

State of Alaska FY2010 Governor's Operating Budget

Department of Health and Social Services Medicaid Services Component Budget Summary

Component: Medicaid Services

Contribution to Department's Mission

The Division of Health Care Services (HCS) provides Medicaid core services including hospitals, physician services, pharmacy, dental services, transportation; and other services including physical, occupational, and speech therapy; laboratory; x-ray; durable medical equipment; hospice; and home health care.

Core Services

- The Medicaid program is a jointly funded, cooperative entitlement program between federal and state governments to assist in the provision of adequate and competent medical care to eligible needy persons. The State Children's Health Insurance Program (SCHIP), operated through Denali KidCare, is an expansion of Medicaid which provides health insurance for uninsured children whose families earn too much to qualify for Medicaid, but not enough to afford private coverage.
- Health Care Medicaid Services can be grouped into three elements: Direct Services provided to the client and processed through the Medicaid Management Information System (MMIS), Non-MMIS Services for services that are not tracked in MMIS, and Medicaid Financing Services for activities that maximize federal funding.
- Direct Services include these service categories: inpatient and outpatient hospital, physician, health clinic, surgical clinic, prescribed drugs, durable medical equipment, prosthetic devices, dental, transportation, physical therapy, occupational therapy, speech pathology/audiology, laboratory, x-ray, optometrist, midwife, family planning, nutrition, home health, and hospice.
- Non-MMIS Services include payments for insurance premiums (primarily Medicare), contracts for Medicaid operations and cost containment activities, third-party liability services, and supplemental payments to hospitals for uninsured and uncompensated care (Disproportionate Share Hospital program or DSH).

FY2010 Resources Allocated to Achieve Results

FY2010 Component Budget: \$662,336,300	Personnel:	
	Full time	0
	Part time	0
	Total	0

Key Component Challenges

- The State Children's Health Insurance Program (SCHIP) continues to face challenges regarding its future. To date it has been funded through continuing resolutions as the President and Congress have not come to agreement on reauthorization of the program.
- Health care facility rates were recalculated in FY2008. This project was substantially completed as of July 1, 2008. By regulation, payment rates for most health care facilities must be recalculated at least every four years [7 AAC 43.685(a)(6)(B)]. Facilities were last re-based in FY2004. For Health Care Services' Medicaid, this means that non-tribal inpatient hospital payment rates for FY2009 will be adjusted. The new rate for each facility will become effective at the start of that facility's 2009 fiscal cycle. The department estimates that the average adjustment will be 8.5%. Less than a third (29%) of payments for non-tribal hospital services will be impacted by re-based rates in FY2009.
- Many dentists have chosen not to participate in Medicaid because of the low reimbursement rates. The Department requested and received funding from the Legislature to increase rates for dental services in the state. Claim data from 2007 was analyzed and effective July 1, 2008 a new dental fee schedule was

implemented.

