

**SB**

**32**

<target><bill>SB 32</bill><subject>SB  
32</subject><comm>SFIN26</comm></target>

# ALASKA STATE LEGISLATURE

Finance Committee  
•  
Health & Social Services Committee  
•  
Legislative Council  
•  
Committee on Committees



*While in Session*  
State Capitol, Rm. 103  
Juneau, AK 99801  
(907) 465-3704  
Fax: (907) 465-2529

*While in Anchorage*  
716 W. 4<sup>th</sup> Ave  
Anchorage, AK 99501  
(907) 269-0169  
Fax: (907) 269-0172

## SENATE MAJORITY LEADER JOHNNY ELLIS

### EXPLANATION OF CHANGES TO SENATE BILL 32

The Senate Health and Social Services Committee adopted a Committee Substitute for Senate Bill 32 that made the following changes to the bill as originally drafted:

- 1) Section 1 – page 1 line 5 through page 2 line 18
  - a. Moves the language into a new section of statute, AS 47.07.069. The original bill amended AS 47.07.070 and AS 47.07.074.
- 2) Section 1 – page 1 lines 5-11
  - a. Adds personal care services and assisted living homes for needy and vulnerable adults to the services receiving the rate review process. As drafted, the bill only covered home and community based services provided through a Medicaid waiver.
- 3) Section 1 – page 2 lines 10-12
  - a. Adds the home health agency inflation rate to the rate review process. The original based the rates solely on cost.
- 4) Sections 2 and 3 – page 2 line 19 through page 3 line 11
  - a. Conforming language to amend statutes regarding assisted living homes for needy and vulnerable adults.
- 5) Sections 4 and 5 – Page 3 lines 12-27
  - a. Creates a report to the Legislature detailing trends in rates based on the review process in the bill, and sunset that report in 2014.
- 6) Section 6 – page 3 line 28
  - a. Calls for a two-year delayed effective date. The original bill had no effective date.

# SENATE FINANCE COMMITTEE REPORT

DATE: 2/27/09

FURTHER:

DATE TURNED  
IN TO OFFICE: \_\_\_\_\_

**Finance Committee** considered SENATE BILL NO. 32

SB 32 MEDICAID:HOME/COMMUNITY BASED SERVICES

"An Act relating to medical assistance payments for home and community-based services."

and recommends:

- be replaced with  SCS or  CS SB 32 (FIN)
- adopt previous  SCS or  CS \_\_\_\_\_
- attached amendment(s)
- adopt \_\_\_\_\_ Letter of Intent
- further referral to \_\_\_\_\_ Committee

<b>SENATE BILL:</b>	
<input type="checkbox"/> Same Title	
<input checked="" type="checkbox"/> New Title	
<b>HOUSE BILL:</b>	
<input type="checkbox"/> Same Title	
<input type="checkbox"/> Technical Title Change	
<input type="checkbox"/> New Title w/ SCR # _____	

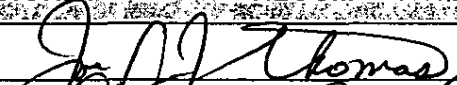

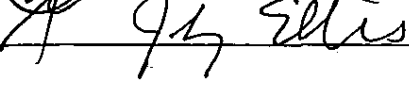
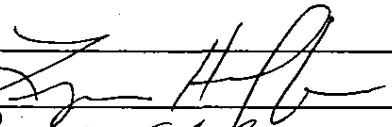

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
HSS	3/19/09	✓			
HSS	3/19/09	✓			

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	Olson			✓	
	ELLIS	✓			
CO-CHAIR: 	Hoffman	✓			
CO-CHAIR: 	STEGMAN			✓	

# FISCAL NOTE

STATE OF ALASKA  
2009 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CSSB032(FIN)  
( ) Publish Date: \_\_\_\_\_

Identifier (file name): SB032CS(FIN)-DHSS-RR-03-19-09 Dept. Affected: Health & Social Services  
Title: Medicaid: Home/Community Based Services RDU: Department Support Services  
Sponsor: Ellis Component: Rate Review  
Requester: Senate Finance Component Number: 2696

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

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

	Appropriation Required	Information					
		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<b>OPERATING EXPENDITURES</b>							
Personal Services	309.3		309.3	309.3	309.3	309.3	309.3
Travel	15.0		15.0	15.0	15.0	15.0	15.0
Contractual	38.4		38.4	38.4	38.4	38.4	38.4
Supplies	1.8		1.8	1.8	1.8	1.8	1.8
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>364.5</b>	<b>0.0</b>	<b>364.5</b>	<b>364.5</b>	<b>364.5</b>	<b>364.5</b>	<b>364.5</b>

<b>CAPITAL EXPENDITURES</b>							
-----------------------------	--	--	--	--	--	--	--

<b>CHANGE IN REVENUES (</b>							
-----------------------------	--	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts	182.3		182.3	182.3	182.3	182.3	182.3
1003 GF Match	182.2		182.2	182.2	182.2	182.2	182.2
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
<b>TOTAL</b>	<b>364.5</b>	<b>0.0</b>	<b>364.5</b>	<b>364.5</b>	<b>364.5</b>	<b>364.5</b>	<b>364.5</b>

Estimate of any current year (FY2009) cost: \_\_\_\_\_

**POSITIONS**

Full-time	3.0		3.0	3.0	3.0	3.0	3.0
Part-time							
Temporary							

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

The proposed legislation amends AS 47.07 to add payment rate provisions for Medicaid providers of personal care services and home and community-based services. This legislation would require the Department to review rates annually and set rates considering periodic cost surveys and the Centers for Medicare and Medicaid Services' home health agency inflation rate. The effective date is July 1, 2011.

(Continued on next page)

Prepared by: William J. Streur, Deputy Commissioner Phone 907-334-2520  
Division: Health Care Services Date/Time 3/19/09 12:00 AM  
Approved by: Alison Elgee, Assistant Commissioner Date 3/19/2009  
DHSS Finance & Management Services

FISCAL NOTE

STATE OF ALASKA  
2009 LEGISLATIVE SESSION

BILL NO. CSSB 032 (FIN)

ANALYSIS CONTINUATION

Under this legislation, the Department would periodically survey providers to obtain cost information. There are approximately 350 home and community-based service providers, including assisted living homes, and an additional 50 personal care providers. Beginning in FY2010, the Department would need to begin developing cost surveys and providing training and technical assistance to providers as they modify their accounting systems to be able to respond to the surveys. The department needs to be able to provide this assistance to providers, so there is clear understanding of the information needed and clear definitions of cost centers; otherwise, it is likely that providers will be unable to provide accurate survey responses.

