

LEG. FINANCE - BILLS 1977 - 1978 913

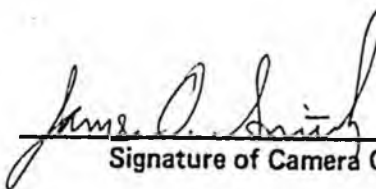
SB 129 thru SB 129 913



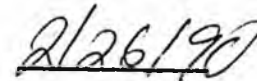
RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.



Signature of Camera Operator



Date

HOUSE JOURNAL

ALASKA STATE LEGISLATURE TENTH LEGISLATURE - SECOND SESSION

JUNEAU, ALASKA

Wednesday

January 18, 1978

Tenth Day

Pursuant to adjournment, the House was called to order by Speaker Malone at 10:17 a.m.

Roll call showed all members present except Representatives Bennett, Brown and Eliason. Representative Bennett had been previously excused from a call of the House today.

Mr. Miller moved and asked unanimous consent that the other absent members be excused on official state business. There being no objection, it was so ordered.

Mr. Miller moved and asked unanimous consent that Mrs. Buchholdt be excused from a call of the House on January 23, 1978. There being no objection, it was so ordered.

The prayer was offered by the Chaplain, Pastor P. Melin of the Bethel Assembly of God. Mr. Swanson moved and asked unanimous consent that the prayer be spread on the journal. There being no objection, it was so ordered and the prayer appears as follows:

"Heavenly Father,

Again this morning we pause to acknowledge
You and to thank You for Your intervention
in the affairs of men.

Lord, we need Your guidance and Your
inspiration because Your vision is not
limited like ours, but You see the beginning
and the end at the same time.

Help us, Lord, to seek Your counsel daily
so that our steps might be sure and the path
that we follow be a prosperous one.

Amen."

Mr. Miller moved and asked unanimous consent that the journal for the ninth day be approved as certified. There being no objection, it was so ordered.

MESSAGES FROM THE GOVERNOR

"January 16, 1978

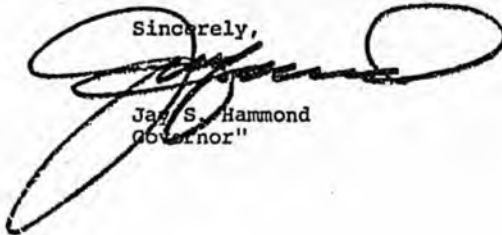
The Honorable Hugh Malone
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

Pursuant to AS 37.35.040, the Alaska Paperwork Reduction and Simplification Act, I am herewith transmitting the first report of the Paperwork Reduction Program. I am pleased to report that the concept of paperwork control has received overwhelming support and cooperation from all departments within the executive branch of state government. As this report details, most departments are going well beyond the intent of the legislation to relieve the public's paperwork burden, and are voluntarily initiating internal control procedures as well. I am hopeful that this program will stimulate many similar reforms to make government both more responsive and more efficient.

If you have any additional questions about the report or the program, please contact Ms. Diane Bergstrom, Paperwork Reduction Coordinator, Division of Policy Development and Planning.

Sincerely,



Jay S. Hammond
Governor"

The report of the Paperwork Reduction Program appears in House Supplement No. 2.

REPORTS OF STANDING COMMITTEES

SB 129 The Health, Education and Social Services Committee has had SENATE BILL NO. 129 (medical assistance for needy persons; effective date) under consideration and a majority of the members recommends it do pass. Concurring: Parr (Chairman), Beirne, Cotten, Chatterton and Nakak. Not concurring: Buchholdt has no recommendation at this time; Phillips and Ose have no recommendations.

SB 129 was referred to the Finance Committee.

Fiscal note No. 1 on SB 129 appears in Senate Supplement No. 12, 1977 journal; fiscal note No. 2 appears in House Supplement No. 2 to today's journal.

The Health, Education and Social Services Committee
Chairman's report on SB 129 appears as follows:

SB
129

"January 17, 1978

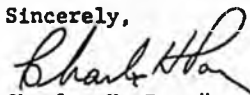
Honorable Hugh Malone
Speaker of the House
Pouch V
Juneau, Alaska 99811

Dear Mr. Speaker:

Information presented to the Health, Education and Social Services Committee during testimony on SB 129, indicates that the figures on the fiscal note are nothing more than crude estimates. Apparently the record keeping procedures for Alaska Psychiatric Institute do not permit even accurate data as to past experience, much less for future projection.

It seems clear that passage of the bill would result in the replacement of some general fund expenditures by Federal funds, just how much is an open question.

Sincerely,



Charles H. Parr"

The State Affairs Committee has had HOUSE BILL NO. 389 HB
(providing for an orientation program for new legislators) 389
under consideration and a majority of the members recom-
mends it do pass. Concurring: Bradley (Chairman),
Miles, McKinnon, Kelly, Lethin and Nakak.

HB 389 was referred to the Finance Committee.

The Labor and Management Committee has had HOUSE BILL HB
NO. 613 (supplemental appropriations to the Department 613
of Labor, workmen's compensation and local hire; effec-
tive date) under consideration and a majority of the
committee recommends it do pass. Concurring: Osterback,
Anderson, Lovseth and Smith. Not concurring: Brown
(Chairman) and Hayes have no recommendation.

HB 613 was referred to the Finance Committee.

INTRODUCTION, FIRST READING AND REFERENCE
OF HOUSE RESOLUTIONS

HR HOUSE RESOLUTION NO. 16 by Osterback:
16

Requesting the Governor to declare the Village of Karluk, Alaska, a disaster area.

was introduced, read the first time and referred to the State Affairs Committee.

HJR HOUSE JOINT RESOLUTION NO. 47 by Buchholdt, Schaeffer
47 and Bradley:

Relating to bilingualism in federal proceedings.

was introduced, read the first time and referred to the Health, Education and Social Services Committee.

INTRODUCTION, FIRST READING AND REFERENCE
OF HOUSE BILLS

HB HOUSE BILL NO. 650 by Beirne, Chatterton, Haugen, Kelly, Lethin,
650 Phillips and Rnode, entitled:

"An Act directing the initiation of litigation to protect the interests of the state in completing land selections under the Alaska Statehood Act; and providing for an effective date."

was introduced, read the first time and referred to the Committees on Resources, Judiciary and Finance.

HB HOUSE BILL NO. 651 by Beirne, Chatterton, Haugen, Kelly,
651 Lethin, Phillips and Rhode, entitled:

"An Act making a special appropriation to the Department of Law; and providing for an effective date."

was introduced, read the first time and referred to the Committees on Resources, Judiciary and Finance.

HB HOUSE BILL NO. 652 by the Rules Committee by request
652 (for the Steering Council for Alaska Lands), entitled:

"An Act making a special appropriation to the Department of Natural Resources for disbursement to the Steering Council on Alaska Lands; and providing for an effective date."

was introduced, read the first time and referred to the Committees on Resources and Finance.

HOUSE BILL NO. 653 by Lovseth, entitled:

HB
653

"An Act making a special appropriation with respect to a utilities transmission line at Mile 18.1 of the Seward Highway; and providing for an effective date."

was introduced, read the first time and referred to the Committees on State Affairs and Finance.

HOUSE BILL NO. 654 by Bradley, Anderson, Buchholdt, Cotten, Cowper, Dankworth, Duncan, Eliason, Freeman, Gardiner, Gruening, Haugen, Hayes, Lethin, Lovseth, McKinnon, Malone, Meekins, Miles, Miller, Nakak, Ose, Parr, Phillips, Schaeffer, Snider and Swanson, entitled:

HB
654

"An Act providing for redevelopment assistance in blighted commercial areas."

was introduced, read the first time and referred to the Committees on State Affairs and Finance.

HOUSE BILL NO. 655 by Miller, entitled:

HB
655

"An Act relating to the State Board of Registration for Architects, Engineers and Land Surveyors."

was introduced, read the first time and referred to the Committees on State Affairs and Judiciary.

HOUSE BILL NO. 656 by Parr, entitled:

HB
656

"An Act relating to comprehensive homeowners insurance rates."

was introduced, read the first time and referred to the Committees on Commerce and Judiciary.

The Speaker stated that the Committee on Community and Regional Affairs will be added as an additional referral to HOUSE CONCURRENT RESOLUTION NO. 90 (regulations of the Department of Community and Regional Affairs to implement the senior citizen housing development fund and to make funds available for the construction of housing facilities for senior citizens).

HCR
90

Mr. Miller moved and asked unanimous consent that HOUSE BILL NO. 305 (relating to the hours of sale of alcoholic beverages) be withdrawn. There being no objection, it was so ordered.

HB
305

Mr. Miller moved and asked unanimous consent that the House take up the following Legislative Citation as a special order of business at this time:

Legislative Citation commending Mary Hakala for earning a Gold Medal in the 1977 Marathon Run in Greece; by Representatives Miller and Duncan.

There being no objection, it was so ordered.

SPECIAL ORDERS

CITATIONS

Mr. Miller moved and asked unanimous consent that the House approve the Citation. There being no objection, it was approved unanimously,

The Citation was referred to the Chief Clerk for transmittal to the Senate.

ENGROSSMENT

Reconsideration of the vote on the following bill was not taken up on this legislative day. It was engrossed, signed by the Speaker and Chief Clerk and transmitted to the Senate for consideration:

CSHB
490 am

CSHB 490 am (corrective amendments in the Alaska Statutes as recommended by the revisor of statutes)

ANNOUNCEMENTS

| | | |
|--|---------------|-----------------|
| Republican Caucus | Minority Room | On adjournment |
| Finance Education portion of the Budget | Capitol 411 | 1:15 p.m., 1/18 |
| State Affairs HB 543 & 201 | Capitol 123-A | 1:15 p.m., 1/18 |
| HESS HB 296 | Capitol 110 | 3:00 p.m., 1/18 |
| Judiciary Criminal Code | Capitol 124 | 3:00 p.m., 1/18 |
| Democratic Luncheon Rep. Malone, Speaker | Baranof | Noon, 1/18 |
| ANB Reception honoring Legislators | ANB Hall | 7:30 p.m., 1/20 |
| Flowers in chambers donated by Mr. & Mrs. Skinner, Ace Flower Shop | | |

ADJOURNMENT

Mr. Miller moved and asked unanimous consent that the House adjourn until 10:00 a.m., January 19, 1978. There being no objection, the House adjourned at 10:47 a.m.

Irene Cashen
Chief Clerk

COMMITTEE REPORT
HOUSE

1/18/78

FURTHER: _____

Date: 1-15-78

Mr. Speaker:

The Committee on FINANCE has had SB 129

"An Act relating to medical assistance for needy persons, effective date." under consideration and (a majority of the committee) (the committee reports it back as follows)

- recommends it do pass recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for _____

- and _____ new title same title
- AND attaches a Letter of Intent New Fiscal Note
- reports it back without recommendation
- and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

[Handwritten signatures]

[Handwritten signature]

Chairman

Introduced: 2/4/77
Referred: Health, Education &
Social Services and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE BILL NO. 129

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to medical assistance for needy
7 persons; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 47.07.020(b) is amended by adding a new paragraph to
10 read:

11 (7) persons under 21 years of age receiving active treat-
12 ment in a psychiatric hospital who are financially eligible as deter-
13 mined by the standards of part A of Title IV (aid to families with
14 dependent children) of the Social Security Act.

15 * Sec. 2. This Act takes effect immediately in accordance with AS
16 01.10.070(c).

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THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. SB 129
 Title INDIVIDUALS UNDER 21 IN PSYCHIATRIC HOSPITAL ELIGIBILITY FOR MEDICAID
 Requested by BUDGET AND MANAGEMENT Date 12/13/76

II. FISCAL DETAIL
 Agency Affected HEALTH AND SOCIAL SERVICES
 Program Category Affected PUBLIC ASSISTANCE
 Budget Request Unit(s) Affected MEDICAID

EXPENDITURES (Thousands of Dollars)

| | FY 77 | FY 78 | FY 79 | FY 80 | FY 81 | FY 82 |
|--------------------------|----------|----------|----------|----------|----------|----------|
| 100 PERSONAL SERVICES | | | | | | |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | | | | | |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | | | | | |
| TOTAL | 0 | 0 | 0 | 0 | 0 | 0 |

FUNDING (Thousands of Dollars)

| | | | | | | |
|-----------------|--|-----------|-----------|-----------|-----------|-----------|
| GENERAL FUND | | (387,285) | (463,265) | (554,400) | (663,660) | (794,730) |
| FEDERAL FUNDS | | 387,285 | 463,265 | 554,400 | 663,660 | 794,730 |
| OTHER (Specify) | | | | | | |

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL TIME | | | | | | |
| PART TIME | | | | | | |
| TEMPORARY | | | | | | |

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Federal funding will replace existing State funding, resulting in a 0 net change in expenditure.

IV. DATE 12/13/76 PREPARED BY Walter Horem
 AGENCY Public Assistance
 Original: Legislative Finance PHONE 465-3355
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

Fiscal Note # 12 - 2/4/77

Introduced: 2/4/77
Referred: Health, Education &
Social Services and Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 129

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to medical assistance for needy
7 persons; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 47.07.020(b) is amended by adding a new paragraph to
10 read:

11 (7) persons under 21 years of age receiving active treat-
12 ment in a psychiatric hospital who are financially eligible as deter-
13 mined by the standards of part A of Title IV (aid to families with
14 dependent children) of the Social Security Act.

15 * Sec. 2. This Act takes effect immediately in accordance with AS
16 01.10.070(c).

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CHARLIE PARR

ALASKA LEGISLATURE

S. R. Box 50599
Fairbanks, Alaska 99701
456-5029

Pouch V
Juneau, Alaska 99811
465-3797

January 17, 1978

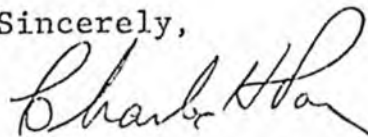
Honorable Hugh Malone
Speaker of the House
Pouch V
Juneau, Alaska 99811

Dear Mr. Speaker:

Information presented to the Health, Education and Social Services Committee during testimony on SB 129, indicates that the figures on the fiscal note are nothing more than crude estimates. Apparently the record keeping procedures for Alaska Psychiatric Institute do not permit even accurate data as to past experience, much less for future projection.