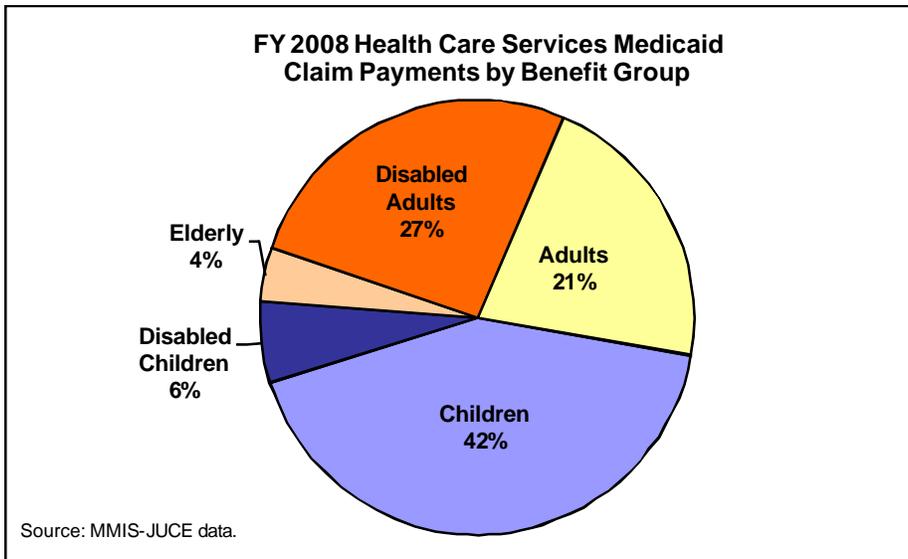
- Alaska Native Tribal organizations have asked the State to consider changing the reimbursement methodologies available to Tribal dental providers. Tribal dental services are currently reimbursed based on the lesser of the billed charges, the provider's lowest billed charge, or a per-procedure rate schedule (fee for service) established by the State. Reimbursing Tribal dental providers at the Indian Health Service outpatient hospital encounter rate will provide improved financial stability and allow Tribal organizations to expand the volume and scope of dental services they offer. The more Medicaid dental services that can be provided in Tribal facilities, the more state general funds Alaska will save by ensuring that the federal government meets its trust responsibility to native beneficiaries. The IHS outpatient hospital encounter rate is also closer to the actual costs of delivering the broad range of health services offered at Tribal facilities, including dental services. Allowing tribal dental providers to bill at the encounter rate may improve the financial viability of the Tribal health care infrastructure, ensuring access to dental health care for all the residents, both Native and non-Native, in many areas of the state. Local access to dental health care will reduce the costs for Medicaid clients traveling to receive similar care elsewhere in the state.
- The federal government has attempted to cut the rates for prescription drugs. The Department is finishing a survey of costs of dispensing. Without an increase in dispensing fees, many of the small "Mom and Pop" pharmacies that Alaskans rely on will not be able to make a profit anymore. In addition the marketplace is losing a benchmark for drug pricing; therefore this necessitates changing the pharmacy reimbursement formula. One of the tenets of Medicaid is to pay providers rates that are consistent with economy, efficiency, and quality of care and sufficient to enlist enough providers. This increase is necessary to continue to efficiently provide quality pharmacy services by maintaining enough local providers to serve clients' needs.
- Reduce costs for end stage renal dialysis (ESRD) through a change to the rate structure and by shifting eligible costs to Medicare. Currently Medicaid pays providers 100% of their billed charges for each procedure and different providers can charge different rates for the same service. The new rate would be an inclusive composite rate so that all providers are paid the same rate for the same group of services. A comparison of the current rate to the Medicare rate found that in some cases Medicaid is paying as much as ten times what Medicare pays. A large portion of Medicaid clients receiving end stage renal dialysis treatment are over age 65 and are likely eligible for Medicare.
- Other reimbursement rate challenges include increasing rates for emergency transportation providers to bring them up to Medicare rates, and reducing Medicaid rates for high cost durable medical equipment items by changing the current pricing methodology and requiring documentation of manufacturer's suggested retail price or true cost before establishing a rate of reimbursement.

Significant Changes in Results to be Delivered in FY2010

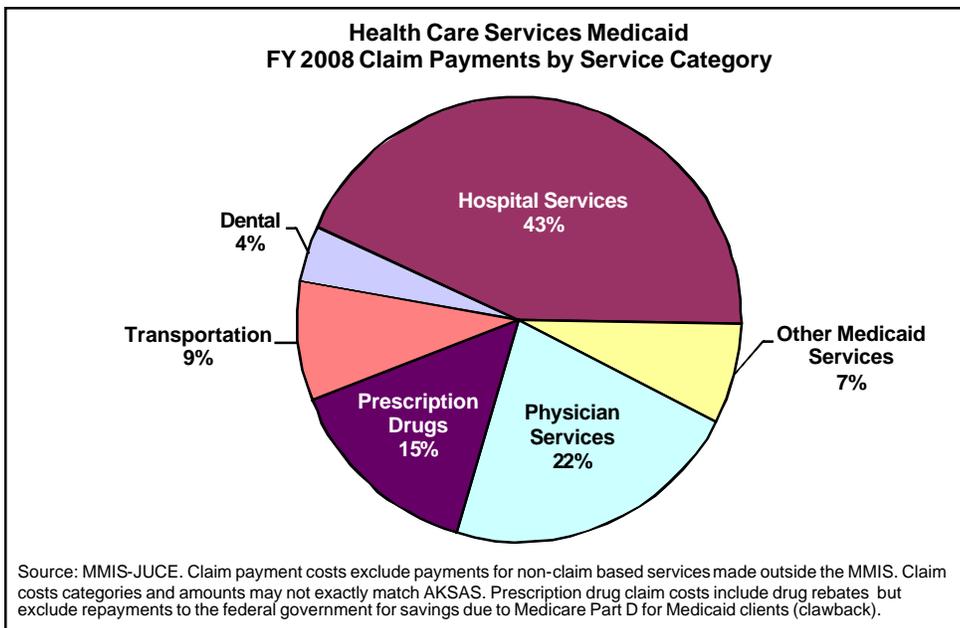
- No significant changes in results.