The Department would also perform some review and inspection of survey information to ensure accuracy before using survey data to set rates. Staff positions would be necessary to oversee the surveys and conduct rate setting operations. The department requires one of these position to be a supervisory level auditor to supervise staff in carrying out, and ensuring the integrity and accuracy of the new processes required by statute.

The legislation would also require the Department to prepare an annual report on the medical assistance rate payments under the new rate setting methodology through FY2014. This report would be prepared by the new rate setting staff at no additional cost.

Assumption:

Annual Personal Services:

2 Internal Auditor III positions and 1 Internal Auditor IV in the Office of Rate Review for cost surveys and rate setting - \$309.3

Annual Travel for audit staff to provide technical assistance and training to providers and receive training required by Government Auditing Standards - \$5.0 per FTE

Annual Contractual:

Office space, phones, etc. - \$12.8 per FTE

Annual Supplies - \$0.6 per FTE

# FISCAL NOTE

STATE OF ALASKA  
2009 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CSSB032(FIN)  
( ) Publish Date: \_\_\_\_\_

Identifier (file name): SB032CS(FIN)-DHSS-SDMS-03-19-09 Dept. Affected: Health & Social Services  
Title: Medicaid: Home/Community Based Services RDU: Senior & Disabilities Services  
Component: Senior & Disabilities Medicaid Services  
Sponsor: Ellis  
Requester: Senate Finance Component Number: 2662

## Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<b>OPERATING EXPENDITURES</b>							
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims	0.0*	0.0*	6,152.6	12,477.5	18,979.5	25,663.6	
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>6,152.6</b>	<b>12,477.5</b>	<b>18,979.5</b>	<b>25,663.6</b>

<b>CAPITAL EXPENDITURES</b>							
-----------------------------	--	--	--	--	--	--	--

<b>CHANGE IN REVENUES (</b>							
-----------------------------	--	--	--	--	--	--	--

## FUND SOURCE (Thousands of Dollars)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
1002 Federal Receipts			3,076.3	6,238.8	9,489.8	12,831.8
1003 GF Match			3,076.3	6,238.8	9,489.8	12,831.8
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other Interagency Receipts						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>6,152.6</b>	<b>12,477.5</b>	<b>25,663.6</b>

Estimate of any current year (FY2009) cost: \_\_\_\_\_

### POSITIONS

Full-time						
Part-time						
Temporary						

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

The proposed legislation amends AS 47.07 to add payment rate provisions for Medicaid providers of personal care services and home and community-based services. This legislation would require the Department to review rates annually and set rates considering periodic cost surveys and the Centers for Medicare and Medicaid Services' home health agency inflation rate. The effective date is July 1, 2011.

Passage of this bill would likely increase Medicaid benefit costs by \$6.2 million in FY2012. Annual inflation of 2.8% each subsequent year would increase benefit costs to a projected \$25.7 by FY2015.

(continued on page 2)

Prepared by: William J. Streur, Deputy Commissioner Phone: 907-269-7827  
Division: Health Care Services Date/Time: 3/19/09 12:00 AM  
Approved by: Alison Elgee, Assistant Commissioner Date: 3/19/2009  
DHSS Finance & Management Services

## FISCAL NOTE

STATE OF ALASKA  
2009 LEGISLATIVE SESSION

BILL NO. CSSB032(FIN)

### ANALYSIS CONTINUATION

This statute would affect approximately 350 businesses who are providers of home and community based services (HCBS), including residential living services. These services are delivered under four Medicaid waivers: Adults with Disabilities, Children with Complex Medical Conditions, Mental Retardation/Developmental Disabilities, and Older Alaskans. Expenditures for these waivers in FY2008 were \$141.5 million. This bill would also affect an estimated 52 businesses not included above that provide personal care services. Expenditures for personal care services in FY2008 were \$72.3 million. Total costs in FY2008 that would be subject to the rates is \$213.8 million.

HCBS and personal care providers currently have their rates or rate methodologies established in regulation. Since FY2004 all of those rates have been frozen (some longer), up until Y2009, when the legislature approved a 4-6% increase. This statute will require the Department to adjust Medicaid payment rates to HCBS and personal care providers to consider data from periodic cost surveys and the home health agency inflation rate.

#### ESTIMATED RATE ADJUSTMENT

This fiscal note assumes that rates are set under section 47.07.069(b)(3) applying the home health agency inflation rate (2.8%). FY2009 projected benefits of \$219.7 million (FY2008 actual costs plus 2.8%) are the baseline used to calculate the incremental costs in the fiscal note. Annual inflation adjustments of 2.8%, beginning in FY 2012, increase benefit costs by \$6.2 million the first year of implementation. By FY2015, costs increase \$25.7.

The Department has no way of estimating the impact of considering the periodic cost survey data on rates set under this bill as it does not have reliable cost survey data from providers upon which to base such an estimate. Therefore, this fiscal note does not reflect any increased or decreased cost from factoring in the cost survey data.

#### FUND SOURCE

Costs are eligible for the federal medical assistance percentage which is projected to be 50% in FY2012 and beyond.

\* -- The legislation would not require rates increases in FY2010 or FY2011; however, any rate increases funded in those years could reduce the amount of new expenditures required to implement the bill.

Adopted 3.30.07

WORK DRAFT

WORK DRAFT

WORK DRAFT

26-LS0218\M  
Mischel  
3/18/09

**CS FOR SENATE BILL NO. 32(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SIXTH LEGISLATURE - FIRST SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): SENATORS ELLIS, Davis, Paskvan, McGuire**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to medical assistance payments for home and community-based**  
2 **services and provision of personal care services in a recipient's home; and providing for**  
3 **an effective date."**

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

5 **\* Section 1.** AS 47.07 is amended by adding a new section to read:

6 **Sec. 47.07.069. Payment rates for provision of personal care services in a**  
7 **recipient's home and for home and community-based services.** (a) The department  
8 shall, by regulation, set rates of payment for provision of personal care services in a  
9 recipient's home under AS 47.07.030 and for home and community-based services  
10 under AS 47.07.045, in accordance with 42 U.S.C. 1396 (Title XIX, Social Security  
11 Act, Medical Assistance) and this section. A rate established under this section takes  
12 effect under AS 44.62 (Administrative Procedure Act) but not until approved in  
13 writing by the commissioner. The commissioner may delegate the performance of  
14 these functions.



