

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

## **Department of Health and Social Services Health Care Medicaid Services Component Budget Summary**

**Component: Health Care Medicaid Services**

**Contribution to Department's Mission**

The Health Care Medicaid Services component is responsible for the majority of Medicaid programs, which assist in the provision of adequate and competent medical care to eligible needy persons.

**Core Services**

- Direct Services provided to the client and processed through the Medicaid Management Information System (MMIS). 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 and occupation therapy.
- Indirect 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).
- Medicaid Financing Services for activities that maximize federal funding.

**Key Component Challenges**

Revise durable medical equipment regulations to assure that incontinence and other supplies are dispensed at appropriate levels and intervals, to assure appropriate coverage of over-the-counter supplies, to assure reasonable coverage for the cost of long-distance shipping to the recipient, and shipping of fabricated, non-stock items.

Explore brokerage services and other means to expand ground transportation services while simultaneously developing a sound payment methodology for taxi and other ground transportation providers.

Resource-Based Relative Value Scale (RBRVS) payment methodology regulations do not provide an objective means by which applicable fee schedules are adjusted, and no set time frames for making those adjustments. New regulations released for public comment will adjust RBRVS fee schedules in accordance with changes in the U.S. Department of Labor's local Consumer Price Index. Additionally, the new regulations will propose to make all future adjustments effective July 1, 2012. In addition to corresponding with the state fiscal year for budgeting purposes, this change will allow adequate time for department staff to review RBRVS changes published by CMS and effective January 1 of each year.

Projections indicate that 25,000 – 30,000 additional adults will qualify for Medicaid in 2014 as a result of the Affordable Care Act (ACA). The division will need to adopt regulations and develop benefit packages for those who will qualify, as well as accommodate the increase in claims, prior authorizations, and other claims-related activities.

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

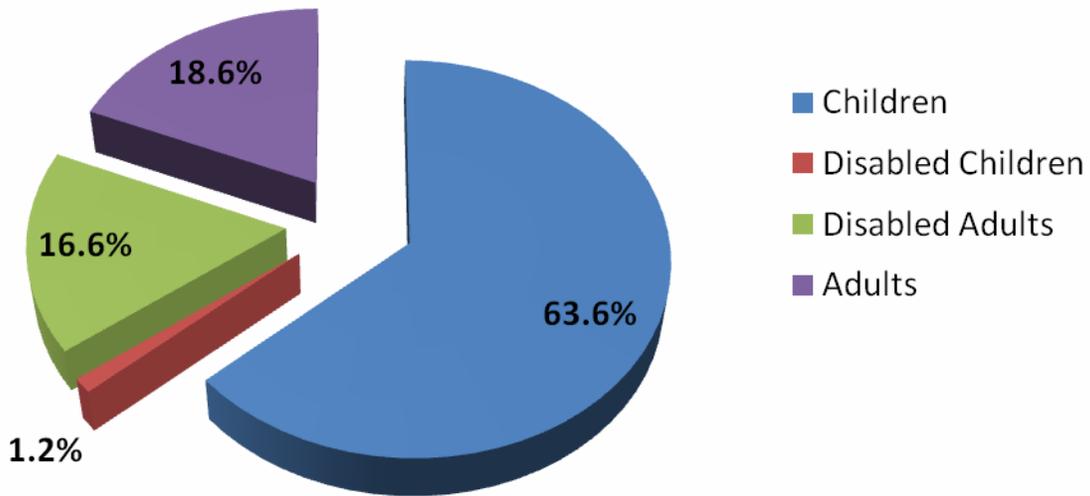
The division will continue to prepare for implementation of the 2014 Affordable Care Act (ACA) Medicaid expansion that will result in an additional 25,000 – 30,000 newly eligible individuals. It is anticipated that the majority will be adults, many of which may have chronic medical and/or behavioral health challenges.

**Major Component Accomplishments in 2011**

The Health Care Services' Medicaid component provided services to 132,991 Medicaid beneficiaries during FY2011, with expenditures totaling \$733,047.7. This equates to an average annual claim cost of approximately \$5,512 per recipient during FY2011. Benefits provided to children (standard health care) comprised 63.6% of claim payments processed in FY2011. Medical benefits provided to adults comprised 18.6%, services for disabled adults 16.6%, services for disabled children 1.2%.