Major Component Accomplishments in 2008

- The Health Care Services' Medicaid component funded benefits for approximately 116,500 Medicaid beneficiaries at an annual claim cost of \$4,400 per person in FY2008. Benefits provided to children comprised 42% of claim payments processed in FY2008. Benefits provided to adults comprised 21%, services to disabled adults 27%, services to disabled children 6%, and services provided to elderly beneficiaries comprised 4% of Health Care Services' Medicaid claim payments.



- Total payments in FY2008 for all services decreased by about 4% from the prior fiscal year. Payments for benefits provided in inpatient and outpatient hospital settings comprised 42% of unadjusted claim costs in FY2007. Physician services accounted for 23%, prescription drugs claims 15%, and transportation services accounted for 9% of the cost of services provided directly to Medicaid beneficiaries.



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

7 AAC 100 Medicaid Assistance Eligibility

Code of Federal Regulations:

Title 42 CFR Part 400 to End

Contact Information
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**Medicaid Services
Component Financial Summary**

All dollars shown in thousands

	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.4	0.0	0.0
73000 Services	22,920.5	10,350.0	11,085.6
74000 Commodities	0.0	0.0	0.0
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	568,466.6	666,877.1	651,250.7
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	591,387.5	677,227.1	662,336.3
Funding Sources:			
1002 Federal Receipts	365,459.9	423,593.2	422,052.1
1003 General Fund Match	144,643.4	188,389.6	185,858.0
1004 General Fund Receipts	75,259.5	43,354.5	43,354.5
1007 Inter-Agency Receipts	5,449.9	20,233.5	9,415.4
1108 Statutory Designated Program Receipts	517.1	906.3	906.3
1156 Receipt Supported Services	57.7	750.0	750.0
Funding Totals	591,387.5	677,227.1	662,336.3

Estimated Revenue Collections

Description	Master Revenue Account	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Federal Receipts	51010	365,459.9	423,593.2	422,054.3
Interagency Receipts	51015	5,449.9	20,233.5	9,415.4
Statutory Designated Program Receipts	51063	517.1	906.3	906.3
Receipt Supported Services	51073	57.7	750.0	750.0
Restricted Total		371,484.6	445,483.0	433,126.0
Total Estimated Revenues		371,484.6	445,483.0	433,126.0

**Summary of Component Budget Changes
From FY2009 Management Plan to FY2010 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2009 Management Plan	231,744.1	423,593.2	21,889.8	677,227.1
Adjustments which will continue current level of service:				
-Medicaid Program - Change in Federal Financial Participation	-6,692.8	6,692.8	0.0	0.0
-Year 2 Fiscal Note (SB 196) Prescription Database	-4.1	-2.2	0.0	-6.3
Proposed budget decreases:				
-Medicaid Program - Reduce Excess Federal & I/A Authorization	0.0	-15,000.0	-10,818.1	-25,818.1
-Medicaid Program - Adjust Authorization for Current Trends	-9,000.0	-15,000.0	0.0	-24,000.0
-Medicaid Cost Containment in Pharmacy	-700.0	-700.0	0.0	-1,400.0
Proposed budget increases:				
-Medicaid Program - Formula Growth	12,865.3	21,468.3	0.0	34,333.6
-Increase Dental Rates for non-Tribal Providers	1,000.0	1,000.0	0.0	2,000.0
FY2010 Governor	229,212.5	422,052.1	11,071.7	662,336.3