

HB

161

<TARGET><BILL>HB 161</BILL><SUBJECT>HB
161</SUBJECT><COMM>SFIN29</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/11/15

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered CS FOR HOUSE BILL NO. 161(HSS)

HB 161 MEDICAID: USED DURABLE MEDICAL EQUIPMENT

"An Act relating to the purchase of durable medical equipment under Medicaid; and providing for an effective date."

and recommends:

be replaced with SCS _____ (_____) Same Title Technical Title Change
 New Title/SCR No. _____

adopt previous SCS _____ (_____) Same Title Technical Title Change
 New Title/SCR No. _____

attached amendment(s)

adopt _____ Letter of Intent

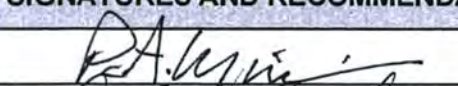
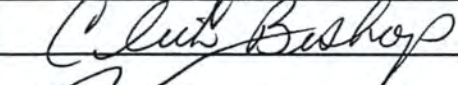
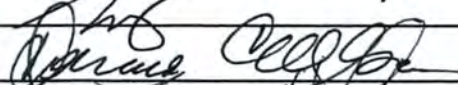

further referral to _____ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
EED	MVA
DEC	DNR
DFG	DPS
GOV	REV
DHS	DOT
AJS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DHS			✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	Do PASS	Do NOT PASS	No REC	AMEND
	MICCHICHE	✓			
	BISHOP	✓			
	OWSON	✓			
	Hoffman	✓			
CO-CHAIR:					
CO-CHAIR: Anna MacKinnon	MacKinnon	✓			

Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version:	CSHB 161(HSS)
Fiscal Note Number:	1
(H) Publish Date:	4/8/2015

Identifier: HB161-DHSS-HCMS-04-05-15
 Title: MEDICAID: USED DURABLE MEDICAL EQUIPMENT
 Sponsor: GATTIS
 Requester: House Health & Social Services Committee

Department: Department of Health and Social Services
 Appropriation: Medicaid Services
 Allocation: Health Care Medicaid Services
 OMB Component Number: 2077

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2016	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2016 Request	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
OPERATING EXPENDITURES	FY 2016	FY 2016					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
---------------------------	--	--	--	--	--	--	--

Estimated SUPPLEMENTAL (FY2015) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2016) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
 If yes, by what date are the regulations to be adopted, amended or repealed? n/a

Why this fiscal note differs from previous version:

Not applicable, initial version.

Prepared By:	Margaret Brodie, Director	Phone:	(907)334-2520
Division:	Health Care Services	Date:	04/05/2015 04:30 PM
Approved By:	Sarah Woods, Deputy Director Finance & Management Services	Date:	04/05/15
Agency:	Health & Social Services		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

Analysis

This bill establishes that when the Department authorizes the purchase of durable medical equipment, the Department will require the recipient to purchase used or refurbished equipment under certain conditions.

There is no additional cost to the department to implement this bill.



STATE OF ALASKA
HEALTH & SOCIAL SERVICES

WORK DRAFT REVIEW

Please note: The Department of Health and Social Services strives to provide timely programmatic input on proposed work drafts to assist with an efficient flow of legislation through the committee process. Nothing in this document should be construed as support or opposition for the proposal. A full review is still under way.

DIVISIONS IMPACTED Health Care Services	BILL NUMBER [Bill Version]LS636[Committee]	SPONSOR Gattis
SUBJECT Durable Medical Equipment		
DEPT CONTACT Margaret C. Brodie, Director of Health Care Services		DATE 3/18/2015

SUMMARY

PRELIMINARY COMMENTS ABOUT BILL/PROGRAM EFFECTS
 This proposed bill adds a subsection to Alaska Statute 47.07.030, to require the recipient of medical assistance services to purchase used or refurbished durable medical equipment, under certain conditions. Alaska Statute 47.07.030, the statute to which the new subsection was added, establishes the mandatory services offered by the Department of Health & Social Services.

Notable effect in this proposed bill is the requirement for a Medicaid recipient to purchase used or refurbished durable medical equipment. Currently, the department only purchases new medical equipment.

Regulations proposed by the Department of Health & Social Services, and posted for public comment November, 2014, proposed revising 7 AAC 120.215 to add subsections allowing the rental and purchase of used equipment. These regulations were withdrawn from public comment to allow for revisions to other, unrelated provisions. This proposed bill is almost duplicative of used equipment portion of those proposed regulations, with the difference that this proposed bill requires (rather than allows) purchase of used or refurbished durable medical equipment when it meets specified conditions.

