SB

345

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 3/18/02

RECEIVED OUT
MAR 26 2002
SENATE FINANCE

FURTHER:

DATE TURNED IN TO OFFICE: 03/26/02

Finance Committee considered SENATE BILL NO. 345

SB 345 SCHOOL SERVICES FOR DISABLED STUDENTS

"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."

ar d recommends:

Senate Bill:
[ ] same title
[ ] new title

House Bill:
[ ] same title
[ ] technical title
[ ] new: SCR #_____

[ ] be **replaced** with_____ **CS** _____ (_____)

[ ] adopt **previous** _____ **CS** _____ (_____)

[ ] attached amendment(s)

[ ] adopt Letter of Intent by _____ Committee

[ ] further referral to _____ Committee

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
DHSS	3/6/02	787.5		

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
DHSS	3/5/02	138.0		1

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
	✓			
	✓			
			✓	
	✓			
	✓			
	✓			
COCHAIR:			✓	
COCHAIR:	✓			

REPORT

FISCAL NOTE

MAR 2 5

SENATE COM

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: SB 345
( ) Publish Date:

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						
TOTAL OPERATING	787.5	3,937.5	7,875.0	7,875.0	7,875.0	7,875.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES (0)						

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
TOTAL	787.5	3,937.5	7,875.0	7,875.0	7,875.0	7,875.0

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

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FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. SB 345

ANALYSIS CONTINUATION

Assumptions:

Alaska schoo' 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

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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: 343

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	7.0	7.0	8.0
Contractual	56.5		6.5			
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	138.0	81.5	108.8	103.3	104.3	105.3
CAPITAL EXPENDITURES						
CHANGE IN REVENUES (0)						

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)						
TOTAL	138.0	81.5	108.8	103.3	104.3	105.3

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
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COMMITTEE COPY

ALASKA STATE LEGISLATURE

Interim:
600 East Railroad Avenue
Wasilla, Alaska 99654
(907) 376-3370
(907) 376-3157 Fax

Session:
State Capitol
Juneau, Alaska 99801-1182
(907) 465-6600
(907) 465-3805 Fax

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.

COST-CUTTING STRATEGIES

Description of Strategy

Many states may be providing services (funded through state "general funds") that are potentially reimbursable through Medicaid; Medicaid maximization aims to identify such services and convert them to Medicaid-covered programs. Doing so will increase revenue by bringing in federal matching funds. This would enable the state to either decrease the amount that it is spending on Medicaid or expand coverage or increase the services it provides without spending more money. For example, a state may provide targeted case management services through community clinics and county schools, funded by general funds allocated to the health department. Since this service can be covered under Medicaid, a state can change its Medicaid plan to allow case managers (or the local clinics) to bill Medicaid for these services for those patients who qualify for Medicaid. In return, the state receives a 50 percent or higher federal match. Now, the state can spend half as much for the same service for eligible people or spend the same amount and increase the amount of the service (number of case managers, for example).

Services that states may already provide that could be billed to Medicaid include supportive services for foster care children, case-management, maternal and child health clinic services, home visitation, family planning clinics, services for developmentally disabled children, school-based health services, mental health services, and substance abuse services.

Pros and Cons

Pros

- The amount of federal revenue brought into the state can be increased (by millions of dollars, in many cases), thus allowing a state to avoid reducing eligibility or services or to fund new or expanded services for its underserved population without spending additional money.
- Medicaid billing—and the standard definition of service that would come with it—may facilitate coordination with more traditional medical providers about a patient's care by, for example, creating records that can be more easily shared.

Cons

- Implementation requires extensive paper work and a commitment of resources by state agencies to identify such programs, create new billing codes, develop working relationships with "new" providers and cover other start-up costs.
- Medicaid maximization may appear to increase the Medicaid budget and scope of services when it has not done so in fact, resulting in a perception of program growth.
- Medicaid maximization may create new constituencies that may demand increased funding in the future. Thus, it may be difficult not only to alter programs once they have been implemented or expanded but also to control spending.

- Maximizing Medicaid "medicalizes" certain services by standardizing service providers or requiring recipients to meet specific medical qualifications.

- For some services or populations, the Medicaid framework may be perceived as detrimental if it places limits on service provision (for example, limits on home-delivered meals when a state-only elderly program is converted to a 1915 (c) waiver).

States' Experience

Most states already have used Medicaid maximization to fund school health services. For example, school services for disabled students are funded in conjunction with state departments of education, under the federal Individuals Disabilities Education Act (IDEA). Services to other Medicaid-eligible children are funded in conjunction with the federal early and periodic screening, diagnosis and treatment (EPSDT) initiative or as part of an Individual Education Program (IEP), the individualized education plan for special education children.

