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Governor Bill Walker
STATE OF ALASKA

July 21, 2015

The Honorable Sylvia Burwell
Secretary
U. S. Department of Health and Human Services
Hubert H. Humphrey Building
200 Independence Avenue, SW, Room 120F
Washington, DC 20201

Dear Secretary Burwell:

I am pleased to formally notify you of my intention to expand Medicaid in Alaska, effective September 1, 2015.

I would like to express my sincere appreciation for the positive response to my December 8, 2014 request for technical assistance from your agency. The response was immediate, and your staff have provided valuable support over the last eight months. I would also like to request your ongoing assistance, both in the near term with the work we must do to implement expansion, and over the longer term with reform initiatives.

Medicaid Expansion in Alaska

On July 16, my office transmitted a letter to the Legislative Budget and Audit Committee indicating my intent to begin accepting the federal funds to expand Medicaid in Alaska. Under State law this committee has 45 days to respond to my letter. The 45-day notice period is a critical time period. I respectfully request that Health and Human Services (HHS) continue to provide technical assistance on an expedited schedule to assist the Alaska Department of Health and Social Services (DHSS) as they prepare to enroll newly eligible Alaskans.

Expansion Readiness

Last week the Centers for Medicare and Medicaid Services (CMS) approved a one-year extension for compliance with Essential Benefits Package timeliness requirements for certain services under our Alternative Benefits Package (ABP) State Plan Amendment (SPA). The timely approval is appreciated. I would like to request prompt consideration during this 45-day notice period of two additional issues as we prepare for Medicaid expansion:

1. Expedited consideration of Alaska's E14 waiver request that will allow us to move recipients from two State-funded programs into the expansion group categorically.

2. Expedited Resolution of CMS questions regarding the adequacy of Alaska's adult dental coverage, which is governed in State statute. Alaska's limited adult dental benefit under Medicaid was carefully crafted to meet both federal and State legislative requirements, and

reopening the dental benefit at this time could pose a substantial challenge for Alaska's Medicaid program.

Support for Continuation of Reform and Sustainability Efforts

Our reform efforts are integral to expansion and critically important to the long term success of Alaska's Medicaid program. During our meeting in February, I shared with you a memo from Commissioner Valerie Davidson outlining demonstration waivers DHSS will be seeking. I have included a copy of that memo. DHSS is working with the Alaska Tribal Health system to develop a proposal. The demonstration waivers identified in the February memo remain a priority for DHSS.

Some have claimed that HHS will no longer have an interest in assisting our State with various reform efforts now that I have announced my intention to expand Medicaid. I have ensured the public that we will keep moving forward. DHSS has secured a contractor to identify various reform initiatives. A final report, with specific reform initiatives, will be presented to the Alaska Legislature in January 2016. Also, DHSS recently release a Request for Proposals for development of 1915(i) and 1915(k) home and community-based service options. I request reassurance that HHS will continue to provide a high level of support via technical assistance and timely approvals.

Funding Opportunities

My final request is whether there are any opportunities for Alaska to take advantage of financial assistance to support our reform activities. The previous administration failed to apply for earlier grants that would have assisted our State in this regard, such as those offered under the premium rate review or state innovation models programs. If your agency has funding available under these or other programs that could support Medicaid and health reform in Alaska, we would be very interested.

I look forward to your confirmation of support for Alaska's Medicaid expansion and reform efforts. Your continued support and attention to expansion and reform efforts in Alaska has been, and will continue to be, a critical factor in the successes to come.

Sincerely,

Bill Walker
Governor

Enclosure

cc: The Honorable Valerie Davidson, Commissioner, Alaska Department of Health and Social Services

THE STATE of ALASKA
GOVERNOR BILL WALKER

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MEMORANDUM

DATE: February 18, 2015

TO: Bill Walker
Governor

FROM: Valerie J. Davidson
Commissioner

SUBJECT: Medicaid Recommendations for Secretary Burwell, Health & Human Services

This memo outlines proposals for your meeting with Secretary Sylvia Mathews Burwell, who committed at your last meeting to provide technical assistance for Alaska's Medicaid reform and expansion efforts. Secretary Burwell can assist Alaska in efforts towards reform and expansion through innovative Medicaid demonstration waivers under the Social Security Act. These demonstrations allow states to creatively design programs to deliver, provide access to, and reimburse medically necessary services with Medicaid dollars. The Secretary through the Centers for Medicare and Medicaid Services (CMS), an agency within the U.S. Department of Health and Human Services (HHS), has broad authority to approve demonstration waivers.

Descriptions of the demonstration waivers we will be seeking are provided below. This list is by no means a comprehensive list of the demonstration waivers or options that the DHSS intends to pursue. However, your scheduled meeting with Secretary Burwell presents an opportunity to begin the dialogue on demonstration waivers that could have a significant benefit for both Medicaid recipients and the State's budget.

Our Legislature may make expansion of Medicaid contingent on reform efforts due to our current budget situation. We have already fielded questions from a legislative office about the amount of state general fund dollars spent on Medicaid travel and other services for Indian Health Service beneficiaries. Thus, most of the following recommendations address these concerns.

Please feel free to refer them to me for any additional questions at val.davidson@alaska.gov or on my cell at 907-343-9100.

