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February 24, 2022

To: Chair and Honorable Members of the House Health and Social Services Finance Subcommittee

Re: Medicaid Budget Adjustment for Statutory and Regulatory Rate Compliance regarding rebasing (re-establishment) of Home and Community Based Services reimbursement

The Alaska Association on Developmental Disabilities, in partnership with the Key Coalition of Alaska, is requesting a Medicaid immediate re-establishment of rates for all home and community-based and personal care services retroactive to July 1, 2021. We are requesting the SFY2018 rates be adjusted by the “access” factor of 5% and inflated forward for each subsequent year based on the inflationary adjustments already in place.

Historically, the State of Alaska operated the Harborview institution in Valdez to house and provide services to Alaskans experiencing intellectual and developmental disabilities. In 1993, the State of Alaska began Alaska Medicaid Waivers to support individuals in their own communities, closing the institution in 1997 and drawing Federal Medicaid match to support the costs. Home and Community Based Services are significantly more cost effective than institutional services. For almost 20 years, service providers received a rate of reimbursement that was individualized to the support needs of the recipient. In 2004, the State of Alaska began the process of moving reimbursement to an aggregate rate, with a single state cost-based rate setting methodology using a similar approach to cost reporting and rebasing already in place for hospitals and nursing homes.

Rates for home and community-based and personal care services, governed by regulation 7 AAC 145.520 - Home and community-based waiver services payment rates, were implemented in 2011. Rates should have been re-established at least every four years (2014, 2018, 2022 and so on) using provider cost data collected for rebasing purposes.

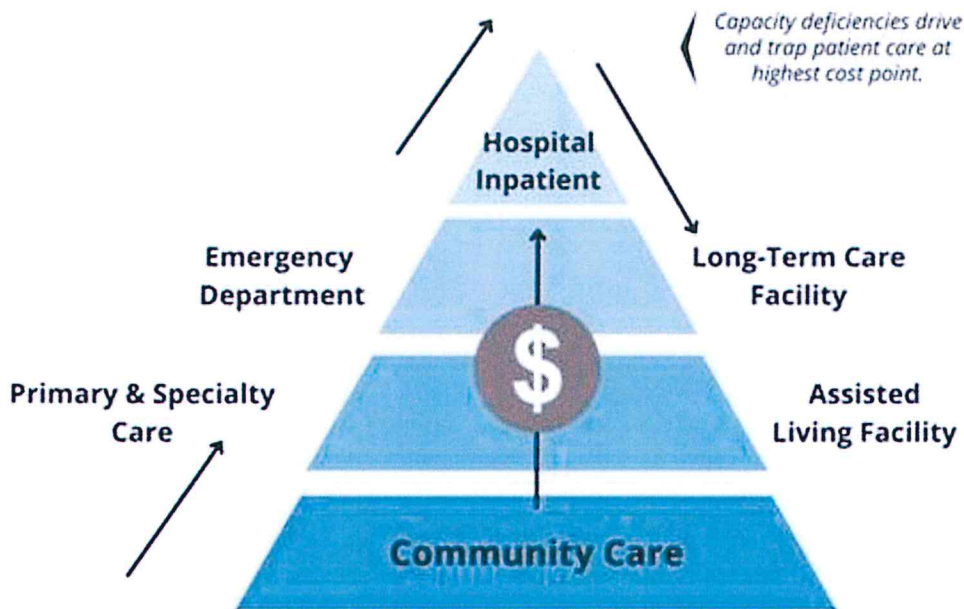
In 2014 rates were not re-established. In 2018, rates were also not re-established based on governing regulations 7 AAC 145.525 - Re-establishing and adjusting payment rates in the department's Chart of Personal Care Services, Community First Choice Services and Waiver Services Rates. The 2018 re-establishment of rates did not occur due to implementation of cost containment measures by the Department of Health and Social Services. Yet, the targeted group of mandated providers submitted cost survey information to the Office of Rate Review which could have been used to re-establish rates in subsequent fiscal years. It should be noted that health facility rate rebasing continued as scheduled during the cost containment fiscal years (as governed by 7 AAC 150.160 – Methodology and criteria for approval or modification of a payment rate).

The cost survey data submitted for the re-establishment of rates in SFY18 are now outdated and no longer useful in determining adjustments. Our request to offer critical immediate rate relief for providers and to follow the intent of the regulations is to apply the 5% “access” factor to SFY18 rates and then apply existing inflation adjustments forward. This also offers a simple straight forward calculation for the Office of Rate Review. Utilizing the access factor ensures the 5% cap on rate increases that the Office of Rate Review would have applied to the cost survey data upholds the intended stop-loss factor.

