

**SB**

**108**

**HFIN**

**FILE**



# FISCAL NOTE

**STATE OF ALASKA  
2003 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: SB 108  
 ( S ) Publish Date: 3/6/03  
 Dept. Affected: Health & Social Services  
 BRU Medical Assistance Admin  
 Component Health Purchasing Group

Revision Date/Time (Note if correction):  
 Title MEDICAID FACILITY PAYMENT RATES

Sponsor RULES  
 Requester GOVERNOR

Component No. 243

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

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel	( 6.5)	( 6.5)	( 7.0)	( 7.5)	( 8.0)	( 8.0)
Contractual	( 3.1)	( 3.1)	( 3.2)	( 3.5)	( 3.6)	( 3.6)
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>( 9.6)</b>	<b>( 9.6)</b>	<b>( 10.2)</b>	<b>( 11.0)</b>	<b>( 11.6)</b>	<b>( 11.6)</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	( 4.8)	( 4.8)	( 5.1)	( 5.5)	( 5.8)	( 5.8)
1003 GF Match	( 4.8)	( 4.8)	( 5.1)	( 5.5)	( 5.8)	( 5.8)
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
<b>TOTAL</b>	<b>( 9.6)</b>	<b>( 9.6)</b>	<b>( 10.2)</b>	<b>( 11.0)</b>	<b>( 11.6)</b>	<b>( 11.6)</b>

Estimate of any current year (FY2003) cost:

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This bill would eliminate the need for expenditures that support commission members' travel, per diem and other related support costs; and contractual funding for issuing public notices and court reporting services.

Prepared by: Virginia Stonkus  
 Division Medical Assistance  
 Approved by: Joel S. Gilbertson, Commissioner  
 Agency Department of Health and Social Services

Phone 465-1166  
 Date/Time 03/03/2003  
 Date 03/03/2003

COMMITTEE COPY

23-GS1125V  
Lauterbach  
4/23/03

adopted 4/24/03 NLO.

**HOUSE CS FOR SENATE BILL NO. 108(FIN)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-THIRD LEGISLATURE - FIRST SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Offered:**  
**Referred:**

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to payment rates under the Medicaid program for health facilities and  
2 to budgeting, accounting, and reporting requirements for those facilities; abolishing the  
3 Medicaid Rate Advisory Commission; and providing for an effective date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 \* **Section 1.** AS 47.07.070 is repealed and reenacted to read:

6 **Sec. 47.07.070. Payment rates for health facilities.** (a) The department  
7 shall, by regulation, set rates of payment for health facilities under this chapter and  
8 AS 47.25.120 - 47.25.300 in accordance with 42 U.S.C. 1396 (Title XIX, Social  
9 Security Act, Medical Assistance) and this section. A rate established under this  
10 section takes effect under AS 44.62 (Administrative Procedure Act) but not until  
11 approved in writing by the commissioner. The commissioner may delegate the  
12 performance of these functions.

13 (b) In determining the rates of payment for health facilities for a fiscal year,  
14 the department shall, within the limit of appropriations made by the legislature for the

1 department's programs under this chapter and under AS 47.25.120 - 47.25.300 for that  
2 fiscal year, including anticipated available federal revenue for that fiscal year, set rates  
3 for facilities that are based on

- 4 (1) reasonable costs related to patient care; and
- 5 (2) audit and inspection results and reports, when the audit or  
6 inspection is conducted under AS 47.07.074.

7 (c) This section does not apply to the minimum daily reimbursement rate  
8 specified by law under AS 47.24.017 or AS 47.25.195(e) for assisted living homes.

9 \* Sec. 2. AS 47.07.073(a) is amended to read:

10 (a) The department by regulation shall require a uniform system of  
11 accounting, budgeting, and [FINANCIAL] reporting for health facilities receiving  
12 [PROSPECTIVE] payments under this chapter. The regulations must provide for  
13 reporting revenues, expenses, assets, liabilities, [AND] units of service, and other  
14 items considered necessary by the department to implement this chapter. [THE  
15 DEPARTMENT SHALL SPECIFY THE DATE THE SYSTEM BECOMES  
16 EFFECTIVE FOR EACH HEALTH FACILITY.]

17 \* Sec. 3. AS 47.07.073(c) is amended to read:

- 18 (c) The department may waive or modify a requirement for accounting,  
19 budgeting, or [FINANCIAL] reporting for a health facility if waiver or modification is  
20 [(1) NECESSARY TO AVOID EXCESSIVE COSTS TO THE  
21 FACILITY; AND  
22 (2)] consistent with the policies of this chapter.

