



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of
Health and Social Services

DIVISION OF HEALTH CARE SERVICES
Director's Office

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November 4, 2016

Dear Tribal Health Leader,

On behalf of the Department of Health and Social Services (DHSS), I am writing to inform you of a proposed future Medicaid state plan amendment (SPA) and 1915(c) Home and Community-Based Services waiver amendment for People with Intellectual and Developmental Disabilities, Alaskans Living Independently, Adults with Physical and Developmental Disabilities, and Children with Complex Medical Conditions in keeping with DHSS's responsibility to conduct tribal consultation. These changes will affect IHS or tribal health providers and may impact IHS recipients that utilize Personal Care Services through Alaska Medicaid.

The purpose of the proposed changes is to comply with federal regulations concerning conflict-free management. The proposed changes include adopting a new rate setting methodology that aligns with program changes for person-centered care coordination services in Alaska. Additionally, the proposed changes make substantial refinements to rate setting methodologies for other Medicaid personal care and home and community-based waiver services to reduce administrative burden, produce accurate Medicaid rates for reimbursement, and ensure predictability.

Residential Supported Living Acuity Rate Setting

The Office of Rate Review (ORR) will use a modeled methodology for residential supported living services. The rates will be based on a percentage of the average Anchorage long-term care facility rate. More specifically, allowable expenses will be identified in the Anchorage long-term care facilities' Medicare cost reports to determine the percentage. Note, per federal regulations, the final rate will not reimburse for room and board as all expenses related to room and board will be excluded from the rate calculations.

Care Coordination Rate Setting

The Office of Rate Review (ORR) will use a modeled methodology for care coordination services.

Personal Care Services and all other Home & Community Based (HCB) Waiver Rate Setting

The Office of Rate Review (ORR) will set Medicaid reimbursement rates for these services using a target rate-setting methodology. The rates will be set using a methodology that accounts for costs reported from a list of targeted providers determined annually according to units of service. The methodology consists of five key components: (1) collecting annual reports from a narrow list of target providers; (2) producing allowable cost pools for each service from the annual reports; (3) adjusting the allowable cost

pools for each service to establish total allowable costs; (4) developing a raw Medicaid reimbursement rate for each service from the total allowable costs; and, (5) converting the raw Medicaid reimbursement rates for each service into final rates.

The methodology will require cost surveys and financial audits from providers of the highest volume of Medicaid services in a given year. While reported costs from the high-volume providers is the most efficient starting point for establishing these rates, the costs will be adjusted upwards so that the final rates are accessible to all providers, large and small, in a manner that ensures that quality of care and services are available to Medicaid recipients to the extent that such care and services are available to the general public. Additionally, to protect providers and recipients of HCB Waiver services and personal care attendant services from dramatic rate swings when rates are reestablished, reestablished rates or aggregate costs cannot increase or decrease more than 5% from the rates or costs that are in effect at the time the rates are reestablished. Rates that are capped at 5% can self-correct on an annual basis through enhanced or reduced inflation adjustments, and every four years when the rates are again reestablished.

The proposed changes in rate setting methodology will affect all Medicaid recipients and providers of personal care and home and community-based waiver services. The proposed regulations do not adjust current rates; they describe methodologies that will be used to set future rates.

To locate the proposed changes to regulations please refer to the State of Alaska, DHSS web page "Public Notices" link <https://aws.state.ak.us/OnlinePublicNotices/default.aspx>, or follow <http://notice.alaska.gov/183353> to the specific posting.

Written comments or questions regarding the proposed amendments are due on December 9, 2016 by 5:00 PM. If you would like to arrange an in-person meeting or discussion regarding the amendments, please provide a written request within 15-days of the date on this letter. Please direct all written correspondence to Courtney O'Byrne King, Alaska Department of Health and Social Services, 4501 Business Park Blvd, Building L, Anchorage, AK 99503 or courtney.king@alaska.gov.

The SPA and waiver amendments will be submitted after state regulations implementing the change have been noticed for public comment, adopted by DHSS, and filed with the Lieutenant Governor. Please note that DHSS cannot accept comments on the SPA as public comment on proposed regulations, nor can it accept public comment on proposed regulations as comment on the SPA. If you want to comment on both proposed regulation and SPA, you must do so separately.

Sincerely,



Courtney O'Byrne King, MS
Medicaid State Plan Coordinator

cc

Jon Sherwood – Deputy Commissioner, DHSS
Karen Forrest – Deputy Commissioner, DHSS
Margaret Brodie, Director, Division of Health Care Services
Renee Gayhart – Tribal Health Program Manager
Kate Tompkins – Audit & Review Analyst, Office of Rate Review