AADD communicated this request to the Commissioner of Health and Social Services on January 12, 2022, conveying the dire financial situation many of our members are facing due to the impact of a decade without regulatory re-establishment of rates. The administration has not provided a response to this correction of apparent non-compliance with the established methodology. With the support of the Alaska Mental Health Trust Authority, AADD commissioned the rate study by Effective Health Design, which was issued on January 25, 2022, and subsequently provided to the Commissioner. This report is attached for your reference.

Rates of reimbursement have clearly failed to keep pace with many state and federal mandates, regulatory changes, and other systemic changes that have occurred since home and community-based and personal care service rates were established through analysis of provider cost surveys in 2011. This failure covers multiple administrations but the emergency regulations issued by the current administration on June 28, 2019 in freezing rates for SFY20 also had the effect of derailing the Office of Rate Review from processing the cost surveys submitted by providers for rate rebasing using 2018 costs. The COVID-19 pandemic created additional strain on providers already struggling under the weight of unfunded mandates, and exacerbated an existing workforce shortage due to reimbursement rates insufficient to attract qualified workforce. Jared Kosin, Executive Director of the Alaska State Hospital and Nursing Home Association presented to the House Ways & Means Committee on January 27, 2022 this visual:

Healthcare System Continuum



Clearly, the failure of a rate methodology in existing statutes and regulations to allocate Medicaid resource to the lower cost, community based supports “trap patient care at highest cost point”. This is not responsible stewardship.

We are asking this committee to urgently examine non-compliance with existing regulations and to introduce a Medicaid budget amendment that provides immediate and overdue rate relief.

Alaska Statute 47.05.270 requires the Department of Health & Social Services to submit an Annual Report to the Legislature by November 15 of each year on the status of reforms.

AK DHSS Annual Medicaid Reform Report FY2021 (issued November 15, 2021)

FY 2020 and FY 2021 Expenditures for Waiver and Personal Care Services

Fund Source	SFY 2020	SFY 2021	\$ Change	% Change
Waivers				
State GF	\$107,870,696	\$106,756,523	\$ (1,114,173.29)	-1.03%
Federal	\$165,263,294	\$164,008,288	\$ (1,255,006.07)	-0.76%
TOTAL	\$273,133,991	\$270,764,811	\$ (2,369,179.36)	-0.87%
Personal Care Services				
State GF	\$12,511,275	\$10,127,756	\$ (2,383,518.97)	-19.05%
Federal	\$15,590,466	\$13,499,220	\$ (2,091,245.82)	-13.41%
TOTAL	\$28,101,741	\$23,626,976	\$ (4,474,764.79)	-15.92%
Community First Choice Plan Option (* Additional 6% FMAP)				
State GF	\$8,354,647	\$7,397,770	\$ (956,876.30)	-11.45%
Federal	\$15,095,557	\$15,033,798	\$ (61,758.92)	-0.41%
TOTAL	\$23,450,203	\$22,431,568	\$ (1,018,635.22)	-4.34%
Total HCBS				
State GF	\$128,736,617	\$124,282,049	\$ (4,454,568.56)	-3.46%
Federal	\$195,949,318	\$192,541,307	\$ (3,408,010.81)	-1.74%
TOTAL	\$324,685,935	\$316,823,355	\$ (7,862,579.37)	-2.42%

Source: Evergreen Economics STAMP report, updated October 2021.

As an estimate using FY21 expenditures, a 5% access factor applied to

Waivers

State GF	\$ 5,337,826
Federal	\$ 8,200,414
Total	\$ 13,538,241

Total HCBS (incl. Personal Care Services)

State GF	\$ 6,214,102
Federal	\$ 9,627,065
Total	\$ 15,841,168

We are ready to provide supporting testimony during committee hearings, and plan to pursue discussions with the administration around the existing methodology as they relate to system sustainability and access to services.

Sincerely,



Amanda Faulkner

President, AADD



Michele Girault

President, Key Coalition of Alaska

cc. Commissioner Adam Crum
Deputy Commissioner Al Wall
Director, Senior and Disabilities Services John Lee
Executive Director, Office of Rate Review Marcey Bish
CEO, Mental Health Trust Steve Williams
Chair, Senate HSS Committee Senator David Wilson
Co-Chair, House HSS Committee Representative Liz Snyder
Co-Chair, House HSS Committee Representative Tiffany Zulkosky