

RE-BASE RATES FOR MEDICAID HOME AND COMMUNITY-BASED SERVICES

- Prior to 2004, Home and Community Based Services (HCBS) were approved at an individualized rate of reimbursement for most recipients of Medicaid waiver services when the Plan of Care was approved. Transition to national HCBS billing codes in July 2004 also ushered in aggregate rates for each provider for each service category. This era was punctuated with ongoing State of Alaska fiscal challenges. The primary cost containment strategy was provider rate freezes until a cost-based methodology was developed. Expected to expire in June 2005, these rate freezes were extended twice more until July 2008.
- In the summer of 2007, the State of Alaska contracted with Myers & Stauffer LC to develop a rate setting process for Medicaid HCBS rates. Providers were invited to pilot a detailed cost survey tool using FY2007 financial data and expense allocations in the summer of 2008, followed by a full survey in fall 2008.
- In December 2008, Meyers and Stauffer LC presented recommendations for a rate methodology. Meyers and Stauffer recommended a phase-in aggregated rate over 4 years and inflation increases at the Medicare Home Health Agency Market Basket Index, followed by periodic cost surveys.
- Regulations for Medicaid Coverage and Payment 7AAC 125, 7 AAC 130, 7AAC 145 and 7 AAC 160 became effective March 1, 2011. The regulations state that on or after January 1, 2014 rates of payment “will be re-established at least every four years” based on the results of the provider cost services.
- The rate re-base did not occur in FY15 as expected due to Medicaid Management Information System failures and cost survey regulations being re-worked by the Office of Rate Review (ORR) Providers completed cost surveys and submitted the results in ORR in FY16, FY17, FY18, FY19, FY20, and FY21. Other than small rate inflationary adjustments in FY19, 20 and 21, the rate re-base did not occur in FY19 as expected.
- During this same decade, Medicaid HCBS providers have had numerous unfunded mandates and significant cost increases that currently impede the ability of providers to increase wages to attract and retain a qualified workforce.
- For a variety of reasons outside providers’ control, *the rate setting methodology has failed to adjust reimbursement in alignment with the real costs of doing business in Alaska over the past decade.*

RECOMMENDATION: Place re-basing language in statute, rather than regulation, similar to statute language for hospitals and nursing homes.