AMENDMENTS PROPOSED
 Propose that the bill "allow" rather than "require."

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS.

This bill may not be necessary for the Department of Health & Social Services to reintroduce the proposed regulations and implement the changes.

Text of proposed regulation revision:

7 AAC 120.215 is amended by adding new subsections to read:

- (c) Rental of durable medical equipment, medical supplies, prosthetics, orthotics, and non-customized-fabricated orthotics identified as capped rental items on the department's Durable Medical Equipment Fee Schedule, adopted by reference in 7 AAC 160.900, are purchased by the department after 10 months of continuous rental and ownership information, including warranties and title, must be transferred to the recipient on the first day after 10 months of continuous rental.
- (d) The 10 months of continuous rental begins when the recipient first receives the rental item and does not include temporary interruptions of less than 60 consecutive days, plus the days remaining in the rental month in which the use ceases. Unreimbursed months of temporary interruptions in rental do not count towards the 10 months of continuous rental or begin a new rental period.
- (e) Interruptions of greater than 60 consecutive days, plus the days remaining in the rental month in which the use ceases, will begin a new rental period and the provider must obtain a new prescription order and submit a new prior authorization request for the new rental period.
- (f) Modification of the existing rental equipment due to a change in the recipient's medical needs during a 10 month continuous rental period does not begin a new rental period. The rental period for the existing equipment will continue and a new rental period for the added equipment will begin, if applicable.
- (g) Rental equipment that is replaced with different, but similar, equipment during the 10 month continuous rental period will not begin a new rental period.
- (h) A temporary or permanent change in the recipient's residence during the 10 month continuous rental period will not begin a new rental period.
- (i) The department may pay durable medical equipment or prosthetic and orthotics providers for used or refurbished equipment at a rate of no more than 60 percent of the current established DMEPOS Fee Schedule, according to 7 AAC 145.420, for rental or purchased items as long as the following criteria are met:
 - (1) the provider must have the recipient acknowledge in writing that they are receiving used equipment;
 - (2) the provider must bill with the appropriate modifier that distinguishes used equipment from new equipment;
 - (3) the used or refurbished equipment must be cleaned and sanitized; and
 - (4) the used or refurbished equipment supplied must meet the current needs of the recipient, must be close to the manufacturer's suggested specifications for a newly purchased piece of equipment and be able to withstand at least 3 years of use; if the equipment supplied does not meet current replacement standards of three years of use and the item needs to be replaced before the standard replacement limit has been met, then the provider must replace the item with a new or used piece of equipment at no charge to the department or the recipient.



THE STATE
of **ALASKA**
STATE LEGISLATURE

Rep. Lynn Gattis

Rep.Lynn.Gattis@akleg.gov

House Finance Committee

Education Finance Subcommittee Chair
Administration Finance Subcommittee Chair

EXPLANATION OF CHANGES
House Bill 161
Purchase of Used Durable Medical Equipment
Version H

PAGE 1 LINE 6:

Changes the word "shall" to the word "may".

PAGE 1 LINE 10:

Adds the words ", including shipping," after the words "is less expensive" and before the words, "than new durable medical equipment of the same type;"

PAGE 1 LINE 13:

Adds the word "equally" before the words, "meets the needs of the recipient."



HOUSE DISTRICT 7
GREATER WASILLA

Interim
600 E. Railroad Ave
Wasilla, AK 99654
Phone: (907) 373-6285
Fax: (907) 373-0286

Session
Alaska State Capitol Rm 500
Juneau, AK 99801-1182
Phone: (907) 465-4833
Toll Free: 800-782-4833



THE STATE
of **ALASKA**
STATE LEGISLATURE

Rep. Lynn Gattis

Rep.Lynn.Gattis@akleg.gov

House Finance Committee

Education Finance Subcommittee Chair
Administration Finance Subcommittee Chair

SECTIONAL ANALYSIS
House Bill 161
Purchase of Used Durable Medical Equipment
Version H

Section 1:

Amends AS 47.07.030 by adding subsection (g).

When the department authorizes the purchase of durable medical equipment, the department may require a recipient of medical assistance services to purchase used or refurbished durable medical equipment if used or refurbished durable medical equipment is available, is less expensive, including shipping, than new durable medical equipment of the same type, is able to withstand at least three years of use and equally meets the needs of the recipient.