1 (b) The department shall review the rates of payment established under of (a)  
2 of this section for a fiscal year. In reviewing the rates, the department shall, within the  
3 limit of appropriations made by the legislature for the department's programs under  
4 this chapter for that fiscal year, including anticipated available federal revenue for that  
5 fiscal year, set rates that consider

6 (1) periodic cost surveys, to be conducted by the department at least  
7 once every four years;

8 (2) audit and inspection results and reports; and

9 (3) the rate of inflation contained in the home health agency market  
10 basket data of the Centers for Medicare and Medicaid Services, United States  
11 Department of Health and Human Services.

12 (c) As a condition of obtaining payment under this section, a provider of  
13 personal care services in a recipient's home and a provider of home and community-  
14 based services, shall

15 (1) participate in periodic cost surveys as requested by the department;  
16 and

17 (2) allow

18 (A) the department reasonable access to the records of medical  
19 assistance recipients and providers; and

20 (B) audit and inspection of the records by state and federal  
21 agencies.

22 \* Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to  
23 read:

24 REPORT ON MEDICAL ASSISTANCE PAYMENT RATES. (a) The Department of  
25 Health and Social Services shall prepare and submit an annual report on medical assistance  
26 payment rates established under AS 47.07.069 to the governor that

27 (1) identifies trends in established rates of payment;

28 (2) explains how the department has complied with AS 47.07.069(b) in  
29 establishing the rates; and

30 (3) includes a cross reference to regulations adopted under AS 47.07.069 and  
31 the availability of the regulations.

1 (b) The department shall notify all legislators of the availability of the report prepared  
2 under (a) of this section and provide a copy of the report to the

3 (1) presiding officers of each house of the legislature;

4 (2) chairs of the senate and house finance committees; and

5 (3) chairs of the senate and house health and social service committees.

6 \* **Sec. 3.** Section 2 of this Act is repealed June 30, 2014.

7 \* **Sec. 4.** This Act takes effect July 1, 2011.

# ALASKA STATE LEGISLATURE



50 Front St. Suite #203  
Ketchikan, Alaska 99901

Phone: 225-9675  
Fax: 225-8546

## LEGISLATIVE INFORMATION OFFICE

### WRITTEN TESTIMONY

NAME: ED ZASTROW  
 ADDRESS: 3530 DENALI AVENUE  
KETCHIKAN

PHONE: 225-2814  
 EMAIL: ed and suez@kponet.net

BILL# or SUBJECT: SB 32  
 COMMITTEE: SENATE FINANCE

WE ARE IN SUPPORT OF THIS  
 BILL SB 32 - MEDICAID HOME BASED  
 SERVICES - REASONS HAVE BEEN  
 VOICED BY OTHERS - IF ADJUSTMENTS  
 ARE POSSIBLE WITHIN REASON  
 PLEASE CONSIDER.

THANK YOU

ED ZASTROW  
 AARP - PRES.  
 KTN -

## **AGENET'S 2009 Legislative Priorities**

**The Association of Alaska's Providers of Services to Older Alaskans**

Contact Information: Marianne Mills (463-6154) or Ken Duff (262-6331)

### **1. Support legislation, such as SB 32, which would put into statute a regular review of Home and Community-Based Medicaid Waiver rates similar to the process for institutions (hospitals, nursing homes).**

- Services available to persons eligible for the Home and Community-Based (HCB) waiver program include meals, transportation, chore, respite, care coordination, adult day services, specialized medical supplies/equipment and home modifications.
- These services are provided for a fraction of the cost of institutionalized care to older Alaskans in their own homes and traditional communities.
- Investing in home and community-based care is the most cost effective way to provide long-term care while supporting local communities throughout the state.
- Regular rate reviews will provide parity with hospitals and nursing homes which have had a similar statute in place since 1999.
- Regular rate reviews will provide a good management tool for the Department of Health and Social Services to determine program costs, budget adequately, and create a 10-year fiscal plan.

### **2. Work with the legislature to adjust grant rates with a \$2 million increment for Family Caregivers, Nutrition, Transportation & Support Services grants.**

- Senior grants help pay for home and community-based services for senior citizens who are not eligible for the HCB Medicaid Waiver program, services such as meals, rides, adult day, chore, respite, care coordination, and health promotion.
- Investing in senior grants upfront save millions of dollars the State would otherwise pay for expensive institutional care (nursing homes). In Alaska, the cost of one month's stay in a nursing home is \$10,000-\$20,000 per senior (compare this to a package of grant services for only \$61 to \$83 per month).
- Alaska's long term care policy is aimed at allowing Older Alaskans to remain at home for as long as possible; these grants help them remain at home, saving the state money, and also support the unpaid work of their family caregivers, work which has been valued at \$534 million in Alaska.
- In July 2009, a regional funding formula will shift senior grant monies out of seven (of nine) regions of the State, jeopardizing local communities from providing much-needed services; this shift will happen even though senior populations in all regions are still increasing and as the costs for food, fuel and workers increase.
- The proposed \$2 million increase in senior grants will help ensure that all regions of the State receive adequate funding to continue senior grant services so that seniors may remain in their traditional communities.



**Alzheimer's**  
Resource of Alaska

Senator Bert Stedman  
Senator Lyman Hoffman  
Co-Chairs Senate Finance Committee  
Alaska State Legislature  
Capitol Building  
Juneau, Alaska 99801

March 2, 2009

Senators Stedman & Hoffman,

Anchorage &  
Statewide Services  
1750 Abbott Road  
Anchorage, AK 99507  
phone 907-561-3313  
fax 907-561-3315  
Toll-free in Alaska  
800-478-1080

Fairbanks Services  
565 University Ave.  
Suite 2  
P.O. Box 72791  
Fairbanks, AK 99707  
phone 907-452-2277  
fax 907-457-3376

Juneau Services  
3100 Channel Drive  
Suite 19  
Juneau, AK 99801  
phone 907-586-6044  
fax 907-586-6084

Mat-Su Valley Services  
Trinity Barn Plaza  
P.O. Box 4406  
Palmer, AK 99645  
phone 907-746-3413  
fax 907-746-3412

www.alzalaska.org

The Alzheimer's Disease Resource Agency of Alaska (ADRAA) formally requests your support of the CS for Senate Bill 32 which has just been referred to the Senate Finance Committee and is currently awaiting a hearing date. As you are aware, CSSB 32 would regulate rate review for medical assistance payments for home and community based (HCB) personal care services for providers working in personal and assisted living homes. Currently, no such review is regularly mandated for HCB or Assisted Living Care, although facility based providers such as nursing homes are reviewed regularly to keep up with the growing population served and accurate information regarding cost of care.

