

State of Alaska FY2008 Governor's Operating Budget

Department of Health and Social Services Senior and Disabilities Medicaid Services Component Budget Summary

Component: Senior and Disabilities Medicaid Services**Contribution to Department's Mission**

To maximize the services available to all Alaskans who are entitled to Medicaid services.

Core Services

Funds support institutional and community-based services for older Alaskans, children who are developmentally disabled, and adults with disabilities.

The Medicaid program is jointly funded by the federal and state governments to assist in the provision of adequate and competent medical care to eligible persons. Some individuals receive care through Medicaid waiver programs which allow individuals to be served in non-institutional, home and community based settings rather than institutional facilities.

Nursing Facility Services include placement in a nursing institution which provides either an intermediate or skilled level of nursing care.

Personal Care Services provide non-technical, hands-on assistance with activities of daily living (such as bathing, dressing, or grooming) and related instrumental activities of daily living (such as shopping or cooking) necessary to maintain the health and safety of the client in a home setting. Services are provided by personal care assistants through a qualified personal care agency. There are two methods of delivering personal care services: agency-based or consumer-directed. In the agency-based model, the agency oversees, manages, and supervises the personal care attendant. In the consumer-directed model, the consumer selects, trains, and supervises their personal care attendant.

Home and Community Based Waiver Services provide long-term care services in home and community based settings to persons who need the level of care provided in a nursing facility or intermediate care facility for the mentally retarded but wish to remain in their own homes and communities to receive services. Medicaid services include care coordination, chore services, adult day services, day habilitation, environmental modifications, meals, respite care, residential care in alternatives such as assisted living or group homes, specialized medical equipment, specialized private duty nursing, supported employment, and transportation. Senior and Disabilities Medicaid Services administer four Medicaid Waiver programs:

Older Alaskan Waiver provides services to Medicaid eligible persons aged 65 and older who need the level of care provided in a nursing home.

Adults with Physical Disabilities Waiver provides services to Medicaid eligible persons between the ages of 21 and 64 who need the level of care provided in a nursing home.

Mental Retardation/Developmental Disability Waiver provides services to Medicaid eligible persons with mental retardation, autism, cerebral palsy, seizure disorder, or a condition that means the person functions as if having mental retardation. The person must also have a serious limitation in everyday functions of life and need the level of care provided in an intermediate care facility for the mentally retarded.

Children with Complex Medical Conditions Waiver provides services to Medicaid eligible persons age 21 or younger having a severe, life threatening, chronic physical condition that is expected to continue for more than 30 days. The child also must be dependent upon medical care or technology and need the level of care provided in a nursing home or hospital.