It seems clear that passage of the bill would result in the replacement of some general fund expenditures by Federal funds, just how much is an open question.

Sincerely,



Charles H. Parr

CHP:sg

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. SENATE BILL NO. 129
 Title INDIVIDUALS UNDER 21 IN PSYCHIATRIC HOSPITAL ELIGIBILITY FOR MEDICAID
 Requested by BUDGET AND MANAGEMENT Date 1/16/78

II. FISCAL DETAIL HEALTH AND SOCIAL SERVICES
 Agency Affected _____
 Program Category Affected PUBLIC ASSISTANCE
 Budget Request Unit(s) Affected MEDICAID

EXPENDITURES (Thousands of Dollars)

| | FY 78 | FY 79 | FY 80 | FY 81 | FY 82 | FY 83 |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES | | | | | | |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | | | | | |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | | | | | |
| TOTAL | | | | | | |

FUNDING (Thousands of Dollars)

| | | | | | | | |
|-----------------|---|-----------|-----------|-----------|-----------|-----------|-----------|
| GENERAL FUND | * | (387,285) | (463,265) | (554,400) | (663,660) | (794,700) | (950,640) |
| FEDERAL FUNDS | * | 387,285 | 463,265 | 554,400 | 663,660 | 794,700 | 950,640 |
| OTHER (Specify) | | | | | | | |
| | | | | | | | |

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL TIME | | | | | | |
| PART TIME | | | | | | |
| TEMPORARY | | | | | | |

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

*Federal funding will replace exiting State funding, resulting in a 0 net change in expenditure.

IV. DATE 1/16/78 PREPARED BY DAVID DAVIDSON
 AGENCY DIVISION OF PUBLIC ASSISTANCE
 PHONE 465-5555
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
SOCIAL & REHABILITATION SERVICE
REGION X

JUN 6 1977

REGIONAL COMMISSIONER'S MEMORANDUM NO. 77-39 (MS-17)

TO: Title XIX State Agencies

SUBJECT: Medicaid Coverage of Reasonable Classifications of Individuals
Under Age 21

On November 17, 1976, we sent to you Regional Commissioner's Memorandum Number 77-16 (MS-7), which advised that no further State plan amendments proposing Medicaid coverage of subgroups of individuals under age 21 would be approved pending revision of the applicable Federal regulation. We have just been informed by the Acting Administrator, Health Care Financing Administration (HCFA), that this decision has been changed.

In a May 23, 1977, communique, the Acting Administrator, HCFA, determined that it is unreasonable to deny coverage of additional subgroups which are specifically authorized by current regulations as long as those regulations are in effect. Accordingly, Regional Commissioner's Memorandum Number 77-16 (MS-7) is rescinded and State proposals for subgroups identified in the regulation may be approved.

Jeanne Jewett

Jeanne Jewett

Acting Regional Commissioner



POSITION PAPER
ON
SENATE BILL NO. 129

"An Act relating to medical assistance for needy persons; and providing for an effective date."

If passed, this bill would add another "reasonable classification of individuals under age 21" to those eligible for Medicaid in Alaska and so enable the State to claim 50% of the cost in Federal Financial Participation.

Previously Region X of the Department of Health, Education and Welfare had taken the position that no new reasonable classification categories would be allowed under Medicaid state plans. That position was rescinded by Regional Commissioner's memorandum No. 77-39, dated June 6, 1977, and reasonable classifications are now acceptable to the Department of Health, Education, and Welfare.

Alaska currently covers two reasonable classes of individuals under age 21:

- 1) individuals in an intermediate care facility for the mentally retarded; and,
- 2) individuals for whom public agencies are assuming full or partial financial responsibility and who are in foster homes or private childcaring institutions.

Approved By: Richard R. Wilson
 Richard R. Wilson, Director
 Division of Public Assistance

1-16-78
 Date

Helen D. Beirne
 Helen D. Beirne, Commissioner
 Department of Health & Social Services

1-16-78
 Date

129

February 4, 1977

The Honorable John L. Rader
President of the Senate
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. President:

Under the authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060 (b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill authorizing a new class of recipients for Medicaid. AS 47.07.020(d) requires legislative action to add new groups to subsection (b) of that section. This measure would add persons under 21 years of age who are receiving active treatment in a psychiatric hospital. Enactment of this measure should result in annual savings to the state because of the fifty per cent matching funds which would become available from the federal government. As these patients are now treated entirely at General Fund expense, the state's required support would be reduced accordingly.

Sincerely,

Jay S. Hammond
Governor

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 129
 Title INDIVIDUALS UNDER 21 IN PSYCHIATRIC HOSPITAL. ELEGIBILITY FOR MEDICAID
 Requested by BUDGET AND MANAGEMENT Date 12/13/76

II. FISCAL DETAIL

Agency Affected HEALTH AND SOCIAL SERVICES
 Program Category Affected PUBLIC ASSISTANCE
 Budget Request Unit(s) Affected MEDICAID

EXPENDITURES (Thousands of Dollars)

| | FY 77 | FY 78 | FY 79 | FY 80 | FY 81 | FY 82 |
|--------------------------|----------|----------|----------|----------|----------|----------|
| 100 PERSONAL SERVICES | | | | | | |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | | | | | |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | | | | | |
| TOTAL | 0 | 0 | 0 | 0 | 0 | 0 |

FUNDING (Thousands of Dollars)

| | | | | | |
|-----------------|-----------|-----------|-----------|-----------|-----------|
| GENERAL FUND | (387,285) | (463,265) | (554,400) | (663,660) | (794,700) |
| FEDERAL FUNDS | 387,285 | 463,265 | 554,400 | 663,660 | 794,700 |
| OTHER (Specify) | | | | | |

POSITIONS

| | | | | | |
|-----------|--|--|--|--|--|
| FULL TIME | | | | | |
| PART TIME | | | | | |
| TEMPORARY | | | | | |

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Federal funding will replace existing State funding, resulting in a 0 net change in expenditure.

IV. DATE 12/13/76 PREPARED BY Walter Horem
 AGENCY Public Assistance
 Original: Legislative Finance PHONE 465-3355
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

CHARLIE PARR

ALASKA LEGISLATURE

S. R. Box 50599
Fairbanks, Alaska 99701
456-5029

Pouch V
Juneau, Alaska 99811
465-3797

January 17, 1978

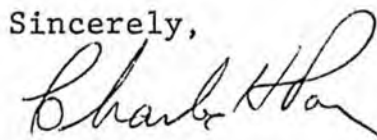
Honorable Hugh Malone
Speaker of the House
Pouch V
Juneau, Alaska 99811

Dear Mr. Speaker:

Information presented to the Health, Education and Social Services Committee during testimony on SB 129, indicates that the figures on the fiscal note are nothing more than crude estimates. Apparently the record keeping procedures for Alaska Psychiatric Institute do not permit even accurate data as to past experience, much less for future projection.

It seems clear that passage of the bill would result in the replacement of some general fund expenditures by Federal funds, just how much is an open question.

Sincerely,



Charles H. Parr

CHP:sg

January 19, 1978

Helen Beirne, Commissioner
Department of Health & Social Services
Pouch H-01
Juneau, AK 99811

Dear Commissioner Beirne:

Senate Bill 129 arrived in House Finance yesterday. As you can see from the enclosed letter from the Health, Education, and Social Services Chairman, the Fiscal Note (also enclosed) is not terribly informative. In anticipation that the House Finance Committee would want to know more about the costs and General Fund savings of this legislation, I would suggest that the Fiscal Note be reworded and that greater detail regarding costs and General Fund savings be submitted as soon as possible.

Sincerely,



J. H. Hogan
Director
Legislative Finance

enclosures

JHH:bf

SENATE BILL 129

"An act relating to medical assistance for needy persons; and providing for an effective date."

PURPOSE: The passage of SB 129 will allow claimable reimbursement from the Medicaid Program for the psychiatric services provided to individuals who are under the age of 21, meet the current public assistance income standards and who are suffering from a "disabling" mental illness.

Under present conditions it is necessary to individually determine medical disability of each patient who is receiving active treatment in a psychiatric hospital as a condition precedent to that patient's expenses being paid under the State Medicaid program. The effect of this bill will be to grant a class action to any patient receiving active treatment in a psychiatric hospital determining that patient as being medically disabled on the "reasonable" assumption that they would not be admitted if they were not disabled.

FY 75-FY 77: A recent Federal Medicaid Audit has questioned the eligibility of approximately 350 cases claimed in the last three years for inpatient psychiatric services at API. Individual medical case files are being reviewed by the federal government to assure that the primary diagnosis was of a nature that the patient was actually disabled and would remain so for one year. Until this medical review audit is completed Medicaid reimbursement for these cases has been deferred.

FY 78: API has maintained a potential Medicaid claimable patient load of 30 patients since July 1, 1977. As API is dependent on Medicaid for 22% of their operating budget, the problems in resolving medical disability could place API in serious financial difficulty. Unless reasonable classification is mandated, through the passage of SB 129, the probability continues to exist that individual medical review and subsequent medical audit will cause the Medicaid receipts to fluctuate depending on the then current medical terminology and determination of what constitutes a "disability".

FISCAL IMPACT:

The API FY 78 authorization is dependent upon the following Medicaid Receipts:

| | |
|----------------------|--------------------------|
| ICF/MR | 15 x \$102 x 365 = 558.5 |
| Inpatient | |
| Psychiatric | 25 x \$101 x 365 = 910.5 |
| FY 78 Receipts TOTAL | <u>1,469.0</u> |

To date the following factors have impacted the ability of API to obtain the necessary receipts to support their FY 78 authorization.

- (1) The ICF/MR unit was discontinued and therefore there will be less than two months claimable receipts: loss of 558.5

- (2) The inpatient psychiatric services rate was adjusted during FY 77 cost settlement to \$165 a day, thereby adjusting the claimable revenues to 25 x 165 x 365 = 1,505.6. However, due to the questioned eligibility status this actual rate increase may not generate sufficient revenues to meet total receipt needed.

- (3) The actual number of patients who appear to be eligible in this category have increased from 25 to 30.

$$30 \times 165 \times 365 = 1,806.8$$

- (4) The passage of SB 129 will allow claims for recipients retroactive to January 1, 1978 which would generate the following fluctuating receipts:

| | |
|--------------------|-------------------------------|
| Probable Receipts: | 18 x 165 x 182 = 540.5 |
| | 30 x 165 x 183 = <u>905.9</u> |
| | 1,446.4 |
| | or 30 x 165 x 365 = 1,806.8 |

PROGRAM CHANGE:

The passage of SB 129 will not in and of itself increase the eligible population. Consequently API's future receipts will continue to be dependent on the ability to project how many actual clients under the age of 21 will meet the income standards for public assistance.

Only if API was to substantially change their services to acquire additional persons under the age of 21 would there be a significant rise in receipts.

The projections used in the fiscal note are based on the assumption that Federal audit findings will be favorable to the State. Passage of the fiscal note prior to confirmation of this assumption could result in a supplemental for FY 78 and FY 79. Recommend passage of SB 129 without fiscal note.

Recommended by: Dick Wilson (Director) 2/15/78 (Date)

Approved by: Alan D. Beirne (Commissioner) 2/15/78 (Date)

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 129

Title _____

Requested by Rules Committee by Request of Governor Date February 15, 1978

II. FISCAL DETAIL

Agency Affected Department of Health & Social Services - Division of Mental Health

Program Category Affected Health

Budget Request Unit(s) Affected API

EXPENDITURES (Thousands of Dollars)

| | FY 77 | FY 78 | FY 79 | FY 80 | FY 81 | FY 82 |
|--------------------------|-------|----------------|----------------|-------|-------|-------|
| 100 PERSONAL SERVICES | | 5,643.1 | 6,295.6 | | | |
| 200 TRAVEL | | 40.2 | 40.4 | | | |
| 300 CONTRACTUAL | | 527.6 | 632.7 | | | |
| 400 COMMODITIES | | 416.1 | 441.1 | | | |
| 500 EQUIPMENT | | 16.4 | 20.0 | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | 83.4 | 21.9 | | | |
| TOTAL | | 6,726.8 | 7,451.7 | | | |

FUNDING (Thousands of Dollars)

| | | | | | | |
|-----------------|--|---------|---------|--|--|--|
| GENERAL FUND | | (337.8) | (677.7) | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER (Specify) | | 337.8 | 677.7 | | | |
| | | | | | | |

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL TIME | | | | | | |
| PART TIME | | | | | | |
| TEMPORARY | | | | | | |

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

FY 78: Increase Medicaid receipts to 1,806.8 from 1,469.0.
 $165 \times 30 \times 365 = 1,806.8$

FY 79: Increase Medicaid to 1,992.9 from 1,315.2.
 $182 \times 30 \times 365 = 1,992.9$

$182 = 165 \times 10\%$ (10% based on projected growth requested in Governor's FY 79 Budget)

THE ABOVE PROJECTIONS ARE BASED ON THE ASSUMPTION THAT FEDERAL AUDIT FINDINGS WILL BE FAVORABLE TO THE STATE. PASSAGE OF THE FISCAL NOTE PRIOR TO CONFIRMATION OF THIS ASSUMPTION COULD RESULT IN A SUPPLEMENTAL FOR FY 78 AND FY 79. RECOMMEND PASSAGE OF SB 129 WITHOUT FISCAL NOTE.

IV. DATE February 15, 1978

PREPARED BY Marsha Hubbard, Budget Analyst *MBH*

AGENCY Department of Health & Social Services

PHONE 465-3061

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

HOUSE
JOURNAL SUPPLEMENT

January 18, 1978

Wednesday

No. 2

FISCAL NOTE

I. REQUEST SB
 Bill/Resolution No. SENATE BILL NO. 129 129
 Title INDIVIDUALS UNDER 21 IN PSYCHIATRIC HOSPITAL ELIGIBILITY FOR MEDICAID
 Requested by BUDGET AND MANAGEMENT Date 1/16/78

II. FISCAL DETAIL HEALTH AND SOCIAL SERVICES
 Agency Affected _____
 Program Category Affected PUBLIC ASSISTANCE
 Budget Request Unit(s) Affected MEDICAID

EXPENDITURES (Thousands of Dollars)

| | FY 78 | FY 79 | FY 80 | FY 81 | FY 82 | FY 83 |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES | | | | | | |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | | | | | |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LANDS, STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | | | | | |
| TOTAL | | | | | | |

FUNDING (Thousands of Dollars)

| | (387,285) | (463,265) | (554,400) | (663,660) | (794,700) | (950,640) |
|-----------------|-----------|-----------|-----------|-----------|-----------|-----------|
| GENERAL FUND | | | | | | |
| FEDERAL FUNDS | 387,285 | 463,265 | 554,400 | 663,660 | 794,700 | 950,640 |
| OTHER (Specify) | | | | | | |

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL TIME | | | | | | |
| PART TIME | | | | | | |
| TEMPORARY | | | | | | |

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

*Federal funding will replace existing State funding, resulting in a 0 net change in expenditure.