The Alzheimer's Resource of Alaska provides in home care services for individuals affected by Alzheimer's disease and related dementias and for frail elders. In FY08, we provided 57,452 hours of services statewide. The services provided include personal care, respite for family caregivers, and household chores such as meal preparation, snow shoveling, and chopping wood. It is the work of unpaid family caregivers as well as professional in home workers that allows elders to remain in their homes, and their communities rather than being placed in full time nursing care at great cost to the state.

ADRAA thanks the bill's sponsor and co-sponsors for their foresight on this issue and for their continued support of seniors across Alaska. We enthusiastically support SB 32 which would strengthen the existing infrastructure of home and community based services and would allow for the best possible outcome for both our clients and employees.

Sincerely,

Dulce Nobre  
Executive Director

*MTH*

cc: Senator Johnny Ellis  
Senator Charlie Huggins  
Senator Bettye Davis  
Senator Donald Olsen

cc: Senator Joe Thomas  
Senator Kim Elton  
Senator Joe Paskvan



**CENTER FOR COMMUNITY**

700 Katlian Street, Suite B

Sitka, AK 99835

Phone: 907-747-6960

Senator Johnny Ellis  
Alaska State Legislature  
P.O. Box  
Juneau, AK 99811

**RE: Support on behalf of constituents in Sitka, Yakutat, Hoonah, Kake, Angoon, Wrangell, and Ketchikan, for SB 32, "An act relating to medical assistance payments for home and community-based services."**

Center for Community is a non-profit organization that provides personal care and home and community based services throughout the services throughout South East Alaska: with clients and employees in nearly every community from Yakutat to Metlakatla. In these communities, we employ a total of 71 Southeast residents and serve 113 Southeast clients at the current time (not counting Juneau).

Senate Bill 32 will cure a long-standing problem in Alaska's Medicaid system for long term care of our seniors and other children and adults with disabilities of all kinds. SB 32 will finally ensure that the Legislature and the Administration regularly receive information about the true cost of providing care to Alaskans--at home--who are trying to avoid more expensive institutionalized long term care. SB 32 gives everyone the information necessary to make both short term budgetary and long term policy choices.

Thank you for your introduction of Senate Bill 32. If we can do anything to further legislative support for passage of SB 32, please call upon us.

Sincerely

Connie J. Sipe, Executive Director  
Center for Community

[csipe@cfc.org](mailto:csipe@cfc.org)

(Sitka Headquarters Office: 747-6960)

# ALASKA STATE LEGISLATURE

Finance Committee  
•  
Health & Social Services Committee  
•  
Legislative Council  
•  
Committee on Committees



*While in Session*  
State Capitol, Rm. 103  
Juneau, AK 99801  
(907) 465-3704  
Fax: (907) 465-2529

*While in Anchorage*  
716 W. 4<sup>th</sup> Ave  
Anchorage, AK 99501  
(907) 269-0169  
Fax: (907) 269-0172

SENATE MAJORITY LEADER  
JOHNNY ELLIS

## SPONSOR STATEMENT – SENATE BILL 32

### AN ACT RELATING TO MEDICAL ASSISTANCE PAYMENTS FOR HOME- AND COMMUNITY-BASED SERVICES

Senate Bill 32 creates a mechanism for regular Medicaid rate review for providers of home- and community-based services to Alaska's elderly and developmentally disabled citizens. Institutional service providers receive regular reviews in order to bring rates in line with costs.

However, home and community-based services (HCBS) have been conclusively proven to lower overall long-term Medicaid costs. One recent study in the academic journal *Health Affairs* found that states with long-established high proportions of HCBS spending saw a 3% overall decrease in long-term care spending between 1995 and 2005 as opposed to a 14.5% increase in low-HCBS states. The study concluded:

*"Justifications based on financial constraints can no longer be credibly offered as reasons for forcing such people [seniors and persons with developmental disabilities] into nursing homes and other institutions. HCBS programs may be one instance in which offering people greater choice also helps reduce costs."<sup>1</sup>*

Over the last few years, however, rates for home- and community-based services have been frozen. During that time, not only have costs increased, the medical environment – including regulations, technology, and client expectations – has shifted dramatically. These shifts threaten the continued viability of the hundreds of HCBS providers, primarily private businesses that employ thousands of Alaskans in every region of the state.

Home and community based services are the key to helping our seniors and those living with developmental disabilities live their lives as productive members of our communities while controlling the growth of health care costs. Without the regular review process in Senate Bill 32, many providers will be forced out of business and HCBS services will be taken away from thousands of Alaskans across the state.

---

<sup>1</sup> *Health Affairs* 28, no. 1 (2009): 262-272.

**Testimony for CSSB 32 to Senate Finance  
March 11, 2009**

Good Morning. My name is Denise Daniello and I am the executive director of the Alaska Commission on Aging. I am here to testify in support of CSSB 32, a bill to allow for regular rate reviews of home- and community-based services for Medicaid-eligible persons similar to the process used by hospitals and nursing homes. We believe that this proposed legislation addresses the need for a fair and consistent process to maintain the systems of care for vulnerable Alaskans and promotes sound fiscal planning for providers and the State.

The Governor's Council on Disabilities and Special Education, the Alaska Mental Health Board, Advisory Board on Alcoholism and Drug Abuse along with the Alaska Mental Health Trust Authority, the Suicide Prevention Council, the Alaska Brain Injury Network and the Alaska Commission on Aging have jointly identified the establishment of a regular and periodic schedule of rate reviews for home and community based services as one of our four legislative priorities for 2009. The provisions that address our legislative priority are included in SB 32 sponsored by Senator Ellis.

Alaska's most vulnerable populations depend heavily on a network of community nonprofit provider agencies. Before last year's rebasing for FY09, many home and community-based service providers had been over a decade without a rate review receiving the same level of reimbursement while their costs continued to climb along with demand for more services.

Home- and community-based services are an effective and efficient means of providing care for nearly 57,000 Alaskans who would otherwise need to be served by more costly institutions. Investment in the foundation of home- and community-based services is prudent to assure that services meet the needs of all vulnerable Alaskans to maintain their quality of life and to hold down the costs of higher level health care.

According to 2006 estimates provided by Senior and Disabilities Services, the average annual cost of a semi-private room in a nursing facility was \$172,685 compared to \$21,436 for the Medicaid waiver.

(It should also be kept in mind that as more individuals are able to receive home- and community-based services, fewer of them will need to enter much more costly institutions such as nursing homes. Thus it is quite possible that by adequately funding these critical pieces of the continuum of care may result in an ultimate cost savings for the State.)