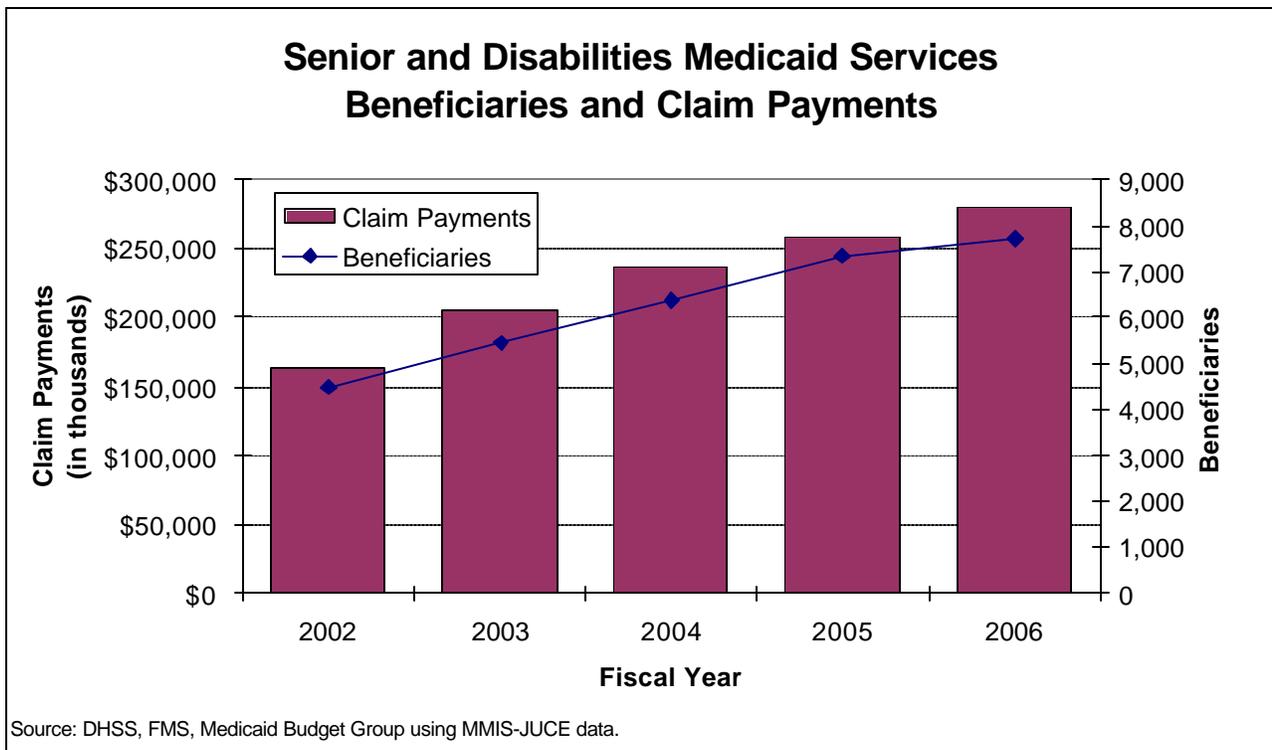
| FY2008 Resources Allocated to Achieve Results | | | | | | | | | |
|---|---|-------------------|--|-----------|---|-----------|---|--------------|----------|
| FY2008 Component Budget: \$337,291,900 | <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="padding-left: 20px;">Personnel:</td> </tr> <tr> <td style="padding-left: 20px;">Full time</td> <td style="text-align: right; padding-right: 20px;">0</td> </tr> <tr> <td style="padding-left: 20px;">Part time</td> <td style="text-align: right; padding-right: 20px;">0</td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td style="text-align: right; padding-right: 20px;">0</td> </tr> </table> | Personnel: | | Full time | 0 | Part time | 0 | Total | 0 |
| Personnel: | | | | | | | | | |
| Full time | 0 | | | | | | | | |
| Part time | 0 | | | | | | | | |
| Total | 0 | | | | | | | | |

Key Component Challenges

- In order to provide affordable access to quality health care services to eligible Alaskans, a sufficient supply of providers must be enrolled in Medicaid. A strategy to maintain provider participation is for provider reimbursement rates to keep pace with health care costs. Since provider participation in Medicaid is voluntary, if Medicaid's rates are too low providers may stop seeing Medicaid clients.
- By regulation, payment rates for most facilities must be recalculated at least every four years [7 AAC 43.685(a)(6)(B)]. Facilities were last re-based in FY04. For Senior and Disabilities Medicaid, this means that nursing facility payment rates for FY08 will be adjusted. The new rate for each facility will become effective at the start of that facility's 2008 fiscal cycle. The division estimates that the average adjustment will be 8%. Alaska nursing home facilities currently serve about 1,563 Medicaid clients per year. Most of these persons are elderly (69%) or disabled (30%). Twenty percent are over 84 years of age and 16% are under age 55. The additional cost to Medicaid from re-basing in FY08 will be \$3,081.0 (\$1,441.3 GF and \$1,639.7 Fed).

Significant Changes in Results to be Delivered in FY2008

- Expenditures in FY08 for Senior and Disabilities' Medicaid are projected to grow \$21,746.9 (7,642.2 GF/12,904.7 Fed/1,200.0 SDPR), a 7% increase over the authorized amount of \$312,795.9. This component has experienced rapid growth since the Personal Care Attendant program was amended in 2001 to expand services and to allow consumers to choose their own personal care assistant. While recent efforts to control growth in the PCA program have been successful, the requested increase is necessary due to increases in enrollment and utilization. An increase in Senior and Disabilities Medicaid Services client base reflects the fastest growing segment of the population, those aged 65 and over.



