

# ALASKA STATE LEGISLATURE

## LEGISLATIVE BUDGET AND AUDIT COMMITTEE Division of Legislative Finance



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### MEMORANDUM

DATE: August 31, 2012  
TO: Legislative Budget and Audit Committee  
FROM: David Teal, Director  
SUBJECT: Preparation for the September 5, 2012 LB&A Meeting

OMB submitted the following FY13 RPLs for consideration at the September 5, 2012 Legislative Budget and Audit Committee meeting. These RPLs, along with Legislative Finance comments, are posted on our web site at <http://www.legfin.state.ak.us/>.

RPL#	Agency	Subject	Amount	Fund Source
06-3-0100 <b>FY13 Capital</b>	Health and Social Services	Electronic Health Records Provider Incentive Payment Program	\$9,540,185	Federal (1002)
18-3-0357 <b>FY13 Operating</b>	Environmental Conservation	Air Quality Program	\$467,000	Federal (1002)

If you have any questions that you want an agency to address at the meeting, please call us so we can help ensure the agency has a response prepared.

**Department of Health and Social Services  
Department Support Services  
Facilities Management**

<b>Subject of RPL:</b> Electronic Health Records Provider Incentive Payment Program	<b>ADN/RPL #:</b> 06-3-0100
<b>Amount requested:</b> \$9,540,185	<b>Appropriation Authority:</b> Sec1Ch 5 FSSLA 2011Pg 84 Ln 28
<b>Funding source:</b> \$9,540,185 Federal (1002) Capital	<b>Statutory Authority:</b> AS 47.07.010

**PURPOSE**

This program provides incentive financial support to eligible health care providers and hospitals to adopt, implement, or upgrade certified electronic health record technology. The additional \$9,540,185 in federal receipt authorization for FY2013 will allow us to meet our approved implementation plan with the Center for Medicare and Medicaid Services.

**PREVIOUS LEGISLATIVE CONSIDERATION**

The original authorization of \$36,518,800 federal receipt authorization was appropriated under Sec 1Ch 5 FSSLA 2011 pg 84 Ln 28, for the purpose of this program. No previous RPL's have been submitted.

**TIMING ISSUES**

During the budget development for this program, it was not anticipated that we would have 15 of the 21 eligible hospitals or 307 eligible providers participating in the program during the first two years. The Center for Medicare and Medicaid Services awards funding based on our federal quarterly projections which are based on historical expenditures. Awards are generated every federal quarter rather than annually.

As of the quarter ending March 30, 2012, 307 eligible professionals and 15 eligible hospitals submitted and qualified for the Electronic Health Record Provider Incentive Payment Program. In order for us to meet our fiscal and contractual obligation as outlined in our implementation plan with the Centers for Medicare and Medicaid Services, we will need the additional \$9,540,185 in federal receipt authorization prior to the FY2013 supplemental process. Once an eligible professional or hospital submits their attestation in the State Level Registry, the state has approximately 17-33 business days to verify the attestation and submit a request to the Centers for Medicare and Medicaid Services to make a payment. Once the Centers for Medicare and Medicaid Services has approved the attestation, the state has 45 days to actually make payment to the approved provider. Our failure to comply with the Centers for Medicare and Medicaid Services guidelines would result in the State's inability to request funds from the Centers for Medicare and Medicaid Services, and prevent us from paying eligible providers and provider hospitals their incentive payments. An additional consequence could be the removal of all federal funding for the Electronic Health Record Provider Incentive Payment Program.

**Legislative Fiscal Analyst Comment:** Expenditures as of August 27<sup>th</sup> total \$15.54 million. This leaves approximately \$21 million unexpended. Given the agency's projected burn rate, the money will run out early during the legislative session. Although delaying action until the legislative session may be a viable option, there is no guarantee that the legislature would act quickly enough to supply supplemental funds when needed.

There appears to be little reason to fail to approve this request given that:

- the legislature has already approved this capital project,
- the request involves only federal receipts that are passed through the agency to providers and hospitals, and
- the need for additional authorization for FY13 is a near certainty, and there is a strong probability that the supplemental process will not be able to address funding needs before current funding is exhausted.

Funding for FY14 and beyond will also be needed. The original capital request outlined a need for approximately \$18-19 million per year through FY17. The federal program is expected to last through 2021. Because this is a capital project with an uncertain cash outflow, the committee may wish to increase the amount of the RPL in order to ensure that spending authority is sufficient to meet cash flow needs.