Older Alaskans depend on home- and community-based services which help them to continue living in their home communities for as long as possible close to family, friends, and cultural tradition. For seniors, these services may include home-delivered meals, transportation, chore services, care coordination, assisted living homes, and other services. Thirty-six percent of the 3,498 individuals served by Medicaid waivers are older Alaskans – the majority of whom are elders in their 80's on the Older Alaskans waiver. (1,259)

This bill has broad support from a coalition of providers who have also signed on to our joint Trust and Advisory Boards' position paper. They include

- Alaska Association on Developmental Disabilities, serving 2,636 Alaskans
- AgeNet, serving 18,953 Alaskans
- Personal Care Attendant Providers' Association, serving 3,807 Alaskans
- Assisted Living Association of Alaska, serving 1,500 Alaskans
- Alaska Behavioral Health Association, serving 26,285 Alaskans

We thank you for your consideration of CSSB 32.





AARP Alaska  
3601 C Street  
Suite 1420  
Anchorage, AK 99503

T 1-866-227-7447  
F 907-341-2270  
TTY 1-877-434-7598  
[www.aarp.org/ak](http://www.aarp.org/ak)

February 3, 2009

The Honorable Bettye Davis, Chair  
Senate Health, Education and Social Services Committee  
Alaska State Capitol, Room 30  
Juneau, AK 99801-1182

RE: SB 32-Ellis--Support

Dear Chair Davis:

On behalf of the members of AARP in Alaska, we encourage you and your colleagues on the Senate Health and Social Services Committee to support SB 32, authored by your Committee colleague Senator Johnny Ellis and co-sponsored by you.

SB 32 would allow annual rate reviews of all home and community based services similar to the process for hospitals. Rates for HCBS services under Medicaid have remained the same for several years, discouraging needed providers from entering the field and forcing current providers to reduce their services and cut back on clients.

As we age, many of us would prefer to stay at home or with our families but sometimes we need extra help to do so. With the growing numbers of older people who need support to live on their own, private and public organizations now offer many different options to allow us to "age in place" in our homes and communities. These options form the continuum of home and community based services, ranging from meals on wheels to adult day care. In addition to meeting our personal preferences to remain home and in our communities, HCBS services are much less expensive than institutional care.

Younger persons with disabilities are also primary users of HCBS services to allow them to continue their education, work and participate as full citizens in their communities and with their families.

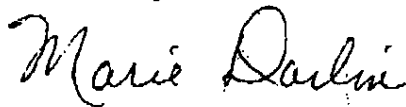
We cannot expect the providers of HCBS to continue to operate on rates often set years ago. It makes sense to review HCBS rates every year just as we do with hospitals.

AARP requests an "AYE" vote on SB 32.

Should you have any questions about our position, please feel free to contact me (586-3637) or Patrick Luby, AARP Advocacy Director (907-752-3314).

Thank you for your consideration.

Sincerely,



Marie Darlin, Coordinator  
AARP Capital City Task Force  
415 Willoughby Avenue, Apt. 506  
Juneau, AK 99801  
586-3637 (voice)  
463-3580 (fax)

CC: Vice-Chair Joe Paskvan  
Senator Johnny Ellis  
Senator Joe Thomas  
Senator Fred Dyson

---

# Palmer Senior Citizens' Center, Inc.

---

*Seniors helping Seniors*

February 11, 2009

The Honorable Senator Johnny Ellis  
Alaska State Legislature  
State Capitol Building, Room #103  
Juneau, Alaska 99801-1182

Dear Senator Ellis:

The Palmer Senior Citizens Center, Inc. (PSCC) wanted to express our sincere appreciation for your support and commitment to the seniors in the state of Alaska. PSCC supports your efforts to pass SB32 which will put into statute a regular review of home and community based waiver rates.

Thank you for making the time to meet with Kenneth Anderson, PSCC Board President, and Rachel Greenberg, Office Manager, on Tuesday, January 10<sup>th</sup> at 2:00.

The Palmer Senior Citizens Center, Inc. hopes that your busy schedule will allow time for you or your staff to visit us. Thank you again.

With Best Regards,

*Kenneth A. Anderson*

Kenneth A. Anderson  
Board President

*Richard G. Tubbs*

Richard G. Tubbs  
Executive Director





The Honorable Senator Johnny Ellis  
State Capitol  
Juneau, Alaska 99801-1182

Dear Senator Ellis;

I am writing in support of SB 32 on behalf of the membership of the Alaska Behavioral Health Association. The issues of rates and the mechanism and frequency of adjusting those rates are the primary issue for our membership this year.

We support the effort to put into place rate setting mechanisms for the home and community based services and that this model will be applied to the other providers that contract with the State of Alaska to deliver services. It is difficult to manage a business that is focused on delivering health care services when the cost for reimbursement does not keep pace with inflation and cost of living. Fixed costs don't go away and agencies have been trying to meet their grant obligations while keeping the business solvent. Employers are not able to offer competitive wage and benefit packages because of insufficient reimbursement rates.

Please let me know what else our members can do to support your legislation.  
Thank you.

In Health,

Steve Horn  
Executive Director

Attachment



## Establish a Regular and Periodic Schedule of Rate Reviews for Home and Community-Based Services

The Governor's Council on Disabilities and Special Education, Alaska Mental Health Board, Advisory Board on Alcoholism and Drug Abuse and the Alaska Commission on Aging, in collaboration with the Alaska Mental Health Trust Authority, the Alaska Brain Injury Network and the Alaska Suicide Council, have identified the establishment of a regular and periodic schedule of rate reviews for home and community based services one of their four legislative priorities for 2009. Regular and periodic rate reviews, for both Medicaid and grant-funded services, are imperative to maintaining the systems of care that serve Alaska's most vulnerable populations. The provisions for this legislation are in SB 32, sponsored by Senator Ellis.

- Before last year's rate rebasing for FY09, most home and community-based services providers had been over a decade without a rate review or increase. This resulted in an erosion of the system, as frozen rates resulted in a diminishing pool of resources – reducing the quality and availability of services.
- In FY07, home and community based services were provided to nearly 57,000 people who would have otherwise been served by costly institutional or nursing home care.
- In order for the Department of Health and Social Services (DHSS) and the State of Alaska to create and maintain a 10-year fiscal plan that adequately budgets for the costs of home and community-based services, a schedule of rate reviews is necessary.
- Our system of care for Alaskans with special needs is based on a network of non-profit providers. Without adequate funding, our providers cannot continue to provide quality services. Without our providers, we have no system of care.