Many other state-provided services potentially may be eligible for a federal Medicaid match. In 1991, for example, the Missouri Department of Mental Health (DMH) developed a cooperative agreement with the state's department of social services to bill Medicaid for substance abuse treatment. Under the new agreement, the state Medicaid agency pays 40 percent of the cost of treatment services for those eligible, while the federal match pays the remaining 60 percent. The DMH uses the money previously spent on treatment (the 60 percent now covered by the match) to expand the program, paying for residential care and child care—services not covered by Medicaid. According to the state's substance abuse treatment coordinator, Missouri would never have been able to afford to provide these extra services if the treatment program had not been converted to Medicaid.

Design and Policy Issues

+ Why use this strategy? Is it to generate funds to maintain current access and reduce state funding, increase access and maintain current funding, or increase access and increase state funding? The answer to this question will help policymakers decide which programs might best be brought into Medicaid and how to explain the benefits of bringing additional programs under Medicaid.

+ Can the state benefit from this strategy? Are there Medicaid eligible programs in the state that are either funded wholly by the state or receive only partial Medicaid reimbursement? What new programs could the state add? State health and human services departments should be able to identify some, if not all, eligible programs.

+ What will it take to change the way in which programs in the state are financed? How is Medicaid policy changed? These changes often will appear as part of Medicaid budgets, so policymakers may want to talk with fiscal analysts in the state Medicaid agency. In some states, executive agencies may play the major role. In others, the legislature may be involved. Since more than one state agency may have to be involved in working out services standards and budgets, the legislature may have to bring together two or more agencies that traditionally have not been linked.

Federal and State Involvement/Constraints

Some of these changes might require an amendment to the state's Medicaid plan or a "waiver" that would need to be approved by the federal government. -/- CF

Figure 1.
Medicaid Maximization

Number of States with Maximization Efforts	
Mental health	44
School-based services	42
Home and community-based services	41
Developmental disabilities	37
High-risk pregnant women	37
Public health	36
Child health services	36
Pregnancy and infants	34
Substance abuse	33
Persons with disabilities	33
Other areas	29
At-risk infants	27

Note: 46 of 50 states responding to CHCS survey.
Source: Vernon Smith, Eileen Ellis and Mary Hogan, Health Management Associates Inc.; *Effect of Medicaid Maximization and Managed Care on Cooperation, Collaboration, and Communication with State Governments* (Lawrenceville, N.J.: Center for Health Care Strategies Inc., 1999).

Read More About It

The Lewin Group and Fox Health Policy Consultants. *Study and Plan for Maximizing Federal Medicaid Funds for Hawaii*, prepared for the Governor and the Legislature of Hawaii, 1990.

The Lewin Group and Sjoberg Evashenk Consulting LLC. *Idaho's Medicaid Program: The Department of Health and Welfare Has Many Opportunities for Cost Savings*, prepared for the Idaho state Legislature, November 2000.

Smith, Vernon; Eileen Ellis; and Mary Hogan, Health Management Associates Inc. *Effect of Medicaid Maximization and Managed Care on Cooperation, Collaboration, and Communication within State Governments.* Center for Health Care Strategies. Princeton, N.J. July 1999. http://www.chcs.org/publications/pdf/ips/IPSEffectMedicaidMaximization.pdf.

SB 345-SCHOOL SERVICES FOR DISABLED STUDENTS
SENATE FINANCE COMMITTEE

S I G N - I N

NAME: Greg McCarty Subject/Bill No: SB 345

Co./Dept./Title: Dept. of Education & Early Dev. Phone: 465-2972

Address: Goldbelt Building Zip:

Do you wish to testify? ✓ Yes ___ No ___ Respond To Questions

NAME: Subject/Bill No:

Co./Dept./Title: Phone:

Address: Zip:

Do you wish to testify? ___ Yes ___ No ___ Respond To Questions

NAME: Subject/Bill No:

Co./Dept./Title: Phone:

Address: Zip:

Do you wish to testify? ___ Yes ___ No ___ Respond To Questions

NAME: Subject/Bill No:

Co./Dept./Title: Phone:

Address: Zip:

Do you wish to testify? ___ Yes ___ No ___ Respond To Questions

SITE: ANCHORAGE LIO

COMMITTEE: SFIN

DATE: 3-26-02

SUBJECT OF MEETING:

UPDATE #:

PRINT YOUR NAME	ADDRESS (MAILING & ZIP)	REPRESENTING	DO YOU WANT TO TESTIFY? Y or N
Larry Wiget		Anch School Dist	**Y-SB 345**
Email address:			
Email address:			
Email address:			
Email address:			
Email address:			
Email address:			
Email address:			
Email address:			