

# **State of Alaska FY2013 Governor's Operating Budget**

## **Department of Administration Health Plans Administration Component Budget Summary**

**Component: Health Plans Administration**

**Contribution to Department's Mission**

This component holds the funds for group health administration which is managed as a program of the Retirement and Benefits component.

**Core Services**

- Health, dental, vision, audio, and long-term care claim processing.
- Customer service to active and retired members and their dependents, and to other customers.
- Receipt and load of files for eligibility determinations.
- Initial complaint and dispute resolution for members and providers.
- Utilization review and case management.
- Ensure compliance with the Consolidated Omnibus Budgetary Reconciliation Act (COBRA), HIPAA, IRS Section 125 Cafeteria Plan, and all other federal laws pertinent to administration of the varied and flexible benefit plans.
- Establishing health care provider and pharmacy networks.
- Providing a toll-free health advice telephone line staffed with nurses, and a wellness newsletter.
- Issuing payments for Health Flexible Spending Accounts (HFSAs).
- Appeals regarding health claims.
- Health Improvement Program delivery and Project Coordinator services.
- Employee Assistance Plan services.

**Key Component Challenges**

See Retirement and Benefits component.

**Significant Changes in Results to be Delivered in FY2013**

See Retirement and Benefits component.

**Major Component Accomplishments in 2011**

- Deposited a total of \$13M to the retiree health funds due to the Retiree Drug Subsidy (RDS) payment from Centers for Medicare & Medicaid Services for calendar year 2009.
- Transitioned to a new Third Party Administrator (TPA).
- Established division wide HIPAA Policies and Procedures.
- Continued American Recovery and Reinvestment Act (ARRA) provisions to provide health insurance continuation by collecting federal subsidies in qualified health continuation circumstances.
- Began implementing mandates of the Patient Protection and Affordable Care Act (PPACA).
- Transitioned to a new preferred provider hospital relationship with Alaska Regional Hospital in Anchorage.
- Teachers' Education Association of Mt. Edgecumbe moved back into the AlaskaCare health plan.
- Decided to exempt the AlaskaCare Employee health plan from the Federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) requirement parity in the application of certain limits of mental health benefits (Mental Health Parity). This will be re-evaluated prior to the beginning of the next benefit plan year, July 1, 2011.
- Implemented Michelle's Law extending health coverage for dependent colleges students who take a medically necessary leave of absence.

**Statutory and Regulatory Authority**

AS 39.30.090-095	Group Life and Health Insurance, Group Life and Health Insurance Fund
AS 39.35.535	Retiree Medical Benefits under the Defined Benefit Plan (PERS)
AS 14.25.168	Retiree Medical Benefits under the Defined Benefit Plan (TRS)
AS 22.25.090	Retiree Medical Benefits under the Defined Benefit Plan (JRS)

AS 39.35.880      Retiree Medical Benefits under the Defined Contribution Plan (PERS)  
AS 14.25.480      Retiree Medical Benefits under the Defined Contribution Plan (TRS)  
2 AAC 38.010-100    Same-sex Partner Insurance Coverage  
2 AAC 39.010-925    Group Medical, DVA and LTC Insurance (also miscellaneous provisions)

**Contact Information**

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Health Plans Administration Component Financial Summary			
<i>All dollars shown in thousands</i>			
	FY2011 Actuals	FY2012 Management Plan	FY2013 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	26.1	20.0	20.0
73000 Services	13,867.4	15,080.4	15,520.9
74000 Commodities	0.0	0.0	0.0
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>13,893.5</b>	<b>15,100.4</b>	<b>15,540.9</b>
<b>Funding Sources:</b>			
1017 Benefits Systems Receipts	13,893.5	15,100.4	15,540.9
<b>Funding Totals</b>	<b>13,893.5</b>	<b>15,100.4</b>	<b>15,540.9</b>

Estimated Revenue Collections				
Description	Master Revenue Account	FY2011 Actuals	FY2012 Management Plan	FY2013 Governor
<b>Unrestricted Revenues</b>				
Benefits System Receipts	51390	0.0	15,100.4	0.0
<b>Unrestricted Total</b>		<b>0.0</b>	<b>15,100.4</b>	<b>0.0</b>
<b>Restricted Revenues</b>				
Benefits System Receipts	51390	0.0	0.0	15,540.9
<b>Restricted Total</b>		<b>0.0</b>	<b>0.0</b>	<b>15,540.9</b>
<b>Total Estimated Revenues</b>		<b>0.0</b>	<b>15,100.4</b>	<b>15,540.9</b>