### Overview

Home and community-based services include a wide range of Medicaid and grant-funded services for Trust beneficiaries and other vulnerable Alaskans. Mental health care, infant learning, personal care attendant services, assisted living services, senior care, substance abuse counseling, and services for Alaskans with developmental disabilities are all examples of services provided at home or in our communities. These services maintain individuals' quality of life and reduce the need for more costly institutional, emergency and nursing home care.

For more than 10 years, providers have struggled to meet the demand for services while maintaining an acceptable quality of service because there has been no structure for reviewing the rates paid for those



February 23, 2009

Senator Bettye Davis  
Chair, Senate Health and Social Services Committee

Senator Johnny Ellis  
Sponsor, SB32

Senator Hoffman, Co-Chair – Senate Finance Committee  
Senator Stedman, Co-Chair – Senate Finance Committee  
Senator Elton, member - Senate Finance Committee  
Senator Huggins, member - Senate Finance Committee  
Senator Olson, member - Senate Finance Committee  
Senator Thomas, member - Senate Finance Committee

I am writing this letter in support of SB32, a bill which I believe will strengthen Home and Community Based (HCB) Providers like Access Alaska and many others. We HCB providers form the backbone of Alaska's long-term care system. We HCB providers are not only the current backbone, but given our cost-effectiveness and desirability – consumers want to age in place – we are the state's answer to the long-term care dilemma.

Like hospitals and nursing homes, we are businesses with actual costs – we pay rent or mortgages, insurance, and personnel. As these costs have grown while reimbursement rates stay flat, our ability to pay workers a living wage has decreased to the point that in many communities, direct service workers can earn more working at a fast food restaurant than they can helping to care for our elders. This has limited our ability to attract workers and in some cases is creating a crisis in the long-term care system.

This is but one example of the ravages of the current rate-setting regime.

In the larger view, it is important to keep in mind that a strong HCB provider system is critical to the state's ability to meet the coming wave of long-term care users. Policy groups from the National Conference of State Legislatures to the AARP have all recommended states rebalance their Medicaid spending in favor of HCB and take advantage of new waiver and partnership opportunities, in order to meet the growing demand for Medicaid long-term care services. In many cases, Alaska has not taken advantage of these opportunities.

Alaska has the envious position of being one of the top states in the nation in terms of balanced spending between institutional (nursing home) care and HCB care. However, the system has been strained to the point of breaking over the last several years, primarily because of the inattention to Medicaid reimbursement rates. Therefore, it makes sense that the state should do everything it can to strengthen the system.

I believe SB32 goes a long way toward doing just that. We greatly appreciate your leadership on this issue and stand ready to support its passage and implementation.

Sincerely,

Jim Beck  
Executive Director  
Access Alaska, Inc.

Anchorage  
121 W. Fireweed, Suite 105  
Anchorage, Alaska 99503  
907-248-4777  
Fax 907-248-0639  
Toll free 800-770-4488  
TTY 907-248-8799

Fairbanks  
526 Coffey Road, Suite 100  
Fairbanks, Alaska 99701  
907-479-7940  
Fax 907-474-4052  
Toll free 800-770-7940  
TTY 907-474-8619

Mat Su  
897 Commercial Drive  
Wasilla, Alaska 99654  
907-357-2588  
Fax 907-357-5585  
Toll free 800-770-0228

Kenai  
10807 Kenai Spur Highway  
Kenai, Alaska 99611  
907-283-7224  
Fax 907-283-5993  
Toll free 888-260-9336

Opening Doors to Independence  
www.accessalaska.org  
info@accessalaska.org



6311 DeBarr Road Suite L-2 Anchorage, AK 99504  
Phone: (907) 336-3365 and Fax: (907) 336-3397

February 3, 2009

Senator John Ellis  
Senator Bettye Davis  
via email

Dear Senator Ellis and Senator Davis,

I am writing to support SB 32, which establishes periodic rate reviews for home and community-based services. Ensuring consistent rate increases for providers enables less expensive care for the elderly and develops a workforce aimed at the medical field.

As the second largest provider of in-home care services, we are intimately familiar with the associated challenges. The cost of doing business has increased while rates have been flat. Without entrepreneurial incentive, providing direct care may rest on the more expensive option; state-managed assisted living facilities and state-managed skilled nursing facilities

Workforce development for the medical field starts with our in-home care staff. Our Personal Care Assistants (PCA's) can receive certification and provide low level care for the elderly. Many family members and college-age PCA's get their first glimpse at the medical field.

Thank you for your support of SB 32. Please contact me with any questions. My direct line is extension 104 at (907) 336-3365.

Best regards,

A handwritten signature in black ink, appearing to be 'BR' with a flourish.

Brian Richardson  
Chief Executive Officer

ple with developmental disabilities languish receive services.

st is, in essence, the new institution," Rivera a blogger associated with The Arc, a national providers for the developmentally disabled. some ways, handicapping the families of the isabled, really handcuffing them in ways that ress and strain on their lives."

ibful that Alaska will be mentioned on the. ) maintains a list of developmentally disabled gible for services but aren't receiving them funding. Each year the Department of Health ; prepares a report on this list, and the report day now. When the last annual report was nber, there were 943 individuals on the wait- en waiting for services an average of 3.7 years. ig of December, a couple of weeks before or Sarah Palin released her budget, state is (D-Anchorage) wrote Palin a letter ask- the waiting list, known officially as the abilities Registry.

me on the campaign trail with Senator John e Presidential nominee, I was very pleased to multiple occasions about the problems faced ildren in our country," Ellis wrote. He then of October 1, the registry contained 993 between the ages of 4 and 17. "I respectfully your very best to provide the funding neces- ate the Waitlist," Ellis continued, before ask- e funding recommended by the governor's Ad-

mensurate with the actual costs.

Ellis is hoping to change that with a bill he'll introduce in the next legislative session. The bill would evaluate reimbursement rates for home and community-based service providers annually.

**"THE NUMBER ONE THING** we want [the legislature] to do is establish a regular rate review process for how they pay us," says Gwendolyn Lee, executive director of The Arc of Anchorage. "The current system is not equitable."

Even if the waiting list were eradicated by sufficient funding from the state, Lee says, it would bring those people to a service provider system "that's weakened in its ability to deliver high quality services, and can't find the workers to meet the needs of the existing people."

At The Arc, which offers a large variety of services to those with developmental disabilities, under-funding has resulted in high turnover despite cost-cutting measures. "We have deferred maintenance; we have cut health insurance; we do not give raises; we ask people to do more," Lee says. "We are stretched; the rubber band is truly stretched."