IV. DATE 1/16/78 PREPARED BY DAVID DAVIDSON
 AGENCY DIVISION OF PUBLIC ASSISTANCE
 Original: Legislative Finance PHONE 465-3355
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/77)

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPT. OF HEALTH AND SOCIAL SERVICES

Division of Mental Health and
Developmental Disabilities

POUCH H-04B -- JUNEAU 99811

January 24, 1978

Honorable Steve Cowper
House of Representatives
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Legislature
Document# General #10

Dear Mr. Cowper:

The Division of Mental Health and Developmental Disabilities has claimed reimbursement for "psychiatric services to patients 21 and under and over 65" since July 1975. Revenues from this source were budgeted as interagency receipts in the Alaska Psychiatric Institute Budget Request Unit in the following amounts:

| | |
|---------|-----------|
| FY 1975 | -0- |
| FY 1976 | 571,800 |
| FY 1977 | 558,500 |
| FY 1978 | 910,500 |
| FY 1979 | 1,168,000 |

During these years the Division of Public Assistance claimed reimbursement and received payment for the following amounts:

| | |
|-------------------------|-----------|
| FY 1975 | 223,349 |
| FY 1976 | 1,188,329 |
| FY 1977 | 1,875,902 |
| (Thru 11/30/77) FY 1978 | 358,401 |
| FY 1979 | -0- |

However, the Medicaid authority in Region X has questioned our claims and may audit us for all our claims to date. This dispute centers around whether or not these cases are medically disabled. The passage of House Bill 129 would relieve the State of determining medical disability. The Federal Medicaid authority would no longer require us to determine medical disability. We could then claim reimbursement for all these patients, who are financially eligible, based on the "reasonable" assumption that they would not be admitted if they were not disabled.

The passage of ^{Senate} ~~House~~ Bill 129 would allow us to avoid a lengthy disability determination process, will insure our future claims, and probably can be used to convince the Medicaid authority to give us the "benefit of the doubt" on approximately 350 cases from July 1975 to the present time.

Honorable Steve Cowper

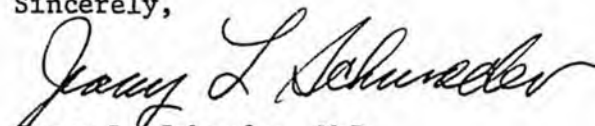
-2-

January 24, 1978

It is difficult to project the potential financial benefit to this Budget Request Unit for a number of reasons. The amount of interagency receipts that should be budgeted will vary with the number of patients 21 and under and over 65, their financial eligibility, whether or not they are correction's cases, whether or not they have insurance, and with the per diem rate which is greatly affected by the average daily census of all the patients in the facility. Because of these numerous factors, we should either budget conservatively or be allowed a supplemental request if the program does not achieve its projected collections.

If this amendment is passed and the State Medicaid plan altered before March 31, the effect will be retroactive to January 1, 1978.

Sincerely,



Jerry L. Schrader, M.D.
Director

JLS:prp

cc: Honorable Charles Parr

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

*Nelson
F. N.*

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SENATE BILL NO. 129
 Title INDIVIDUALS UNDER 21 IN PSYCHIATRIC HOSPITAL ELIGIBILITY FOR MEDICAID
 Requested by BUDGET AND MANAGEMENT Date 1/16/78

II. FISCAL DETAIL

Agency Affected HEALTH AND SOCIAL SERVICES
 Program Category Affected PUBLIC ASSISTANCE
 Budget Request Unit(s) Affected MEDICAID

EXPENDITURES (Thousands of Dollars)

| | FY 78 | FY 79 | FY 80 | FY 81 | FY 82 | FY 83 |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES | | | | | | |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | | | | | |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | | | | | |
| TOTAL | | | | | | |

FUNDING (Thousands of Dollars)

| | | | | | | | |
|-----------------|---|-----------|-----------|-----------|-----------|-----------|-----------|
| GENERAL FUND | * | (387,285) | (463,265) | (554,400) | (663,660) | (794,700) | (950,640) |
| FEDERAL FUNDS | * | 387,285 | 463,265 | 554,400 | 663,660 | 794,700 | 950,640 |
| OTHER (Specify) | | | | | | | |
| | | | | | | | |

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL TIME | | | | | | |
| PART TIME | | | | | | |
| TEMPORARY | | | | | | |

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

*Federal funding will replace exiting State funding, resulting in a 0 net change in expenditure.

IV. DATE 1/16/78 PREPARED BY DAVID DAVIDSON *David*
 AGENCY DIVISION OF PUBLIC ASSISTANCE
 PHONE 465-3355
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
SOCIAL & REHABILITATION SERVICE
REGION X

JUN 6 1977

REGIONAL COMMISSIONER'S MEMORANDUM NO. 77-39 (MS-17)

TO: Title XIX State Agencies

SUBJECT: Medicaid Coverage of Reasonable Classifications of Individuals
Under Age 21

On November 17, 1976, we sent to you Regional Commissioner's Memorandum Number 77-16 (MS-7), which advised that no further State plan amendments proposing Medicaid coverage of subgroups of individuals under age 21 would be approved pending revision of the applicable Federal regulation. We have just been informed by the Acting Administrator, Health Care Financing Administration (HCFA), that this decision has been changed.

In a May 23, 1977, communique, the Acting Administrator, HCFA, determined that it is unreasonable to deny coverage of additional subgroups which are specifically authorized by current regulations as long as those regulations are in effect. Accordingly, Regional Commissioner's Memorandum Number 77-16 (MS-7) is rescinded and State proposals for subgroups identified in the regulation may be approved.

Jeanne Jewett

Jeanne Jewett
Acting Regional Commissioner



POSITION PAPER
ON
SENATE BILL NO. 129

"An Act relating to medical assistance for needy persons; and providing for an effective date."

If passed, this bill would add another "reasonable classification of individuals under age 21" to those eligible for Medicaid in Alaska and so enable the State to claim 50% of the cost in Federal Financial Participation.

Previously Region X of the Department of Health, Education and Welfare had taken the position that no new reasonable classification categories would be allowed under Medicaid state plans. That position was rescinded by Regional Commissioner's memorandum No. 77-39, dated June 6, 1977, and reasonable classifications are now acceptable to the Department of Health, Education, and Welfare.

Alaska currently covers two reasonable classes of individuals under age 21:

- 1) individuals in an intermediate care facility for the mentally retarded; and,
- 2) individuals for whom public agencies are assuming full or partial financial responsibility and who are in foster homes or private childcaring institutions.

Approved By:

Richard R. Wilson

Richard R. Wilson, Director
Division of Public Assistance

1-16-78
Date

Helen D. Beirne

Helen D. Beirne, Commissioner
Department of Health & Social Services

1-16-78
Date



STATE OF ALASKA

Legislative Affairs Agency

OPTING

—

A Study of Medicaid Client Need

February

1977

OPTING
A STUDY OF MEDICAID CLIENT NEED

PREPARED BY
LEGISLATIVE AFFAIRS AGENCY
DIVISION OF RESEARCH

FEBRUARY, 1977

Foreword

In the fall of 1972, Alaska entered the national Medicaid program, providing certain of its citizens thereby a limited spectrum of medical care services.

Since this modest beginning, the legislature has increased Medicaid coverage by the addition of a few services above those which the state is required to cover in order to participate in the federal program. These optional services allowed the state to earn addition "matching" federal funds, some of which were a direct one-for-one offset to medical care expenditures that the state itself had been previously paying for in their entirety. Other program additions resulted in increased state expenditures, but provided a more complete medical coverage package.

In order to maximize the benefits from the additional expenditures, optional service additions must undergo careful scrutiny to insure that the options chosen return the greatest level of benefits in terms of meeting the health needs of the approximately seven percent of Alaska's population served by the Medicaid program. During 1976, a number of legislators indicated their desire to have better information upon which to base their decisions concerning the addition (or deletion) of various possible optional services. In order to meet this need, Miss Deborah Behr of the Research Division staff began, in June of 1976, an extensive effort directed at reviewing public assistance eligibility supervisors' perceptions of client requirements, analyzing written denials of additional client service requests, and obtaining information from various states regarding their experience with selected options. The present study is the result of this effort.

Gregg K. Erickson
Director of Research
Legislative Affairs Agency

Juneau, Alaska
February, 1977

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OPTING

A STUDY OF MEDICAID CLIENT NEED

PART I. OVERVIEW OF THE MEDICAID PROGRAM

INTRODUCTION TO THE PROGRAM

Medicaid is a program funded jointly by the federal and state governments which aids certain needy Alaskans in providing payments for them to receive medical services. It helps assure that medical services are available to those needy eligible persons when they are ill or injured. It also assists in guaranteeing that the highest quality care of the kind required by the patient's condition is available, by mandating certain medical reviews of patient care and treatment. Medicaid also attempts to make services available by utilizing the present system of private practitioners, facilities, and institutions to provide the care required at the lowest possible cost to the taxpayer.

STATE PLAN FOR MEDICAID

The Medicaid program in Alaska is administered by a single state agency, the Department of Health and Social Services, which is required to submit a state plan to the Secretary of the federal Department of Health, Education, and Welfare for his review and approval.

The state plan is essentially a contract between the state department and the federal Department of Health, Education, and Welfare specifying conditions to be met in order to qualify for federal financial participation. Some topics included in it are:

1. eligibility determination
2. recipient eligibility
3. eligibility verification
4. medical services
5. health care
6. quality control
7. fair hearings
8. methods of administration
9. utilization review
10. fraud

Many of these items are required to be included in the plan (mandatory), but others the state may decide whether or not to include (optional). The optional portions allow the state to shape a medical assistance program to the needs and financial resources of its citizens.

OPTING

A STUDY OF MEDICAID CLIENT NEED

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7. fair hearings
8. methods of administration
9. utilization review
10. fraud

Many of these items are required be included in the plan (mandatory), but others the state may decide whether or not to include (optional). The optional portions allow the state to shape a medical assistance program to the needs and financial resources of its citizens.

DIFFERENCES BETWEEN MEDICAID AND MEDICARE

Medicaid is often confused with the Medicare program in the state. Medicaid is a medical assistance program for certain needy low-income people. In Alaska, Medicaid is administered by the Division of Public Assistance, an agency of the Alaska Department of Health and Social Services. It is authorized under Title XIX of the federal Social Security Act and AS 47.07.010-.080 of the Alaska statutes. States can design their own programs within set federal guidelines to meet the needs and resources of its citizens. Medicaid programs can and do vary from state to state.

In comparison, Medicare is a medical insurance program for those people, rich or poor, covered by Social Security. It is administered by the Social Security Administration of the federal government. The program is the same in all fifty states. Almost everyone over 65 and some younger persons who have been receiving Social Security disability payments for at least two years qualify for the program.

BRIEF HISTORY OF MEDICAID PROGRAM IN ALASKA

On July 6, 1972, Alaska became the 49th state to provide the Medicaid program for its residents. The state has, since the mid-60's, provided for such services under the General Relief - Medical program. Costs had risen from \$1.8 million to \$8.7 million in FY 72. This dramatic increase was due to many factors, the major ones being:

1. The number of eligibles had increased, but the rate of expenditure was increasing at even a faster pace.
2. The scope of the program had been liberalized and expanded with a related increase in utilization of services.
3. Medical care costs were rising at a rate disproportionate to that of other costs of living.

In light of this situation, the administration and the legislature came to basic conclusions that the General Relief - Medical program, which was supported 100% with state monies, had need of administrative controls to review services and, hopefully, reduce health care expenditures. There was a general consensus that either the General Relief - Medical program had to be upgraded or research should be done to investigate the possibility of the implementation of the Medicaid program. In April, 1972, the Department of Health and Social Services contracted with Touche Ross and Company, a public accounting firm, to develop a cost benefit study of the Medicaid program. Budgets were developed and testimony was made to the legislature that session. On June 17, 1972, the enabling bill for the Medicaid program passed the legislature and was later signed into law with an effective date of July 6, 1972. (The history of the program can be traced on Table 1: Medicaid History Timeline.)

TABLE 1

State of Alaska
Medicaid History Timeline

| <u>Date</u> | <u>Occurrence</u> |
|-----------------------|---|
| April 10, 1972 | Touche Ross & Company begin Medicaid System Design |
| April 18-June 9, 1972 | Departmental Presentation to Legislature |
| May 10, 1972 | Department of Health and Social Services' Steering Committee Established |
| June 17, 1972 | Enabling Bill Passes Legislature |
| July 6, 1972 | Medicaid Becomes Law |
| September 1, 1972 | Medicaid Implemented |
| September 28, 1972 | State Plan Submitted to Federal Department of Health, Education and Welfare |
| April 4, 1973 | Effective date of Intermediate Nursing Home Care Option |
| May 16, 1974 | Effective date of Inpatient Psychiatric Hospital Option for Eligible Persons 65 or Over and Under 22 |
| May 16, 1974 | Effective Date of Miscellaneous Minor Eligibility Groups (Primarily needy children under 21 in foster care under supervision by Department of Health and Social Services) |
| July 13, 1974 | Effective date of 60 day limit on filing Medicaid claims |
| April 15, 1975 | New Division of Public Assistance Formed |
| September 2, 1975 | Effective date of Intermediate Nursing Home Care for Mentally Retarded Under 21 who Meet AFDC Need Standards Option |
| March 12, 1976 | Effective date of Eye Glasses and Optometrist Service Options |
| June 21, 1976 | Effective Date of New Nursing Home Group of Eligibles |
| July 1, 1976 | Effective Date of Limited Clinic Services Option (Primarily Community Mental Health Centers and State Operated Mental Centers) |
| July 1, 1976 | Effective date of Treatment of Speech, Hearing, and Language Disorders Option |

The Department of Health and Social Services worked during the interim period to provide the necessary procedures and organization to make Medicaid an administrative reality in Alaska. A new Division of Medical Assistance in the Department of Health and Social Services was formed to administer the new program, as well as the remnants of the General Relief - Medical program. On September 1, 1972, the Medicaid program was actually implemented. (The Division continued to administer the program until April, 1975, when the new Division of Public Assistance was formed. This new division combined the eligibility determination, income maintenance, and medical assistance functions into one organizational grouping in the state.) Later that month, the official state plan was submitted to the federal Department of Health, Education and Welfare for its approval.