### **BUDGETARY ISSUES**

The Electronic Health Record Provider Incentive Payment Program was established to increase the availability and access of patients' health records, thereby increasing efficiency in health care delivery, reducing health care costs and improving the quality of health care for Alaskans. This program fits into the department's long term goals, mission and measures by promoting technology for sustainable and effective health care delivery.

This program supports incentive payments for two types of entities, Eligible Providers and Eligible Hospitals.

The Health Information Technologies Program Office estimated \$3,675,000 each quarter or \$14,700,000 for the year for Eligible Providers' payments. This number was based on the number of Eligible Providers known to be ready for meaningful use in FY2013, along with anticipated Eligible Providers attesting to Adopt, Implement or Upgrade to a certified Electronic Health Record.

Health Information Technologies Program Office estimated \$4,200,000 each quarter or \$16,800,000 for the year for Eligible Hospitals' payments. This number was based on the number of Eligible Hospitals anticipated to be ready for meaningful use in FY2013, and any remaining Eligible Hospitals attesting to Adopt, Implement or Upgrade to a certified Electronic Health Record.

There was \$36,518,800 of federal receipt authorization appropriated for this program and revised projected expenditures are \$46,058,985, leaving a shortfall of \$9,540,185. Currently, we are re-evaluating our overall program authorization, and expect to request additional federal receipt authority during the FY2014 Governor's budget process.

There will be no impact on general fund dollars now or in the future, as this is a 100% federal-based incentive program. The incentive payments go directly to eligible providers and provider hospitals based on their compliance to an electronic health records system. The program has been distributing incentive payments to eligible applicants since January 2011. No positions are funded with these dollars.

<b>Original Appropriation (AR 23720)</b>	<b>FY 2012 Budget</b>	<b>Proposed Budget FY2013</b>
	<b>\$36,518,800</b>	
<i>less:</i>		
Actual Expenditures YTD- Individual Providers	\$ 4,556,002	
Actual Expenditures YTD - Hospital	\$ 10,002,983	
<b>Total Expenditures</b>	<b>\$ 14,558,985</b>	
<b>Unobligated Appropriation Balance</b>	<b>\$ 21,959,815</b>	
<b><i>Projected Expenditures FY2013 Quarters 1 &amp; 2</i></b>		
Individuals Providers		\$ 7,350,000
Hospitals		\$ 8,400,000
<b><i>Projected Expenditures FY2013 Quarters 3 &amp; 4</i></b>		
Individual Providers		\$ 7,350,000
Hospitals		\$ 8,400,000
<b>Total Projected for FY2013</b>		<b>\$31,500,000</b>
<b>Total Projected Shortfall</b>		<b>\$(9,540,185)</b>



# LAWS OF ALASKA

2011

FIRST SPECIAL SESSION

Source  
HCS CSSB 46(FIN)

Chapter No.  
5

## AN ACT

Making and amending appropriations, including capital appropriations, savings deposits in the form of appropriations to the statutory budget reserve fund, and other appropriations; making appropriations to capitalize funds; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1

	Appropriation	General	Other
	Allocations	Items	Funds
1			
2			
3	Polling Place Accessibility	100,000	100,000
4	Assistance under the		
5	Federal Help America Vote		
6	Act (HAVA) (HD 1-40)		
7	*****	*****	
8	***** Department of Health and Social Services *****		
9	*****	*****	
10	Alaska eHealth Network -	2,400,000	2,400,000
11	Health Information		
12	Exchange Deployment (HD		
13	1-40)		
14	Alaska Statewide Suicide	7,500	7,500
15	Prevention Council Summit		
16	(HD 1-40)		
17	Alaska Veterans and	885,000	885,000
18	Pioneers Home Storage Unit		
19	(HD 13-16)		
20	Childhood Obesity	730,000	730,000
21	Prevention Program (HD		
22	1-40)		
23	Compassionate Services	10,000	10,000
24	Grant (HD 33-35)		
25	Electronic Benefit Transfer	50,000	50,000
26	System Equipment (HD		
27	1-40)		
28	Electronic Health Record	36,518,800	36,518,800
29	Incentive Payments (HD		
30	1-40)		
31	Emergency Medical Services	425,000	425,000
32	Ambulances and Equipment		
33	Statewide - Code Blue		

**Electronic Health Record Incentive Payments****FY2012 Request: \$36,518,800****Reference No: AMD 51853****AP/AL:** Appropriation**Project Type:** Information Technology /  
Systems / Communication**Category:** Health/Human Services**Location:** Statewide**House District:** Statewide (HD 1-40)**Impact House District:** Statewide (HD 1-40)**Contact:** Arnold Liebelt**Estimated Project Dates:** 07/01/2011 - 06/30/2016 **Contact Phone:** (907)465-1870**Brief Summary and Statement of Need:**

This amendment is a new request for the Electronic Health Record (EHR) Incentive Program which provides financial support to providers to adopt, implement, or upgrade certified EHR technology. The incentive payments are not a reimbursement. Providers must meet the Meaningful Use requirement and serve an appropriate amount of Medicaid recipients.