Simply put, The Arc can only afford to hire workers at the lowest possible wages, making for high turnover and training costs. This means that the person with a disability has a constant revolving door of people coming and going from their life, each one having to learn the individual's critical issues, health issues, and personality nuances. "It's really depressing for the staff who are trying to deliver quality if they're constantly hiring and retraining people to do the very basics," Lee says.

There's a real danger of not addressing the financial concerns of home and community-based service providers, says Ellis. "If these community services no longer provide these services because they can't afford to, based on the poor reimbursement from the state and/or the feds under Medicaid, then there will be people without services in the community who will have to be institutionalized at greater public expense and more human tragedy."

"It all comes down to how we think about our fellow human beings," Lee says. "Do we have an attitude that the least of these is the most important, and everyone is entitled to fair access to basic community life?"

**SIX YEARS AGO**, THE STATE realized that the system for reimbursing service providers was flawed and froze the reimbursement rates while studying the issue. Last year, for the first time, the legislature granted an increase in rates, which varied according to the type of services provided. But there is still no mechanism in place for rates to keep up with inflation and cost of living increases.

To study the problem, the state hired an auditing firm, Myers and Stauffer, which attempted to est-

commitment where our mouths?

I expect that she will, I just hope I do enough to help those people that the help the most."

—State Senator Jo

rates were as low as 9 percent, while only a couple gathered responses from over 50 percent of the providers due to the complexity of the audits.

Meanwhile, hospitals and nursing homes are re their costs based on an annual rate review, which is home and community-based developmental disabilities are asking for. The difference between the two, says, is that "frankly, hospitals and nursing homes, lobbyists in Juneau. These community-based services have been joined together in a really organized group and really had effective lobbyists to get what they need.

"I'm going to put this bill in to the legislature, but it's a difficult bill to get through, to do what the service providers want—regular rate review and adjustment. I've said they need to create a coalition of people all over the state and service providers and workers to say, 'we need something that the hospitals and nursing homes have.' I think the time has come."

**IT'S NOT JUST GERALDO RIVERA** that's put the spotlight on the issues the developmental disabilities community has. Governor Palin did so herself when campaigning for president, telling families with special needs children that she would find an ally in her, while she held her baby who has Down syndrome.

"I understand that statement," Lee says. "As a parent of a child with disabilities, it's easy to say 'I feel your pain, I understand your situation, I'll work to improve it.' It's easy to say that, but to really be an advocate, she is in a very different position than a lot of our families that may not have the circumstances that she has. I think that every family that heard that is watching now. We are now anxious to work with that her legacy. It's an incredible opportunity for her to be willing to do it."

"This morning I heard Governor Palin say that we need to tighten our belts," says Ann WingQuest, The Arc of Alaska's director of public affairs. "We're beyond tightened. It frightens me when I hear her say that, because we're so weakened and so stretched. She did say that we're not to look to the government to make us healthy; the government's job is that their health care needs are not what they elected. It wasn't like they were smoking and becoming obese. These are genetic or birth defects, and they need help."

Ellis is also looking to the governor to stand by her word when she campaigned on. "[Palin] got a lot of acclaim on the campaign trail as an advocate for kids with disabilities, not just Down syndrome, but kids with disabilities. Now it's time to live up to that, and I'm hoping and inviting the governor to work with me to pare down the waiting list for DD and to consider the bill on rate adjustment for DD and other community-based service providers. So this is a real opportunity for Sarah Palin and myself and others from both sides of the aisle to work together and p-





# FISCAL NOTE

STATE OF ALASKA  
2009 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: CSSB 32(HSS)  
(S) Publish Date: 2/27/09

Identifier (file name): SB032-DHSS-RR-02-02-09 Dept. Affected: Health & Social Services  
Title: Medicaid: Home/Community Based Services RDU: Department Support Services  
Component: Rate Review  
Sponsor: Ellis  
Requester: Senate HSS Component Number: 2696

## Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<b>OPERATING EXPENDITURES</b>								
Personal Services	124.9		249.8	416.4	416.4	416.4	416.4	
Travel	7.5		15.0	25.0	25.0	25.0	25.0	
Contractual	19.2		3,598.4	2,244.0	2,244.0	2,244.0	2,244.0	
Supplies	0.9		1.8	3.0	3.0	3.0	3.0	
Equipment	45.0			30.0				
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>197.5</b>	<b>0.0</b>	<b>3,865.0</b>	<b>2,718.4</b>	<b>2,688.4</b>	<b>2,688.4</b>	<b>2,688.4</b>	

<b>CAPITAL EXPENDITURES</b>								
-----------------------------	--	--	--	--	--	--	--	--

<b>CHANGE IN REVENUES (</b>								
-----------------------------	--	--	--	--	--	--	--	--

## FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	98.8		1,932.5	1,359.2	1,344.2	1,344.2	1,344.2
1003 GF Match	98.8		1,932.5	1,359.2	1,344.2	1,344.2	1,344.2
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
<b>TOTAL</b>	<b>197.5</b>	<b>0.0</b>	<b>3,865.0</b>	<b>2,718.4</b>	<b>2,688.4</b>	<b>2,688.4</b>	<b>2,688.4</b>

Estimate of any current year (FY2009) cost: \_\_\_\_\_

### POSITIONS

Full-time	3.0		3.0	5.0	5.0	5.0	5.0
Part-time							
Temporary							

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

This legislation would require the Department to set rates for Medicaid home and community-based services providers as it currently sets rates for facilities such as hospitals and nursing homes. This rate-setting process involves providers developing detailed cost reports that the Department would then audit and use the findings to develop cost-based rates. Additional resources in staffing and contracting would be needed by the Department to fulfill its rate-setting functions for this new group of providers.

(Continued on next page)

Prepared by: William J. Streur, Deputy Commissioner Phone 334-2520  
Division: Health Care Services Date/Time 2/2/09 12:00 AM  
Approved by: Alison Elgee, Assistant Commissioner Date 2/2/2009  
Dept. Health and Social Services

FISCAL NOTE # 1

STATE OF ALASKA  
2009 LEGISLATIVE SESSION

BILL NO. CSSB 32(HSS)

ANALYSIS CONTINUATION

Under this legislation, the Department would receive and audit cost reports from approximately 350 home and community-based service providers. The Department would contract with auditors to perform the audits. Additional staff positions would be necessary to oversee the work and conduct rate setting operations. The contract would begin in FY2011 to audit all providers; in subsequent years, half of the providers would be audited on a biennial schedule.

