

2007 Campaign for PCA Reform

The Honorable Sarah Palin
Governor, State of Alaska
P.O. Box
Juneau, AK 99811

March 9, 2007

Dear Governor Palin:

The Longevity Bonus was not the only promise to seniors broken by the last Administration.

As discussed below, Governor Hickel put Alaska ahead of the nation in commitment to helping seniors and people with disabilities to live out their lives at home. However, the last Administration “broke” that promised vision, in order to meet their budget goals. We urgently need you to correct this serious inequity in Alaska’s funding of Medicaid services for people with disabilities and frail seniors. Please consider that under a 1999 Alaska statute, Medicaid payment rates for hospitals and nursing homes are “re-based” every four years to catch up with rising costs, and on in-between years their rates are automatically inflation-proofed by the percent of increase in a national cost data study. Then please consider the contrast: providers of the “home care” Medicaid services--designed during Governor Hickel’s term as alternatives to prevent costly care in nursing homes and hospitals, have had their Medicaid rates frozen in Alaska regulation since 1998 and 2004 respectively. The necessary partnership between the State and local provider agencies of home care to seniors has been forgotten.

We’re talking about Medicaid home care services such as Personal Care Attendant (PCA) and Home and Community-based waiver services. We, the Campaign for PCA Reform, started in 2004, an effort of the three Alaska-based companies signing below. Although we have been struggling under frozen Medicaid rates for up to a decade, the Campaign first worked to address the issue of lack of adequate State control over the growing Personal Care Attendant program in DH&SS. Through active advocacy with both the Administration and the Legislature, the Campaign put forward early versions of 2005 Legislative Intent Language that encouraged the Department to better harness the growth in PCA utilization. The Campaign continues to provide leadership to the statewide PCA industry. We now work closely with the Department to better govern and maintain operational integrity of this vitally important service for Alaskan elders and individuals who experience disabilities.

Alternative services that allow consumers to remain in their own homes can trace their roots to less than 40 years ago, whereas nursing homes have been part of the service delivery system for elders and individuals with physical disabilities since the early 19th century. To prevent the building of millions more nursing home beds, and to support families struggling with long term care, the long term care system in America is actively working to “re-balance” the system.

Alaska’s long-term care system successfully started its re-balancing work in the early 1990’s under Governor Hickel, making Alaska a national leader as our state made a dramatic shift from providing the majority of care in institutional settings to serving many more Alaskans in home and community based settings. However, as the “aging of Alaska” trend has fully arrived on our doorsteps, the last decade’s successes in Alaska’s long term care system will falter and fail unless positive regulation and increased funding allocations keep up--keep the promise.

Governor Murkowski’s administration created temporary “savings” in the Medicaid budget for Alaska by unilateral regulatory and budgetary imposition of “cost containment” strategies. Many of these strategies were accomplished by shifting the burden of rising business costs onto home and community services for elderly and disabled Alaskans.

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One of the first cost containment strategies was to discard a three-year study on fair compensation to the local agencies that provide in-home care known as “personal care assistance,” or PCA. In early 2004, Commissioner Gilbertson rejected the recommendation of a UAA study group that the Alaska PCA payment rate of \$21 per hour, last set in 1998, be raised to at least \$26 per hour in 2004. He also rejected recommendations to give rates a regional differential for Alaska’s most rural areas. Commissioner Gilbertson left PCA rates frozen at their 1998 rate of \$21 per hour, inclusive of all costs: wages to the direct service worker (average @ \$13.50 hour), workers compensation insurance, benefits, supervision costs, travel between clients’ homes, rising energy costs, and overhead.

PCA Medicaid rates in Alaska remain frozen in DH&SS regulation at \$21 an hour, the same since 1998. Meantime, we agencies—who are businesses, whether for or not-for profit—are struggling to survive and continue to provide quality care to over 4000 Alaskans; frail elders trying to live out their lives at home, disabled adults trying to cope with chronic disease or disability, and medically complex small children needing intensive hands-on care to stay out of institutions. All of these clients, if left without PCA care, would likely quickly move to hospitals, assisted living homes, Pioneers’ Homes, group homes, or nursing homes, in many cases away from their home community—where their care would cost Alaska’s Medicaid system dramatically more.

