

State of Alaska FY2005 Governor's Operating Budget

Department of Health and Social Services Health Purchasing Group Component Budget Summary

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Component: Health Purchasing Group

Contribution to Department's Mission

Health Care Services (HCS) is a new division and a new RDU in FY2004. The Department of Health and Social Services (DHSS) restructure placed certain Medicaid categories of service financed and managed by the Division of Medical Assistance with certain Maternal, Child, and Family Health services provided and managed by the Division of Public Health. The mission of the former Division of Medical Assistance *"to maintain access to health care and to provide health coverage for Alaskans in need"* continues to accurately state the mission of the collective Division of Health Care Services.

Core Services

The Health Purchasing Group (HPG) assures ongoing, timely, and accurate payment of medical claims through management and monitoring of the MMIS; service providers are consistently informed of appropriate procedures and policy changes; utilization reviews for medical necessity and quality assurance; accurate data for state agencies and the public; accurate third-party accountability and monitoring and tracking of recoveries. Units within this component and the specific services they provide include the following:

Systems and Analysis

- Monitoring Claims Payments
- Identifying/Correcting Medicaid Management Information System (MMIS) System Errors
- Implementing and Supervising MMIS Enhancements and Testing
- MMIS Data and Research

Financial Services and Recovery

- Policy and Rate Appeals
- Post Payment Review and Cost Avoidance
- Third Party Liability / Recovery
- Accounting – Claims Payment Check Writes and Expenditure

Provider and Benefits Services

- Provider Participation and Access Coordination
- Provider Training and Publications
- Provider Assistance and Problem Resolution
- Beneficiary Training and Problem Resolution – Fair Hearings
- Claims Cycle Monitoring and Problem Resolution

FY2005 Resources Allocated to Achieve Results

FY2005 Component Budget: \$15,606,200	Personnel:	
	Full time	39
	Part time	0
	Total	39

Key Component Challenges

Medicaid Service Delivery and Program Management. Over the past four years, growth in the number of Alaskans enrolled in the department-wide Medicaid program has averaged 8.1% while the cost of services provided has grown an average of 18.3%. Current economic and health care trends in Alaska continue to exert increasing pressure on state health care managers and policymakers to provide clear and demonstrated evidence of the following:

- The ability to sustain an effective and responsive health care management capability while containing costs to the extent permissible by law;
- The capacity to consistently produce comprehensive, accurate, and timely information and data/trends analyses to provide legislators, policymakers, health care providers, and the public the base from which to measure how well that health care management capability is actually performing; and
- The ability to effectively and efficiently disseminate that information to policymakers, legislators, our clients, and the public.

The division is committed to building and supporting a medical services program with quality technical and management expertise, and to developing and implementing innovative and effective business management practices to assure that the department, the governor, the legislature, and the public will receive and enjoy the benefits of a service delivery system capable of meeting state health care needs under an aggressive cost containment strategy.

Medicaid Management Information System Procurement Project. Federal law requires all states participating in the Medicaid program to operate an automated claims processing system which must be certified by the federal government as a Medicaid Management Information System (MMIS). Federal rules also require these fiscal agent contracts be competitively bid. The contract for DMA's current fiscal agent was negotiated and awarded in May 1987.

A priority goal for the division is to transition to a new MMIS system with minimum disruption to its service providers and clients. The new system and fiscal agent contract will not only satisfy the needs of the state, but also the needs of medical service providers and the community of clients they support.

HIPAA now mandates significant changes in electronic transaction standards, confidentiality, and system security. Prompted also by rapid advancements in technology, the division initiated the process to replace its current MMIS. This three-year project was divided into three primary phases: planning, development, and implementation. HCS is now within the development stage with an implementation date of September, 2005.

Surveillance, Utilization & Review. HCS has committed to an aggressive recruitment and retention effort to build and sustain a highly competent resource infrastructure with substantive program and business management expertise and depth. This will assure the state continues to enjoy the benefits of a service delivery system of the highest caliber, and well-managed, comprehensive, and consistent health program policy. Under SB41, a contract for recovery of overpayments has been approved, is being negotiated, and will be managed by HCS.

Cost Containment. The Division continues to work diligently at implementation of cost containment measures that are aimed at saving general fund dollars department-wide. This significant increase in workload has been absorbed by HCS. Projects now in progress include Implementation of SB41; Surveillance, Utilization, and Review enhancements and expansion of lock-ins; durable medical equipment criteria review and updates, preferred drug list, transportation brokerage, and enhanced fraud and abuse activities.

In addition, the HCS is playing an integral role in the Tribal Health Agenda spearheaded by the Office of Program Review. Projects with tasks falling to HCS include development of policy that will enable tribes to bill for services under management contracts, review of new estate recovery policy, assuring tribes that provide public health nursing services are included in the plan for Medicaid reimbursement, provide training for Medicaid administrative match agreements, support for data analysis, reporting, and training of tribes, and the development of "due" lists to keep tribes that enter into continuing care provider agreements informed.

Significant Changes in Results to be Delivered in FY2005

Health Care Services is a newly created RDU in FY04. As part of a service integration plan, the Department of Health and Social Services is undertaking a major reorganization of programs. The goals of the reorganization are to bring financial stability to operations, maximize federal funds, provide more accountability in program management, and maintain quality and customer service. The new program alignment will balance cost effectiveness and service delivery.

Many internal and external transfers were made in the FY04 budget process to implement changes envisioned by the reorganization. This will be a continuing effort in FY05 as the division settles into its new role and moves toward integration.

If these changes can be implemented without major problems or breaks in service, no changes to results delivered to the public should be realized.

Major Component Accomplishments in 2003

Health Insurance Portability and Accountability.