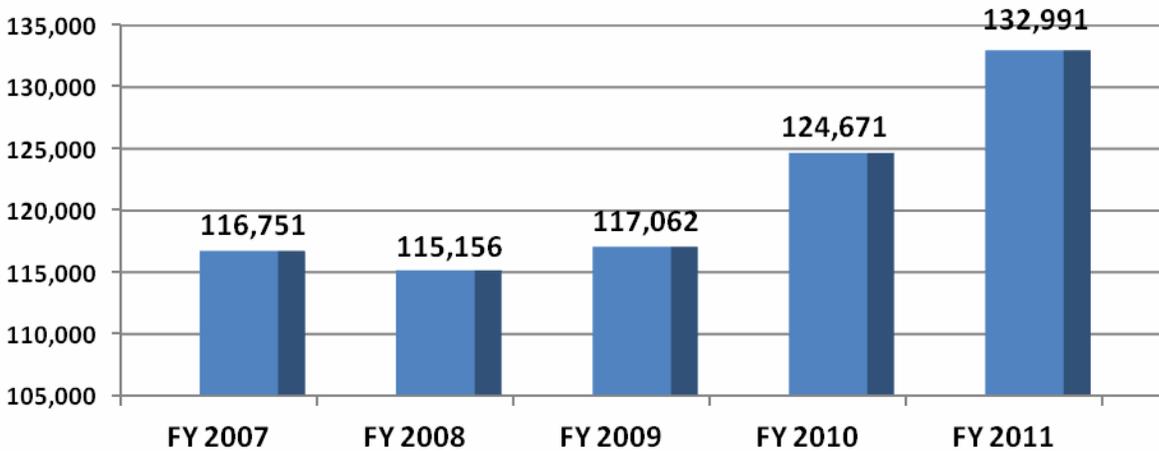
(Source: Mars MR-O-22-M June 28, 2011)

### FY 2011 Health Care Services Medicaid Beneficiaries by Benefit Group



Source: MR-O-22-M June 28, 2011

### Medicaid Beneficiaries Receiving Services SFY 2007-2011



Source: MMIS-JUCE data. Excludes TPL Recoveries, Drug Rebates, Rx Clawback, and Continuing Care Settlements

With passage of the Affordable Care Act (ACA) by Congress, the Children’s Health Insurance Program (CHIP), a program administered in Alaska by Denali KidCare, has been authorized nationwide through 2019. In Alaska, CHIP provided Medicaid coverage for about 16,161 children under age 19 in 2011 (five year average for annual enrollment is 15,438). Federal funding supports a higher proportion of the cost of services for CHIP children than regular Medicaid.

In addition to providing an enhanced federal match for CHIP benefits, the Children's Health Insurance Program Reauthorization Act (CHIPRA) authorizes performance bonus payments that are designed to reward states for both simplifying enrollment and eligibility criteria and meeting base enrollment targets. One goal of CHIPRA is to enroll more low-income children in Medicaid, not just those eligible for CHIP programs. In FY2011 Alaska qualified for an enrollment bonus payment under CHIPRA.

The division issued a Request for Proposals (RFP) to procure utilization management and case management services as part of its efforts to promote high quality, cost effective outcomes and ensure appropriate medical services are provided to recipients. The RFP included cost-containment measures, such as the addition of an administrative non-clinical level of case management and an electronic utilization review submission requirement. The new contract, with its cost-saving requirements, has resulted in faster, more efficient utilization review decisions, completing of non-clinical case management activities by a more appropriate level of staff, and a savings in excess of \$121,000 monthly. These funds will help to off-set the division's added expense of special case reviews, which are necessary to identify health care acquired conditions, as required by ACA.

