setting process. This is a necessary clarification, since a recent rate appeal decision prevented the State from being able to set rates based on 1993 and 1994 Medicaid audits.

In addition to this, SB 149 repeals a State filing deadline that has been superseded by Federal deadlines. Even though the Alaska Department of Health & Social Services requires facilities to file a year-end report within 120 days after the year's end, it is often difficult for facilities to obtain needed documents from Federal payment intermediaries such as Blue Cross of Washington & Alaska in that time, since the Federal Government does not require filing for up to five months past the end of the year. This discrepancy in State and Federal deadlines has created a need for the 120-day deadline to be changed. SB 149 allows the Commissioner to change the State deadline to match the Federal one.

Finally, SB 149 adds language that acknowledges that it is not necessary for DHSS to audit every facility every year for Medicaid. Since facilities are audited by their independent C.P.A.'s every year, there should be no reason for DHSS to duplicate that audit effort, providing that the facility in question has no history of audit problems and the amount of Medicaid paid to that facility is not material compared to the total Medicaid budget. This acknowledgment is a first step in helping to facilitate a process which could be designed to reduce the administrative burden that DHSS and the facilities experience in auditing every facility every year, whether there is need to or not.

This bill has the support of the Administration, and the Alaska State Hospital and Nursing Home Association.

ALASKA STATE

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# HOSPITAL & NURSING HOME

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ASSOCIATION

## POSITION PAPER

### SENATE BILL 149 Health Care Facility Audits & Reports

March 27, 1997

"An Act relating to, reports and audits of health facilities; and providing for an effective date."

#### WHY SUPPORT THE MEDICAID AUDIT BILL?

1. It clarifies that Medicaid audits may be used in the Medicaid rate setting process.
  - Federal law requires that states perform Medicaid audits.
  - Recent rate appeal decisions state that Medicaid audits done in 1993 and 1994 may not be used to set rates.
  - This bill is not designed to overturn those decisions but rather to clarify future application.
2. It repeals a State filing deadline that has been superseded by Federal deadlines. Under State law, facilities must file a year end report with the Alaska Department of Health & Social Services (DHSS) within 120 days after year end. As a result of Federal deadline changes, facilities no longer receive the documents they need from Federal payment intermediaries (Blue Cross of Washington & Alaska) until five months after year end. Since those documents must be filed as part of the year end report to the State, the 120 day deadline no longer works.
3. It adds language that acknowledges that it is not required for DHSS to audit every facility every year for Medicaid. They are all audited by their independent C.P.A.'s every year and we believe it would be appropriate for Medicaid audits to be done less frequently. If there is no history of audit problems with a facility and the amount of Medicaid paid to that facility is not material compared to the total Medicaid budget, a process could be designed to reduce the administrative burden related to the audit activity.
4. The Department of Health and Social Services and the Alaska State Hospital and Nursing Home Association jointly support the bill as a measure to ensure proper operation of the Medicaid rate setting process.

SENATE BILL 149 "Relating to reports and audits concerning health care facilities; and providing for an effective date."

Question: Will the Department of Health and Social Services continue to audit health care facilities on an annual basis.

Answer: The current rate setting system for health care facilities uses a prospective rate setting methodology, i.e., rates are based on historical cost information projected forward to establish a rate for the current year. This approach calls for annual audit to insure that the state reimburses facilities at an appropriate rate.

However, the Department of Health and Social Services has been exploring possible alternative rate setting methodologies with several of the smaller health care facilities. Both the department and the facilities believe that a less cumbersome methodology for setting rates for small facilities may allow the department to audit those facilities less frequently than annually.

These discussions will continue and the Legislature will be fully informed when, and if, a new rate setting approach is agreed upon..