Section 2:

Amends AS 47.07.900 by adding subsection (20).

Defines Durable Medical Equipment as equipment that can withstand repeated use, is primarily and customarily used to serve a medical purpose, generally in not useful to an individual in the absence of an illness or injury and is appropriate for use in the home, school or community.

Section 3:

Provides for an immediate effective date.



HOUSE DISTRICT 7
GREATER WASILLA

Interim
600 E. Railroad Ave
Wasilla, AK 99654
Phone: (907) 373-6285
Fax: (907) 373-6286

Session
Alaska State Capitol Rm 500
Juneau, AK 99801-1182
Phone: (907) 465-4833
Toll Free: 800-782-1833



THE STATE
of **ALASKA**
STATE LEGISLATURE

Rep. Lynn Gattis

Rep.Lynn.Gattis@akleg.gov

House Finance Committee

Education Finance Subcommittee Chair
Administration Finance Subcommittee Chair

SPONSOR STATEMENT
House Bill 161
Purchase of Used Durable Medical Equipment
Version H

House Bill 161 is a cost saving bill for the state's medical assistance programs. Currently the Department of Health and Social Services only purchases new Durable Medical Equipment, even though used Durable Medical Equipment is available and is able to withstand repeated use.

House Bill 161 says that, "When the department authorizes the purchase of durable medical equipment, the department may require a recipient of medical assistance services to purchase used or refurbished durable medical equipment if used or refurbished durable medical equipment is available, is less expensive, including shipping, than new durable medical equipment of the same type, is able to withstand at least three years of use and equally meets the needs of the recipient."



HOUSE DISTRICT 7
GREATER WASILLA

Interim
600 E. Railroad Ave
Wasilla, AK 99654
Phone: (907) 373-6285
Fax: (907) 373-6286

Session
Alaska State Capitol Rm 500
Juneau, AK 99801-1182
Phone: (907) 465-4833
Toll Free: 800-782-4833



Please Join the Council in Supporting Changes to Medicaid and Home and Community-Based Services (HCBS) Waivers To Save the State Money

GOAL

The Council has recommended a number of ideas that could save the state money if implemented and provide greater services to Alaskans with disabilities and their families.

MEDICAID EXPANSION

As the state considers its options for Medicaid expansion and its impact on a number of Alaskans, we look forward to being part of the discussion. We are in the process of preparing the Council's formal position on Medicaid expansion. In the meantime, we also have some ideas to share that can be part of the conversation around reforms as well.

WHAT ARE THE REFORMS?

- **Re-use and Recycling of Durable Medical Equipment**
 - The Council encourages the state to adopt changes in regulations which will allow for the re-use and recycling of durable medical equipment and assistive technology purchased via Medicaid. The specific regulations which need to be altered are as follows:
 - 7 ACC 120.200-299
 - 7 ACC 145.420
 - 7 ACC 160.900
 - Currently, the state of Alaska prohibits the purchase of used equipment with Medicaid dollars, even though CMS allows for reuse and recycling of equipment.
 - In other states, re-use systems have been put in place so that when equipment is no longer needed it goes back to a state-sponsored program for re-use, cleaning, repair, and purchase at a much-reduced cost. These programs could be copied and put in place in Alaska.

- **Medicaid 1915(k) and (i) State Plans**

- By adopting the 1915(k) amendment to the state plan in addition to the current Alaska PCA services plan, the state will receive an additional 6% federal match (\$13 million annually) and could save the state \$15 million¹ in general funds.
- Through the 1915(i) state plan option, the state could also offer some HCB services for individuals who do not yet require institutional level of care.
- Having combined 1915(i) and 1915 (k) state plans would allow Alaska to tailor services more specifically to the needs of our population and thus better serve all Alaskans with disabilities.

- **Greater use of Telepractice**

- The Council recommends changes to the state regulation 7 ACC 110.635, which currently prohibits the use of telepractice for HCBS waiver services.
- Due to the remote nature of much of our state and high health care costs, telepractice would benefit all Alaskans as well as reduce state Medicaid costs significantly.
- Since CMS does not prohibit telepractice of HCB services and professional licensing organizations encourage telepractice, we strongly urge the state to amend Medicaid regulations to allow HCBS waiver services to be practiced remotely, when appropriate and possible.