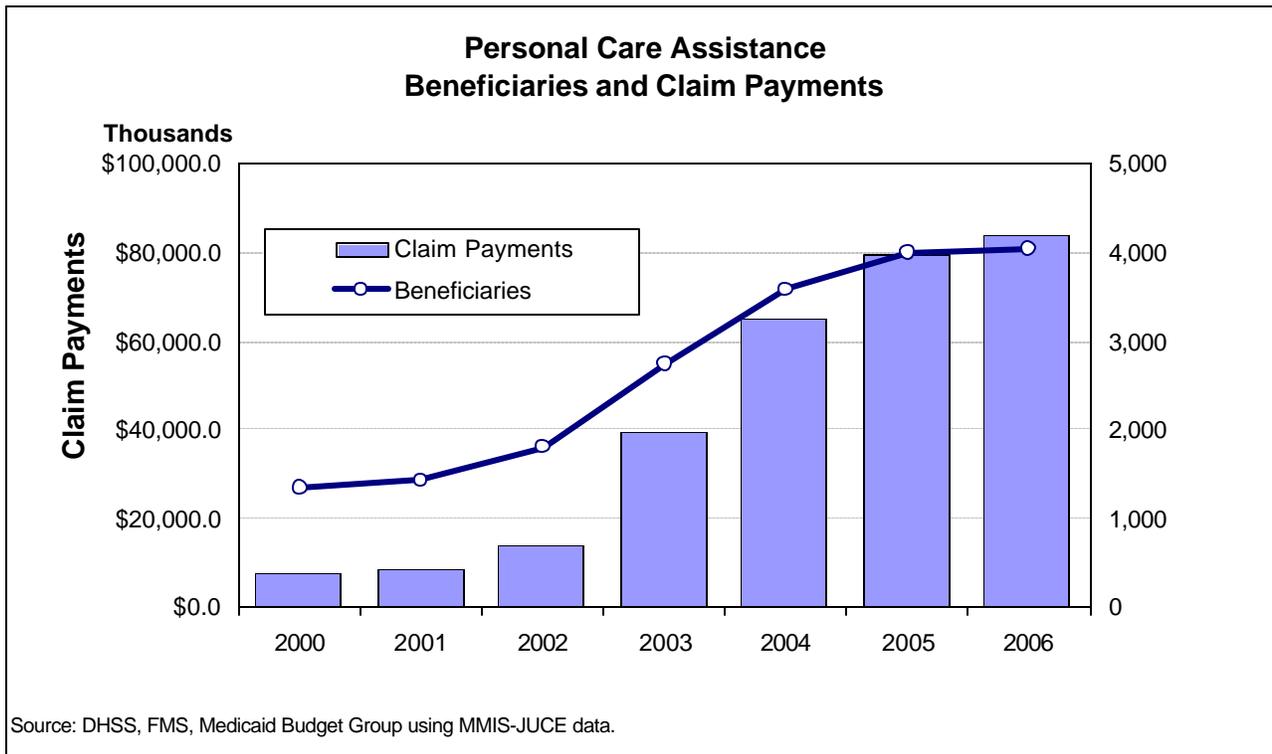
- HB 426, passed last session, contains provisions that bring Alaska Statute into line with the Deficit Reduction Act of 2005 including many mandatory rule changes related to determining financial eligibility for long-term care-related Medicaid. These provisions tightened medical assistance eligibility for long term care by making it more difficult to use an annuity to shelter assets when trying to qualify for Medicaid; allowing the State to impose stricter penalties for transferring assets at below-market value; allowing that a home valued over \$500,000 can be a resource in determining eligibility; and clarifying when a person on a home and community based waiver may be terminated from the waiver. These changes will reduce the number of persons eligible for Medicaid, most of whom are eligible for the Older Alaskans waiver program. Medicaid costs in Senior and Disabilities Medicaid are estimated to decrease by \$331.9 (-158.8 GF/-173.1 Fed) in FY08.

