

State of Alaska
FY2003 Governor's Operating Budget

Department of Health and Social Services
Medicaid Services
BRU/Component Budget Summary

BRU/Component: Medicaid Services

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

Contact: Janet Clarke, Director, Administrative Services

Tel: (907) 465-1630 Fax: (907) 465-2499 E-mail: janet_clarke@health.state.ak.us

Component Mission

To maintain access to health care and to provide health coverage for Alaskans in need.

Component Services Provided

The Medical Services BRU, through the state's Medicaid Program, provides access to a broad range of health services for Alaskans in need. Medicaid is an "entitlement program" jointly funded by the state and federal governments at a federally-determined match rate known as FMAP (Federal Medical Assistance Percentage).

The Medicaid Program provides health care services for 1 of every 6 Alaskans, and for the majority of these citizens, Medicaid is the only available health care coverage. In FY01, Medicaid was able to provide access to medical care for 118,062 people.

Services provided under Medicaid must include those mandatory under federal law (Social Security Act, § 1905) plus those optional services determined under Alaska law (AS 47.07.030) and Alaska's "State Plan". A person eligible for Medicaid must be a child, a caretaker of a child, a pregnant woman, aged, blind, or disabled. Adults between the ages of 21 and 64 without children, regardless of medical need or lack of resources, are not eligible to receive Medicaid coverage. Exceptions under federal law include 1) adults that meet disability requirements, and 2) all eligible children must be covered for all mandatory services and all optional services whether included in a state's "plan" or not.

In addition to the Medicaid Program, the Alaska Legislature created the Alaska Longevity Bonus Hold Harmless Program and the Permanent Fund Dividend Hold Harmless Program. These programs were to protect those Alaskans who are eligible for Medicaid but would otherwise lose that eligibility as a result of receipt of the Alaska Longevity Bonus and/or an Alaska Permanent Fund Dividend.

Component Goals and Strategies

To enable Alaskans in need access to the same broad range of medical care through the same network of medical care providers who provide services to the general population, and to conduct medical surveillance that assures provided medical services are appropriate and of the proper amount, duration, and scope.

Key Component Issues for FY2002 – 2003

FY03 Medicaid Services Base Formula Program

This budget request will provide the Division of Medical Assistance the funding necessary to maintain Title XIX "base" Medicaid program services at projected levels of need for FY03. The base Medicaid program is defined as the Medicaid program with related services and eligible populations as it is presently configured.

Medicaid is expected to grow on average of 17% during this time period, which would have produced a GF formula increase of \$64 million in FY03. However, the department has reduced the request to \$8 million assuming that the Medicaid program will be able to refinance \$56 million in general funds by extending the Pro-Share program to IHS facilities and Private Hospitals. Under the revised federal regulations, the re-financing programs should be acceptable, but the State does not yet have federal approval and will continue to evaluate the feasibility during the legislative session.

Projection Methodology

The method used to calculate Medicaid funding need begins with a basic formula to determine, retrospectively, the average cost per member per month for each individual Medicaid beneficiary group: Children, Adults, the Elderly, and the Disabled. Projections are based on historical Medicaid claims expenditure data from 1996 forward. The average of each group's historical number of members per month and the average cost of services provided to each member per month is determined, and the total provides the means by which the division can objectively extrapolate the line of "best fit" for the base program's future need.

