



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

02-01-10

*GBA 9  
New Article*

Department of Administration  
BUDGET OFFICE  
One Capitol Hill  
Providence, R.I. 02908-5886

**Memorandum**

**To:** The Honorable Steven M. Costantino  
Chairman, House Finance Committee

The Honorable Daniel DaPonte  
Chairman, Senate Finance Committee

**From:** Rosemary Booth Gallogly *RBS Gallogly*  
Executive Director/State Budget Officer

**Date:** February 1, 2010

**Subject:** Amendments to FY 2010 Supplemental Appropriations  
Act (10-H-7105)

The Governor requests several amendments to the FY 2010 Supplemental Appropriations Act, which was submitted to the General Assembly on December 15, 2009. Many of the changes are the result of increased funding provided by the U.S. Government from the passage of the American Recovery and Reinvestment Act (ARRA) of 2009. The amendments requested include changes to Section 1 of Article 1; corrections to Article 9, Relating to Education Aid, and Article 19, Relating to ARRA Bonds; and the addition of two new articles entitled "Relating to Industrial Recreational Building Authority" and "Relating to Medicaid Reform Act." The correction to Article 19 requires two words to be underlined. The underlining was apparently lost in the transfer of the budget articles into the legislative system. The new article entitled "Relating to Industrial Recreational Building Authority" restores the debt authorization authority for the Industrial Recreational Building Authority from \$20.0 million to the original \$80.0 million amount. The new article entitled "Relating to Medicaid Reform Act" requests General Assembly approval for amendments to the Global Consumer Choice Compact Waiver.

The amendments to appropriations in Article 1 requested are described below. Also described are the corrections to Article 9, Article 19, and explanations of the new articles. Detail on the changes by natural account will be provided to the House and Senate Fiscal Advisors as part of the FY 2011 Budget database.

If you have any questions concerning these amendments, please feel free to contact me.



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To: Rosemary Booth Gallogly  
Executive Director/Budget Officer

From: Daniel R. Orgel  
Budget Analyst II

Date: January 26, 2010

Subject: New FY 2010 Article - Relating to Medicaid Reform Act

Summary and Description of Section 1

This article establishes the legal authority for the Departments of Human Services to undertake a series of programmatic reforms geared toward the restructuring of their respective Medicaid programs in FY 2010. Submission of this resolution is in conformance with RIGL 42-12.4-7, which imposes restrictions on proposed changes to Medicaid program(s) under the terms and conditions of the Global Consumer Choice Compact Section 1115 Demonstration (Global Waiver). Specifically, 42-12.4-7 mandates the prior assent of the General Assembly for any change that requires either "implementation of a rule or regulation or modification of a rule or regulation in existence prior to the demonstration" or "any Category II change or Category III change, as defined in the demonstration". To this end, the article is presented in joint resolution format, with separate clauses for each measure proposed for FY 2010 requiring rule modification, rule implementation, and/or category II or III changes. These are listed below in order of appearance within the article, with the associated budgetary impact.

(a) *Pharmacy – SMAC Program for fee for service.* This section provides the authority for DHS to establish a state maximum allowable cost (SMAC) program for multi-source generic prescription drugs dispensed to Medicaid beneficiaries through fee for service delivery that furthers ongoing efforts to leverage the state's purchasing power to obtain the best health outcomes at the best price. The implementation of this program requires a Category II change to the demonstration under the terms and conditions established under the Global Consumer Choice Compact Waiver. Resultant all-funds savings of \$250,000, or \$90,200 in general revenues are programmed in FY 2010.

(b) *Personal Choice and Habilitation Services Reform.* This section provides the authority for DHS to make changes to the personal choice and habilitation services programs, which will

ensure that appropriate, cost effective care is provided in the in the least restrictive setting with improved oversight and monitoring and a broader array of service alternatives. The reforms will require changes to the department of human services rules, regulations and procedures for these programs. Resultant all-funds savings of \$400,000 or \$144,320 in general revenues are programmed in FY 2010.

### **Description of Section 2**

This section sets forth the effective date of this article. This article will take place upon passage.

## NEW ARTICLE

### RELATING TO MEDICAID REFORM ACT

SECTION 1. This article shall serve as a Joint Resolution required pursuant to Rhode Island General Laws § 42-12.4-1, et seq.

WHEREAS, the general assembly enacted Chapter 12.4 of Title 42 entitled “The Rhode Island Medicaid Reform Act of 2008”; and

WHEREAS, Rhode Island General Law § 42-12.4-7 provides that any change that requires the implementation of a rule or regulation or modification of a rule or regulation in existence prior to the implementation of the global consumer choice section 1115 demonstration (“the demonstration”) shall require prior approval of the general assembly; and further provides that any category II change or category III change as defined in the demonstration shall also require prior approval to the general assembly; and

WHEREAS, Rhode Island General Law § 42-7.2-5 states that the secretary of the office of health and human services is responsible for the “review and coordination of any Global Consumer Choice Compact Waiver requests and renewals as well as any initiatives and proposals requiring amendments to the Medicaid state plan or category I or II changes” as described in the demonstration, with “the potential to affect the scope, amount, or duration of publicly-funded health care services, provider payments or reimbursements, or access to or the availability of benefits and services provided by Rhode Island general and public laws”; and

WHEREAS, in pursuit of a more cost-effective consumer choice system of care that is fiscally sound and sustainable, the secretary requests that the following proposals to amend the demonstration be approved by the general assembly for FY 2010:

(a) *Pharmacy – SMAC Program for fee for service.* The department of human services proposes to establish a state maximum allowable cost (SMAC) program for multi-source generic prescription drugs dispensed to Medicaid beneficiaries through fee for service delivery that furthers ongoing efforts to leverage the state’s purchasing power to obtain the best health

outcomes at the best price. The implementation of this program requires a Category II change to the demonstration under the terms and conditions established under the Global Consumer Choice Compact Waiver.

(b) *Personal Choice and Habilitation Services Reform.* The department of human services is proposing changes to in the personal choice and habilitation services programs, which will ensure that appropriate, cost effective care is provided in the in the least restrictive setting with improved oversight and monitoring and a broader array of service alternatives. The reforms will require changes to the department of human services rules, regulations and procedures for these programs. Now, therefore, be it

RESOLVED, that the general assembly hereby approves proposals (a) and (b) listed above to amend the demonstration; and be it further

RESOLVED, that the secretary of the office of health and human services is authorized to pursue and implement any such necessary waiver amendments, category II or category III changes, state plan amendments and/or changes to the applicable department's rules, regulations and procedures approved herein and as authorized by § 42-12.4-7.

SECTION 2. This article shall take effect upon passage.