The national Health Insurance Portability and Accountability Act (HIPAA) is intended to protect health insurance coverage for workers and their families when they change or lose their jobs. The Administrative Simplification provisions of HIPAA are intended to reduce the costs and administrative burdens of health care by implementing the use of standard electronic transactions and code sets of many administrative and financial transactions that are currently carried out either through electronic transactions with local variation, or manually on paper.

The HIPAA legislation indicates a health plan may not refuse to conduct any transaction identified as a standard transaction (X12 transaction). These transactions are defined by national industry standards. HCS must insure compliance with the requirements of HIPAA. The HIPAA Privacy Act requirement implements the Administrative Simplification provisions of HIPAA, defining standards for the privacy of individually identifiable health information.

Implementation of HIPAA has been an ongoing project with statewide implications. HCS has continued to work within HIPAA implementation needs, and has thus far been successful in the implementation of changes in compliance with HIPAA requirements without benefit of compliance with the federal staffing recommendations.

Cost Containment

HCS has played a major role in the implementation of cost containment measures in an effort to reduce the cost of Medicaid Services while maintaining wherever possible levels of services provided.

Summary of Cost Containment regulations – HCS

- Established new eligibility verification requirements – Effective 3/26/03
- Revised inpatient hospital regulations to require authorization after 3 days for all stays except maternity – effective 3/26/03
- Established a lower rate for therapeutic transition days for stays at residential psychiatric facilities – effective 3/26/03
- Established prior authorization authority and limitations on prescription drugs – effective 3/26/03
- Established process for recovery of Medicaid expenditures related to program violations, abuse, and estate recoveries – effective 3/26/03
- Restricted CAMA coverage – effective 9/20/03
- Implemented CS SB 105 (HES) and revised poverty guidelines –effective 10/26/03
- Recognition of the fraud statute established by CS SS SB 41 (FIN) – effective 10/26/03
- Establishment of separate psychiatric rates for facilities establishing new psychiatric facilities or units – public comment ended 10/27/03
- Exclusion of home office costs from calculation of facility rates – public comment ended 10/27/03
- Reimburse LTC capital at a minimum 85% occupancy standard – public comment ended 10/27/03
- Established a reconsideration process as a requirement to filing a facility rate appeal – public comment ended 10/27/03

Please see Accomplishments and Challenges for the HCS RDU.

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

Contact Information

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Health Purchasing Group Component Financial Summary

All dollars shown in thousands

	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	4,019.1	3,214.6	2,898.9
72000 Travel	102.6	68.7	37.3
73000 Contractual	10,512.7	11,895.9	12,586.5
74000 Supplies	270.0	25.0	0.0
75000 Equipment	58.9	83.5	83.5
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	14,963.3	15,287.7	15,606.2
Funding Sources:			
1002 Federal Receipts	9,997.0	11,130.7	11,536.3
1003 General Fund Match	4,903.6	3,946.8	3,859.1
1004 General Fund Receipts	62.7	210.2	210.8
Funding Totals	14,963.3	15,287.7	15,606.2

Estimated Revenue Collections

Description	Master Revenue Account	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Federal Receipts	51010	9,997.0	11,130.7	11,536.3
Restricted Total		9,997.0	11,130.7	11,536.3
Total Estimated Revenues		9,997.0	11,130.7	11,536.3

**Summary of Component Budget Changes
From FY2004 Authorized to FY2005 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2004 Authorized	4,157.0	11,130.7	0.0	15,287.7
Adjustments which will continue current level of service:				
-Transfer for grants and contracts consolidation to Adm Svcs Support	-18.5	-55.6	0.0	-74.1
-Funding for PCNs transferred to Rate Review in Mgt Plan	-56.0	-56.0	0.0	-112.0
-Transfer out IT Consolidation from Health Purch Group	-263.4	-263.4	0.0	-526.8
-Changes to Retirement and Other Personal Services Rates	48.3	72.8	0.0	121.1
Proposed budget decreases:				
-Department-wide travel reduction	-7.7	-14.5	0.0	-22.2
-Reductions & Efficiencies in Administrative Services	-24.4	-24.4	0.0	-48.8
-Establish Process Efficiencies Re: TPL Third Party Follow-up & Medicare Buy In	-21.4	-21.4	0.0	-42.8
Proposed budget increases:				
-Ch. 66, SLA 2003 (SB 41) Second year Medicaid cirnes, costs and audits	256.0	768.1	0.0	1,024.1
FY2005 Governor	4,069.9	11,536.3	0.0	15,606.2

**Health Purchasing Group
Personal Services Information**

Authorized Positions		Personal Services Costs		
	FY2004 Authorized	FY2005 Governor		
Full-time	49	39	Annual Salaries	2,023,906
Part-time	0	0	Premium Pay	0
Nonpermanent	0	0	Annual Benefits	874,962
			<i>Less 0.00% Vacancy Factor</i>	(0)
			Lump Sum Premium Pay	0
Totals	49	39	Total Personal Services	2,898,868

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	1	0	0	0	1
Accounting Clerk II	1	0	0	0	1
Accounting Tech I	1	0	0	0	1
Accounting Tech III	1	0	0	0	1
Administrative Assistant	1	0	0	0	1
Administrative Clerk II	2	0	0	0	2
Administrative Clerk III	1	0	0	0	1
Internal Auditor II	0	0	1	0	1
Internal Auditor IV	1	0	0	0	1
Medicaid Pharm Program Manager	1	0	0	0	1
Medical Assist Admin I	7	0	0	0	7
Medical Assist Admin II	7	0	0	0	7
Medical Assist Admin III	3	0	0	0	3
Medical Assist Admin IV	7	0	0	0	7
Research Analyst I	1	0	0	0	1
Research Analyst II	2	0	0	0	2
Research Analyst III	1	0	0	0	1
Totals	38	0	1	0	39