With the approval of the state plan, Alaska realized the benefits due to implementation of the Medicaid program:

1. Federal matching funds for medical expenditures became 50%, thereby allowing the continuation of the level of medical services without further increase in state general fund expenditure.
2. Federal match for categorical assistance programs under the Social Security Act increased from 30% to 50%.
3. Administrative controls, seen as necessary, were implemented to fulfill Medicaid requirements in order to receive federal financial participation.

When the legislature approved the Medicaid program, it included a restriction in statute mandating that all new services or eligibility group additions must receive its approval. At time of passage, the enabling legislation included those services and eligibility groups mandated by the federal government in order to receive federal financial participation. Since that time, the legislature has added few additional services or eligible groups.

The legislature added the first additional service option in 1973. At that time, intermediate nursing home care was selected. This option permitted the coverage of a lower and less expensive level of nursing home care. This addition allowed many Medicaid recipients in skilled nursing, who did not require that level of treatment, to be properly placed in intermediate nursing care thus "saving" state general fund dollars.

In 1974, the inpatient psychiatric hospital services option was added for eligible persons 65 years of age or over and 21 or under. This allowed the state to claim federal reimbursement for some persons at Alaska Psychiatric Institute, who were eligible for Medicaid coverage and were at that time receiving their care 100% from state monies. Also, other small groups of new eligibles were added at that time. Primarily they consisted of certain needy foster care children under 21 supervised by the Department of Health and Social Services. Prior to

that time these children had, in most cases, received coverage for their health care through the General Relief-Medical program. Also, legislation was passed requiring that medical assistance claims be submitted promptly, no later than six months after date of service or third party payment was received. This permitted more administrative control of expenditures and allowed for greater accuracy in budget projections.

The option to include a new group of needy eligibles under 21 who were in intermediate nursing homes for the mentally retarded became effective in 1975. This permitted a group of children at Harborview Memorial Hospital, Alaska Psychiatric Institute, and Hope Park to receive Medicaid coverage and, hence, additional federal dollars could be earned for their care.

In 1976 the legislature chose to add four new items to the program. A new group of needy persons became eligible for Medicaid coverage for their nursing home care due to an addition of an option. Also, that session, prescription eyeglasses and optometrist's services were added to the program. The legislature also approved the addition of limited clinic services which allowed state operated mental health centers and state approved community outpatient mental health centers receiving grants under A.S. 47.30.520 - 47.30.620 to be covered. This permitted federal funds to be earned in these state general fund supported projects. Also, at that time, the coverage of treatment of speech, hearing, and language disorders was added to the Medicaid program.

The legislature has shown interest in examining and evaluating the available Medicaid options, as seen by the recent history of the program in the state. Many of these options, especially in the case of coverage of nursing home care for certain needy eligible persons, actually "saved" state money. By adding them to the Medicaid program, federal funds could be realized for some of those services, which were being paid at that time 100% from state general funds. Also, by increasing the scope of the service package, a more consistent medical treatment program could be offered to these needy persons. For example, prior to the 1976 addition, eyeglasses were not generally available to all Medicaid eligibles who needed them. Only Medicaid eligible children who had been seen in early screening programs and referred for eyeglasses could be reasonably assured of coverage under the program for their lenses. Needy adults, such as those in nursing homes, had no such guarantee.

Alaska was one of the last states to join the Medicaid program and has been cautious in increasing the scope of the program in the state. In comparison with many other states in the program, Alaska's program is limited, with few service and eligibility group options beyond those basic services and groups required to maintain compliance with the program. This paper will later examine the current scope of the program and the options available under it that the legislature may be called upon to evaluate in 1977 and thereafter.

PART II. CURRENT STATUS OF MEDICAID PROGRAM IN ALASKA

ELIGIBILITY OF CLIENTS

The Alaska Medicaid program provides coverage for certain needy persons receiving or eligible to receive public assistance under:

- Federal Supplemental Security Income (SSI),
- Alaska Old Age Assistance (OAA),
- Alaska Aid to the Blind (AB),
- Alaska Aid to the Disabled for Persons who Meet Federal Criteria for Disability (AD), or
- Aid to Families with Dependent Children (AFDC),
- and certain others (mostly children)

Alaska does not cover the medically needy under its Medicaid program.

In general to be eligible for Medicaid in Alaska, an individual must:

- (1) Be physically present in Alaska at time of application and citizen of U.S. or lawfully admitted alien;
- (2) Not be in a public institution such as a jail (a person may however be in chronic disease facility such as a nursing home);
- (3) Not have more than \$1,500 in non-exempt personal property; this excludes a home (there is no lien requirement), personal belongings, in certain cases, a necessary automobile and some types of income producing property;
- (4) Not have transferred property to qualify for assistance;
- (5) Meet program requirements such as blind, disabled, aged over 65, or dependent child

The Division of Public Assistance examines the financial and living situation to determine if a person is eligible. As a basic rule, if a family of four meets general program requirements, has monthly net income of no more than \$400 earned (excluding reasonable work related expenses) and unearned income, the family would qualify for assistance under Aid to Families With Dependent Children program. There is no geographical differential on the total amounts allowed. The amounts vary for the adult programs (OAA, AB, AD) but generally, if household expenses (excluding fuel) are over \$35 a month and the net income is no more than \$334 a month of earned (excluding reasonable work-related expenses) and unearned income, a single person family would qualify if other program requirements are met. The \$334 figure can vary annually

in accordance with cost of living adjustments required in AS 47.25.640; 47.25.430; 47.25.810. Eligibility for categorical assistance programs automatically makes one eligible for Medicaid.

SERVICES COVERED UNDER MEDICAID

The State of Alaska covers basically two types of services: mandatory, which the states are required to provide, and optional, which the state may provide and receive federal reimbursement. Alaska provides all mandatory services, but optional services are limited.

Mandatory Services

Alaska must provide the following services: 1) inpatient hospital services; 2) outpatient hospital services; 3) physician's services; 4) x-ray and laboratory services; 5) skilled nursing home services; 6) home health services; 7) early and periodic screening, diagnosis, and treatment of children under 21; and 8) family planning services. Alaska also is required to cover transportation necessary to receive medical service, if unavailable from any other source, but it is not listed as a federal requirement.

Optional Services

In addition to the mandatory services, Alaska provides and receives federal reimbursement for the following services:

- (1) Inpatient psychiatric hospital services for individuals age 65 or older or under age 22
- (2) Intermediate care facility services
- (3) Skilled nursing for those persons under 21 years of age
- (4) Emergency hospital services
- (5) Eyeglasses prescribed by a physician skilled in diseases of the eye or by an optometrist
- (6) Services for individuals with speech, hearing, and language disorders
- (7) Services through state approved out-patient community mental health clinics which receive grants under AS 47.30.520-47.30.620 and state-operated mental health clinics
- (8) Optometrist's services and limited dental and prosthetic devices as required under EPSDT regulations

Other services that the state could choose to provide for certain of its needy individuals, but which has not yet opted for, include:

- (1) Prescribed drugs
- (2) Dental Services (for persons over 21 not covered under the early screening program)
- (3) Dentures
- (4) Prosthetic devices (for persons over 21 not covered under the early screening program)

- (5) Private duty nursing
- (6) Physical therapy and related services
- (7) Chiropractor's services and other practitioners
- (8) Podiatrist's services
- (9) Care for patients aged 65 or older in Institutions for Tuberculosis
- (10) Other diagnostic services, screening, preventive services, rehabilitative services

Parts III through V of this report deal later with these optional services in more depth, examining the need and aspects to consider in the evaluation of these alternatives to the program.

FINANCIAL PARTICIPATION BY FEDERAL GOVERNMENT

The federal government financially participates in the Medicaid program by means of matching state dollars for allowable administrative and medical expenditures. Services to eligible clients receive 50% reimbursement, except for family planning supplies and services which are matched at 90% level. Administrative costs are generally matched at 50%. Professional medical review staff are reimbursed at 75% level. (Certain other administrative services receive special match rates, such as 100% for certification and survey of nursing homes. These special rates are itemized in federal law and regulation.)

At the present time there is no "ceiling" or set limit for Alaska on the amount of federal funds available for reimbursement. There has, in recent years, been much discussion on the federal level to restrict such reimbursement, as was indicated in President Ford's budget address in January, 1976. At that time, he mentioned the possibility of placing the Medicaid program in a block grant package with other federally assisted health care programs. By this method, a dollar limit would have been set on the available federal funds for those purposes. Generally, though, the prospects for major funding modifications in the Medicaid program appear slim, although tighter management and administrative mechanisms to control fraud and quality of services seems to be a continued interest.

NEW DEVELOPMENTS IN MEDICAID

In the fall of 1976 the federal government placed additional responsibilities on the Medicaid program, through the passage of Public Law 94-437. That bill, known as the Indian Health Care Improvement Act, mandated closer coordination of Medicaid and Indian health services and required that all services for Medicaid eligible Alaska Natives in Indian health facilities be billed to Medicaid. The federal government would then reimburse the state's Medicaid program at 100% for such services. Additional administrative functions would receive normal federal reimbursement rates. The services eligible for reimbursement under Public Law 94-437 are only those included in the approved Medicaid state plan and provided to Medicaid eligible Alaskan Natives.

Total ramifications of the bill are yet unknown. Federal officials report though that Alaska is far ahead of other affected states in implementing the new law. For example, seven of Alaska's nine Indian Health Service hospitals currently meet statutory requirements for participation in Medicaid without further action. State officials note though that unless there is a major shift in procedures for handling people covered under Indian Health Improvement Act, field office work will increase greatly (e.g., issuing medical coupons, arranging necessary transportation, answering client and provider questions). These state officials voiced concern that estimates of the number of new Alaska Native clients attracted to apply for Medicaid coverage are unknown. The attachment of a dollar figure to the cost of medical services for these persons would be just a rough estimation.

PART III. GENERAL INFORMATION REGARDING OPTIONAL SERVICES

CONTROLS THAT STATES MAY IMPOSE ON MEDICAID OPTIONAL SERVICES

Since the addition of optional services is at the discretion of the state, the federal government allows great flexibility for states to determine the scope of the option that they wish to provide for their Medicaid clients. Generally, federal law and regulation define the basic objectives and requirements of the options, all of which must be met in order to obtain federal financial participation. Some of the requirements address equal offering of services to all eligibles, the qualifications of persons providing the services, and degree of supervision required for paraprofessionals. Within those broad parameters states can shape optional services to fit their unique needs and resources.

Alaska can limit optional services by (1) qualifying coverage, (2) requiring prior authorization, (3) limiting usage frequency, (4) requiring clients to share in cost of services, or (5) limiting the amount of provider reimbursement:

(1) Qualifying Coverage

Medicaid law and regulation permit the limiting of coverage of optional services. For example, dentures can be selected as a separate service without having to cover other prosthetic devices such as hearing aids, crutches, etc, or without having to cover other dental services. The Medicaid program does require that the option limitations be applied equally to all eligible clients. (There are certain exceptions to this policy. Some options are defined in federal law to include only specific age groups such as persons under 21 or over 65.) The state, for example, cannot as a general rule limit eligibility for optional service to only those persons receiving aid under a particular program such as Old Age Assistance. If a state chooses an optional service, it must be covered for all groups (except as noted in federal law or regulation) or federal reimbursement will be jeopardized.

(2) Requiring Prior Authorization

States can control inappropriate overutilization of optional services by requiring the client to receive approval from the Medicaid agency prior to obtaining certain medical care. Preauthorization is usually based on medical need for services and appropriateness of the care requested to the condition being treated. The Division of Public Assistance has, since the beginning of Medicaid, required preauthorization of all nursing home placements. This mechanism serves to reduce unnecessary placements, place clients at appropriate levels of care, and suggest alternative, and usually cheaper, methods of treatment.

(3) *Limiting Usage Frequency*

Optional services can also be limited by restricting client use. This is generally done by limiting the number of treatments or services paid by Medicaid in a specific time period. For example, Maryland limits adults to one eye examination and one pair of eyeglasses every two years. Arkansas limits Medicaid clients to three prescriptions per month. These restrictions must be applied though uniformly to all clients receiving assistance. Limitations of the amount of services should take into account unusual emergency situations. States cannot impose barriers to needed minimum levels of health care, or risk federal sanction.

(4) *Requiring Clients to Share in Cost of Services*

Some states require Medicaid clients to participate in sharing the costs of certain optional services. Federal regulation sets certain maximum allowable limits on the amount of payment that clients can be required to cover. Those regulations also specify the mechanisms that states can use to allow clients to share in the cost of certain services. Fees are generally limited to small amounts such as \$.50 per prescription drug and \$2.00 per pair of eyeglasses. Originally, this procedure was instituted to control overutilization of services and not to generate funds. California, along with some other states which elected this option, has found that the cost of administration of this mechanism generally did not offset the revenues gained. The charges did not significantly affect client use of services, and the states found that the collecting and controlling of such small fees were bothersome to both client and provider.

(5) *Limiting the Amount of Provider Reimbursement*

Costs of optional services can also be reduced by limiting the amount of provider reimbursement. Often this comes in the form of reducing reimbursement by a set percentage or by "freezing" payment levels at the current standards. (Medicaid pays "reasonable" rates to its providers. The costs allowable under its definitions often differ greatly from those accepted by Blue Cross and other insurance companies. Fees paid under Medicaid are often lower than fees paid by the general public for the same services.) The state of Michigan, for example, recently implemented an 11% reduction in normal fees paid to practitioners, dentists, laboratories, and other providers. Often such changes receive strong provider reaction and sometimes jeopardize the continued participation of those providers in the program. Federal officials also note the potential use of low bid health providers. For example, the state could solicit bids for a contract to supply Medicaid clients with specific services, such as eyeglasses. The state could select the most advantageous bid and award the contract without jeopardizing federal reimbursement.

