

State of Alaska FY2002 Governor's Operating Budget

Department of Health and Social Services
Medicaid Services
Component

Component: Medicaid Services

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Component Mission

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

Component Services Provided

Medicaid is an "entitlement program" created by the federal government to provide medical services for low-income citizens. Medicaid is funded jointly by a state and federal match formula. The program is geared toward children, adults with dependent children, the elderly and the disabled.

The ALB Hold Harmless program was created by the Legislature 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.

The PFD Hold Harmless Program was created by the Legislature to protect those Medicaid clients who lose Medicaid eligibility as a result of the receipt of the permanent fund dividend.

The Division of Medical Assistance (DMA) is responsible for the administration of the Medicaid and Chronic and Acute Medical Assistance (CAMA) programs. The Division is organized into two offices, one in Anchorage and the other in Juneau. The Anchorage office is responsible for medical claims processing, third-party billing and collections, medical policy development, medical review, prior authorization, operational contract monitoring and administration, Eligibility Information System (EIS) interface, surveillance and utilization review, medical facility certification and licensing, patient assessment and provider enrollment relations, health facility rate setting, recipient and provider hearings and appeals, and authorization of waiver services and clients. The Juneau office is responsible for defining Medicaid and CAMA eligibility rules in program manuals, state regulations, and the Medicaid State Plan; defining covered medical services, payment rules and methodologies through State regulations and the Medicaid State Plan; interfacing and negotiating with the federal government; budget/financial allocation and control; legislative interface; personnel administration; contract approval and financial administration; Medicaid Rate Advisory Commission interface and support services; program and administrative planning; special projects coordination; and program planning, coordination, and financing with numerous State divisions and agencies.

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 FY2001 – 2002

FY01 Title XIX Base Program General Fund Shortfall

The Department's recent projections of the number of beneficiaries expected to need medical services and the projected costs related to those services indicate that the program is underfunded in the current fiscal year.

FY02 Medicaid Services Base Program Projected Formula Increment

This 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 fiscal FY02. The base Medicaid program is defined as the Medicaid program with related services and eligible populations as it is presently configured.

For the past four years, the Division of Medical Assistance has moved from a budget projection method based on a model of annual expenses to one that uses the change in the number of eligible members by groups and the medical services purchased for each group per month as the primary determinant of program expenditure levels.

The method used to calculate the funding need begins with a basic formula to determine the cost per member per month:

$$\text{Total Cost for Services Per Month} / \text{Total Number of Members Enrolled Per Month} \\ = \text{Total Cost Per Member Per Month}$$

This formula is applied to each individual Medicaid beneficiary group: Children, Adults, the Elderly, and the Disabled. The use of these four member groups helps the Department better realize who our Medicaid beneficiaries are and the cost to the program of the services purchased by each group. An 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 totals provide the means by which the Division can objectively extrapolate the line of "best fit" for the base program's future need.

This line of "best fit" has been projected for the remainder of the current fiscal year through the upcoming fiscal year. The result is an objective projection of the total number of members and the total cost per member needed to maintain the State's base Medicaid program for the remainder of FY01 and FY02, which is supported by the historical trend in the changes in monthly enrollment and spending.

Fiscal year "best fit" projections are further developed by a separate analysis of varying factors that effect 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.

The following tables summarize the Division's retrospective fiscal year analysis of the base program since July 1996 through the projected program needs for FY 2002.

Average Number Eligible 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 Projected	53,830	12,812	5,456	9,670	81,769
FY02 Projected	53,900	12,633	5,651	10,124	82,309

Average Cost Per Member Per Month

.....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 Projected	\$275.58	\$446.67	\$1,158.81	\$1,472.50	\$502.88
FY02 Projected	\$278.74	\$451.68	\$1,200.99	\$1,467.22	\$514.79

Change in Average Number Eligible 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 Projected	4,675	(178)	189	420	5,105
FY02 Projected	71	(179)	195	454	540

Change in Average Cost Per Member Per Month					
.....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	\$489.04
FY00	(\$10.50)	\$51.94	\$87.93	\$131.67	(\$0.33)
FY01 Projected	\$13.44	\$21.86	\$29.46	\$55.00	\$14.17
FY02 Projected	\$3.15	\$5.00	\$42.17	(\$5.28)	\$11.90

- On average, 76,664 Alaskans received Medicaid services each month during FY00.
- In FY01, an average of 81,178 Alaskans are receiving Medicaid services each month.
- Medicaid eligible members per month grew by 18 percent from FY99 to FY00. Children enrolled in Title XIX and Title XXI accounted for 97 percent of the 18 percent increase in total Medicaid eligible members from FY99 to FY00. The enrollment of eligible children is expected to level out during the last of FY01 through FY02.
- The average number of adults receiving Medicaid assistance each month decreased by 3 percent in FY00 from FY99. This is consistent with the trend of very slight decreases in the number of eligible adults each year since FY96.
- The average number of elderly Medicaid members per month has grown by 4 percent from FY99 to FY00. This is consistent with previous years and is expected to remain close to the same in FY02.
- The number of Alaska's Medicaid members in the Disabled category increased by 6 percent in FY00 over FY99. The Department expects the number of disabled members to continue to grow at approximately that same rate.

Based on the information available and the analyses performed, there will be a projected increase in base program need of \$12.8 million in State general fund match for FY02. This amount drives \$50.5 million in federal funds.