### **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 105 - 160 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

<b>Contact Information</b>
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<b>Health Care Medicaid Services Component Financial Summary</b>			
		<i>All dollars shown in thousands</i>	
	<b>FY2011 Actuals</b>	<b>FY2012 Management Plan</b>	<b>FY2013 Governor</b>
<b>Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Services	2,260.6	24,854.2	24,854.2
74000 Commodities	0.0	0.0	0.0
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	738,359.3	825,590.1	878,854.9
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>740,619.9</b>	<b>850,444.3</b>	<b>903,709.1</b>
<b>Funding Sources:</b>			
1002 Federal Receipts	444,524.8	524,756.8	559,894.9
1003 General Fund Match	197,220.8	223,931.8	242,058.5
1004 General Fund Receipts	45,993.2	91,111.5	91,111.5
1005 General Fund/Program Receipts	94.5	750.0	750.0
1007 Inter-Agency Receipts	3,056.5	8,890.4	8,890.4
1108 Statutory Designated Program Receipts	839.5	906.3	906.3
1168 Tobacco Use Education and Cessation Fund	97.0	97.5	97.5
1212 Federal Stimulus: ARRA 2009	48,793.6	0.0	0.0
<b>Funding Totals</b>	<b>740,619.9</b>	<b>850,444.3</b>	<b>903,709.1</b>

<b>Estimated Revenue Collections</b>				
<b>Description</b>	<b>Master Revenue Account</b>	<b>FY2011 Actuals</b>	<b>FY2012 Management Plan</b>	<b>FY2013 Governor</b>
<b>Unrestricted Revenues</b>				
None.		0.0	0.0	0.0
<b>Unrestricted Total</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Restricted Revenues</b>				
Federal Receipts	51010	444,524.8	524,756.8	559,894.9
Interagency Receipts	51015	3,056.5	8,890.4	8,890.4
General Fund Program Receipts	51060	94.5	750.0	750.0
Statutory Designated Program Receipts	51063	839.5	906.3	906.3
Federal Economic Stimulus	51118	48,793.6	0.0	0.0
<b>Restricted Total</b>		<b>497,308.9</b>	<b>535,303.5</b>	<b>570,441.6</b>
<b>Total Estimated Revenues</b>		<b>497,308.9</b>	<b>535,303.5</b>	<b>570,441.6</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>315,043.3</b>	<b>847.5</b>	<b>9,796.7</b>	<b>524,756.8</b>	<b>850,444.3</b>
<b>Adjustments which will continue current level of service:</b>					
-Reverse Medicaid Contingency Language Sec15(b) CH3 FSSLA2011 P73 L22-28 (HB108)	-61,762.5	0.0	0.0	61,762.5	0.0
-Reduce Prescription Drug Database CH84 SLA2008 (SB196 FN year 5)	-3.7	0.0	0.0	-3.8	-7.5
<b>Proposed budget increases:</b>					
-Medicaid Growth from FY2012 to FY2013	18,130.4	0.0	0.0	35,141.9	53,272.3
-Medicaid GF for Fed in FY2013 due to Federal Medical Assistance Percentage (FMAP) Reduction to 50%	61,762.5	0.0	0.0	-61,762.5	0.0
<b>FY2013 Governor</b>	<b>333,170.0</b>	<b>847.5</b>	<b>9,796.7</b>	<b>559,894.9</b>	<b>903,709.1</b>