OTHER ISSUES TO CONSIDER IN EVALUATING MEDICAID OPTIONAL SERVICES

Although this study focuses primarily on client need, there are other factors that must be considered in evaluating the merits of any given Medicaid option. Three of these major considerations are: availability of funds, costs versus benefits of options, and ease of administration.

The availability of funds plays a major role in the scope of services that a state believes it can provide for its citizens. The high cost of medical care demands an in-depth analysis of cost before any new service is added. Although this study does not discuss this financial issue, it is a major part of any decision to modify the program. Legislators who have a well defined proposal for additional option(s) may request the Research Division of the Legislative Affairs Agency to prepare an analysis of its costs, both direct and administrative.

The costs versus benefits of an option can be an important consideration in deciding whether or not the state should participate in it. For example, certain Medicaid options sometimes "save" state money, if that service is currently paid entirely from state funds or if it allows a client to receive less specialized and less expensive type of service that are more appropriate to this medical condition or problem. In 1976, the Alaska State Legislature added coverage of new limited group of needy eligibles who currently reside in nursing homes. The care for those persons at that time was paid for 100% from state general funds through the General Relief-Medical program. By adding that option, the state was able to claim 50% federal reimbursement for their care. Also, in 1973, the state added the intermediate nursing home care option. By covering this lower and less expensive level of nursing home care, many Medicaid recipients in skilled nursing, who did not require that level of treatment, could be placed in intermediate nursing care. The cost per day for each patient was reduced considerably.

The ease of administration is important also in evaluating the merits of certain options. The drug option, for example, requires that strict payment procedures regarding maximum allowable charges be in place. These are spelled out in some detail in the federal regulations, and the state must meet those requirements or risk loss of federal participation. Federal officials note that many of these cost containment mechanisms would normally be in place in any efficiently administered pharmaceuticals program, regardless of source of funding for it. The transfer of a program from state-only funding to federal assistance should cause minimal additional administrative expenses if adequate cost containment measures are in place in the existing program.

IV. MEDICAID CLIENT NEEDS

QUESTIONNAIRE OF PUBLIC ASSISTANCE SUPERVISORS

In Fall, 1976, a questionnaire was prepared to poll public assistance supervisors (eligibility work supervisors) on their estimation of client need for certain services based on their actual experience in the field. The questionnaire, prior to mailing, was reviewed by both the Division of Public Assistance and Department of Health and Social Services Commissioner's Office. The questionnaires were mailed to nineteen supervisors, many of whom had worked with public assistance clients for a significant period of time. (That sample of supervisors was chosen under the guidance of the Division of Public Assistance's Chief of Field Operations.) Approximately one month after mailing, a follow-up questionnaire was sent.

Fourteen, or 75%, of the supervisors polled responded to the questionnaire. All areas of the State were represented, including Anchorage, Fairbanks, Fort Yukon, Juneau, Kenai, Ketchikan, Nome, and Sitka. Each supervisor was asked specific questions concerning his or her evaluations of client need for Medicaid options not yet selected by the State.

QUESTION #1: In your experience, what optional services currently not covered under Medicaid do you feel your Medicaid eligible clients need most?

Table 2 shows the rank order obtained from the supervisor's responses to question #1. Interestingly, the top four items for each category (Adult Public Assistance and Aid to Families with Dependent Children program recipients) were the same. The ranking for dentures option differed slightly, being seen more necessary for older persons receiving Adult Public Assistance than the younger Aid to Families with Dependent Children recipients.

Since the Medicaid program requires that services included in the State Plan be offered equally to all eligible persons (except for certain specialized programs such as early childhood screening) the similar ranking of need options for both Adult Public Assistance and Aid to Families with Dependent Children Program is particularly meaningful. If it were called upon to evaluate new options, the legislature could be reasonably sure that any of the top four options (prescribed drugs, adult dental services, dentures, and physical therapy and related services) would be "needed" by both categories of clients.

QUESTION #2: On the average, how many Medicaid clients a month ask you if they can receive certain services?

Table 3 shows the responses by the supervisors concerning the requests of Medicaid eligibles for additional services. The responses to question #2 did not match the pattern formed from the supervisor's responses

TABLE 2

Average Ranking of Selected Medicaid
Options by Type of Public Assistance Client

| <u>Rank</u> | <u>Recipients of Adult Public Assistance</u> | <u>Recipients of Aid to Families with Dependent Children</u> |
|-------------|---|--|
| 1st | Prescribed Drugs | Prescribed Drugs |
| 2nd | Adult Dental Services | Adult Dental Services |
| 3rd | Dentures | Physical Therapy and Related Services |
| 4th | Physical Therapy and Related Services | Dentures |
| 5th | Hearing Aids ¹ | Chiropractor's Services |
| 6th | Prosthetic Devices | Hearing Aids ¹ |
| 7th | Chiropractor's Services | Prosthetic Devices |
| 8th | Private Duty Nursing | Private Duty Nursing |
| 9th | Podiatrist's Services | Podiatrist's Services |
| 10th | Care for Patients 65 or Over in Tuberculosis Institutions | Care for Patients 65 or Over in Tuberculosis Institutions |

¹ Hearing aids, at the time the survey was conducted, were not included in the coverage program offered to all Medicaid clients. An interpretation of Medicaid law and regulation by federal officials allowed hearing aids to be covered as part of the treatment of speech, hearing, and language disorders option. This policy change was implemented by the Division of Public Assistance in November.

to question #1. For example, the Medicaid prescribed drug option which was ranked as needed first for both program categories, received less than 50% of the requests made for adult dental services, which was ranked as needed second by the supervisors. This could be anticipated for Medicaid clients who do not have prior health resources equal or better in coverage to General Relief-Medical automatically receive their drugs through GRM. One Juneau public assistance supervisor noted that for these persons, eligibility for prescription drugs under GRM is automatically determined at the time that Medicaid eligibility is confirmed. Therefore, few Medicaid clients would ask for prescription drugs, since coverage is established at the time they enter the Medicaid program.

Aid to Families with Dependent Children recipients requested fewer services than did the Adult Public Assistance recipients. This was expected, for the recipients of AFDC tend to be young and thus often have less need for diverse health services. Also, many AFDC recipients are eligible for a wider range of treatment service through the Early Periodic, Diagnosis and Treatment Program (EPSDT), a child check-up program. For example, dental care is available to public assistance recipients under 21 as a referral through EPSDT, but currently persons over 21 who are mostly on Adult Public Assistance programs cannot routinely receive preventative dental care under any of the state medical assistance programs.

Many of the Medicaid options available under the federal program do not match with Alaska's availability of services. In rural Alaska, it would be difficult to obtain chiropractor's or podiatrist's services close to home. Also, the option of care for patients 65 or over in tuberculosis institutions is not really relevant to Alaska, since there are no tuberculosis sanatoriums in the State. Care for such conditions would have to be provided in nursing homes, hospitals, and physicians' offices, all of which are currently covered under Medicaid.

The low number of requests in all categories may be due to lack of client awareness that these additional services sometimes can be covered under the state funded medical assistance program, General Relief-Medical. Because of limited funds under that program, the Division of Public Assistance has not actively conducted an outreach program to inform clients of eligibility requirements and services covered. Also, many clients may be reluctant to ask for services, which they feel they stand a likelihood of being rejected. Dentures are a good example of this. Because of funding limitations, dentures can only be covered in extreme hardship situations. Clients often are informed of this policy from their dentists, public health nurses, or social workers, before a formal request is made to the Division of Public Assistance.

SURVEY OF "DENIALS" OF SERVICE RECORDS

The needs of clients were also analyzed through a survey of all denials of requests for additional services for Medicaid clients. Medicaid clients sometimes require services that are not included in the Medicaid

TABLE 3

Total Average Number of Medicaid-Eligibles Requesting
Optional Services Monthly by Program Category

| <u>Option</u> | <u>Recipients of Adult Public Assistance</u> | <u>Recipients of Aid to Families with Dependent Children</u> | <u>Total</u> |
|--|--|--|--------------|
| Adult Dental Services | 81.5 | 88.0 | 169.5 |
| Dentures | 60.5 | 21.0 | 81.5 |
| Prescribed Drugs | 38.0 | 39.0 | 77.0 |
| Physical Therapy and Related Services | 20.5 | 23.0 | 43.5 |
| Hearing Aids ¹ | 27.0 | 16.0 | 43.0 |
| Prosthetic Devices | 25.5 | 12.0 | 37.5 |
| Chiropractor's Services | 15.5 | 15.0 | 30.5 |
| Private Duty Nursing | 13.5 | 5.5 | 19.0 |
| Podiatrist's Services | 4.0 | 1.5 | 5.5 |
| Care for Patients 65 or Over in Tuberculosis Institutions | 1.0 | 0.0 | 1.0 |
| | ===== | ===== | ===== |
| Total | 287.0 | 221.0 | 508.0 |

¹ Hearing aids, at the time of the survey, were not included in the coverage program offered to all Medicaid clients. An interpretation by federal officials of the treatment of speech, hearing, and language disorders options allowed hearing aids to be covered as part of a treatment plan. This policy change was implemented in November.

TABLE 4

Denials of Optional Services for Medicaid-Eligibles
(September 1, 1972 to July 31, 1976) ¹

| | |
|--|------------------|
| 1. Dental Services | 140 ² |
| 2. Therapy | 63 |
| 3. Dentures | 44 ² |
| 4. Prosthetic Devices | 37 |
| 5. Prescription Drugs | 28 |
| 6. Hearing Aids | 15 ³ |
| 7. Chiropractor's Services | 3 |
| 8. Podiatrist's Services | 2 |
| 9. Private Duty Nursing | 1 |
| 10. Tuberculosis Institution for 65 or Over | 0 |

¹ The figure includes only denials of requests submitted in writing to the Division of Public Assistance, Central Office. That Division also handles numbers of informal telephone requests, which are not included in these figures.

² The figure excludes Delta Dental Corporation denials. Delta Dental Corporation currently reviews and evaluates all public assistance clients requests for care. These records were not readily available in Juneau for the study period. In FY76, Delta Dental denied 454 Medicaid adults for dental services and 20 Medicaid adults for dentures.

³ Hearing aids were added to the Medicaid program as of November, 1976. An interpretation by federal officials of the treatment of speech, hearing, and language disorders option added last session allowed hearing aids to be covered as part of the treatment plan.

program. If the client has no other prior health care resource equal or better in coverage to that of General Relief-Medical (GRM) Program, that client may be able to receive those services through GRM. Since GRM is funded entirely by state general funds, monies are strictly controlled and extremely limited. In order to insure the equitable use of the funds, many services require pre-authorization by the Central Office of the Division of Public Assistance before they can be provided and paid for by the General Relief-Medical Program.

Requests for service can come in two forms: letters and phone calls. The Division of Public Assistance maintains files of only written requests for service. During the month of July, 1976, a tabulation of those records was performed. Table 4 shows the number of denials of optional services which were requested by Medicaid clients during the period September 1, 1972 to July 31, 1976.

Note that the top four options that eligibility work supervisors felt their clients needed appeared within the top five items requested for those clients. Thus, the public assistance supervisors confirm the client perceived need for dental services, therapy, dentures, and prescription drugs. The survey also revealed a client perceived need for prosthetic devices (such as artificial limbs, crutches, canes, etc.).

These tabulations of requests for service represent only written requests. Because of the "emergency" nature of some services and the ease of telephoning for approval, many denials of services are not represented in the written files. Also, many clients will not request a service which they know is unavailable or which they stand a likelihood of being denied. Clearly, then, these figures substantially under-represent client need.

RESULTS OF STUDY

1. Basically State of Alaska eligibility work supervisors feel that their Medicaid-eligible clients most need:

1. Prescription Drugs
2. Adult Dental Services
3. Dentures*
4. Physical Therapy and Related Services*

** The rank order of these services varies by program which client is receiving aid. The adult public assistance clients are seen to need dentures much more frequently than do clients of Aid to Families with Dependent Children.*

2. The top four services that eligibility work supervisors feel that their Medicaid-eligible clients ask for most frequently are:

1. Adult Dental Services
2. Dentures
3. Prescription Drugs
4. Physical Therapy and Related Services

3. Records of "denials" of requests for services to be provided from the General Relief-Medical Program to Medicaid recipients indicate that the following services are requested and denied most frequently:

1. Dental Services
2. Therapy
3. Dentures
4. Prosthetic Devices

4. The records for the number of client requests generally underestimate client need because only written records are available and because many public assistance clients will not request a service which they know is unavailable or which they stand a likelihood of being denied.

PART V. ANALYSIS OF OTHER STATES' EXPERIENCE WITH SELECTED OPTIONS

OVERVIEW OF STATES PARTICIPATING IN SELECTED OPTIONS

The survey of denials of requests for services and tabulation of the responses to the questionnaire sent to the public assistance supervisors point to four service options which clients are perceived as needing most. These are: prescription drugs, adult dental services, dentures, and physical therapy and related services.

These optional services have been elected by many other states. For example--

- 96% of all states and United States protectorates have Prescription Drug Option *
- 64% of all states and United States protectorates have Dental Services Option *
- 60% of all states and United States protectorates have Physical Therapy and Related Services Option *

**Only states participating in Medicaid program are included in total figures. Data are as of June 1, 1976 and were obtained from United States Department of Health, Education and Welfare. (Data are unavailable on the number of states offering denture service to their eligibles.)*

Many states added these services in the mid-1960's when Medicaid first began. However, it was found that some states eliminated or restricted some of these options during the period January 1, 1975 to July 1, 1976. With the skyrocketing cost of medical care and the increasing demand upon state dollars, we decided to review the options that were selected as needed by public assistance supervisors and contact those states that had recently modified them.