Major Component Accomplishments in 2006

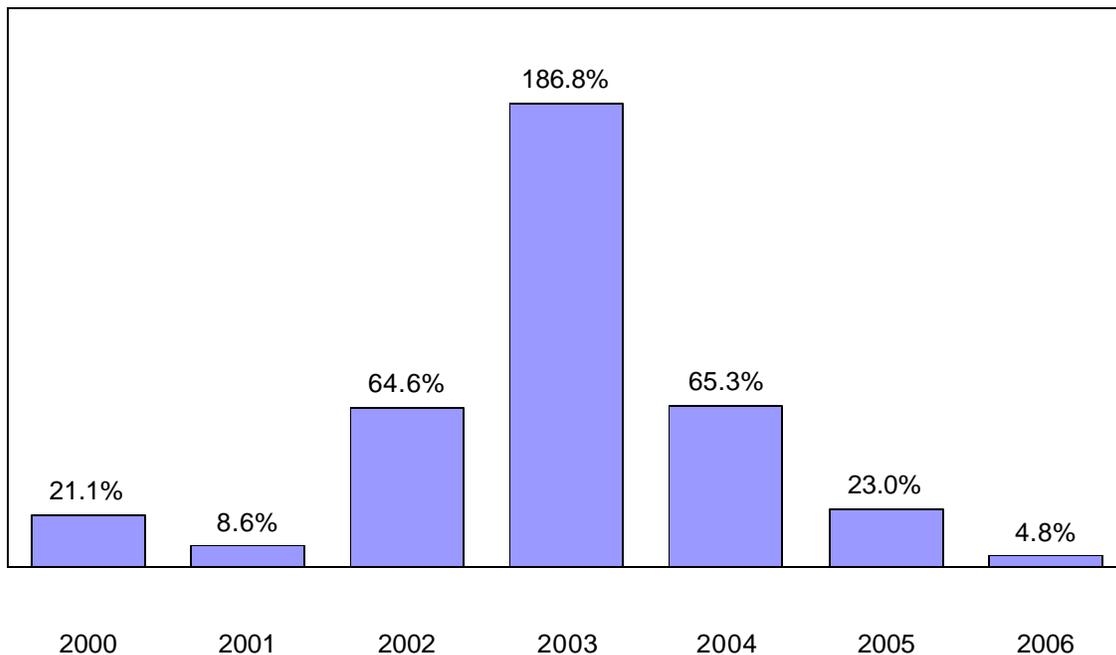
- In FY06 Senior and Disabilities Medicaid provided services to approximately 7,700 beneficiaries at an average cost of \$3,031 per person per month. Senior and Disabilities Medicaid claims grew 10% from FY04 to FY05, and 9% from FY05 to FY06. The projection for FY08 is for the growth rate to decrease to 7%. This is due to changes in the personal care attendant program that have curtailed growth.
- For the first time in 5 years PCA was not the fastest growing category of service. Most of the increase can be attributed to home and community based waiver services which experienced a 14% increase from FY05 to FY06. This figure is skewed, however, as billing delays in FY05 (now rectified) artificially lowered that year's claim payments. The true growth rate was closer to 5% averaged over two years. Personal care attendant services, which grew 23% between FY04 and FY05, grew only 4.8% between FY05 and FY06. Nursing homes increased 5.1%.
- Audits of Personal Care Attendant agencies and assistance providers, along with strict enforcement of existing regulations, also contributed to the successful control of PCA service utilization.
- At the direction of the state legislature, DHSS implemented regulations to better manage and evaluate the PCA program. The state's goal is to manage the growth of the PCA program so that it does not require cuts to services in other areas of identified need and priority. The proposed changes clarify and strengthen the requirements for PCA client assessments and eligibility, and define provider requirements. Regulation changes to the Personal Care Attendant program reduced the number of clients accessing the PCA program and the

quantity of services utilized beginning in April 2006. Changes to regulations include:

- The purpose and scope of the PCA Program were defined in the proposed regulations to indicate the program is available to prevent hospitalization and nursing home placement or enable a disabled person to work.
 - The definition of standby assistance was changed so that it would only be linked to unsafe situations.
 - The standardized Personal Care Assessment Tool (PCAT) was adopted to provide an objective client assessment tool.
 - Instrumental Activities of Daily Living (IADL's) are limited to specific needs defined in the PCAT and linked to an Activity of Daily Living (ADL).
 - The regulations require physician certification of the recipients' medical condition(s).
 - If more than one recipient of PCA services resides in the home, only one PCA can be paid for shared services.
 - A certification application packet and process was established for Medicaid PCA providers.
 - CPR, First Aid and a unique identification number are required for all individual PCA providers beginning April 1, 2007.
 - Assessments are to be completed by a state contractor and prior authorizations for service will be required.
 - Solicitation of clients by providers of PCA services is expressly prohibited.
- The division implemented audits of providers and regulations to improve PCA program efficiency and accountability while ensuring that beneficiaries receive only the services for which they are eligible. The number of PCA clients served and the cost has steadily increased since the program was implemented. In 2000 the program served 1,300 clients at a cost of \$7.6 million. The final cost for FY05 was nearly \$80 million, serving about 3,800 clients. For FY06, the costs grew slightly to \$83.5 million.



Growth in Cost of Personal Care Services



Source: DHSS, FMS, Medicaid Budget Group using MMIS-JUCE data.