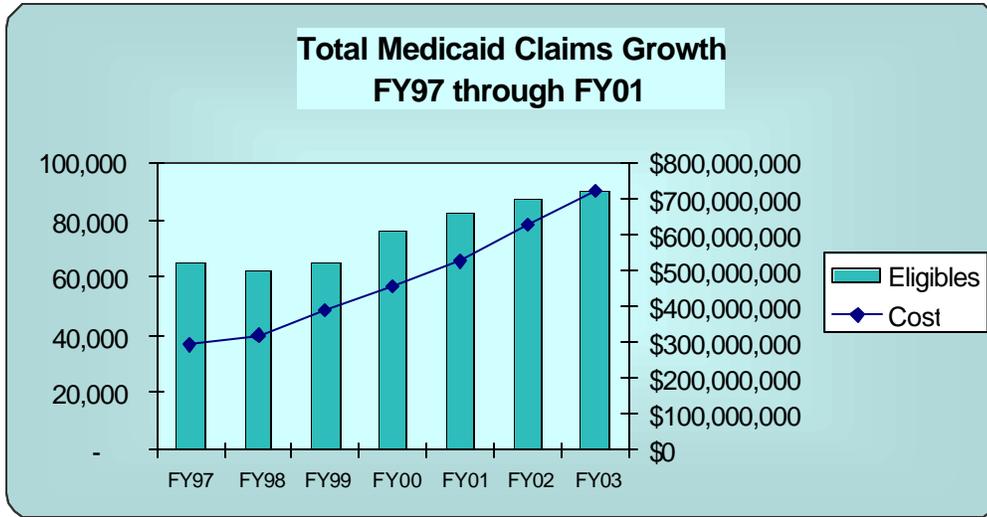
Fiscal year "best fit" projections are further developed by a separate analysis of varying factors that affect Medicaid program enrollment and costs. The division takes into consideration anticipated changes in state and federal policy and in the related environment that will likely influence the number of eligible members enrolled and/or the cost of services provided to each individual member group.

Average Number of Eligible Recipients Monthly					
	Children	Adults	Elderly	Disabled	Totals
FY97	37,665	14,332	4,843	7,949	64,790
FY98	36,114	13,196	4,923	8,159	62,391
FY99	38,001	13,333	5,062	8,755	65,151
FY00	49,155	12,990	5,268	9,251	76,664
FY01	54,602	12,445	5,426	9,801	82,274
FY02 Authorized	53,900	12,633	5,651	10,124	82,308
FY03 Projected	61,597	11,997	5,745	10,970	90,309
Change In Average Number of Eligible Recipients Monthly					
	Children	Adults	Elderly	Disabled	Totals
FY97					
FY98	(1,552)	(1,136)	80	209	(2,398)
FY99	1,887	137	139	596	2,760
FY00	11,154	(343)	206	496	11,513
FY01	5,448	(545)	158	550	5,610
FY02 Authorized	(702)	188	225	323	34
FY03 Projected	7,697	(636)	94	846	8,001
Average Monthly Cost Per Eligible Recipient					
	Children	Adults	Elderly	Disabled	Totals
FY97	\$207.55	\$282.47	\$876.94	\$1,059.60	\$378.70
FY98	\$234.52	\$329.75	\$947.75	\$1,181.30	\$434.75
FY99	\$272.65	\$372.87	\$1,041.52	\$1,285.83	\$489.04
FY00	\$262.14	\$424.81	\$1,129.36	\$1,417.49	\$488.71
FY01	\$283.05	\$473.33	\$1,209.33	\$1,623.54	\$532.61
FY02 Authorized	\$278.74	\$451.68	\$1,200.99	\$1,467.22	\$530.40
FY03 Projected	\$345.93	\$625.18	\$1,471.00	\$1,994.69	\$667.32
Change In Average Monthly Cost Per Eligible Recipient					
	Children	Adults	Elderly	Disabled	Totals
FY97					
FY98	\$26.97	\$47.28	\$70.80	\$121.70	\$56.05

FY99	\$38.12	\$43.12	\$93.77	\$104.52	\$54.30
FY00	(\$10.50)	\$51.94	\$87.83	\$131.67	(\$0.33)
FY01	\$20.91	\$48.52	\$79.97	\$206.05	\$43.90
FY02 Authorized	(\$4.31)	(\$21.65)	(\$8.34)	(\$156.32)	(\$2.22)
FY03 Projected	\$67.19	\$173.50	\$270.01	\$527.47	\$136.92

Medicaid Program Growth

The following chart exhibits Alaska's Medicaid historical and projected growth from FY97 through FY03.



The Medicaid program actual rate of growth has averaged 17.8 percent for FY99, FY00, and FY01. This rate drops to 15 percent for the period FY98 through FY01.

Children

Medicaid through Title XIX and Alaska's Title XXI Children's Health Insurance Program expansion (Denali KidCare) was able to make medical services available to an average of 54,600 children each month during FY01 for an approximate cost of \$185.5 million. In FY03, the average number of children enrolled in the program on a monthly basis is projected to reach 61,500 at a cost of \$255.6 million. This represents a significant slowing and leveling of eligible numbers throughout FY02 and FY03 with costs projected at just below the 3-year average program growth rate. Children, on average are Alaska's least expensive member group.