- **Employing People with Disabilities**

- We support the implementation of the Employment First Act (CSHB 211)² to ensure that the first and preferred outcome in the provision of publically-funded services to Alaskans with disabilities is competitive, integrated employment.
- Employment for individuals with disabilities not only increases the amount of contributing tax-payers, but also improves the health, self-sufficiency, and quality of life for the individual.
- Employing people with disabilities presents an opportunity to lower Medicaid costs and potentially replace state-funded services that would otherwise be needed.

Please Join the Council in Supporting Changes to Medicaid HCBS Waiver Services to Save the State Money

¹ According to the Medicaid innovations document provided on the MRAG website at: <http://dhss.alaska.gov/Commissioner/Pages/mrag/Sept-17-meeting.aspx>

² Employment First Act, <http://www.akleg.gov/PDF/28/Bills/HB0211Z.PDF>
3601 C Street, Suite 740, Anchorage, AK 99503
Phone (907) 269-8990 · Toll Free (888) 269-8990 · Fax (907) 269-8995

Durable Medical Equipment (DME) Re-Use Program Follow-Up Information

What is a DME Re-Use Program?

- DME refers to any medical equipment used by an individual at home or in the community to live more independently, manage a condition and improve quality of life. Examples include wheelchairs, walkers, bed lifts and shower chairs.
- DME Re-Use programs retrieve donated equipment; sanitize and refurbish devices returning DME to peak performance; work with DME vendors to repair equipment if needed to ensure quality; and reassign DME to the best matched eligible individual.
- The inventory of re-used equipment is obtained through reclaiming Medicaid-purchased devices and donations.
- Medicaid pays for inventory tracking, recovery, refurbishing and re-assigning used equipment to eligible Medicaid recipients if available to meet their needs.

What is the Current Status of the DME Re-Use Program?

- The State of Alaska's Medicaid program does not have a DME Re-Use program. The purchase of used DME equipment with Medicaid funds is prohibited, even though the federal government allows such purchases.
- In FY14, Access Alaska established a pilot program to sanitize, refurbish and re-assign used DME. Access Alaska's experience can be used as a springboard for developing a DME Re-Use partnership with Medicaid to fund operational costs and expand the program.

What is the Potential Impact of a DME Re-Use Program?

- Many other states have implemented re-use systems with proven cost savings.
- Kansas shows a \$3.15 return on investment for every \$1 spent on the State's re-use program.
- In Oklahoma's first four months of service (April-July 2012), 74 devices were reassigned for a cost savings of \$31,692.

How Can You Help?

- Sponsor a bill to develop and implement a DME Re-Use program.
- Request the Department of Health & Social Services adopt Medicaid regulations that allow for establishing a DME Re-Use program.
- Contact Access Alaska, ATLA/Assistive Technology of Alaska and the Governor's Council on Disabilities and Special Education to obtain information on Re-Use programs in other states.



ALASKA PHYSICAL THERAPY ASSOCIATION, INC.

A CHAPTER OF THE AMERICAN PHYSICAL THERAPY ASSOCIATION
PO BOX 140351 ANCHORAGE, AK 99514-0351
PHONE (907) 566-3749

April 7, 2015

The Honorable Lynn Gattis
House Health and Social Services Committee
State Capitol
Juneau, AK 99801

cc: The Honorable Paul Seaton
Chair, House Health and Social Services Committee

Re: Support of HB 161

Dear Representative Gattis:

The Alaska Physical Therapy Association supports the intent of HB 161 and the potential cost savings it would provide to the people of Alaska. Finding appropriate durable medical equipment is a high priority for our patients, and the current system of only providing new equipment limits patient options for obtaining the equipment they need at a reasonable cost and in a timely manner.

We do, however, have some concerns about the bill language as it exists in its current form. Our main concern about this bill has to do with patient safety. A potential risk associated with using used/refurbished equipment is that all returned equipment would need to be inspected and repaired prior to going to its new owner, and there is no detail in the bill for how that would occur, i.e., who would be refurbishing equipment, who would be the re-seller, and who would be in charge of determining that the used equipment is safe.

Given the geographic size of Alaska and the number of people served, an undertaking of this magnitude would require considerable resources in order to assure that any used/refurbished equipment going to patients would be safe. We would encourage the committee to consider adding language that addresses these issues and provides specificity for how the vendor would be selected, the safety criteria that would need to be satisfied, and the process by which the decision is made whether to provide used/refurbished or new equipment.

Thank you for your attention to this important matter, and for your work on behalf of Alaskans with disabilities. We look forward to working with you and providing input on the regulations pertinent to this statute should it be promulgated.

Respectfully,

LeeAnne Carrothers, PT, PhD
AKAPTA President