QUESTIONNAIRE OF STATES MODIFYING SERVICES

In early December, the Research Division of the Legislative Affairs Agency prepared a questionnaire to ask the views of state Medicaid program administrators regarding the options they had recently restricted. Fourteen states that had recently modified optional services included in this survey were contacted. Eleven states (or 79%) responded to the questionnaire. Since existing federal reports do not pinpoint the number of states modifying their denture coverage, that option was not included in the discussion.

*State Experience With
Prescription Drug Option*

Of the 51 states providing prescription drugs, 11 states (or 22%) reduced their coverage during the period of January 1, 1975 - July 1, 1976. Seven of those states responded to the questionnaire. The majority of those states reduced coverage of drugs in order to reduce expenditure of state dollars. They noted that it created a hardship, but most clients felt coverage of only certain drugs was better than no coverage at all of them. Basically, controls were maintained by limiting the number of monthly prescriptions any one client could obtain and by limiting the types of drugs covered.

It is interesting to note that one state, Oklahoma, added the drug option during this period. In responding to the questionnaire, the director of the Oklahoma program stated that the option was added at the direction of their legislature. Certain administrative restrictions were imposed when the option was added. Prescriptions were limited to three per client per month and the different categories of drugs were also restricted. The director noted that public reaction to the addition of services has been generally favorable.

*State Experience With
Dental Services Option*

13% of the states which chose the dental services option eliminated it during the period January 1, 1975 to July 1, 1976. (Recently two states, Massachusetts and New Jersey, have reinstated coverage of this option). Five of the seven states eliminating this option responded to the survey.

Generally, these five states found that the adult dental services option was needed by clients and was easy to administer. Restrictions on the option were basically due to lack of state funds. In one instance, New Hampshire, the legislature set a priority list of services that were to be provided. Since adult dental services received a low priority and funds were limited, the option was dropped. The dropping of the option generated considerable negative client reaction, as evidenced primarily by an increased number of client administrative appeals on this issue.

*State Experience With
Physical Therapy and Related Services Option*

Michigan was the only one of 32 states which included physical therapy and related services in their programs and chose to modify that option during the period January 1, 1975 to July 1, 1976. The Michigan Medicaid program responded to the questionnaire and noted its experience with the option. The respondent found that the option was needed by clients; however, the cut, an elimination of physical therapy in long term care institutions, was made in response to lack of sufficient funding. To date, this change in the program has not been rescinded.

RESULTS

1. At least 60% of all states participating in the Medicaid program also cover some form of prescription drugs, dental services, and physical therapy and related services options for their clients. These services were among the top four requested by Alaska public assistance clients and seen as needed most for them according to a survey of Alaska public assistance supervisors. (Nationwide data on the numbers of states covering dentures in their programs are not available.)
2. Two of the top four services seen as needed for public assistance clients, prescription drugs and dental services, were also the top two services restricted or eliminated by other states during the period January 1, 1975 - July 1, 1976. (See Part IV for survey results.)
3. Most states modified the options to reduce expenditure of state funds. They did not drop or restrict them because of lack of client need or complexities in administration.
4. Restrictions of service options were generally done in four ways: limiting coverage of service, limiting client access, reducing provider fee payments, and changing clients small fees.
5. Reduction of fees generally brought strong reaction by the provider sector.
6. The states believe that limiting coverage to certain number of services allowable per month and restricting coverage of type of service allowable under the option was generally more acceptable than totally eliminating it.
7. In most cases, states modifying these options chose to restrict prescription drug coverage but they chose to eliminate dental services (except as was required under the early screening program).
8. In some cases states reinstated changes in options a short time after they were made. This was generally due to the strong reaction received from the groups affected.

PART VI. CONCLUSIONS TO THE STUDY

From the responses to the questionnaire sent to public assistance supervisors concerning client need, the survey of denial records of requests for additional services, and the responses from other states regarding their experience with the program, the following conclusions can be drawn:

1. Of Medicaid optional services available that Alaska does not currently provide under its program, public assistance clients appear to need most (in descending order of need):

- (1) Prescription Drugs
- (2) Dental Services
- (3) Dentures*
- (4) Physical Therapy and Related Services*

** The rank order of these services varies by program under which client is receiving aid. The adult public assistance clients are seen to need dentures as a higher priority than do clients of Aid to Families with Dependent Children.*

2. Three of the optional services listed in Item #1 are included by over 60% of the states participating in Medicaid. Prescription drugs, for example, are included in 95% of all state programs. (Data on coverage of dentures are generally unavailable on nationwide basis.)
3. Two of the options that clients "need" most--prescription drugs and dental services--topped the list of options that states reduced or eliminated during the period January 1, 1975 - July 1, 1976. These modifications were done as cost containment measures and not as a response to lack of client need or to complexities of administering the options.
4. Alaska could be reasonably assured that services listed in Item #1 would be needed and used by clients. The choice to include them appears to be a decision based primarily on the state's availability of state funds. The state could choose to cover an option, but restrict that option in many ways to meet funding limitations.

GLOSSARY OF TERMS

AB - See Aid to the Blind.

AD - See Aid to Disabled.

ADC - See Aid to Families with Dependent Children.

AFDC - See Aid to Families with Dependent Children.

APA - See Adult Public Assistance.

APD - See Aid to Disabled. Stands for Aid to Permanently Disabled.

Adult Public Assistance - A cash supplemental program administered by the state in cooperation with the U.S. Department of Health, Education, and Welfare. Designed to provide a state-legislated level of cash assistance to aged, blind, and disabled persons who meet certain income and resource requirements, and who are predominately eligible for Supplemental Security Income (SSI) payments. State administrative costs as well as actual cost payments are 100% state only costs.

Aid to the Blind - A cash supplemental program administered by the state in cooperation with the U.S. Department of Health, Education, and Welfare. Designed to provide a state legislated level of cash assistance to those eligible blind persons who meet certain income and resource requirements, and who are predominately eligible for SSI payments. It is considered an "Adult Public Assistance" program.

Aid to Disabled - A cash supplemental program administered by the state in cooperation with the U.S. Department of Health, Education and Welfare. Designed to provide a state legislated level of cash assistance to those eligible disabled persons who meet certain income and resource requirements and who are predominately eligible for SSI payments. It is considered an "Adult Public Assistance" program.

Aid to Families with Dependent Children - A federal program administered by the state through an approved state plan filed with the U.S. Department of Health, Education, and Welfare. Designed to provide a state-legislated level of cash assistance to dependent children who have been deprived of one or both parents, and who meet certain income and resource requirements. Both administration costs and the actual cash payments provided to recipients are shared equally (50%) by the state and federal government.

Categorical Assistance - Aid, in form of income maintenance, to certain needy persons who receive assistance under Old Age Assistance, Aid to the Blind, Aid to the Disabled, Supplemental Security Income, and Aid to Families of Dependent Children programs.

Compliance - In a federal program, the act of performing certain set program functions in accordance with those requirements outlined in the state plan, federal law, and regulation. Generally, meeting all federal program requirements is necessary to receive federal financial participation in the program.

DHSS - See Department of Health and Social Services.

Department of Health and Social Services - A department of the executive branch designated to be single state agency to administer the Medicaid program for the state of Alaska.

EPSDT - See Early and Periodic Screening, Diagnosis and Treatment.

Early and Periodic Screening, Diagnosis and Treatment - A mandatory service under Medicaid which provides for special check-ups at set intervals for certain needy children, in order to find and treat health problems before they become serious. Coverage includes only those Medicaid eligibles under 21 years of age.

Eligible - A person qualified to receive assistance funded under particular program. Eligibility criteria can vary, so that eligibility must be established on program by program basis.

FFP - See Federal Financial Participation.

Federal Financial Participation - The means by which the federal government assists in supporting certain specific program. The federal government generally provides aid by two methods: 1) matching dollars by set percentage or 2) formula money grants.

GRM - See General Relief-Medical.

General Relief-Medical - A state emergency medical program designed to respond to immediate medical needs of Alaskan families in time of extreme financial crisis. All assistance rendered under this program is in the form of vendor payments to medical providers. State administrative costs as well as actual cash payments to vendors are 100% state-only costs.

Intermediate Nursing Care - An optional service available to be provided under Medicaid program. Denotes a less intensive and less expensive level of around-the-clock nursing care, in comparison to skilled nursing.

Mandatory Coverage - A portion of the Medicaid program that is required to be covered by each and every state in the program, in order for the state to be entitled to federal financial participation. Mandatory coverage items concern persons eligible to receive services and the services provided to those persons. States can still administratively "control" mandatory services and not jeopardize federal financial participation by controlling the amount of service available to client, amount of financial participation (deductible required to be paid by client) in order for the client to receive such services, and other mechanisms.

Medicaid - A federal assistance program established by Title XIX of the Social Security Act and administered by the state through an approved state plan filed with U.S. Department of Health, Education, and Welfare. Designed to provide medical coverage for recipients of Aid to Families With Dependent Children; Supplemental Security Income, elderly and blind recipients of Adult Public Assistance and those disabled persons who meet federal definitions of disability; and certain other groups. State administrative costs are shared equally (50%) by the state and federal governments, except for professional medical support personnel who are funded at 75% federal reimbursement. Actual medical vendor payments are shared equally (50%) by the state and federal government, except for family planning which is funded at 90% federal reimbursement.

Medically Needy - An optional group of eligibles for whom federal reimbursement for necessary medical care may be covered under the Medicaid program. Generally includes individuals who have insufficient income and resources to meet the costs of necessary medical or remedial care and services. Presently Alaska does not include the medically needy under its Medicaid program.

Medicare - An insurance program administered solely by the federal government to provide payments for necessary medical care for those people, rich or poor, who receive Social Security payments.

OAA - See Old Age Assistance.

Old Age Assistance - A cash supplemental program administered by the state in cooperation with the U.S. Department of Health, Education, and Welfare. Designed to provide a state legislated level of cash assistance to those eligible persons 65 and over who meet certain income and resource requirements and who are predominately eligible for Supplemental Security Income payments. It is considered an "Adult Public Assistance" program.

Option - A portion of the Medicaid program that is discretionary on the part of the state. Options generally deal with persons eligible for coverage or medical services available for those eligible persons. Options are set out in federal law and regulations and are generally eligible for federal financial participation. Since the choice of options is up to each state, options can generally be designed to fit the state's unique needs and available resources, but each option chosen must meet certain broad federal program requirements.

Public Assistance - A division of Department of Health and Social Services, responsible for administration of the Medicaid, General Relief-Medical, and Income Maintenance programs. This division determines the eligibility of state's residents for such services by carefully reviewing the person's income, resources, and other factors according to state and federal standards.

Quality Control - An office of the Department of Health and Social Services which is assigned the responsibility to verify that

randomly selected cases are eligible to receive services in month that service was rendered. The verification consists of check of files, client contact, and collateral sources.

Recipient - A person receiving income maintenance or assistance services funded under a particular program.

SSA - See Social Security Administration.

SSI - See Supplemental Security Income.

Skilled Nursing Care - A mandatory service required to be provided under the Medicaid program. Denotes highly professional round-the-clock nursing care and monitoring. Generally more expensive and more specialized care than intermediate care.

Social Security Administration - An agency of the federal Department of Health, Education and Welfare assigned the responsibility to administer Social Security, Medicare, and Supplemental Security Income programs.

State Plan - A contract between the single state agency to administer the Medicaid program and the federal Department of Health, Education and Welfare, specifying conditions to be met in order to be eligible for federal financial participation.

Supplemental Security Income - An assistance program funded and administered by federal government which provides payments to certain needy persons who are aged, blind, or disabled and meet program and financial requirements. Payments are uniform nationwide and are based on need.

Title XIX - A portion of the federal Social Security Act which outlines the Medicaid program.

Title XVIII - A portion of federal Social Security Act which outlines the Medicare program.

Utilization Review - Random records check of sample institutional Medicaid billing to insure that services rendered match with those billed to the program. Verifies that institutional records are complete, accurate, and up-to-date. Examines for overuse or misuse of treatment and professional resources and the patient's duration of stay relating to those resources.

STATE
of ALASKA

MEMORANDUM

TO: Milt Barker
Fiscal Analyst
Legislative Finance Division

DATE: March 21, 1977

FILE NO:

TELEPHONE NO:

FROM: Jerry L. Schrader, M.D.
Director
Division of Mental Health &
Developmental Disabilities
Department of Health & Social Services

SUBJECT: Senate Bill No. 129

This provision would apply to persons receiving services at the Alaska Psychiatric Institute who are 21 years of age or under. Approximately 12,860 days of hospital care were provided to this group of people during Fiscal Year 1976. Under the existing Alaska Medicaid plan we could claim reimbursement for 25%. The passage of this provision could expand the number of eligible patients, depending upon the circumstances described in the Department's position paper, and we estimate we could claim reimbursement for an additional 35%. This has a potential of increasing our reimbursement at the Alaska Psychiatric Institute 652,000 dollars with 50% of this federal funds. The current Medicaid rate for these services is \$145.00 per day.

Basically, the control of Medicaid relates to two aspects, the clients eligible and the services delivered. At the present time I know of no additional group of clients receiving mental health services that could be made eligible. However, services to alcoholics and drug users could be added as an option. In addition, the Medicaid Drug Option could be added and medications could be purchased for mental patients living in the community.

I have talked with a member of the staff in Region X and they seem to feel that some way will be found to utilize this reasonable classification. However, it may require a change in federal legislation. I'm sorry this situation continues to be clouded. The best information I have indicates we should pass the bill, submit a revised plan, and be prepared for the federal decisions.

Because of the clouded future of this provision there is no reason to particularly speed the passage of this bill.

JLS:prp

cc: Lois M. Jund, Deputy Commissioner
for Program Management

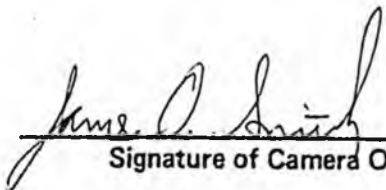
Attachment



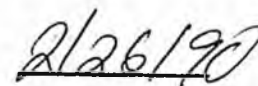
RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.