Adults

Eligible numbers of adults have shown a steady, slow decline from FY99 through FY01 and may fall to 12,000 by FY03. This is, at least in part, due to enrollees that drop from the program under welfare-to-work. It can be assumed that the adult population remaining on the program includes those that will need care at a higher cost, including pregnant women and adults with more serious health problems. Projections indicate a minimal increase in costs -- even though eligible numbers are decreasing -- of 4 percent less than the program average for an estimated cost of \$90.0 million.

Elderly

Alaska's elderly population has been the most predictable eligible group. Growth rates for the average monthly number of enrolled have remained in the 3 to 4 percent range since FY99. The FY03 growth rate is expected to remain the same and has been projected at approximately 3 percent or 6,000 eligible persons. Costs are projected to grow at a very conservative rate of about 2 percent for a projected total cost of \$101.4 million for eligible elderly Alaskans in FY03.

Disabled

Alaska's disabled population, like the elderly, have remained fairly stable since FY99 with eligible growth rates in the 5 to 7 percent range. FY03 projections indicate the program could provide services to approximately 11,000 enrollees at a cost of \$262.6 million. The disabled are the most needy and the most expensive members of Medicaid.

Alaska Psychiatric Institute Disproportionate Share Hospital Match Return

Federal law allows the Alaska Psychiatric Institute (API) to provide Medicaid services to children ages 21 or under and the elderly over the age of 65. In FY94, Alaska's Legislature agreed to have API participate in the federal Medicaid Disproportionate Share Hospital program (DSH). DSH allowed for additional federal Medicaid payments to API, as an institute for mental disease (IMD), because it served a disproportionate share of low-income patients. From FY94 through FY01, DSH payments saved close to \$7 million per year for a total of \$55 million in API general fund need.

In 1998, Congress passed legislation that reduced the federal government's participation in DSH. Beginning with federal FY01, the amount available for DSH payments was reduced. The reduction stair steps downward over a 3-year period to the 33 percent level of what was claimed in federal FY95. The department worked with the Alaska Mental Health Authority and developed a plan to minimize the impact on API and the state general fund as the DSH federal payments drop.

In order to replace DSH revenue lost to API, portions of the GF/MH originally provided to Medical Assistance were returned to the Division of Mental Health and Developmental Disabilities in FY00, FY01 and FY02. A fourth transfer of \$390,000 to API is included in the FY03 request, continuing the replacement of the lost DSH revenue with GF/MH.

Non Institute for Mental Disease (IMD) Disproportionate Share for Hospitals (DSH)

Federal law reducing the allowed payments for IMD DSH to API frees allotted federal dollars for use by other special needs populations served by qualifying hospitals. In FY02, the division implemented a refinancing project capitalizing on the Non IMD DSH funds available to Alaska. FY03 Non IMD DSH payments are estimated at \$5.5 million in federal funds that is included in the Medical Assistance incremental request.

ProShare Program Loss

Federal regulations governing ProShare payments to community hospitals that cap the amount of payments allowed became effective March, 2001. The division estimates the cap will limit Alaska's FY03 payment to \$3 million. The result is a loss of statutory designated program receipts in FY03 of \$18.7 million. The division has prepared a corresponding request to change the fund source from statutory designated program receipts to general fund.

Alaska Medicaid Fair-Share Program

In this arrangement the division would make an additional payment for services to Medicaid eligible beneficiaries to hospitals operated by the Tribes, up to the payment limit applicable to Tribal hospitals. The hospitals will return 90 percent of the payment to the Medicaid program as statutory designated program receipts. These receipts can be used as a match for Medicaid service payments.

Private Hospital Refinancing

In this arrangement the division will make an additional payment to private hospitals up to the aggregate Medicare Upper Payment Limit for private hospitals. The hospitals will retain 5 percent of the payment. The hospitals will pay for state-funded programs previously paid for with direct state grants or contracts. It is anticipated that up to 95 percent of the funds made available will be appropriated to the Medicaid Services BRU to cover the state match requirement for the hospital refinancing payments and other Medicaid services.

Reduced Interagency Receipts (I/A)

The division is requesting a reduction in I/A receipts to more accurately reflect current activity of PFD Hold Harmless Program and Tax Equity Fiscal Responsibility Act (TEFRA) Severely Emotionally Disturbed (SED) receipts.