**Summary of Component Budget Changes  
From FY2012 Management Plan to FY2013 Governor**

*All dollars shown in thousands*

	<u>Unrestricted Gen (UGF)</u>	<u>Designated Gen (DGF)</u>	<u>Other Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
<b>FY2012 Management Plan</b>	<b>0.0</b>	<b>0.0</b>	<b>15,100.4</b>	<b>0.0</b>	<b>15,100.4</b>
<b>Proposed budget increases:</b>					
-Third Party Contract Increases	0.0	0.0	440.5	0.0	440.5
<b>FY2013 Governor</b>	<b>0.0</b>	<b>0.0</b>	<b>15,540.9</b>	<b>0.0</b>	<b>15,540.9</b>

**Component Detail All Funds**  
**Department of Administration**

**Component:** Health Plans Administration (2152)  
**RDU:** Centralized Administrative Services (13)

	<b>FY2011 Actuals</b>	<b>FY2012 Conference Committee</b>	<b>FY2012 Authorized</b>	<b>FY2012 Management Plan</b>	<b>FY2013 Governor</b>	<b>FY2012 Management Plan vs FY2013 Governor</b>	
71000 Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
72000 Travel	26.1	20.0	20.0	20.0	20.0	0.0	0.0%
73000 Services	13,867.4	15,080.4	15,080.4	15,080.4	15,520.9	440.5	2.9%
74000 Commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
75000 Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
77000 Grants, Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
78000 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
<b>Totals</b>	<b>13,893.5</b>	<b>15,100.4</b>	<b>15,100.4</b>	<b>15,100.4</b>	<b>15,540.9</b>	<b>440.5</b>	<b>2.9%</b>
<b>Fund Sources:</b>							
1017 Ben Sys (Other)	13,893.5	15,100.4	15,100.4	15,100.4	15,540.9	440.5	2.9%
<b>Unrestricted General (UGF)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>Designated General (DGF)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>Other Funds</b>	<b>13,893.5</b>	<b>15,100.4</b>	<b>15,100.4</b>	<b>15,100.4</b>	<b>15,540.9</b>	<b>440.5</b>	<b>2.9%</b>
<b>Federal Funds</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>Positions:</b>							
Permanent Full Time	0	0	0	0	0	0	0.0%
Permanent Part Time	0	0	0	0	0	0	0.0%
Non Permanent	0	0	0	0	0	0	0.0%

**Change Record Detail - Multiple Scenarios With Descriptions**  
**Department of Administration**

**Component:** Health Plans Administration (2152)  
**RDU:** Centralized Administrative Services (13)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
***** Changes From FY2012 Conference Committee To FY2012 Authorized *****												
<b>FY2012 Conference Committee</b>												
ConfCom		15,100.4	0.0	20.0	15,080.4	0.0	0.0	0.0	0.0	0	0	0
1017 Ben Sys		15,100.4										
<b>Subtotal</b>		<b>15,100.4</b>	<b>0.0</b>	<b>20.0</b>	<b>15,080.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>
***** Changes From FY2012 Authorized To FY2012 Management Plan *****												
<b>Subtotal</b>		<b>15,100.4</b>	<b>0.0</b>	<b>20.0</b>	<b>15,080.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>
***** Changes From FY2012 Management Plan To FY2013 Governor *****												
<b>Third Party Contract Increases</b>												
IncM		440.5	0.0	0.0	440.5	0.0	0.0	0.0	0.0	0	0	0
1017 Ben Sys		440.5										
<b>Totals</b>		<b>15,540.9</b>	<b>0.0</b>	<b>20.0</b>	<b>15,520.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The AlaskaCare contract is in its fourth year with its third party administrator Wells Fargo, which will result in a fee increase based on a contract component contained in section 6.04 of the contract which requires a cost of living increase tied to the change in the consumer price index beginning in FY2013.

6.04 Administrative Fee Changes

The rates offered in this solicitation shall remain valid for a minimum of the first three years of the contract (through June 30, 2012). Beginning with the fourth year of the contract, the successful contractor may request negotiations for a rate increase. The contractor must request the rate increase from the State at least 120 days before the effective date of change. Notwithstanding, annual negotiated administrative fee changes for the two extension years will be capped at the lesser of 4% of the previous rate or the increase, if any, in the Consumer Price Index for West Urban Consumers from July 1 to June 30 of the prior year. Negotiated rate changes are effective for a one year.

The Division has estimated the consumer price index (CPI) increase will cost an additional \$440,500 for the AlaskaCare/Wells Fargo contract beginning in FY 2013. If approved, these funds will allow the Division to meet its contractual agreement for health care costs with Wells Fargo.