**Component Detail All Funds**  
**Department of Health and Social Services**

**Component:** Health Care Medicaid Services (2077)  
**RDU:** Medicaid Services (595)

	FY2011 Actuals	FY2012 Conference Committee	FY2012 Authorized	FY2012 Management Plan	FY2013 Governor	FY2012 Management Plan vs FY2013 Governor	
71000 Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
72000 Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
73000 Services	2,260.6	24,951.7	24,951.7	24,854.2	24,854.2	0.0	0.0%
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	738,359.3	826,041.6	825,492.6	825,590.1	878,854.9	53,264.8	6.5%
78000 Miscellaneous	0.0	-549.0	0.0	0.0	0.0	0.0	0.0%
<b>Totals</b>	<b>740,619.9</b>	<b>850,444.3</b>	<b>850,444.3</b>	<b>850,444.3</b>	<b>903,709.1</b>	<b>53,264.8</b>	<b>6.3%</b>
<b>Fund Sources:</b>							
1002 Fed Rcpts (Other)	444,524.8	586,519.3	524,756.8	524,756.8	559,894.9	35,138.1	6.7%
1003 G/F Match (UGF)	197,220.8	223,931.8	223,931.8	223,931.8	242,058.5	18,126.7	8.1%
1004 Gen Fund (UGF)	45,993.2	29,349.0	91,111.5	91,111.5	91,111.5	0.0	0.0%
1005 GF/Prgm (DGF)	94.5	750.0	750.0	750.0	750.0	0.0	0.0%
1007 I/A Rcpts (Other)	3,056.5	8,890.4	8,890.4	8,890.4	8,890.4	0.0	0.0%
1108 Stat Desig (Other)	839.5	906.3	906.3	906.3	906.3	0.0	0.0%
1168 Tob Ed/Ces (DGF)	97.0	97.5	97.5	97.5	97.5	0.0	0.0%
1212 Fed ARRA (Other)	48,793.6	0.0	0.0	0.0	0.0	0.0	0.0%
<b>Unrestricted General (UGF)</b>	<b>243,214.0</b>	<b>253,280.8</b>	<b>315,043.3</b>	<b>315,043.3</b>	<b>333,170.0</b>	<b>18,126.7</b>	<b>5.8%</b>
<b>Designated General (DGF)</b>	<b>191.5</b>	<b>847.5</b>	<b>847.5</b>	<b>847.5</b>	<b>847.5</b>	<b>0.0</b>	<b>0.0%</b>
<b>Other Funds</b>	<b>3,896.0</b>	<b>9,796.7</b>	<b>9,796.7</b>	<b>9,796.7</b>	<b>9,796.7</b>	<b>0.0</b>	<b>0.0%</b>
<b>Federal Funds</b>	<b>493,318.4</b>	<b>586,519.3</b>	<b>524,756.8</b>	<b>524,756.8</b>	<b>559,894.9</b>	<b>35,138.1</b>	<b>6.7%</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 Health and Social Services**

**Component:** Health Care Medicaid Services (2077)

**RDU:** Medicaid Services (595)

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	850,444.3	0.0	0.0	24,951.7	0.0	0.0	826,041.6	-549.0	0	0	0
1002 Fed Rcpts		586,519.3										
1003 G/F Match		223,931.8										
1004 Gen Fund		29,349.0										
1005 GF/Prgm		750.0										
1007 I/A Rcpts		8,890.4										
1108 Stat Desig		906.3										
1168 Tob Ed/Ces		97.5										
<b>ADN 06-2-0035 Budget implementation revision</b>												
	LIT	0.0	0.0	0.0	0.0	0.0	0.0	-549.0	549.0	0	0	0
Transfer appropriation reduction in HB 108 placed in the miscellaneous line to the grants line of the component.												
This legislative reduction was made to decrement the amount the Department spends on abortion or abortion-related services.												
<b>Medicaid Contingency Language Sec15(b) CH3 FSSLA2011 P73 L22-28 (HB108)</b>												
	Cntngt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
1002 Fed Rcpts		-61,762.5										
1004 Gen Fund		61,762.5										
To be converted from language to base item in FY2013.												
<b>Subtotal</b>		<b>850,444.3</b>	<b>0.0</b>	<b>0.0</b>	<b>24,951.7</b>	<b>0.0</b>	<b>0.0</b>	<b>825,492.6</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>
***** Changes From FY2012 Authorized To FY2012 Management Plan *****												
<b>ADN 06-2-0271 Tranfer expenditure authority to pay Tobacco Cessation Claims</b>												
	LIT	0.0	0.0	0.0	-97.5	0.0	0.0	97.5	0.0	0	0	0
Transfer tobacco cessation expenditure authority from services to grants to pay claims.												
<b>Subtotal</b>		<b>850,444.3</b>	<b>0.0</b>	<b>0.0</b>	<b>24,854.2</b>	<b>0.0</b>	<b>0.0</b>	<b>825,590.1</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>
***** Changes From FY2012 Management Plan To FY2013 Governor *****												
<b>Reverse Medicaid Contingency Language Sec15(b) CH3 FSSLA2011 P73 L22-28 (HB108)</b>												
	OTI	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
1002 Fed Rcpts		61,762.5										
1004 Gen Fund		-61,762.5										