<b>Funding:</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>Total</b>
Fed Rcpts	\$36,518,800		\$18,214,184	\$18,521,793	\$19,815,625	\$17,584,375	\$110,654,777
<b>Total:</b>	<b>\$36,518,800</b>	<b>\$0</b>	<b>\$18,214,184</b>	<b>\$18,521,793</b>	<b>\$19,815,625</b>	<b>\$17,584,375</b>	<b>\$110,654,777</b>

<input type="checkbox"/> State Match Required	<input type="checkbox"/> One-Time Project	<input checked="" type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input type="checkbox"/> On-Going
0% = Minimum State Match % Required		<input checked="" type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

**Operating & Maintenance Costs:**

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	0
<b>Totals:</b>	<b>0</b>	<b>0</b>

**Additional Information / Prior Funding History:**

This is the first year request.

**Project Description/Justification:**

The State of Alaska has elected to participate in the Electronic Health Record Provider Incentive Payment Program available through the Center for Medicare and Medicaid Services (CMS) under provisions of the American Recovery and Reinvestment Act (ARRA). Incentive payments are available to eligible providers and hospitals that meet certain requirements and that participate in Medicare and Medicaid programs to develop certified Electronic Health Record (EHR) technology.

The Department is currently involved with the implementation of an EHR system authorized by the Legislature in the FY2010 budget with final funding approval by CMS in December 2010.

This request will cover the first two years of provider and hospital incentive payments. During the first two years, the State anticipates provider incentive payments will be made to 500 Eligible Providers (EP) and 8 Eligible Hospitals (EH). The Overall cost for the EHR Incentive Payments is anticipated to be \$110,654,800. The State anticipates enrolling an additional 1,063 EPs and 14 EHs between FY2014 and FY2017.

**Electronic Health Record Incentive Payments**

**FY2012 Request: \$36,518,800**

**Reference No: AMD 51853**

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These estimates are based on the number of eligible providers and hospitals in Alaska and the timeline in which they will be ready to request the incentive payments.

Goals for the national program include: 1) enhance care coordination and patient safety; 2) reduce paperwork and improve efficiencies; 3) facilitate electronic information sharing across providers, payers, and state lines; and 4) enable data sharing using state Health Information Exchange (HIE) and Nationwide Health Information Network (NHIN). Achieving these goals will improve health outcomes, facilitate access, simplify care, and mitigate the rising costs of healthcare nationwide.

**Mission Statement:**

To promote and protect the health and well-being of Alaskans

**End Result:**

Alaskans have access to health care.



**Department of Environmental Conservation  
Environmental Health  
Air Quality**

<b>Subject of RPL:</b> Air Quality Program	<b>ADN/RPL #:</b> 18-3-0357
<b>Amount requested:</b> \$467,000	<b>Appropriation Authority:</b> Sec 1 Ch 15 SLA 2012 pg 13 ln 30
<b>Funding source:</b> \$467,000 Federal (1002) Operating	<b>Statutory Authority:</b> AS 46.03.020

**PURPOSE**

Additional federal receipt authority is needed to receive federal funding from the Environmental Protection Agency (EPA) for the Diesel Emission Reduction Act program. The Department received grant awards in prior fiscal years that have been consolidated and directed to a diesel reduction project for the Native Village of Shungnak. This project is currently being implemented by the Alaska Village Electric Cooperative and will allow the community of Shungnak to recover heat from the power plant and use that heat for the new water treatment plant, old water treatment plant, old clinic, the city/IRA office and the city hall. The project has experienced delays and grant extensions have been obtained from the EPA allowing work to continue during FY2013. Once complete, this project will reduce fuel consumption in the community of Shungnak by 9,200 gallons per year, providing considerable cost savings to the community.

**PREVIOUS LEGISLATIVE CONSIDERATION**

\$592,600 was awarded for the Shungnak project in FY2011 and it was anticipated that this amount would be spread over three fiscal years. To date, approximately \$25,800 has been expended.

**TIMING ISSUES**

At the time of budget planning for FY2013, the Department anticipated that existing federal receipt authority would be sufficient to address this project along with other federal grants for air quality programs. A change to the timing of the Shungnak project is now resulting in an impact to the Division of Air Quality budget. The project delay has resulted in a larger amount of federal funding authority required for FY2013. The Division of Air Quality has contracts in place or imminent that total more than the FY2013 budget authority. Additional federal receipt authority will avoid returning federal funds and placing restrictions on completion of federally funded air quality work.

