

Electronic Mail

8/31/2023

Marcey Bish
Executive Director, Office of Rate Review
3601 C. St, Suite 902
Anchorage, AK 99502
marcey.bish@alaska.gov

Dear Ms. Bish,

For 70 years, the Alaska Hospital & Healthcare Association (AHHA) has served as a non-profit trade association representing Alaska's hospitals, nursing homes, and other healthcare partners across the continuum of care. AHHA members play an invaluable role, both as community providers and essential employers, in cities, towns, and villages across Alaska.

We write today to provide public comment on the proposed changes to regulation concerning Medicaid inpatient diagnosis related group (DRG) reimbursement. AHHA commends the leadership of the Department, especially the Office of Rate Review and Executive Director Bish, for their thorough and transparent approach to this project. Changing from a prospective payment system to DRG reimbursement is a major policy shift that represents a significant step forward in moving from volume to value in healthcare.

After three years of methodical work by the Department, AHHA, and the six acute care hospitals subject to this policy change, we are pleased to voice support for implementation of the proposed DRG reimbursement system and its corresponding changes to regulations and State Plan Amendment.

With that said, we urge caution as the Department transitions to the DRG system on January 1. Any systems change of this magnitude brings real risk for malfunction and disruption to both the State and our hospitals. The most haunting example of this is the failed MMIS implementation in the 2010s. One takeaway from that debacle was the importance of claims testing, systems testing, and training before implementation.

It is for these reasons we expressed concerns over the Department's decision to not pursue more robust claims testing and training prior to the January 1 launch of DRG reimbursement. More specifically, we urged the Department to provide a mechanism for our hospitals to submit test claims to ensure DRG system functionality, effective communication between all parties, and practice for claims submission, processing, and payment. This is the best method for discovering and addressing any system or process malfunctions ahead of go-live because as we know from the MMIS project, once we go live, remedying malfunctions becomes increasingly difficult, disruptive, and costly. We again urge the Department to invest in the highest level of testing and training prior to the January 1 implementation.

In terms of the proposed changes to regulations and the State Plan Amendment, legal drafting is complex, especially when it incorporates a complicated reimbursement system, so it is hard to



anticipate how some of the changes may be interpreted over time. However, based on the Department's regular communication in its DRG Frequently Asked Questions document and its project updates, we believe we understand the intent of the regulatory language and therefore support most of the changes. With that said, AHHA recommends the proposed regulatory language for inflating the DRG base rates be changed to annual inflation adjustments. While we appreciate an inflation adjustment being applied if base rates are not rebased for at least two years, if the goal is to cover a high percentage of costs for in-state hospital services, the base rates should be rebased annually absent rebasing. An annual inflationary approach is consistent with nearly every reimbursement methodology used by Alaska Medicaid and ensures reimbursement rates do not significantly lag behind the cost of healthcare delivery.

AHHA appreciates the Department taking this opportunity to add a new Designated Evaluation & Stabilization Disproportionate Share Hospital payment category. We support this mechanism for DSH funding and allocation, and find it consistent with some of the service delivery changes happening in our healthcare system.

In closing, AHHA wishes to again thank the Department and the Office of Rate Review for the work on this project. We also request the Department be ready to assist our affected hospitals as we make this transition on and after January 1. Moving to a new reimbursement methodology will inevitably bring unexpected challenges. In the same vein we approached this project, AHHA and our hospitals stand ready to work with the State to navigate the potential challenges ahead, and we ask for your continued partnership over the coming months.

Thank you for your problem-solving approach to this and many other healthcare challenges facing Alaska.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Kosin', written over a light blue circular stamp or watermark.

Jared C. Kosin
President & CEO