**Change Record Detail - Multiple Scenarios With Descriptions**  
**Department of Health and Social Services**

**Component:** Health Care Medicaid Services (2077)

**RDU:** Medicaid Services (595)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
Removing one-time language item.												
<b>Reduce Prescription Drug Database CH84 SLA2008 (SB196 FN year 5)</b>												
	OTI	-7.5	0.0	0.0	0.0	0.0	0.0	-7.5	0.0	0	0	0
1002 Fed Rcpts		-3.8										
1003 G/F Match		-3.7										
Adjust funding for fifth year of fiscal note dealing with a prescription drug database.												
<b>Medicaid Growth from FY2012 to FY2013</b>												
	IncM	53,272.3	0.0	0.0	0.0	0.0	0.0	53,272.3	0.0	0	0	0
1002 Fed Rcpts		35,141.9										
1003 G/F Match		18,130.4										
We are projecting a 1% growth for FY2012, and projected service growth from FY2012 to FY2013 to be 5.9%. This growth is for maintaining existing services, which includes in-patient hospital rate increases, physician services increases, Trauma Care DSH services; this is all based on July 2011 projections.												
2.1% in enrollment growth												
0.2% for utilization growth per enrollee												
3.1% for inflation												
0.5% for Dental Encounter payments												
Contractual services growth is projected to be 6% over FY2012 (ACS contractual service contract).												
<b>Medicaid GF for Fed in FY2013 due to Federal Medical Assistance Percentage (FMAP) Reduction to 50%</b>												
	IncM	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
1002 Fed Rcpts		-61,762.5										
1004 Gen Fund		61,762.5										
Reflect federal medical assistance percentage (FMAP). Congress did not extend the ARRA FMAP past June 30, 2011, so the base budget should Alaska's 50.0% FMAP in FY2013.												
<b>Totals</b>		<b>903,709.1</b>	<b>0.0</b>	<b>0.0</b>	<b>24,854.2</b>	<b>0.0</b>	<b>0.0</b>	<b>878,854.9</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Line Item Detail**  
**Department of Health and Social Services**  
**Services**

**Component:** Health Care Medicaid Services (2077)  
**RDU:** Medicaid Services (595)

Line Number	Line Name		FY2011 Actuals	FY2012 Management Plan	FY2013 Governor
73000	Services		2,260.6	24,854.2	24,854.2
<b>Expenditure Account</b>			<b>FY2011 Actuals</b>	<b>FY2012 Management Plan</b>	<b>FY2013 Governor</b>
	<b>Servicing Agency</b>	<b>Explanation</b>			
<b>73000 Services Detail Totals</b>			<b>2,260.6</b>	<b>24,854.2</b>	<b>24,854.2</b>
73050	Financial Services		2,260.6	0.0	0.0
73175	Health Services	Contract with Medicaid fiscal agents	0.0	24,854.2	24,854.2

**Line Item Detail**  
**Department of Health and Social Services**  
**Grants, Benefits**

**Component:** Health Care Medicaid Services (2077)  
**RDU:** Medicaid Services (595)

Line Number	Line Name		FY2011 Actuals	FY2012 Management Plan	FY2013 Governor
77000	Grants, Benefits		738,359.3	825,590.1	878,854.9
Expenditure Account	Servicing Agency	Explanation	FY2011 Actuals	FY2012 Management Plan	FY2013 Governor
<b>77000 Grants, Benefits Detail Totals</b>			<b>738,359.3</b>	<b>825,590.1</b>	<b>878,854.9</b>
77670	Benefits	Services for Medicaid clients including: hospitals, physicians, pharmacy, dental transportation, Lab & X-ray, durable medical equipment, audiology, vision, physical therapy, occupational & speech therapy, chiropractic, home health & hospice.	738,359.3	825,590.1	878,854.9