ALASKA WAIVER OPPORTUNITIES:

1. Travel as a Tribal Service (If this demonstration waiver is approved, it would also include Air Ambulance and Emergency Transportation Services (see recommendation 3 below)

- Issue: When a Medicaid beneficiary is also an IHS beneficiary and is seen in an IHS facility (including Alaska's tribally operated facilities), Alaska is reimbursed at 100% FMAP. However, currently transportation and accommodation services for IHS beneficiary referrals to Indian Health Service (IHS) facilities are only reimbursed at regular Federal Medical Assistance Percentage (FMAP) rates.
- Recommended Change: Transportation and accommodation services should be considered an essential part of the tribal health care service in Alaska. The match rate should adjust to the characteristics of the provider as follows:
    - 100% FMAP for an Indian Health Service Medicaid beneficiary receiving services at a tribal health facility (this recommendation);
    - 63% for Children's Health Insurance Program (current);
    - 100-90% for the new Medicaid expansion population (current); and
    - 50% for regular Medicaid (current), exclusive of the above 3 categories
- Justification: With Alaska's size and distance between an individual's home community and nearest location of medically necessary services, travel becomes a critical access to care issue. Families are already riding on snow mobiles, boats, all-terrain vehicles, small planes, ferries, and larger airplanes simply to get the level of health care they need. In our state, these vulnerable Alaskans are merely trying to address their health care needs in an appropriate medical setting, while they are expecting a child, battling cancer, or addressing other critical health issues that are simply not available in their home communities. Many come from small traditional villages, where individuals still speak their indigenous language.
- Types of Services
    - Pre-maternal homes, patient housing facilities, hotels, meals, air travel, ground transportation, medevacs
        - Expectant moms often spend several weeks at pre-maternal homes prior to their delivery date if they are experiencing complications and/or if the facility close to their home community does not have the appropriate level of OB care.
        - Cancer patients often spend several weeks in hub communities and stay at hotels while receiving treatment
- Outcome: **Approximately $20-30M annual state general fund (GF) savings** for Alaska Natives and American Indians based on the $40-60M currently expended in travel costs for Alaska Natives and American Indians from rural areas.

2. **Referrals for Alaska Natives & American Indians from a tribal health facility to a non-tribal facility should be 100% FMAP. This could be accomplished through HHS policy or a waiver.**
   - Issue: When IHS facilities refer Medicaid beneficiaries to non-IHS facilities, the state only receives 50% FMAP.
   - Recommended Change: Referrals from an IHS facility to non-IHS facility would receive 100% FMAP for IHS beneficiaries. This is consistent with recent changes in federal regulations to exclude IHS beneficiaries from cost sharing for all IHS facility referred services to a non-IHS facility.
   - Justification: The Alaska Tribal health system depends upon referrals to other specialty care facilities. In a state as small as Alaska, economies of scale do not allow tribal providers to offer a full range of specialized services. However, when those referrals occur, the state only receives 50% FMAP.
   - Types of Service: All referred services.
   - Outcome: **Approximately $158M annual state GF savings** (half the $316 million total to non-tribal providers). In FFY12, the total expenditures to tribal health facilities for health care services to IHS beneficiaries were approximately $178M. Total expenditures to non-tribal providers for health care services provided to Alaska Natives and American Indians were approximately $316M.

3. **Air Ambulance and Emergency Transportation Services as Tribal Service:**
   (This particular point would be rolled into #1, if approved. However, if for some reason #1 was not allowed, then #3 is essential)
   - Issue: Federal policy is unclear about when tribal air ambulance and emergency transportation services can be claimed at 100% FMAP.
   - Recommended Change: CMS should clarify policy to clearly permit 100% FMAP claiming for air ambulance and emergency transportation services provided by entities with 51% or more tribal ownership. In addition, IHS policy should clarify that such entities should be added to the IHS facility list.
   - Justification: On April 22, 2004, the HHS Departmental Appeals Board ruled that CMS had incorrectly reimbursed the State of Alaska DHSS for air ambulance service claims provided by a tribal health facility to Alaska Native and American Indian recipients at 50% vs. 100% FMAP. (Docket No. A-02-109) As a result, the State was allowed to retroactively claim an additional $1.9M.
   - Types of Service: Air ambulance or emergency transportation.
   - Outcome: **Approximately $10M annual state GF savings.**

4. An 1115 Waiver from Institution for Mental Diseases Provisions

- Issue: Under current Federal law, Medicaid will not reimburse any services for adult patients who receive treatment at an Institution for Mental Diseases (IMD). An IMD is "a hospital, nursing facility, or other institution of more than 16 beds that is primarily engaged in providing diagnosis, treatment, or care of persons with mental diseases."
- Recommended Change: Approve an 1115 Waiver permitting Medicaid payment of services in IMDs, allowing federal match for residential substance abuse and mental health treatment services.
- Justification: Alaska's small population and large geography contribute to a limited provider supply. Larger facilities allow for more efficient delivery of services. Eliminating the exclusion would enable the State to obtain federal match for services that are now funded entirely through state GF. Provides Federal match for adults with serious mental illness to be treated in facilities such as Alaska Psychiatric Institute (API), North Star Hospital, and all substance abuse and serious mental illness facilities with over 16 beds. Encourage other, private facilities to develop programs for adults with serious mental illness, by providing a source of revenue.
- Type of Service: residential substance abuse and mental health treatment services.
- Outcome: **Approximately $10M annual state GF savings.**