HB

190

<TARGET><BILL>HB 190</BILL><SUBJECT>HB 190</SUBJECT><COMM>HFIN29</COMM></TARGET>

ALASKA STATE LEGISLATURE
HOUSE FINANCE COMMITTEE

Representative Steve Thompson, Co-Chair
State Capitol, Room 511
Juneau, Alaska 99801-1182
Phone: (907) 465-3004
Rep.steve.thompson@akleg.gov

Representative Mark Neuman, Co-Chair
State Capitol, Room 505
Juneau, Alaska 99801-1182
Phone: (907) 465-2679
Rep.mark.neuman@akleg.gov

Sponsor Statement – HB 190

"An Act relating to permanent fund dividends; relating to a medical assistance reform program; establishing a personal health savings account program for medical assistance recipients; relating to the duties of the Department of Health and Social Services; establishing medical assistance demonstration projects; and relating to a study by the Department of Health and Social Services."

HB 190 begins the process of reform and cost containment needed to slow the growth of the Alaska Medicaid program. Medicaid has grown to $1.8 Billion of the annual operating budget, and has accounted for 22% of the total UGF increases over the last ten years. The current and former administrations have testified the Medicaid program, as it stands, is not sustainable. Low oil prices and billions of dollars in revenue shortfalls have forced us to change how we do business. In July 2013, the Medicaid Budget Group of the Department of Health and Social Services reported the total spending on Medicaid services will reach $6.3 billion in 2032, including $2.8 billion in state matching funds. If we don't act now to bend the growth curve of Medicaid, many of our most venerable Alaskans will be without critical health care services they need.

HB 190 takes a measured approach by setting a framework for a medical assistance reform program into statute (Section 2). This program requires the Department of Health and Social Services to expand the use of telemedicine, significantly enhances fraud prevention, enforcement, and recovery, undertake additional pharmacy initiatives, reduce the cost of the state's home and community-based services with a new waiver program, and more. Reforms and costs containment to the Medicaid program will also be accomplished through two new demonstration projects through the Centers for Medicaid and Medicare Services (Sections 3 and 6).

Fraud prevention is further enhanced by adding civil penalties and damages for knowingly submitting submits false Medicaid payment claims (Section 1). The new damages and penalties set out in HB 190 are in addition to other legal remedies the State of Alaska and DHSS has available to utilize. The legislature would now receive an annual report relating to Medicaid fraud, abuse, errors, and vulnerabilities from DHSS and the attorney general (Section 4).

HB 190 directs DHSS to initiate one or more managed care or case management demonstration project for individuals enrolled in the Medicaid program (Section 5). Managed care is frequently maligned as dis-incentivizing proper or appropriate care. Rather, health plan management has

shown that it actually improves care outcomes, grants better, appropriate access and saves money. Most states employ some form of managed care in their Medicaid programs. It works much like traditional health insurance where a Medicaid member becomes a subscriber in the health plan and the plan is paid by the state Medicaid office via a capitated rate, a global rate or a pass through on fee for service billings. The state then invoices the federal government and is paid at the prevailing Medicaid rate. This is relatively simple to implement and there are many examples of successful implementations across the nation. According to the Kaiser Family Foundation, thirty-nine states now contract with comprehensive managed care organizations (MCOs) to serve at least some Medicaid beneficiaries, and nationally, over half of all Medicaid beneficiaries get their care through these plans. Alaska can no longer afford to be one of the twelve outliers.

The new reform program will also look at payment redesign (Section 2). Alaska has some of the highest Medicaid rates in the nation and has not employed many of the rate innovations of other states or those of Medicare, the other and largest government payer. These innovations frequently streamline the payment process, eliminate billing and payment irregularities and eliminate payment errors. In addition to Medicare, many insurance carriers and 47 of 50 states employ the Diagnosis Related Group (DRG) Medicaid payment mechanism and two others are in stages of implementation by July 2015. There are several other payment blueprints in place in other states that can be employed.

The use of telemedicine for primary care and urgent care will also be expanded under HB 190 (Sections 2 and 5). A study by Alaska Native Tribal Health Consortium (ANTHC) found telemedicine averted the need for travel in 40% of cases reviewed using telemedicine. ANTHC is leading the state's charge on telemedicine, and should be built on for even greater access statewide.

HB 190 begins the process to explore privatization (Section 6). The department is directed to conduct feasibility studies at Alaska Psychiatric Institute, Alaska Pioneer Homes, and select facilities of the Division of Juvenile Justice (DJJ). There are various options for privatization the department can explore through the studies that would result in the best options for Alaskan consumers while ensuring state dollars are stretched as far as possible. Some options include turning over DJJ facilities to local tribal organizations in order to create a residential psychiatric treatment center; turning an entirely GF program into a tribal run Medicaid reimbursable program providing culturally relevant services.

The call to reform Medicaid is not new. In the fall of 2010 the Medicaid Task force convened and developed a report for the Governor in May 2011. The Medicaid Reform Advisory Group was created in December 2013, and worked up until the transition to the new administration. While several of the reform measures of these groups were implemented and helped to contain costs, we must build on their efforts and go even further. HB 190 gives the legislature the ability to fundamentally review how the state is doing business in the Medicaid program. In these serious budget times, reform cannot wait.

ALASKA STATE LEGISLATURE
HOUSE FINANCE COMMITTEE

Representative Steve Thompson, Co-Chair
State Capitol, Room 511
Juneau, Alaska 99801-1182
Phone: (907) 465-3004
Rep.steve.thompson@akleg.gov

Representative Mark Neuman, Co-Chair
State Capitol, Room 505
Juneau, Alaska 99801-1182
Phone: (907) 465-2679
Rep.mark.neuman@akleg.gov

Sectional Analysis – HB 190

"An Act relating to a medical assistance reform program; relating to the duties of the Department of Health and Social Services; establishing medical assistance demonstration projects; relating to civil penalties for medical assistance fraud; relating to studies by the Department of Health and Social Services; relating to cost-containment measure for medical assistance; and providing for an effective date."

Section 1: Adds new sections establishing civil penalties for false claims for medical assistance and authorizing the Department of Health and Social Services (the department) to asses civil penalties against medical assistance providers.

Section 2: Requires the Department of Health and Social Services (the department) to design, adopt, and implement a medical assistance (Medicaid) reform program. Requires the department to prepare and submit a report about reforms, savings, and costs related to the Medicaid program. Provides for a definition of "telemedicine."

Section 3: Requires the department to design and implement a demonstration project to reduce nonurgent use of emergency departments by Medicaid recipients.

Section 4: Requires the department and the attorney general to annually prepare a report regarding fraud prevention, abuse, prosecution, and vulnerabilities in the Medicaid program.

Section 5: Requires the department to develop one or more managed care or case management demonstration projects through a contract with a third party. The managed care program would be for individuals enrolled in all Medicaid programs.

Section 6: Requires the department to conduct a study analyzing the feasibility of privatizing certain services.

Section 7: Requires the department to amend the state Medicaid plan and apply for any waivers necessary to implement the projects and programs described in the bill. Requires the Commissioner of Health and Social Services to certify to the revisor of statutes federal approval of specified measures.

Section 8: Allows the department to adopt regulations necessary to implement the changes made by the Act. The regulations may not take effect before the dates the relevant provision of the Act takes effect.

Section 9: Conditional effects.

Sections 10 - 14: Provides for effective dates for provisos that require waiver and state plan amendment approvals from the United States Department of Health and Human Services.

Section 15: Provides an immediate effective date for sections 6, 7, and 8.