

# **State of Alaska FY2003 Governor's Operating Budget**

## **Department of Health and Social Services Medical Assistance Administration Budget Request Unit Budget Summary**

## Medical Assistance Administration Budget Request Unit

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### BRU Mission

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

### BRU Services Provided

The Division of Medical Assistance (DMA) provides access to and finances medical care for Alaskans in need through Medicaid and the Chronic and Acute Medical Assistance (CAMA) Programs. These programs provide medical services to more than 118,000 eligible citizens.

The Medicaid program is a jointly funded, cooperative venture between federal and state governments to assist in the provision of adequate and competent medical care to eligible needy persons. Alaska's Medicaid program impacts the service delivery of every division in the Department of Health and Social Services, as well as divisions in four other departments within the state system. There are six sources of federal funding that branch into a kaleidoscope of varying federal participation rates, allotments, and reimbursements, each with their own federal and state regulatory processes.

The division also administers the CAMA program. CAMA provides a limited package of health services to those individuals in extreme immediate need with chronic medical conditions who do not qualify for the Medicaid program.

### BRU Goals and Strategies

- Establish and implement sound program policy and efficient program management to ensure the Division of Medical Assistance works cooperatively and collaboratively with medical providers, clients, and governmental agencies to achieve its mission.
- Pursue and capitalize on opportunities to maximize internal business efficiencies, refinancing options, information exchange, and communication to support customer service.
- Anticipate needs and provide timely and responsive support for Medical Assistance programs and personnel.

### Key BRU Issues for FY2002 – 2003

#### Medicaid Service Delivery and Program Management

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;
- The capacity to consistently produce comprehensive, accurate, and timely information and data/trend 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 the department, the governor, the legislature, and the public will in fact receive and enjoy the benefits of a service delivery system capable of meeting state health care needs.

#### 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 FY88.

Recent federal law adopted under the Health Insurance Portability and Accountability Act (HIPAA) now mandates significant changes in electronic transaction standards, confidentiality, and system security. Prompted also by rapid advancements in technology, the division has initiated the process of replacing its current MMIS. This three-year project is called the "MMIS Reprourement Project" and is divided into three primary phases: planning, development, and implementation. The division is well into the planning phase and will soon release a request for proposals to begin the development phase.

The 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.

#### **Quality Program Support**

DMA 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 in response to a well managed comprehensive and consistent health program policy.

### **Major BRU Accomplishments in 2001**

#### **Medical Assistance Administration**

DMA continued to meet the medical needs of 1 of every 6 Alaskans, most of whom would have had no other means of coverage for necessary medical care. The division's cost for the administration of the Medicaid and CAMA programs equaled only 3.3% of the total dollars paid for those medical care services.

#### **Medicaid Refinancing**

To maximize Alaska's options for state general funds, Medicaid refinancing identifies programs that are eligible for federal Medicaid funding, and works with those programs to capture and utilize those federal funds. This requires in-depth research and evaluation, assessment of refinancing opportunities, development of a financing methodology and program-specific criteria, and ongoing post project implementation monitoring. In FY01 Medicaid's successful refinancing efforts involved Disproportionate Share Hospitals (DSH), Behavioral Rehabilitative Services (BRS), and continued ProShare payments.

### **Key Performance Measures for FY2003**

#### **Measure:**

The average time the division takes from receiving a claim to paying it.

Sec 78(b)(1) Ch 90 SLA 2001(HB 250)

#### **Alaska's Target & Progress:**

During the last half of FY01, it took an average of 11.08 days to pay claims.

#### **Benchmark Comparisons:**

Federal regulation requires that 90% of all clean claims received must be paid within 30 days, and 99% of all clean claims received must be paid within 90 days (42 CFR 447.45 Time of Claims Payment).

#### **Background and Strategies:**

The assumption is that the timely payment of medical claims gives providers incentive to participate in the Medicaid Program. Therefore, the legislature and the division are interested in a measure of how timely the division responds to or pays claims.

**Measure:**

The percentage of total funds that are used to pay claims compared to the percent used for administration of the division.  
Sec 78(b)(3) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

	Current Year (FY01)	Previous Year (FY00)
Claims Payments	96.7%	96.3%
Division Administrative Costs	3.3%	3.7%

**Benchmark Comparisons:**

The HCFA publication "Medicaid Statistics Program and Financial Statistics Fiscal Year 1998", the most recent statistical information available, reports a 4.13% administrative cost versus a 95.87% for program payments. The source documented is the HCFA 64.

**Background and Strategies:**

This is a fiscal measure of the State's administrative overhead necessary to support the medical assistance programs.

**Medical Assistance Administration**  
**BRU Financial Summary by Component**

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<b><u>Formula Expenditures</u></b>												
Children's Health Eligibility	538.7	1,338.7	405.0	2,282.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b><u>Non-Formula Expenditures</u></b>												
Medical Assistance Admin.	734.6	762.2	12.6	1,509.4	879.8	938.7	101.4	1,919.9	1,066.8	1,127.1	102.5	2,296.4
Medicaid State Programs	2,250.0	13,524.1	0.0	15,774.1	3,312.8	15,798.9	0.0	19,111.7	3,137.0	16,042.5	0.0	19,179.5
Health Purchasing Group	5,338.4	11,813.9	28.4	17,180.7	5,138.1	11,658.9	0.0	16,797.0	5,054.7	11,590.3	0.0	16,645.0
Certification and Licensing	320.8	736.3	3.3	1,060.4	379.4	773.3	0.0	1,152.7	380.8	782.9	0.0	1,163.7
Hearings and Appeals	193.9	172.5	3.6	370.0	203.9	203.0	0.0	406.9	192.1	191.1	0.0	383.2
<b>Totals</b>	<b>9,376.4</b>	<b>28,347.7</b>	<b>452.9</b>	<b>38,177.0</b>	<b>9,914.0</b>	<b>29,372.8</b>	<b>101.4</b>	<b>39,388.2</b>	<b>9,831.4</b>	<b>29,733.9</b>	<b>102.5</b>	<b>39,667.8</b>

**Medical Assistance Administration**

**Proposed Changes in Levels of Service for FY2003**

An increment request for \$657.0 Federal Receipts in Medicaid State Programs includes federal authority for implementation of the Health Passport program that will provide health care services for children in state custody as well as increases in the Medicaid reimbursement of salaries for health professionals in the Division of Public Health.

**Medical Assistance Administration**

**Summary of BRU Budget Changes by Component**

**From FY2002 Authorized to FY2003 Governor**

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>9,914.0</b>	<b>29,372.8</b>	<b>101.4</b>	<b>39,388.2</b>
<b>Adjustments which will continue current level of service:</b>				
-Medical Assistance Admin.	187.0	188.4	1.1	376.5
-Medicaid State Programs	-175.8	-413.4	0.0	-589.2
-Health Purchasing Group	-83.4	-68.6	0.0	-152.0
-Certification and Licensing	1.4	9.6	0.0	11.0
-Hearings and Appeals	-11.8	-11.9	0.0	-23.7
<b>Proposed budget increases:</b>				
-Medicaid State Programs	0.0	657.0	0.0	657.0
<b>FY2003 Governor</b>	<b>9,831.4</b>	<b>29,733.9</b>	<b>102.5</b>	<b>39,667.8</b>