- All four of the home and community-based waiver programs were renewed for five years during FY06.
- DHSS contracted with a national firm in FY06 for a study of Alaska's long-term care and cost system, both the Medicaid and grant funded programs. The study provided an analysis of existing long term care services in Alaska in 2006, a comparison of those services to long term care systems in selected other states, and recommendations for improving Alaska's long term care delivery system. Accompanying the recommendations is a cost comparison of Alaska's system with and without the recommended changes, as well as a transition plan for implementing changes. The results of the study will be incorporated into regulations allowing improved fiscal responsibility and service delivery systems. Some recommendations from the study affirm activities already routinely performed, such as continued support of improving the coordination and quality of the four home and community based Medicaid waiver programs. In other cases the recommendations reinforce goals that the department is already working toward, e.g. developing a strategy for workforce recruitment and retention in the long term care service delivery system. Others have been or are in the process of implementation, such as coordinating administration and delivery of personal care and home and community based waiver services.

Statutory and Regulatory Authority

AS 47.07 Medical Assistance for Needy Persons
AS 47.25 Public Assistance

Social Security Act:
Title XVIII Medicare
Title XIX Medicaid

Administrative Code:
7 AAC 43 Medicaid

Code of Federal Regulations:
Title 42 CFR Part 400 to End

Contact Information

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Senior and Disabilities Medicaid Services Component Financial Summary

All dollars shown in thousands

| | FY2006 Actuals | FY2007 Management Plan | FY2008 Governor |
|--|------------------|---------------------------|------------------|
| Formula Program: | | | |
| Component Expenditures: | | | |
| 71000 Personal Services | 0.0 | 0.0 | 0.0 |
| 72000 Travel | 0.0 | 0.0 | 0.0 |
| 73000 Services | 0.0 | 0.0 | 0.0 |
| 74000 Commodities | 0.0 | 0.0 | 0.0 |
| 75000 Capital Outlay | 0.0 | 0.0 | 0.0 |
| 77000 Grants, Benefits | 281,286.4 | 312,795.9 | 337,291.9 |
| 78000 Miscellaneous | 0.0 | 0.0 | 0.0 |
| Expenditure Totals | 281,286.4 | 312,795.9 | 337,291.9 |
| Funding Sources: | | | |
| 1002 Federal Receipts | 165,093.6 | 183,429.3 | 197,800.6 |
| 1003 General Fund Match | 114,743.2 | 125,803.2 | 125,644.4 |
| 1004 General Fund Receipts | 183.9 | 2,188.4 | 11,271.9 |
| 1007 Inter-Agency Receipts | 1,265.7 | 1,375.0 | 1,375.0 |
| 1108 Statutory Designated Program Receipts | 0.0 | 0.0 | 1,200.0 |
| Funding Totals | 281,286.4 | 312,795.9 | 337,291.9 |

Estimated Revenue Collections

| Description | Master Revenue Account | FY2006 Actuals | FY2007 Management Plan | FY2008 Governor |
|---------------------------------------|------------------------|------------------|------------------------|------------------|
| Unrestricted Revenues | | | | |
| None. | | 0.0 | 0.0 | 0.0 |
| Unrestricted Total | | 0.0 | 0.0 | 0.0 |
| Restricted Revenues | | | | |
| Federal Receipts | 51010 | 165,093.6 | 183,429.3 | 197,800.6 |
| Interagency Receipts | 51015 | 1,265.7 | 1,375.0 | 1,375.0 |
| Statutory Designated Program Receipts | 51063 | 0.0 | 0.0 | 1,200.0 |
| Restricted Total | | 166,359.3 | 184,804.3 | 200,375.6 |
| Total Estimated Revenues | | 166,359.3 | 184,804.3 | 200,375.6 |

**Summary of Component Budget Changes
From FY2007 Management Plan to FY2008 Governor**

All dollars shown in thousands

| | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|---|----------------------|----------------------|--------------------|--------------------|
| FY2007 Management Plan | 127,991.6 | 183,429.3 | 1,375.0 | 312,795.9 |
| Adjustments which will continue current level of service: | | | | |
| -Year 2 Fiscal Note (HB426) Medical Assistance Eligibility & Insurance Coverage | -158.8 | -173.1 | 0.0 | -331.9 |
| Proposed budget increases: | | | | |
| -Medicaid Facility Rates Rebased - Nursing Homes | 1,441.3 | 1,639.7 | 0.0 | 3,081.0 |
| -FY08 Projected Medicaid Growth | 7,642.2 | 12,904.7 | 1,200.0 | 21,746.9 |
| FY2008 Governor | 136,916.3 | 197,800.6 | 2,575.0 | 337,291.9 |