Federal Medical Assistance Percentage (FMAP)

Alaska's federal FY02 FMAP rate was decreased to 57.38 percent for Title XIX and 70.17 percent for Title XXI. This is a significant drop from FY01 that carries with it a potential loss of federal funds for Alaska of more than \$10 million. On November 6, 2001, U.S. Senator Max Baucus introduced the "Economic Recovery and Assistance for American Workers Act of 2001" that includes FMAP relief. The Act holds harmless states with 02 FMAP rates that were reduced, provides an across-the-board 1 percent increase and an additional 1 percent increase to states with a higher than average unemployment rate over the previous 3 months.

In anticipation of the enactment of the Economic Recovery and Assistance for American Workers Act of 2001, the department is not asking for additional general funds to replace potentially lost federal dollars at this time.

Major Component Accomplishments in 2001

FY01 Hospital ProShare

In FY01, the department was able to capitalize on remaining federal ProShare allowances by payment of \$39.4 million. This payment provided the division with an additional \$11.8 million in statutory designated program receipts earmarked for claims payments.

Non IMD DSH

In federal FY01, the division implemented a refinancing project capitalizing on Non IMD DSH funds available to Alaska. \$4.9 million in total funds were distributed to Alaskan hospitals that have programs serving a disproportionate share of low-income persons.

Breast and Cervical Cancer

Congressional legislation created a new Medicaid eligibility group of women requiring treatment of breast or cervical cancer, screened under the Breast and Cervical Cancer Detection Program. Medicaid eligibility for this group lasts through treatment and includes all Medicaid covered services. This program was implemented in FY01 with the first recipients treated in July.

Denali KidCare Program

Alaska's Denali KidCare (DKC) program is a continuing success that provides needed medical care to children who may otherwise go without. In FY01, the DKC renewal certification process was streamlined through the use of preprinted forms to ensure continued access to medical services for Alaska's eligible children. In addition, program information has been translated and distributed in written form in 9 languages.

Statutory and Regulatory Authority

Alaska Statutes:

AS 47.07 Medical Assistance for Needy Persons

AS 47.08 Assistance for Catastrophic Illness and Chronic or Acute Medical Conditions

AS 47.25 Public Assistance

Social Security Act:

Title XVIII Medicare

Title XIX Medicaid

Title XXI Children's Health Insurance Program

Administrative Code:

7 AAC 43 Medicaid
7 AAC 48 Chronic and Acute Medical Assistance

Code of Federal Regulations:
Title 42 CFR Part 400 to End

Key Performance Measures for FY2003

Measure:

The percentage of claims with no errors categorized by the type of provider.
Sec 78(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Provider Type	Percentage of "Clean Claims"
Pharmacies	80.23%
Dentists	72.96%
Nursing Facilities	69.75%
Physicians	69.01%
Hospitals	57.45%
All Providers	72.64%

The percentage of error-free claims reported for FY00 was 73.54%. Only two provider categories reported decreased percentages: physicians and dentists -- both had a less than 1% change from last year.

Benchmark Comparisons:

The division has requested comparable information from other states, but has not yet received responses to those requests.

Background and Strategies:

This is a measure of the providers ability to file error-free claims which reduces the time and effort required to process claims. Those provider types experiencing more problems filing error-free claims are targeted for additional training. We assume that providers who do not experience problems in getting claims paid are much more likely to continue participating in the Medicaid Program.

Measure:

The percentage of the providers who are participating in the medical assistance program by region.
Sec 78(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Provider Type	Providers Licensed by State of Alaska		Providers Paid at Least Once Medicaid Claim		Percent of Participating Providers	
	FY00	FY01	FY00	FY01	FY00	FY01
Physicians**	1,287	1,282	662	650	51%	51%
Dentists	412	431	221	216	53%	50%
Pharmacies	97	115	74	81	76%	70%
Hospitals	16	16	16	16	100%	100%
Nursing Facilities	15	15	15	15	100%	100%

** The total number of unduplicated physicians who had at least one paid claim during FY01 was 815. The discrepancy between the total of 815 and the 662 licensed physicians charted above can, at least in part, be attributed

to the exclusion of Indian Health Services (IHS) physicians in the Occupational Licensing database. IHS physicians are not required to be licensed by the State of Alaska.

