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# ALASKA STATE LEGISLATURE



*Interim:*


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Wasilla, Alaska 99654  
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*Session:*

State Capitol  
Juneau, Alaska 99801-1182  
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## SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE SENATOR LYDA GREEN, CHAIR

To: Representative Fred Dyson, CoChair  
House Health Education and Social Services Committee

From: Senator Lyda Green, Chair   
Senate HESS Committee

Date: April 17, 2002

Subject: Hearing Request, Senate Bill 345

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Senate Bill 345, "An Act relating to medical assistance for rehabilitative services for certain children with disabilities; relating to agreements to pay medical assistance for covered services paid for or furnished to eligible children with disabilities by a school district; and providing for an effective date." has been referred to the Senate Finance Committee. This is my formal request that a hearing for SB 345 be held at the earliest opportunity.

A copy of the sponsor statement accompanies this request. If you have any questions please call Jerry at 3579.

Your cooperation is appreciated.

SENATOR LOREN LEMAN, VICE-CHAIR  
SENATOR JERRY WARD, SENATOR GARY WILKEN, SENATOR BETTYE DAVIS

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## SENATOR LYDA GREEN SENATE DISTRICT N

### Sponsor Statement CS Senate Bill 345

Under the federal Individuals Disabilities Education Act (IDEA), school districts are required to provide rehabilitative services to qualifying students. Currently the federal government pays approximately 16% of the costs of services required by IDEA and the balance is paid out of the foundation formula with a mix of state and local funding. To the extent that these students qualify for Medicaid, federal law allows for schools to bill the state Medicaid program for many of these services. However, Alaska state law does not authorize school districts to be Medicaid providers. Senate Bill 345 authorizes the Alaska Department of Health and Social Services to promulgate the necessary regulations and to contract with school districts to reimburse the districts for rehabilitative services for students who qualify under the Medicaid program. Currently 42 other states fund school-based services through the Medicaid program.

Under the provisions of SB 345, the school district pays the state match for the Medicaid services it receives. The only state cost under this bill is the cost of promulgating the regulations and some small administrative costs. School districts benefit by receiving the federal matching dollars under the Medicaid program for services that they must provide, regardless of how they are funded. For each school district dollar expended for these covered services, the school district would receive approximately \$1.50 in additional federal dollars, which can help defray the costs of providing special education services.

# FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

Fiscal Note Number: 2  
Bill Version: SB 345  
( s ) Publish Date: 3/27/02

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Health & Social Services  
Title: SCHOOL BASED MEDICAL ASSISTANCE FOR CHILDREN WITH DISABILITIES BRU: Medical Assistance  
Component: Medicaid Services  
Sponsor: SENATE (HES)  
Requestor: SENATE (HES) Component Number: 2077

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	787.5	3,937.5	7,875.0	7,875.0	7,875.0	7,875.0
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>787.5</b>	<b>3,937.5</b>	<b>7,875.0</b>	<b>7,875.0</b>	<b>7,875.0</b>	<b>7,875.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( 0 )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts	458.9	2,294.4	4,588.8	4,588.8	4,588.8	4,588.8
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1108 Stat Desig	328.6	1,643.1	3,286.2	3,286.2	3,286.2	3,286.2
<b>TOTAL</b>	<b>787.5</b>	<b>3,937.5</b>	<b>7,875.0</b>	<b>7,875.0</b>	<b>7,875.0</b>	<b>7,875.0</b>

Estimate of any current year (FY2002) cost: \_\_\_\_\_

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This bill would enable school districts to bill Medicaid for services provided to Medicaid-eligible children in special education programs. Districts would reimburse the Department of Health and Social Services for the state match required. There would be no net increase in state general fund match for Medicaid (see related fiscal note for administrative costs).

See attached page for assumptions.

Prepared by: Jon Sherwood Phone 465-3355  
Division: Medical Assistance Date/Time 03/05/2002  
Approved by: Elmer A. Lindstrom, Deputy Commissioner Date 03/06/2002  
Agency: Department of Health & Social Services

For distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

BILL NO. SB 345 #2

ANALYSIS CONTINUATION

Assumptions:

Alaska school districts provide approximately \$45 million in special education support services annually.