**Restricted Revenue Detail**  
**Department of Health and Social Services**

**Component:** Health Care Medicaid Services (2077)  
**RDU:** Medicaid Services (595)

Master Account	Revenue Description	FY2011 Actuals	FY2012 Management Plan	FY2013 Governor
51010	Federal Receipts	444,524.8	524,756.8	559,894.9

Detail Information					FY2011 Actuals	FY2012 Management Plan	FY2013 Governor
Revenue Amount	Revenue Description	Component	Collocation Code	AKSAS Fund			
51010	Federal Receipts		6214199	11100	444,524.8	524,756.8	559,894.9
	Medicaid Federal Collections- The bulk of the federal funding for the Medicaid benefits comes from claims reimbursed at the federal medical assistance percentage of FMAP. Additional Medicaid funds sources are IHS (Indian Health Services) at 100% FMAP for specific programs; Enhanced FMAP is for the State Children's Health Insurance Program (SCHIP); and, Breast and Cervical Cancer (BCC). Actual collections are based on the proportion of the expenditures eligible for each type of federal reimbursement.						

**Restricted Revenue Detail**  
**Department of Health and Social Services**

**Component:** Health Care Medicaid Services (2077)  
**RDU:** Medicaid Services (595)

<b>Master Account</b>	<b>Revenue Description</b>	<b>FY2011 Actuals</b>	<b>FY2012 Management Plan</b>	<b>FY2013 Governor</b>
51015	Interagency Receipts	3,056.5	8,890.4	8,890.4

**Detail Information**

<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>
59060	Health & Social Svcs	Alaska Psychiatric Institute	6214199	11100	3,056.5	8,890.4	8,890.4
I/A refinancing match from other divisions for DSH and ProShare. Exact amounts will vary depending on the upper payment limits (UPL's) and date of payments.							

**Restricted Revenue Detail**  
**Department of Health and Social Services**

**Component:** Health Care Medicaid Services (2077)  
**RDU:** Medicaid Services (595)

<b>Master Account</b>	<b>Revenue Description</b>	<b>FY2011 Actuals</b>	<b>FY2012 Management Plan</b>	<b>FY2013 Governor</b>
51060	General Fund Program Receipts	94.5	750.0	750.0

<b>Detail Information</b>					<b>FY2011 Actuals</b>	<b>FY2012 Management Plan</b>	<b>FY2013 Governor</b>
<b>Revenue Amount</b>	<b>Revenue Description</b>	<b>Component</b>	<b>Collocation Code</b>	<b>AKSAS Fund</b>			
51060	GF Program Receipts Third party liability recoveries		6214199	11100	94.5	750.0	750.0

**Restricted Revenue Detail**  
**Department of Health and Social Services**

**Component:** Health Care Medicaid Services (2077)  
**RDU:** Medicaid Services (595)

<b>Master Account</b>	<b>Revenue Description</b>	<b>FY2011 Actuals</b>	<b>FY2012 Management Plan</b>	<b>FY2013 Governor</b>
51063	Statutory Designated Program Receipts	839.5	906.3	906.3

<b>Detail Information</b>					<b>FY2011 Actuals</b>	<b>FY2012 Management Plan</b>	<b>FY2013 Governor</b>
<b>Revenue Amount</b>	<b>Revenue Description</b>	<b>Component</b>	<b>Collocation Code</b>	<b>AKSAS Fund</b>			
51063	Stat Desig Prog Rec Recovery of Overpayments by Medicaid providers discovered through audit.			11000	839.5	906.3	906.3

**Restricted Revenue Detail**  
**Department of Health and Social Services**

**Component:** Health Care Medicaid Services (2077)  
**RDU:** Medicaid Services (595)

<b>Master Account</b>	<b>Revenue Description</b>				<b>FY2011 Actuals</b>	<b>FY2012 Management Plan</b>	<b>FY2013 Governor</b>
51118	Federal Economic Stimulus				48,793.6	0.0	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>
51118	Federal Economic Stimulus				48,793.6	0.0	0.0