We feel we are making progress in our goal of increasing provider participation, but are still unable to measure any success effectively.

Background and Strategies:

This is a measure of Alaska's medical assistance clients' access to medical services through the same network of medical providers available to the balance of the State's population.

The Division continues to work towards complying with this Performance Measure requirement. However, we have had some difficulties.

To provide geographical information on providers, each provider must be matched by city. Therefore, the definition of each region needs to be defined clearly and each city pointed to a region to establish a total.

In addition, provider enrollment data in MMIS has not been purged since 1979. The number of enrolled providers exceeds 8,000. A data purge would be a lengthy and expensive undertaking, and for that reason, has not been done. This means MMIS fiscal year claim payment data must be compared to Occupational Licensing data - two separate databases without comparable data parameters. For instance, a provider may have several Medicaid provider ID's, one for each rendering address, each in a different region, but only one address within the Occupational Licensing file. A further complication arises because physicians practicing in the Medicaid program through the Indian Health Services need not be licensed with the State of Alaska and will not be included in the Occupational Licensing database.

It is also extremely difficult to identify unduplicated providers within a region and match them with comparable claims paid data. For example, a physician licensed to practice in the State of Alaska may do so through several different facilities in several different regions.

The division will continue to define and refine its methodology to respond to this measure in the most effective way possible.

Medicaid Services
Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	3,685.7	4,815.0	5,160.0
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	580,207.9	556,781.9	833,950.5
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	583,893.6	561,596.9	839,110.5
Funding Sources:			
1002 Federal Receipts	387,431.9	382,667.7	583,672.1
1003 General Fund Match	88,009.8	115,855.4	142,641.3
1004 General Fund Receipts	14,075.0	10,354.5	10,354.5
1005 General Fund/Program Receipts	364.0	364.0	364.0
1007 Inter-Agency Receipts	3,521.0	1,588.5	800.0
1037 General Fund / Mental Health	30,630.6	29,333.1	28,942.2
1092 Mental Health Trust Authority Authorized Receipts	1,273.0	0.0	0.0
1108 Statutory Designated Program Receipts	38,876.6	21,433.7	72,336.4
1119 Tobacco Settlement	19,711.7	0.0	0.0
Funding Totals	583,893.6	561,596.9	839,110.5

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Federal Receipts	51010	387,431.9	382,667.7	382,667.7	583,672.1	583,672.1
Interagency Receipts	51015	3,521.0	1,588.5	1,588.5	800.0	800.0
General Fund Program Receipts	51060	364.0	364.0	364.0	364.0	364.0
Statutory Designated Program Receipts	51063	38,876.6	21,433.7	21,433.7	72,336.4	72,336.4
Restricted Total		430,193.5	406,053.9	406,053.9	657,172.5	657,172.5
Total Estimated Revenues		430,193.5	406,053.9	406,053.9	657,172.5	657,172.5

Medicaid Services

Proposed Changes in Levels of Service for FY2003

Medicaid began serving a new eligibility group of women requiring treatment of breast or cervical cancer, screened under the Breast and Cervical Cancer Detection Program. Medicaid eligibility for this group lasts through treatment and includes all Medicaid covered services. This program was implemented in FY01 with the first recipients treated in July.

Other services and eligible groups are expected to remain the same in FY2003; however, projections of the number of beneficiaries expected to need medical services and the projected costs related to those services indicate an increase growth rate. Average expenditure growth rate of 17% is anticipated.

Pro-Share services will change drastically in FY03 with the existing program phased out. Hopefully, an extension of the program to Native Tribal and private hospitals will be implemented which will save state general funds. This allows the Formula Growth increment to be significantly reduced.

Summary of Component Budget Changes From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	155,907.0	382,667.7	23,022.2	561,596.9
Adjustments which will continue current level of service:				
-Transfer Breast & Cervical Cancer Program from Medicaid State Programs	175.8	413.4	0.0	589.2
-Transfer DSH Match Return to API	-390.9	0.0	0.0	-390.9
-Medicaid Formula Program Fund Change -- ProShare	18,733.7	0.0	-18,733.7	0.0
Proposed budget increases:				
-Medicaid Formula Program Increment -- Growth	7,876.4	200,591.0	68,847.9	277,315.3
FY2003 Governor	182,302.0	583,672.1	73,136.4	839,110.5