Approximately 35 percent of children receiving special education services are eligible for Medicaid.

At full implementation, approximately 50 percent of special education support services provided to Medicaid eligible children will qualify for Medicaid reimbursement; the remainder will fall outside of Medicaid service definitions or will be provided by smaller districts who choose not to bill Medicaid.

Legislation will be fully implemented by FY 05. FY 03 Medicaid service expenditures will be 10 percent of FY 05 expenditures. FY 04 expenditures will be 50 percent of FY 05 expenditures.

Federal share of Medicaid Service expenditures will be 58.27 percent.

School districts will reimburse the Department for the state match (shown as statutory designated program receipts).

Cost of Services under full implementation:

FY 05 @ \$45,000.0 x 35% x 50% = \$7,875.0.

FY 06 @ \$45,000.0 x 35% x 50% = \$7,875.0.

FY 07 @ \$45,000.0 x 35% x 50% = \$7,875.0.

FY 08 @ \$45,000.0 x 35% x 50% = \$7,875.0.

Start-up years:

FY 03 @ 10% of FY 05 = \$ 787.5

FY 04 @ 50% of FY 05 = \$3,937.5

# FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: SB 345  
( S ) Publish Date: 3/18/02

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Health & Social Services  
Title: SCHOOL BASED MEDICAL ASSISTANCE FOR CHILDREN WITH DISABILITIES BRU: Medical Assistance Admin  
Component: Health Purchasing Group  
Sponsor: SENATE (HES)  
Requestor: SENATE (HES) Component Number: 243

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	76.5	76.5	97.3	97.3	97.3	97.3
Travel	5.0	5.0	5.0	6.0	7.0	8.0
Contractual	56.5		6.5			
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>138.0</b>	<b>81.5</b>	<b>108.8</b>	<b>103.3</b>	<b>104.3</b>	<b>105.3</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( 0 )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts	85.9	40.7	54.4	51.6	52.1	52.6
1003 GF Match	52.1	40.8	54.4	51.7	52.2	52.7
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--do not abbreviate)						
<b>TOTAL</b>	<b>138.0</b>	<b>81.5</b>	<b>108.8</b>	<b>103.3</b>	<b>104.3</b>	<b>105.3</b>

Estimate of any current year (FY2002) cost: \_\_\_\_\_

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time	1	1	1	1	1	1
Part-time			1	1	1	
Temporary						1

**ANALYSIS:** (Attach a separate page if necessary)

Administrative costs associated with this legislation include \$50.0 to modify the MMIS to allow school districts to submit claims. This would be a one-time, FY03 contractual cost, and is eligible for 75% federal funding. One full time, range 20 position in the Health Policy and Programs unit would be required to develop policy and support school district claiming efforts, beginning in FY 03. The position would require \$76.5 in personal services and \$5.0 in travel annually and \$6.5 in start-up contractual costs. Eventually, in FY 05, the volume of claims would require one half-time, range 10 accounting clerk position to track expenditures and recover the state match from school districts, as provided for in legislation. This position would require \$20.8 in personal services annually.

Prepared by: Jon Sherwood Phone 465-3355  
Division: Medical Assistance Date/Time 03/05/2002  
Approved by: Elmer A. Lindstrom, Deputy Commissioner Date 03/06/2002  
Agency: Department of Health & Social Services

For distribution information, call the Governor's Legislative Office

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ORIGINAL  
COPIES

**Written Testimony- House HES Committee, 4/23/02****S.B. 345, "School Services for Disabled Students"**

I believe some of the assumptions, especially regarding estimation of funds to be gained from billing Medicaid for services delivered in schools is flawed. The bill would ask schools to determine eligible services and bill Medicaid. Per discussion in Senate HESS committee hearing by Mr. Bob Labbe, Director of Division of Medical Assistance, the division would process the bills like any from any hospital, clinic, or other medical provider. However, unlike other providers, each district would reimburse the state for it's state match of federal Medicaid dollars. [I think this is about a 47% match for Alaska.]