In addition, the Department anticipates that, beginning in FY2012, its volume of rate setting appeals would increase as a result of auditing these new providers and that additional funds would be needed to the existing rate-setting process. Additional funds would be needed to support rate-setting appeal work in the Department of Law.

Assumption:

Annual Personal Services:

3 Internal Auditor III positions in the Office of Rate Review for cost reporting - \$249.8 (half year in FY2010)

2 Internal Auditor positions in the Office of Rate Review for appeals - \$166.6 (beginning in FY2012)

Annual Travel for audit staff to provide technical assistance and training to providers and receive training required by Government Auditing Standards - \$5.0 per FTE

Annual Contractual:

Contract to hire auditors for biennial audit of cost reports

FY20 11 - \$3,560.0

Subsequent years - \$1,780

RSA with Dept. of Law for appeals - \$400.0 (beginning in FY2012)

Office space, phones, etc. - \$12.8 per FTE

Annual Supplies - \$0.6 per FTE

One-Time Equipment - \$15.0 per FTE , year of initial hire

# FISCAL NOTE

STATE OF ALASKA  
2009 LEGISLATIVE SESSION

Fiscal Note Number: 2  
Bill Version: CSSB 32(HSS)  
(S) Publish Date: 2/27/09

Identifier (file name): SB032-DHSS-SDMS-01-29-09 Dept. Affected: Health & Social Services  
Title: Medicaid: Home/Community Based Services RDU: Senior & Disabilities Services  
Component: Senior & Disabilities Medicaid Services  
Sponsor: Ellis  
Requester: Unknown Component Number: 2662

## Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
		FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
<b>OPERATING EXPENDITURES</b>							
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims	8,680.7	0.0	12,390.5	17,405.2	21,833.6	26,385.9	31,065.8
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>8,680.7</b>	<b>0.0</b>	<b>12,390.5</b>	<b>17,405.2</b>	<b>21,833.6</b>	<b>26,385.9</b>	<b>31,065.8</b>

<b>CAPITAL EXPENDITURES</b>							
-----------------------------	--	--	--	--	--	--	--

<b>CHANGE IN REVENUES (</b>							
-----------------------------	--	--	--	--	--	--	--

## FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	4,340.4		6,198.3	8,702.6	10,916.8	13,193.0	15,532.9
1003 GF Match	4,340.3		6,195.2	8,702.6	10,916.8	13,192.9	15,532.9
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
<b>TOTAL</b>	<b>8,680.7</b>	<b>0.0</b>	<b>12,393.5</b>	<b>17,405.2</b>	<b>21,833.6</b>	<b>26,385.9</b>	<b>31,065.8</b>

Estimate of any current year (FY2009) cost: 0.0

### POSITIONS

Full-time							
Part-time							
Temporary							

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

The proposed legislation would add home and community-based service providers to the Medicaid health facility rate setting statute, AS 47.07.070. This legislation would require the Department to use a similar rate methodology for establishing rates for home and community-based service providers.

Passage of this bill would likely require additional Medicaid benefits appropriations in the division of Senior and Disabilities of \$8,680.7 in 2010 and a 2.8% annual increase to home and community based provider payments in the basic cost of services each subsequent year. Costs would increase to a projected \$31,065.8 by 2015.

(continued on page 2)

Prepared by: William J. Streur, Deputy Commissioner Phone 907-269-7827  
Division: Health Care Services Date/Time 1/29/09 12:00 AM

Approved by: Alison Elgee, Assistant Commissioner Date 1/29/2009  
Dept. Health & Social Services

FISCAL NOTE # 2

STATE OF ALASKA  
2009 LEGISLATIVE SESSION

BILL NO. CSSB 32(HSS)

ANALYSIS CONTINUATION

BACKGROUND

This statute would affect an estimated 356 businesses who are providers of home and community based services, including residential living services. These services are delivered under four Medicaid waivers: Adults with Disabilities, Children with Complex Medical Conditions, Mental Retardation/Developmental Disabilities, and Older Alaskans. The total expenditure for these waivers in 2008 was \$141.5 million. Costs are projected to increase by \$4.1 million in 2009 to \$145.6 million, which is the baseline projection used for this fiscal note. By assuming the status quo, without changes in population or utilization, costs associated with rate increases can be isolated.

HCBS providers currently have their rates or rate methodologies established in regulation. Since 2004 all of those rates have been frozen (some longer), except for 2009, when the legislature approved a 4-6% increase. This statute will apply the current Medicaid law requiring that the Department use a rigorous, cost-based rate setting process for establishing Medicaid payment rates for health facilities to HCBS providers. There would be two types of additional costs incurred: costs for the rate adjustment and costs providers would incur to comply with new financial reporting requirements.

ESTIMATED RATE ADJUSTMENT

For the purpose of this fiscal note, it is assumed home and community based providers receive an annual inflation adjustment as facilities currently do under AS 47.07.070. The 2.8% is the inflation for Home Health Agencies as this is the closest provider category to the waiver service providers. The department does not have the detailed cost reports required to fully implement section 070 until 2012; however, the department has assumed it will make interim rate increases averaging 2.8% prior to that time. The 2.8% increase has been applied to the 2009 baseline starting in 2010 for an increase of \$26,235.0 by 2015. Other impacts to the amount of additional reimbursement rates to providers are not possible to determine at this point in time.

ESTIMATED COSTS TO COMPLY WITH NEW FINANCIAL REQUIREMENTS

Many home and community based providers do not have the financial infrastructure to comply with the rigorous financial requirements of AS 47.07.070. Home and community based providers would have to invest substantial sums in accounting and report processes which in turn are passed on to the state through higher Medicaid payment rates. These costs are in addition to the costs for the rate adjustments. One-time costs include accounting system upgrades (\$142.5) and purchase of specialized cost reporting software (\$338.2). Ongoing annual costs include recordkeeper/accountant/contractor to obtain assistance with accounting efforts (\$1,425.0); professional assistance in preparing cost reports and completing forms (\$855.0); and annual independent audit (\$1,543.8). Legal fees to challenge rate setting regulations (\$300.0) would occur in 2010 & 2011 while legal fees for providers who appeal their rates (\$1,007.0) would begin in 2012 once those rates are established. Total additional costs to comply with new financial requirements would be \$4,604.5 in 2010, \$4,123.8 in 2011, and \$4,830.8 each year thereafter.

FUND SOURCE

Costs are eligible for the federal medical assistance percentage which is projected to be 50%.