Federal Medical Assistance Percentage (FMAP)

The Balanced Budget Act of 1997 changed the percentage rate at which the federal government participates in Alaska's Medicaid program from 50 percent to 59.8 percent for federal fiscal years 98, 99, and 00. This allowed the State to use funds already committed to the Medicaid program to expand coverage for uninsured children and pregnant women. Alaska's enhanced rate reverted to the statutorily calculated FMAP beginning federal FY01.

The Balanced Budget Refinement Act of 2000 (before the President as of this writing) authorizes a five-year (federal FY01-05) five percent adjustment to the FMAP statutory formula applicable only to Medicaid and the Children's Health Insurance Program, but the methodology change to the per capita income calculation implemented by the Bureau of Economic Analysis (BEA) may actually reduce Alaska's FMAP for federal FY02 by 3 percent.

API DSH Match Return

Under the "base" Medicaid program, the Alaska Psychiatric Institute (API) is only allowed to collect Medicaid for children ages 21 or under and the elderly over the age of 65. In FY94 the Administration and the Legislature agreed to have API participate in the federal Medicaid Disproportionate Share Hospital program (DSH). DSH allowed for additional federal Medicaid payments to API because they served a disproportionate share of low-income patients. The DSH program has allowed the Legislature to cut \$7 million per year for a total of \$49 million in API general fund need from FY94 through FY00.

In 1998, Congress passed legislation that changed the DSH program by reducing the federal government's participation. Beginning with federal FY01, the amount the State can claim as DSH will be reduced over a three year period to 30 percent of what was claimed in federal FY95. In FY01, the federal DSH payment to API was reduced by \$4,253,975. Federal payments will drop \$900,000 in FY02 and \$630,000 in FY03. The Department of Health and Social Services 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 and FY01. A third transfer to API is included in the FY02 request, continuing the replacement of the lost DSH revenue with GF/MH.

Denali KidCare (Children's Health Insurance Program)

Under Title XXI, the Children's Health Insurance Program (CHIP), Alaska opted to expand the Medicaid program to assure adequate health care coverage for children and pregnant women with annual incomes below 200 percent of the federal poverty level. Denali KidCare, implemented in March of 1999, was expected to reach 11,600 uninsured children. Approximately 12,980 eligible children have been enrolled in the program. The Division anticipates enrollment numbers to level out during the remainder of FY01 and throughout FY02.

State Children's Health Insurance Program (SCHIP) Reallocation

The Balanced Budget Refinement Act of 2000 authorizes reallocated funding to Alaska and eight other states that exhausted individual federal FY98 and FY99 SCHIP allotments. Each state receiving a reallocation will be allowed two years in which to spend these dedicated funds. Alaska's share is likely to be about \$20 million although final numbers will not be available until mid to late January 2001. During FY00, Alaska's federal allotment for SCHIP was \$7.7 million; expenditures on Title XXI children exceeded \$27 million in federal funds. As of this writing, the Act is being considered by the President.

Major Component Accomplishments for FY2000

Please see Medical Assistance BRU accomplishments.

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 FY2002

Measure: Please see Medical Assistance BRU performance measures.
(Not yet addressed by Legislature.)

Status of FY2001 Performance Measures

<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
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• Please see Medical Assistance BRU performance measures.		X			

Medicaid Services
Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.2	0.0	0.0
73000 Contractual	2,092.9	7,665.6	4,815.0
74000 Supplies	0.6	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	468,615.3	478,346.7	543,458.2
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	470,709.0	486,012.3	548,273.2
Funding Sources:			
1002 Federal Receipts	307,508.4	318,028.4	368,479.3
1003 General Fund Match	88,179.5	78,907.4	103,041.0
1004 General Fund Receipts	45.7	14,075.0	14,375.0
1005 General Fund/Program Receipts	265.0	364.0	364.0
1007 Inter-Agency Receipts	3,834.5	1,588.5	1,588.5
1037 General Fund / Mental Health	31,576.8	30,630.6	29,333.1
1092 Mental Health Trust Authority Authorized Receipts	0.0	1,273.0	0.0
1108 Statutory Designated Program Receipts	13,851.4	21,433.7	21,433.7
1119 Tobacco Settlement	25,447.7	19,711.7	9,658.6
Funding Totals	470,709.0	486,012.3	548,273.2

Estimated Revenue Collections

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 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	307,508.4	318,028.4	318,028.4	368,479.3	372,489.2
Interagency Receipts	51015	3,834.5	1,588.5	1,588.5	1,588.5	1,588.5
General Fund Program Receipts	51060	265.0	364.0	364.0	364.0	364.0
Statutory Designated Program Receipts	51063	13,851.4	21,433.7	21,433.7	21,433.7	21,433.7
Restricted Total		325,459.3	341,414.6	341,414.6	391,865.5	395,875.4
Total Estimated Revenues		325,459.3	341,414.6	341,414.6	391,865.5	395,875.4

Medicaid Services**Proposed Changes in Levels of Service for FY2002**

Please see Medical Assistance BRU service changes.

**Summary of Component Budget Changes
From FY2001 Authorized to FY2002 Governor**

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	143,688.7	318,028.4	24,295.2	486,012.3
Adjustments which will continue current level of service:				
-Transfer DET Medicaid Match to DMHDD	-765.0	0.0	0.0	-765.0
-Transfer 2001 DSH Match Return to API	-532.5	0.0	0.0	-532.5
-Replace MHTAAR Funding Appropriated by Legislature	1,273.0	0.0	-1,273.0	0.0
Proposed budget increases:				
-Court Ordered Abortion Coverage	300.0	0.0	0.0	300.0
-Formula Program Increment	12,807.5	50,450.9	0.0	63,258.4
FY2002 Governor	156,771.7	368,479.3	23,022.2	548,273.2