Analysis details upon which the S.B. 345 fiscal note is based are flawed. There appears to be an assumption that if 35% of Alaskan students receiving special services are eligible for Medicaid, then 50% of those services, especially those delivered in larger districts, would be recoverable. Many services provided in schools by therapists (and other potential reimbursable service providers) are educational in 'scope and focus' and would not be medically reimbursable from Medicaid. A friend sent me this quote from the technical assistance guide published in 1997 to help schools understand what could/could not be billed under the federal rules by the Centers for Medicare and Medicaid Services/CMS (formerly HCFA). It says:

*"In addition, if medical evaluations or assessments are conducted to determine a child's health-related needs for purposes of the IEP/IFSP, payment for some or all of the costs may be available under Medicaid. However, if the evaluations or assessments are for educational purposes, Medicaid reimbursement is not available. Medicaid payment is only available for the part of the assessment that is medical in nature and provided by qualified Medicaid providers. In addition, reimbursement for non-medical services, such as special instruction, is not covered..."*

The schools are still obligated to provide services in accordance with IDEA relative to eligibility, educational focus/outcomes, etc. There is no guarantee of reimbursement. Schools continue to hold the final responsibility for the provision of special education and related services even if they do bill Medicaid and other insurance providers. Others report that Congress has become concerned with the increase in the number of school district claims, and cases where all of the federal Medicaid matching funds ended up in State coffers. There has been perceived evidence of Medicaid fraud and abuse. As investigation follows, reimbursement of federal dollars and additional penalties may have to be paid.

Both dollar costs, and philosophical/ethical/procedural changes would be needed to move from a "school function" model of focus to "medical model" focus of service delivery. Schools will be put in the position of competing for funds with outpatient services at hospitals, medical clinics and private practices. If services currently received after school are no longer available (not billable twice) schools may have to provide more individual services and increase the time students are pulled from academic activities. As a school employed therapist, shifting from "time study" to "direct billing" for capture of Medicaid funds translates to lots more paper work (medical prescriptions, treatment plans in addition to IEPs, progress review studies, treatment documentation in 15 minute billable coding increments), with less time to work with kids (therefore increased staff needed); as well as the hoops to be approved Medicaid providers and are subject to an additional audit process. In service on requirements for providers will be needed/ongoing.

This bill is expressed as an "option" for districts, however therapists experienced with ILP Programs found their state dollar contributions cut by what they were "projected to be able to generate" through billing and tell us there may not be choice at all. There will be costs to districts. Will the potential income offset those costs? The federal playing field may be shifting toward tighter funding. Will we be left holding the bag of having a red up for a services shift and get less reimbursement? Alaska needs to be very careful to avoid problems and work from a more realistic view than what has been projected with big dollar signs in S.B. 345. Thank you for your attention to this issue.

*Pauline Bennett-Hannon, OTE/CL*





# ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the (H) HES

Committee Name

Committee on S.B. 345 - Medicaid Billing Dated 4-23-02

Bill / Subject

by Schools

*See attached page.*

SIGNED:

Pauline L. Bennett-Lannon, OTR/L

Testifier

Concern of self and a number of other school therapists  
Representing

1076 Willow Grouse Rd., Fairbanks, AK 99712

Address / Phone Number

*Written Testimony- House HES Committee, 4/23/02***S.B. 345, "School Services for Disabled Students"**

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*Pauline Bennett-Hannon, OTE/L*



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119 N. CUSHMAN ST. SUITE 101  
FAIRBANKS, AK 99701

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WRITTEN TESTIMONY TRANSMITTAL SHEET

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TO:	HHESS, Rep. Fred Dyson, Chair	FROM:	Fran/Fbx LIO
COMPANY:		DATE:	4/23/2002
FAX NUMBER:	465-4587		
PHONE NUMBER:	465-3759	FAXED ON:	04/23/2002
RE:	Written Testimony: SB 345	TELECONFERENCED ON:	04-23-02

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URGENT     FOR REVIEW     PLEASE COMMENT     PLEASE REPLY     PLEASE RECYCLE

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NOTES/COMMENTS:

Enclosed please find the originals of the written testimony for SB 345 heard during the HHESS teleconference.

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PHONE: 452-4448

FAX: 456-3346