PCA and Medicaid home care waiver services are often the first line of defense, needed to augment family and community support, for seniors who require hands-on assistance to remain in their own homes. With the assistance of a PCA, seniors are able to meet their basic health needs often preventing the need for more costly medical intervention or out-of-home placement. PCA services have effectively reduced the amount of time an individual may need to spend in very costly nursing homes at the end of his or her life; however, there is a cost to the provision of PCA services as well.

The Medicaid inequity between institutional care and home-based care continues in the current proposed budget. The proposed FY08 budget contains an increment for rate increases to hospitals and nursing homes. The Department of Health & Social Services appears to be continuing the Murkowski strategy, to refuse to enact new regulations to “unfreeze” the 1998 PCA rates, which would require a budget increment.

For nine of the ten years that PCA rates have been frozen in Alaska, our state has paid hospitals and nursing homes with automatic and annual index-based rate increases, averaging over 3% per annum—over 34% in automatic increases since 1999, plus whatever cost-based rate increases were found reasonable. PCA has been given no opportunity to deal with our increased costs of doing business and providing care.

Many of the PCA provider agencies also provide Medicaid home care “waiver” services—to about 2000 more Alaskans who, in addition to the 4000 PCA clients, would otherwise be crowding for a Medicaid-paid admission to Alaska’s 650 nursing home beds or our 450 Pioneers’ Home beds. Medicaid home care waiver rates are also frozen in regulations at DH&SS, and the department has proposed regulations out for public comment that will officially continue this rate freeze through FY08. By the end of FY08, waiver home care service rates will have been officially frozen for a minimum of four years to as much as 14 years, depending on the category of service. This is a short sample list of the vital Medicaid waiver services being crippled by these continuing rate freezes: home delivered meals, adult day care services, respite breaks for caregivers, essential chores, and assisted living care.

Alaska’s PCA program has experienced a large utilization growth in the last four years, in keeping with the dramatic “aging” of Alaska. Regulations implemented in April, 2006 brought control and structure to this vital program. Several recent studies indicate that we will continue to see a large growth in our senior and disabled populations over the next 20 years. People want to remain in their own homes, in villages and urban settings alike, for as long as possible. Home-based services are less costly to the system as a whole and keep Alaskan families together.

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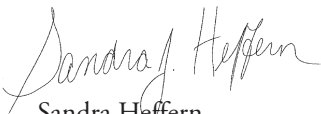
Budgetary policy should be applied equitably across all providers of Medicaid services. Otherwise, it seems an odd public policy message: that the State prefers institutions over home care that helps our families cope with the years of daily long term care of home bound people. Home-based services such as PCA and waiver services are components in the continuum of long-term care as are institutions; however, institutions are the most costly while being the least desirable to consumers.

Governor Palin, during your campaign you pledged that state payments for Medicaid that had not been adjusted for years would merit your Administration's early attention. We hope that you will adapt your FY08 budget strategy for Alaska's Medicaid budget to make room at the table for ALL Medicaid providers--because we are the hands that serve ALL Alaskans in need.

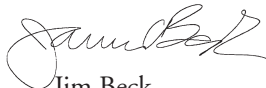
The DH&SS budget for FY08 projects a \$16.5 million "savings" in the PCA program through better administration and control of the PCA program. We would ask that you consider re-directing this \$16.5 million to a modest rate increase to PCA providers for FY08--approximately 12% to 15% (compare to 34% for nursing homes since 1999). The Medicaid waiver services are also crying out for rate relief this budget year. We also hope that you will charge your Administration with the task of quickly developing an forward-looking equitable rate structure across all Medicaid providers.

Governor, we all support your mandate to live within our state's means. We believe that the fair and true costs of the services Alaska purchases need to be factored into this budget policy, including the Medicaid services we as a state choose to purchase.

Thank you for your time and consideration.



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