23 \* Sec. 4. AS 47.07.073(d) is amended to read:

24 (d) Notwithstanding other provisions of this section, the department may, by  
25 regulation, modify the system of accounting, budgeting, and [FINANCIAL] reporting  
26 required under this section for a health facility having fewer than 25 acute care beds in  
27 order to reduce the operating costs of that facility.

28 \* Sec. 5. AS 47.07.074(a) is amended to read:

- 29 (a) As a condition of obtaining payment under AS 47.07.070, a health facility  
30 shall allow  
31 (1) the department [AND THE COMMISSION] reasonable access to

1 the financial records of medical assistance beneficiaries; and

2 (2) audit and inspection of financial records by state and federal  
3 agencies.

4 \* **Sec. 6.** AS 39.25.110(23); AS 47.07.073(b), 47.07.110, 47.07.120, 47.07.130, 47.07.140,  
5 47.07.150, 47.07.160, 47.07.170, 47.07.180, 47.07.190, and 47.07.900(6) are repealed.

6 \* **Sec. 7.** The uncodified law of the State of Alaska is amended by adding a new section to  
7 read:

8 REGULATIONS. To the extent that regulations in effect under AS 47.07.070 on  
9 June 30, 2003, do not conflict with the requirements applicable under AS 47.07.070, as  
10 amended by sec. 1 of this Act, the regulations need not be readopted in order to comply with  
11 this Act.

12 \* **Sec. 8.** This Act takes effect July 1, 2003.

FRANK H. MURKOWSKI  
GOVERNOR  
GOVERNOR@GOV.STATE.AK.US



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

P.O. Box 110001  
JUNEAU, ALASKA 99811-0001  
(907) 465-3500  
FAX (907) 465-3532  
WWW.GOV.STATE.AK.US

March 5, 2003

SB 108

The Honorable Gene Therriault  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 107  
Juneau, AK 99801-1182

Dear President Therriault:

Under the authority of article III, section 18, of the Alaska Constitution, I am transmitting a bill to provide greater flexibility to the Department of Health and Social Services to set Medicaid payment rates for Alaska's hospitals, nursing home and other health care facilities.

The proposed bill would eliminate the Medicaid Rate Advisory Commission and place the responsibility for calculating and setting Medicaid payment rates for health care facilities under the general authority of the Department of Health and Social Services.

Historically, the Medicaid facility rate setting process has been extremely cumbersome and costly for both the state and health care facilities. The current rate-setting process is both a barrier to effective cost containment as well as problematic for assuring adequate reimbursement for Alaska's diverse mix of health care facilities.

Passage of this legislation will allow the department to develop in regulation a more flexible, cost-effective rate setting process that will, for the first time, allow the department to explicitly take into account the appropriations made by the legislature for the Medicaid program when setting rates.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in cursive script that reads "Frank H. Murkowski".

Frank H. Murkowski  
Governor

# STATE OF ALASKA

## DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

P.O. BOX 110601  
JUNEAU, ALASKA 99811-0601  
PHONE: (907) 465-3030  
FAX: (907) 465-3068

April 17, 2003

Honorable Bill Williams  
Co-Chairman  
House Finance Committee  
Alaska State Capitol; Rm. 511  
Juneau, AK 99801

Dear Representative Williams,

The Department of Health and Social Services respectfully requests a hearing in the House Finance Committee on Senate Bill 108 "An Act relating to payment rates under the Medicaid program for health facilities and to budgeting, accounting, and reporting requirements for those facilities; abolishing the Medicaid Rate Advisory Commission; and providing for an effective date."

This bill will provide greater flexibility to the Department of Health and Social Services to set Medicaid payment rates for Alaska's hospitals, nursing homes and other health care facilities. Changes in federal law in the past few years providing more flexibility in rate setting have not been taken advantage of in Alaska due to our own inflexible statute.

The proposed bill would eliminate the Medicaid Rate Advisory Commission (MRAC). Since the MRAC currently acts in an advisory capacity and the Commissioner has ultimate authority to set rates, elimination of the Commission and its attendant costs is appropriate.

Passage of this legislation will allow the department to develop in regulation a more flexible, cost-effective rate setting process that will, for the first time, allow the department to explicitly take into account the appropriations made by the legislature for the Medicaid program when setting rates. A fiscal note should be on file with the committee.

Your favorable consideration of this request will be appreciated.

Sincerely,

A handwritten signature in cursive script that reads "Robert Buttane". The signature is written in dark ink and is positioned above the printed name.

Robert Buttane  
Acting Assistant to the Commissioner

Cc: Representative Pete Kott  
Speaker of the House

Mike Tibbles, Legislative Director  
Office of the Governor

John Gaisford, Director  
Division of Medical Assistance