Signature of Camera Operator



Date

COMMITTEE REPORT

SENATE

2/17/77

April 1 1977

Date

Mr. President:

The Committee on FINANCE has had SB 129 medical assistance for needy under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for _____ and that CS for _____ do pass
- (and) recommends it be referred to the _____ committee
- reports it back without recommendation
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

_____ *Thompson* _____

_____ *Walt* _____

_____ *Walt* _____

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

Chairman

FISCAL NOTE

REQUEST SENATE BILL NO. 129
 Bill/Resolution No. _____
 Title INDIVIDUALS UNDER 21 IN PSYCHIATRIC HOSPITAL ELIGIBILITY FOR MEDICAID
 Requested by BUDGET AND MANAGEMENT Date 12/13/76

II. FISCAL DETAIL
 Agency Affected HEALTH AND SOCIAL SERVICES
 Program Category Affected PUBLIC ASSISTANCE
 Budget Request Unit(s) Affected MEDICAID

EXPENDITURES (Thousands of Dollars)

| | FY 77 | FY 78 | FY 79 | FY 80 | FY 81 | FY 82 |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES | | | | | | |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | | | | | |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | | | | | |
| TOTAL | | 0 | 0 | 0 | 0 | 0 |

FUNDING (Thousands of Dollars)

| | | | | | | |
|-----------------|---|-----------|-----------|-----------|-----------|-----------|
| GENERAL FUND | * | (387,285) | (463,265) | (554,400) | (663,660) | (794,700) |
| FEDERAL FUNDS | * | 387,285 | 463,265 | 554,400 | 663,660 | 794,700 |
| OTHER (Specify) | | | | | | |

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL TIME | | | | | | |
| PART TIME | | | | | | |
| TEMPORARY | | | | | | |

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

* Federal funding will replace existing State funding, resulting in a 0 net change in expenditure. The information in this fiscal note will take effect only if the freeze on adding "reasonable classification of individuals under 21" is released.

IV. DATE 12/13/76 PREPARED BY Walter Norem
 AGENCY Public Assistance
 Original: Legislative Finance PHONE 465-3361
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

*Judy -
jys*

TO: Milt Barker
Fiscal Analyst
Legislative Finance Division

DATE: March 21, 1977

FILE NO:

TELEPHONE NO:

FROM: Jerry L. Schrader, M.D.
Director
Division of Mental Health &
Developmental Disabilities
Department of Health & Social Services

SUBJECT: Senate Bill No. 129

This provision would apply to persons receiving services at the Alaska Psychiatric Institute who are 21 years of age or under. Approximately 12,860 days of hospital care were provided to this group of people during Fiscal Year 1976. Under the existing Alaska Medicaid plan we could claim reimbursement for 25%. The passage of this provision could expand the number of eligible patients, depending upon the circumstances described in the Department's position paper, and we estimate we could claim reimbursement for an additional 35%. This has a potential of increasing our reimbursement at the Alaska Psychiatric Institute 652,000 dollars with 50% of this federal funds. The current Medicaid rate for these services is \$145.00 per day.

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I have talked with a member of the staff in Region X and they seem to feel that some way will be found to utilize this reasonable classification. However, it may require a change in federal legislation. I'm sorry this situation continues to be clouded. The best information I have indicates we should pass the bill, submit a revised plan, and be prepared for the federal decisions.

Because of the clouded future of this provision there is no reason to particularly speed the passage of this bill.

JLS:prp

cc: Lois M. Jund, Deputy Commissioner
for Program Management

Attachment

POSITION PAPER
ON
SENATE BILL NO. 129

"An Act relating to medical assistance for needy persons; and providing for an effective date."

If passed, this bill would add another "reasonable classification of individuals under age 21" to those eligible for Medicaid in Alaska and so enable the State to claim 50% of the cost in Federal Financial Participation.

However, even if the bill is passed by the legislature, the amendment to the State Plan for Medicaid would not be approved by Region X, Department of Health, Education, and Welfare. According to the Regional Commissioner's Memorandum No. 77-16(MS-7), copy attached, no further State Plan amendments proposing Medicaid coverage of sub-groups of individuals under the age of 21 will be approved.

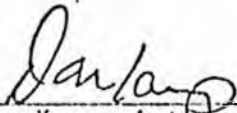
Proposed revised regulations, which would require that states which elect to cover any group of individuals under the age of 21 must make coverage available to all financially eligible applicants under the age of 21, will soon be published in the Federal Register. For now, all currently approved Medicaid plan material extending coverage to reasonable classes of individuals under the age of 21 who are financially eligible will be unaffected until the revised regulations are published and adopted.

Alaska currently covers two reasonable classes of individuals under age 21:

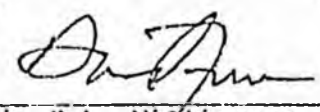
- 1) individuals in an intermediate care facility for the mentally retarded; and,
- 2) individuals for whom public agencies are assuming full or partial financial responsibility and who are in foster homes or private childcaring institutions.

Until the revised regulations are published, it is uncertain if Alaska can continue to selectively cover only these two groups of individuals.

Approved By:


Don Kemp, Acting Director
Division of Public Assistance

2/9/77
Date


Francis S.L. Williamson, Commissioner
Department of Health & Social Services

2/9/77
Date

POSITION PAPER / Department of Health and Social Services

FISCAL NOTE

I. REQUEST

Bill/Resolution No. _____
Title INDIVIDUALS UNDER 21 IN PSYCH. HOSP. ELEGIBILITY FOR MEDICAID
Requested by BUDGET & MANAGEMENT Date 12/13/76

II. FISCAL DETAIL

Agency Affected HEALTH & SOCIAL SERVICES
Program Category Affected PUBLIC ASSISTANCE
Budget Request Unit(s) Affected MEDICAID

EXPENDITURES (Thousands of Dollars)

| | FY 77 | FY 78 | FY 79 | FY 80 | FY 81 | FY 82 |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES | | | | | | |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | | | | | |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | | | | | |
| TOTAL | 0 | 0 | 0 | 0 | 0 | 0 |

FUNDING (Thousands of Dollars)

| | | | | | | |
|-----------------|--|---|---|---|---|---|
| GENERAL FUND | | 0 | 0 | 0 | 0 | 0 |
| FEDERAL FUNDS | | 0 | 0 | 0 | 0 | 0 |
| OTHER (Specify) | | | | | | |

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL TIME | | | | | | |
| PART TIME | | | | | | |
| TEMPORARY | | | | | | |

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Federal funding will replace existing State funding, resulting in a 0 net expenditure.

CHANGE

IV. DATE 12/13/76

PREPARED BY for Dan Kemp
Walter Norem
AGENCY Public Assistance
PHONE 465-3355

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE
SOCIAL & REHABILITATION SERVICE

REGION X
NOV 17 1976

REGIONAL COMMISSIONER'S MEMORANDUM NO. 77-16(MS-7)

TO: Title XIX State Agencies

SUBJECT: Medicaid Coverage of Financially Eligible Individuals Under
Age 21 - Administrator's Decision

Section 1905(a)(1) of the Social Security Act provides for optional Medicaid coverage of individuals under age 21 who meet the financial eligibility requirements of the State's AFDC program but who do not meet the AFDC categorical requirements such as age, deprivation of parental support and care, etc. The implementing Federal regulation at 45 CFR 248.1(c)(iv) allows States to either provide coverage to all persons who qualify under this option, or to limit Medicaid coverage to "reasonable classifications" of such individuals.

Provisions for limited coverage of this group were originally allowed within the context of Section 1903(e) of the Act, which, until repealed by Section 230 of Public Law 92-603 (effective October 30, 1972) provided for State efforts toward liberalizing Medicaid coverage and eligibility requirements.

We have recently been advised by the SRS Office of General Counsel that the statutory provision authorizing coverage of this group (1905(a)(1)), statements of Congressional intent in that provision and relevant court decisions (Townsend v. Swank, 401 U.S. 906 (1971) Mandley v. Trainer, 523 F.2d 415 (7th Cir. 1975)) require that States which choose to provide coverage to this group must include all financially eligible applicants under age 21; i.e., there is now no legal basis authorizing coverage available to certain groups of such persons while excluding others.

Accordingly, the Administrator has decided that no further State plan amendments proposing Medicaid coverage of sub-groups of individuals under age 21 will be approved, pending revision of the applicable Federal regulation. Currently approved plan material will remain in effect until new regulations are published. As soon as possible, a Notice of Intent will be published in the Federal Register to solicit public comment on revised regulations which would require that States which elect to provide Medicaid coverage pursuant to 1905(a)(1) must make coverage available to all financially eligible applicants under 21.

Jeanne Jewett

Jeanne Jewett
Acting Regional Commissioner

MEMORANDUM

TO: [Milt Barker
Fiscal Analyst
Legislative Finance Division

DATE: March 21, 1977

FILE NO:

TELEPHONE NO:

See & →
FROM: Jerry L. Schroeder, M.D.
Director
Division of Mental Health &
Developmental Disabilities
Department of Health & Social Services

SUBJECT: Senate Bill No. 129

This provision would apply to persons receiving services at the Alaska Psychiatric Institute who are 21 years of age or under. Approximately 12,860 days of hospital care were provided to this group of people during Fiscal Year 1976. Under the existing Alaska Medicaid plan we could claim reimbursement for 25%. The passage of this provision could expand the number of eligible patients, depending upon the circumstances described in the Department's position paper, and we estimate we could claim reimbursement for an additional 35%. This has a potential of increasing our reimbursement at the Alaska Psychiatric Institute 652,000 dollars with 50% of this federal funds. The current Medicaid rate for these services is \$145.00 per day.

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Because of the clouded future of this provision there is no reason to particularly speed the passage of this bill.

JLS:prp

cc: Lois M. Jund, Deputy Commissioner
for Program Management

Attachment

SB 129



STATE OF ALASKA

Legislative Affairs Agency

OPTING

A Study of Medicaid Client Need

February

1977

OPTING
A STUDY OF MEDICAID CLIENT NEED

PREPARED BY
LEGISLATIVE AFFAIRS AGENCY
DIVISION OF RESEARCH

FEBRUARY, 1977

Foreword

In the fall of 1972, Alaska entered the national Medicaid program, providing certain of its citizens thereby a limited spectrum of medical care services.

Since this modest beginning, the legislature has increased Medicaid coverage by the addition of a few services above those which the state is required to cover in order to participate in the federal program. These optional services allowed the state to earn addition "matching" federal funds, some of which were a direct one-for-one offset to medical care expenditures that the state itself had been previously paying for in their entirety. Other program additions resulted in increased state expenditures, but provided a more complete medical coverage package.

In order to maximize the benefits from the additional expenditures, optional service additions must undergo careful scrutiny to insure that the options chosen return the greatest level of benefits in terms of meeting the health needs of the approximately seven percent of Alaska's population served by the Medicaid program. During 1976, a number of legislators indicated their desire to have better information upon which to base their decisions concerning the addition (or deletion) of various possible optional services. In order to meet this need, Miss Deborah Behr of the Research Division staff began, in June of 1976, an extensive effort directed at reviewing public assistance eligibility supervisors' perceptions of client requirements, analyzing written denials of additional client service requests, and obtaining information from various states regarding their experience with selected options. The present study is the result of this effort.

Gregg K. Erickson
Director of Research
Legislative Affairs Agency

Juneau, Alaska
February, 1977

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OPTING

A STUDY OF MEDICAID CLIENT NEED

PART I. OVERVIEW OF THE MEDICAID PROGRAM

INTRODUCTION TO THE PROGRAM

Medicaid is a program funded jointly by the federal and state governments which aids certain needy Alaskans in providing payments for them to receive medical services. It helps assure that medical services are available to those needy eligible persons when they are ill or injured. It also assists in guaranteeing that the highest quality care of the kind required by the patient's condition is available, by mandating certain medical reviews of patient care and treatment. Medicaid also attempts to make services available by utilizing the present system of private practitioners, facilities, and institutions to provide the care required at the lowest possible cost to the taxpayer.

STATE PLAN FOR MEDICAID

The Medicaid program in Alaska is administered by a single state agency, the Department of Health and Social Services, which is required to submit a state plan to the Secretary of the federal Department of Health, Education, and Welfare for his review and approval.

The state plan is essentially a contract between the state department and the federal Department of Health, Education, and Welfare specifying conditions to be met in order to qualify for federal financial participation. Some topics included in it are:

1. eligibility determination
2. recipient eligibility
3. eligibility verification
4. medical services
5. health care
6. quality control
7. fair hearings
8. methods of administration
9. utilization review
10. fraud

Many of these items are required be included in the plan (mandatory), but others the state may decide whether or not to include (optional). The optional portions allow the state to shape a medical assistance program to the needs and financial resources of its citizens.

DIFFERENCES BETWEEN MEDICAID AND MEDICARE

Medicaid is often confused with the Medicare program in the state. Medicaid is a medical assistance program for certain needy low-income people. In Alaska, Medicaid is administered by the Division of Public Assistance, an agency of the Alaska Department of Health and Social Services. It is authorized under Title XIX of the federal Social Security Act and AS 47.07.010-.080 of the Alaska statutes. States can design their own programs within set federal guidelines to meet the needs and resources of its citizens. Medicaid programs can and do vary from state to state.

In comparison, Medicare is a medical insurance program for those people, rich or poor, covered by Social Security. It is administered by the Social Security Administration of the federal government. The program is the same in all fifty states. Almost everyone over 65 and some younger persons who have been receiving Social Security disability payments for at least two years qualify for the program.

BRIEF HISTORY OF MEDICAID PROGRAM IN ALASKA

On July 6, 1972, Alaska became the 49th state to provide the Medicaid program for its residents. The state had, since the mid-60's, provided for such services under the General Relief - Medical program. Costs had risen from \$1.8 million to \$8.7 million in FY 72. This dramatic increase was due to many factors, the major ones being:

1. The number of eligibles had increased, but the rate of expenditure was increasing at even a faster pace.
2. The scope of the program had been liberalized and expanded with a related increase in utilization of services.
3. Medical care costs were rising at a rate disproportionate to that of other costs of living.

In light of this situation, the administration and the legislature came to basic conclusions that the General Relief - Medical program, which was supported 100% with state monies, had need of administrative controls to review services and, hopefully, reduce health care expenditures. There was a general consensus that either the General Relief - Medical program had to be upgraded or research should be done to investigate the possibility of the implementation of the Medicaid program. In April, 1972, the Department of Health and Social Services contracted with Touche Ross and Company, a public accounting firm, to develop a cost benefit study of the Medicaid program. Budgets were developed and testimony was made to the legislature that session. On June 17, 1972, the enabling bill for the Medicaid program passed the legislature and was later signed into law with an effective date of July 6, 1972. (The history of the program can be traced on Table 1: Medicaid History Timeline.)