**BUDGETARY ISSUES**

A review of the Department's anticipated federal receipts for FY2013 indicates the need of an additional \$467,000 of federal receipts grant authority. This increase will allow the Department to fully utilize available federal funds to complete its core air program contract obligations and progress on the Shungnak project. These projects help the Department with its mission to conserve, improve, and protect Alaska's natural resources and environment by controlling air pollution, in order to enhance the health, safety, and welfare of the people of the state and their economic and social well being. Steady progress toward completion of the Shungnak project will ultimately result in air quality and economic benefits to the community.

No additional general funds are needed to address this increased federal receipts authority in the current budget and no new positions are required. The Department will analyze its anticipated federal receipts authority needs for FY2014 to determine whether additional authority will be needed to address the final completion of the Shungnak project. At this time, no funding has been obligated in excess of current authority, but without the increased authority the Division of Air Quality will need to restrict its operations to reduce its federal expenditures to levels below the anticipated amount of federal receipts and may be required to return federal funding.

***Legislative Fiscal Analyst Comment:*** There are no technical issues with this RPL. Funding will be allocated to the Grants line. No additional UGF or positions are required. With the approval of this RPL plus the current FY13 Federal Receipt authorization of \$1,870.5, the revised FY13 Federal Receipt authority for the Air Quality allocation will be \$2,337.5.

	<b>Appropriation</b>	<b>General</b>	<b>Other</b>
	<b>Allocations</b>	<b>Items</b>	<b>Funds</b>
		<b>Funds</b>	<b>Funds</b>
1			
2			
3	<b>Alaska Performance</b>	<b>3,100,000</b>	<b>3,100,000</b>
4	<b>Scholarship Awards</b>		
5	Alaska Performance	3,100,000	
6	Scholarship Awards		
7	*****	*****	
8	***** <b>Department of Environmental Conservation</b> *****		
9	*****	*****	
10	<b>Administration</b>	<b>9,240,600</b>	<b>5,341,100</b>
11	Office of the Commissioner	1,091,100	
12	Administrative Services	5,531,700	
13	The amount allocated for Administrative Services includes the unexpended and unobligated		
14	balance on June 30, 2012, of receipts from all prior fiscal years collected under the		
15	Department of Environmental Conservation's federal approved indirect cost allocation plan		
16	for expenditures incurred by the Department of Environmental Conservation.		
17	State Support Services	2,617,800	
18	<b>DEC Buildings Maintenance</b>	<b>632,600</b>	<b>632,600</b>
19	<b>and Operations</b>		
20	DEC Buildings Maintenance	632,600	
21	and Operations		
22	<b>Environmental Health</b>	<b>29,160,300</b>	<b>15,616,300</b>
23	Environmental Health	371,300	
24	Director		
25	Food Safety & Sanitation	4,666,300	
26	Laboratory Services	3,932,400	
27	Drinking Water	7,285,800	
28	Solid Waste Management	2,448,800	
29	Air Quality Director	273,700	
30	Air Quality	10,182,000	
31	The amount allocated for Air Quality includes the unexpended and unobligated balance on		
32	June 30, 2012, of the Department of Environmental Conservation, Division of Air Quality		
33	general fund program receipts from fees collected under AS 46.14.240 and AS 46.14.250.		

**Division of Air Quality  
Federal Expenditure Report 2012-2013**

Name	Federal Agency	Federal ID #	Estimated FY2012 Federal Expenditures (*)	Estimated FY2013 Federal Expenditures
Clean Diesel Emissions Reduction Act	Environmental Protection Agency	DS-96077901	116,500.00	693,600.00
Performance Partnership Grant - CAA Air 105, Radon, Pollution Prevention	Environmental Protection Agency	BG-96079703	1,317,300.00	1,430,100.00
Pollution Prevention Grant (rolled into Performance Partnership Grant in FY2013)	Environmental Protection Agency	NP-00J44001	112,800.00	-
PM 2.5 Monitoring	Environmental Protection Agency	XA-00J52601	213,800.00	213,800.00
<b>Grand Totals for Division</b>			<b>1,760,400.00</b>	<b>2,337,500.00</b>
<b>Division Federal Authorization</b>			1,837,400.00	1,870,500.00
			77,000.00	<b>(467,000.00)</b>

(\*) - FY2012 Expenditures are estimated because this information was pulled prior to final close-out of FY2012.