**Line Item Detail**  
**Department of Administration**  
**Travel**

**Component:** Health Plans Administration (2152)  
**RDU:** Centralized Administrative Services (13)

<b>Line Number</b>	<b>Line Name</b>		<b>FY2011 Actuals</b>	<b>FY2012 Management Plan</b>	<b>FY2013 Governor</b>
72000	Travel		26.1	20.0	20.0
<b>Expenditure Account</b>	<b>Servicing Agency</b>	<b>Explanation</b>	<b>FY2011 Actuals</b>	<b>FY2012 Management Plan</b>	<b>FY2013 Governor</b>
<b>72000 Travel Detail Totals</b>			<b>26.1</b>	<b>20.0</b>	<b>20.0</b>
72110	Employee Travel (Instate)	In-State employee third party administrator meetings	13.2	10.0	10.0
72410	Employee Travel (Out of state)	Out-of-State employee third party administrator meetings	12.9	10.0	10.0

**Line Item Detail**  
**Department of Administration**  
**Services**

**Component:** Health Plans Administration (2152)  
**RDU:** Centralized Administrative Services (13)

Line Number	Line Name		FY2011 Actuals	FY2012 Management Plan	FY2013 Governor
73000	Services		13,867.4	15,080.4	15,520.9
Expenditure Account	Servicing Agency	Explanation	FY2011 Actuals	FY2012 Management Plan	FY2013 Governor
<b>73000 Services Detail Totals</b>			<b>13,867.4</b>	<b>15,080.4</b>	<b>15,520.9</b>
73050	Financial Services	Consultation on employee benefit programs and issues	258.5	275.0	275.0
73150	Information Technlgy	Data processing system support	742.8	745.0	745.0
73175	Health Services	Professional services for independent medical review and coverage recommendations	23.5	25.0	25.0
73225	Delivery Services	Postage and mailing fees	58.9	60.0	60.0
73650	Struc/Infstruct/Land	Space rental for health related seminars	1.4	1.4	1.4
73750	Other Services (Non IA Svcs)	Professional services for third party administration. Printing pamphlets, flyers, and forms related to health plans	12,658.8	13,847.5	14,288.0
73812	Legal	Law			
		Legal services provided by the Department of Law	97.5	100.0	100.0
73819	Commission Sales (IA Svcs)	E-Travel			
		US Travel service fees	0.3	0.3	0.3
73821	Hearing/Mediation (IA Svcs)	Administrative Hearings			
		Hearing Officer services for PERS and TRS cases	25.7	26.2	26.2

**Unrestricted Revenue Detail**  
**Department of Administration**

**Component:** Health Plans Administration (2152)  
**RDU:** Centralized Administrative Services (13)

<b>Master Account</b>	<b>Revenue Description</b>				<b>FY2011 Actuals</b>	<b>FY2012 Management Plan</b>	<b>FY2013 Governor</b>
51390	Benefits System Receipts				0.0	15,100.4	0.0
<b>Detail Information</b>							
<b>Revenue Amount</b>	<b>Revenue Description</b>	<b>Component</b>	<b>Collocation Code</b>	<b>AKSAS Fund</b>	<b>FY2011 Actuals</b>	<b>FY2012 Management Plan</b>	<b>FY2013 Governor</b>
51390	Benefits System Rec		various		0.0	15,100.4	0.0

**Restricted Revenue Detail**  
**Department of Administration**

**Component:** Health Plans Administration (2152)  
**RDU:** Centralized Administrative Services (13)

<b>Master Account</b>	<b>Revenue Description</b>				<b>FY2011 Actuals</b>	<b>FY2012 Management Plan</b>	<b>FY2013 Governor</b>
51390	Benefits System Receipts				0.0	0.0	15,540.9
<b>Detail Information</b>							
<b>Revenue Amount</b>	<b>Revenue Description</b>	<b>Component</b>	<b>Collocation Code</b>	<b>AKSAS Fund</b>	<b>FY2011 Actuals</b>	<b>FY2012 Management Plan</b>	<b>FY2013 Governor</b>
51390	Benefits System Rec Benefit system receipts		various		0.0	0.0	15,540.9

**Inter-Agency Services**  
**Department of Administration**

**Component:** Health Plans Administration (2152)  
**RDU:** Centralized Administrative Services (13)

Expenditure Account	Service Description	Service Type	Servicing Agency	FY2011 Actuals	FY2012		
					Management Plan	FY2013 Governor	
73812	Legal	Legal services provided by the Department of Law	Inter-dept	Law	97.5	100.0	100.0
				<b>73812 Legal subtotal:</b>	<b>97.5</b>	<b>100.0</b>	<b>100.0</b>
73819	Commission Sales (IA Svcs)	US Travel service fees	Intra-dept	E-Travel	0.3	0.3	0.3
				<b>73819 Commission Sales (IA Svcs) subtotal:</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>
73821	Hearing/Mediation (IA Svcs)	Hearing Officer services for PERS and TRS cases	Intra-dept	Administrative Hearings	25.7	26.2	26.2
				<b>73821 Hearing/Mediation (IA Svcs) subtotal:</b>	<b>25.7</b>	<b>26.2</b>	<b>26.2</b>
				<b>Health Plans Administration total:</b>	<b>123.5</b>	<b>126.5</b>	<b>126.5</b>
				<b>Grand Total:</b>	<b>123.5</b>	<b>126.5</b>	<b>126.5</b>