TABLE 1

State of Alaska
Medicaid History Timeline

| <u>Date</u> | <u>Occurrence</u> |
|-----------------------|---|
| April 10, 1972 | Touche Ross & Company begin Medicaid System Design |
| April 18-June 9, 1972 | Departmental Presentation to Legislature |
| May 10, 1972 | Department of Health and Social Services' Steering Committee Established |
| June 17, 1972 | Enabling Bill Passes Legislature |
| July 6, 1972 | Medicaid Becomes Law |
| September 1, 1972 | Medicaid Implemented |
| September 28, 1972 | State Plan Submitted to Federal Department of Health, Education and Welfare |
| April 4, 1973 | Effective date of Intermediate Nursing Home Care Option |
| May 16, 1974 | Effective date of Inpatient Psychiatric Hospital Option for Eligible Persons 65 or Over and Under 22 |
| May 16, 1974 | Effective Date of Miscellaneous Minor Eligibility Groups (Primarily needy children under 21 in foster care under supervision by Department of Health and Social Services) |
| July 13, 1974 | Effective date of 60 day limit on filing Medicaid claims |
| April 15, 1975 | New Division of Public Assistance Formed |
| September 2, 1975 | Effective date of Intermediate Nursing Home Care for Mentally Retarded Under 21 who Meet AFDC Need Standards Option |
| March 12, 1976 | Effective date of Eye Glasses and Optometrist Service Options |
| June 21, 1976 | Effective Date of New Nursing Home Group of Eligibles |
| July 1, 1976 | Effective Date of Limited Clinic Services Option (Primarily Community Mental Health Centers and State Operated Mental Centers) |
| July 1, 1976 | Effective date of Treatment of Speech, Hearing, and Language Disorders Option |

The Department of Health and Social Services worked during the interim period to provide the necessary procedures and organization to make Medicaid an administrative reality in Alaska. A new Division of Medical Assistance in the Department of Health and Social Services was formed to administer the new program, as well as the remnants of the General Relief - Medical program. On September 1, 1972, the Medicaid program was actually implemented. (The Division continued to administer the program until April, 1975, when the new Division of Public Assistance was formed. This new division combined the eligibility determination, income maintenance, and medical assistance functions into one organizational grouping in the state.) Later that month, the official state plan was submitted to the federal Department of Health, Education and Welfare for its approval.

With the approval of the state plan, Alaska realized the benefits due to implementation of the Medicaid program:

1. Federal matching funds for medical expenditures became 50%, thereby allowing the continuation of the level of medical services without further increase in state general fund expenditure.
2. Federal match for categorical assistance programs under the Social Security Act increased from 30% to 50%.
3. Administrative controls, seen as necessary, were implemented to fulfill Medicaid requirements in order to receive federal financial participation.

When the legislature approved the Medicaid program, it included a restriction in statute mandating that all new services or eligibility group additions must receive its approval. At time of passage, the enabling legislation included those services and eligibility groups mandated by the federal government in order to receive federal financial participation. Since that time, the legislature has added few additional services or eligible groups.

The legislature added the first additional service option in 1973. At that time, intermediate nursing home care was selected. This option permitted the coverage of a lower and less expensive level of nursing home care. This addition allowed many Medicaid recipients in skilled nursing, who did not require that level of treatment, to be properly placed in intermediate nursing care thus "saving" state general fund dollars.

In 1974, the inpatient psychiatric hospital services option was added for eligible persons 65 years of age or over and 21 or under. This allowed the state to claim federal reimbursement for some persons at Alaska Psychiatric Institute, who were eligible for Medicaid coverage and were at that time receiving their care 100% from state monies. Also, other small groups of new eligibles were added at that time. Primarily they consisted of certain needy foster care children under 21 supervised by the Department of Health and Social Services. Prior to

that time these children had, in most cases, received coverage for their health care through the General Relief-Medical program. Also, legislation was passed requiring that medical assistance claims be submitted promptly, no later than six months after date of service or third party payment was received. This permitted more administrative control of expenditures and allowed for greater accuracy in budget projections.

The option to include a new group of needy eligibles under 21 who were in intermediate nursing homes for the mentally retarded became effective in 1975. This permitted a group of children at Harborview Memorial Hospital, Alaska Psychiatric Institute, and Hope Park to receive Medicaid coverage and, hence, additional federal dollars could be earned for their care.

In 1976 the legislature chose to add four new items to the program. A new group of needy persons became eligible for Medicaid coverage for their nursing home care due to an addition of an option. Also, that session, prescription eyeglasses and optometrist's services were added to the program. The legislature also approved the addition of limited clinic services which allowed state operated mental health centers and state approved community outpatient mental health centers receiving grants under A.S. 47.30.520 - 47.30.620 to be covered. This permitted federal funds to be earned in these state general fund supported projects. Also, at that time, the coverage of treatment of speech, hearing, and language disorders was added to the Medicaid program.

The legislature has shown interest in examining and evaluating the available Medicaid options, as seen by the recent history of the program in the state. Many of these options, especially in the case of coverage of nursing home care for certain needy eligible persons, actually "saved" state money. By adding them to the Medicaid program, federal funds could be realized for some of those services, which were being paid at that time 100% from state general funds. Also, by increasing the scope of the service package, a more consistent medical treatment program could be offered to these needy persons. For example, prior to the 1976 addition, eyeglasses were not generally available to all Medicaid eligibles who needed them. Only Medicaid eligible children who had been seen in early screening programs and referred for eyeglasses could be reasonably assured of coverage under the program for their lenses. Needy adults, such as those in nursing homes, had no such guarantee.

Alaska was one of the last states to join the Medicaid program and has been cautious in increasing the scope of the program in the state. In comparison with many other states in the program, Alaska's program is limited, with few service and eligibility group options beyond those basic services and groups required to maintain compliance with the program. This paper will later examine the current scope of the program and the options available under it that the legislature may be called upon to evaluate in 1977 and thereafter.

PART II. CURRENT STATUS OF MEDICAID PROGRAM IN ALASKA

ELIGIBILITY OF CLIENTS

The Alaska Medicaid program provides coverage for certain needy persons receiving or eligible to receive public assistance under:

- Federal Supplemental Security Income (SSI),
- Alaska Old Age Assistance (OAA),
- Alaska Aid to the Blind (AB),
- Alaska Aid to the Disabled for Persons who Meet Federal Criteria for Disability (AD), or
- Aid to Families with Dependent Children (AFDC),
- and certain others (mostly children)

Alaska does not cover the medically needy under its Medicaid program.

In general to be eligible for Medicaid in Alaska, an individual must:

- (1) Be physically present in Alaska at time of application and citizen of U.S. or lawfully admitted alien;
- (2) Not be in a public institution such as a jail (a person may however be in chronic disease facility such as a nursing home);
- (3) Not have more than \$1,500 in non-exempt personal property; this excludes a home (there is no lien requirement), personal belongings, in certain cases, a necessary automobile and some types of income producing property;.
- (4) Not have transferred property to qualify for assistance;
- (5) Meet program requirements such as blind, disabled, aged over 65, or dependent child

The Division of Public Assistance examines the financial and living situation to determine if a person is eligible. As a basic rule, if a family of four meets general program requirements, has monthly net income of no more than \$400 earned (excluding reasonable work related expenses) and unearned income, the family would qualify for assistance under Aid to Families With Dependent Children program. There is no geographical differential on the total amounts allowed. The amounts vary for the adult programs (OAA, AB, AD) but generally, if household expenses (excluding fuel) are over \$35 a month and the net income is no more than \$334 a month of earned (excluding reasonable work-related expenses) and unearned income, a single person family would qualify if other program requirements are met. The \$334 figure can vary annually

in accordance with cost of living adjustments required in AS 47.25.640; 47.25.430; 47.25.810. Eligibility for categorical assistance programs automatically makes one eligible for Medicaid.

SERVICES COVERED UNDER MEDICAID

The State of Alaska covers basically two types of services: mandatory, which the states are required to provide, and optional, which the state may provide and receive federal reimbursement. Alaska provides all mandatory services, but optional services are limited.

Mandatory Services

Alaska must provide the following services: 1) inpatient hospital services; 2) outpatient hospital services; 3) physician's services; 4) x-ray and laboratory services; 5) skilled nursing home services; 6) home health services; 7) early and periodic screening, diagnosis, and treatment of children under 21; and 8) family planning services. Alaska also is required to cover transportation necessary to receive medical service, if unavailable from any other source, but it is not listed as a federal requirement.

Optional Services

In addition to the mandatory services, Alaska provides and receives federal reimbursement for the following services:

- (1) Inpatient psychiatric hospital services for individuals age 65 or older or under age 22
- (2) Intermediate care facility services
- (3) Skilled nursing for those persons under 21 years of age
- (4) Emergency hospital services
- (5) Eyeglasses prescribed by a physician skilled in diseases of the eye or by an optometrist
- (6) Services for individuals with speech, hearing, and language disorders
- (7) Services through state approved out-patient community mental health clinics which receive grants under AS 47.30.520-47.30.620 and state-operated mental health clinics
- (8) Optometrist's services and limited dental and prosthetic devices as required under EPSDT regulations

Other services that the state could choose to provide for certain of its needy individuals, but which has not yet opted for, include:

- (1) Prescribed drugs
- (2) Dental Services (for persons over 21 not covered under the early screening program)
- (3) Dentures
- (4) Prosthetic devices (for persons over 21 not covered under the early screening program)

- (5) Private duty nursing
- (6) Physical therapy and related services
- (7) Chiropractor's services and other practitioners
- (8) Podiatrist's services
- (9) Care for patients aged 65 or older in Institutions for Tuberculosis
- (10) Other diagnostic services, screening, preventive services, rehabilitative services

Parts III through V of this report deal later with these optional services in more depth, examining the need and aspects to consider in the evaluation of these alternatives to the program.

FINANCIAL PARTICIPATION BY FEDERAL GOVERNMENT

The federal government financially participates in the Medicaid program by means of matching state dollars for allowable administrative and medical expenditures. Services to eligible clients receive 50% reimbursement, except for family planning supplies and services which are matched at 90% level. Administrative costs are generally matched at 50%. Professional medical review staff are reimbursed at 75% level. (Certain other administrative services receive special match rates, such as 100% for certification and survey of nursing homes. These special rates are itemized in federal law and regulation.)

At the present time there is no "ceiling" or set limit for Alaska on the amount of federal funds available for reimbursement. There has, in recent years, been much discussion on the federal level to restrict such reimbursement, as was indicated in President Ford's budget address in January, 1976. At that time, he mentioned the possibility of placing the Medicaid program in a block grant package with other federally assisted health care programs. By this method, a dollar limit would have been set on the available federal funds for those purposes. Generally, though, the prospects for major funding modifications in the Medicaid program appear slim, although tighter management and administrative mechanisms to control fraud and quality of services seems to be a continued interest.

NEW DEVELOPMENTS IN MEDICAID

In the fall of 1976 the federal government placed additional responsibilities on the Medicaid program, through the passage of Public Law 94-437. That bill, known as the Indian Health Care Improvement Act, mandated closer coordination of Medicaid and Indian health services and required that all services for Medicaid eligible Alaska Natives in Indian health facilities be billed to Medicaid. The federal government would then reimburse the state's Medicaid program at 100% for such services. Additional administrative functions would receive normal federal reimbursement rates. The services eligible for reimbursement under Public Law 94-437 are only those included in the approved Medicaid state plan and provided to Medicaid eligible Alaskan Natives.

Total ramifications of the bill are yet unknown. Federal officials report though that Alaska is far ahead of other affected states in implementing the new law. For example, seven of Alaska's nine Indian Health Service hospitals currently meet statutory requirements for participation in Medicaid without further action. State officials note though that unless there is a major shift in procedures for handling people covered under Indian Health Improvement Act, field office work will increase greatly (e.g., issuing medical coupons, arranging necessary transportation, answering client and provider questions). These state officials voiced concern that estimates of the number of new Alaska Native clients attracted to apply for Medicaid coverage are unknown. The attachment of a dollar figure to the cost of medical services for these persons would be just a rough estimation.

PART III. GENERAL INFORMATION REGARDING OPTIONAL SERVICES

CONTROLS THAT STATES MAY IMPOSE ON MEDICAID OPTIONAL SERVICES

Since the addition of optional services is at the discretion of the state, the federal government allows great flexibility for states to determine the scope of the option that they wish to provide for their Medicaid clients. Generally, federal law and regulation define the basic objectives and requirements of the options, all of which must be met in order to obtain federal financial participation. Some of the requirements address equal offering of services to all eligibles, the qualifications of persons providing the services, and degree of supervision required for paraprofessionals. Within those broad parameters states can shape optional services to fit their unique needs and resources.

Alaska can limit optional services by (1) qualifying coverage, (2) requiring prior authorization, (3) limiting usage frequency, (4) requiring clients to share in cost of services, or (5) limiting the amount of provider reimbursement:

(1) Qualifying Coverage

Medicaid law and regulation permit the limiting of coverage of optional services. For example, dentures can be selected as a separate service without having to cover other prosthetic devices such as hearing aids, crutches, etc, or without having to cover other dental services. The Medicaid program does require that the option limitations be applied equally to all eligible clients. (There are certain exceptions to this policy. Some options are defined in federal law to include only specific age groups such as persons under 21 or over 65.) The state, for example, cannot as a general rule limit eligibility for optional service to only those persons receiving aid under a particular program such as Old Age Assistance. If a state chooses an optional service, it must be covered for all groups (except as noted in federal law or regulation) or federal reimbursement will be jeopardized.

(2) Requiring Prior Authorization

States can control inappropriate overutilization of optional services by requiring the client to receive approval from the Medicaid agency prior to obtaining certain medical care. Preauthorization is usually based on medical need for services and appropriateness of the care requested to the condition being treated. The Division of Public Assistance has, since the beginning of Medicaid, required preauthorization of all nursing home placements. This mechanism serves to reduce unnecessary placements, place clients at appropriate levels of care, and suggest alternative, and usually cheaper, methods of treatment.