

State of Alaska FY2014 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.

Major Component Accomplishments in 2012

- Deposited \$14.4 million to the retiree health fund due to the Retiree Drug Subsidy (RDS) payment, from Centers for Medicare and Medicaid Services for calendar year 2010.
- Continued American Recovery and Reinvestment Act (ARRA) provisions to provide health insurance continuation, by collecting federal subsidies in qualified health continuation circumstances.
- Monitoring compliance of AlaskaCare health plans with mandates of the Patient Protection and Affordable Care Act (PPACA).
- Implemented Michelle's Law extending health coverage for dependent colleges students who take a medically necessary leave of absence.
- Implemented an employee wellness program based on best practices and population data trends.
- Implemented a new preventive services plan amendment to the Active AlaskaCare health plan allowing for 100% coverage for specified preventive services.
- Implemented a comprehensive disease management program.

Key Component Challenges

Third Party Administrator - Development of a Request for Proposal (RFP) for new health care vendors to provide services for the following components of the employee and retiree health plans: medical claims administration and managed network, pharmacy benefit management services, dental claims administration and managed network, and healthcare management. Implement fee negotiation with the third party administrator and their subcontractor, Multiplan, to garner additional savings for the plan and the member on larger claim amounts.

Active Members' Health Plan - To increase options and improve quality for members of the active health plan, expand travel benefits and negotiate packaged prices when services at Centers of Excellence are comparably or lower priced than local services. Evaluate and update the current active health insurance plan booklets. Develop a best practices and innovative wellness/disease management program for AlaskaCare members. Implement the new Dependent Care Assistance Plan (DCAP) claims system with related process changes.

Retirees Health Plan - Develop and compile the coverage provisions of the Defined Contributions Retirement Plan, retiree health plan. Evaluate and update the retiree health insurance plan booklets. Research and develop a retiree

health plan voluntary "Option B Package" of preventive services and wellness provisions.

Compliance - Monitor risk assessment of Health Systems for compliance with Health Information Technology for Economical and Clinical Health/ Health Information Portability and Accountability Act (HITECH/HIPAA) requirements. Continue to analyze and implement mandates of federal health care legislation.

Significant Changes in Results to be Delivered in FY2014

Defined Contribution Health Plan - Develop and implement a Communications Plan for notifying/educating the PERS/TRS memberships about the Defined Contributions Retiree health plan. Implement the Defined Contributions Retiree health plan.

Active Members' Health Plan - Continue an aggressive management of the AlaskaCare Employee health plan to bend the increasing cost curve down, improve value and quality, and promote effective member health care consumerism. Implement wellness/preventive initiatives in the AlaskaCare Employee health plan to encourage and continue developing a culture of health in State of Alaska workplaces.

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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| <p>Contact: Jim Puckett, Division Director, Retirement and Benefits Phone: (907) 465-4817 Fax: (907) 465-3086 E-mail: jim.puckett@alaska.gov</p> |

| Health Plans Administration Component Financial Summary | | | |
|--|-----------------|---------------------------------------|-----------------|
| | | <i>All dollars shown in thousands</i> | |
| | FY2012 Actuals | FY2013 Management Plan | FY2014 Governor |
| Non-Formula Program: | | | |
| Component Expenditures: | | | |
| 71000 Personal Services | 0.0 | 0.0 | 0.0 |
| 72000 Travel | 9.6 | 20.0 | 20.0 |
| 73000 Services | 14,799.0 | 15,520.9 | 17,020.9 |
| 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 |
| Expenditure Totals | 14,808.6 | 15,540.9 | 17,040.9 |
| Funding Sources: | | | |
| 1017 Benefits Systems Receipts | 14,808.6 | 15,540.9 | 17,040.9 |
| Funding Totals | 14,808.6 | 15,540.9 | 17,040.9 |

| Estimated Revenue Collections | | | | |
|---------------------------------|------------------------------|-----------------|---------------------------|-----------------|
| Description | Master Revenue Account | FY2012 Actuals | FY2013 Management Plan | FY2014 Governor |
| Unrestricted Revenues | | | | |
| None. | | 0.0 | 0.0 | 0.0 |
| Unrestricted Total | | 0.0 | 0.0 | 0.0 |
| Restricted Revenues | | | | |
| Benefits System Receipts | 51390 | 14,808.6 | 15,540.9 | 17,040.9 |
| Restricted Total | | 14,808.6 | 15,540.9 | 17,040.9 |
| Total Estimated Revenues | | 14,808.6 | 15,540.9 | 17,040.9 |

**Summary of Component Budget Changes
From FY2013 Management Plan to FY2014 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> |
|--|-----------------------------------|---------------------------------|--------------------|--------------------------|--------------------|
| FY2013 Management Plan | 0.0 | 0.0 | 15,540.9 | 0.0 | 15,540.9 |
| Proposed budget increases: | | | | | |
| -Third Party Administrator Contract Costs | 0.0 | 0.0 | 1,500.0 | 0.0 | 1,500.0 |
| FY2014 Governor | 0.0 | 0.0 | 17,040.9 | 0.0 | 17,040.9 |

Component Detail All Funds
Department of Administration

Component: Health Plans Administration (AR11770) (2152)
RDU: Centralized Administrative Services (13)

| | FY2012 Actuals | FY2013 Conference Committee | FY2013 Authorized | FY2013 Management Plan | FY2014 Governor | FY2013 Management Plan vs FY2014 Governor | |
|-----------------------------------|-----------------|-----------------------------|-------------------|------------------------|-----------------|---|-------------|
| 71000 Personal Services | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0% |
| 72000 Travel | 9.6 | 20.0 | 20.0 | 20.0 | 20.0 | 0.0 | 0.0% |
| 73000 Services | 14,799.0 | 15,520.9 | 15,520.9 | 15,520.9 | 17,020.9 | 1,500.0 | 9.7% |
| 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% |
| Totals | 14,808.6 | 15,540.9 | 15,540.9 | 15,540.9 | 17,040.9 | 1,500.0 | 9.7% |
| Fund Sources: | | | | | | | |
| 1017 Ben Sys (Other) | 14,808.6 | 15,540.9 | 15,540.9 | 15,540.9 | 17,040.9 | 1,500.0 | 9.7% |
| Unrestricted General (UGF) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0% |
| Designated General (DGF) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0% |
| Other Funds | 14,808.6 | 15,540.9 | 15,540.9 | 15,540.9 | 17,040.9 | 1,500.0 | 9.7% |
| Federal Funds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0% |
| Positions: | | | | | | | |
| 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 FY2013 Conference Committee To FY2013 Authorized ***** | | | | | | | | | | | | |
| FY2013 Conference Committee | | | | | | | | | | | | |
| ConfCom | | 15,540.9 | 0.0 | 20.0 | 15,520.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 |
| 1017 Ben Sys | | 15,540.9 | | | | | | | | | | |
| Subtotal | | 15,540.9 | 0.0 | 20.0 | 15,520.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 |
| ***** Changes From FY2013 Authorized To FY2013 Management Plan ***** | | | | | | | | | | | | |
| Subtotal | | 15,540.9 | 0.0 | 20.0 | 15,520.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 |
| ***** Changes From FY2013 Management Plan To FY2014 Governor ***** | | | | | | | | | | | | |
| Third Party Administrator Contract Costs | | | | | | | | | | | | |
| Inc | | 1,500.0 | 0.0 | 0.0 | 1,500.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 |
| 1017 Ben Sys | | 1,500.0 | | | | | | | | | | |
| Totals | | 17,040.9 | 0.0 | 20.0 | 17,020.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 |

Provider costs for the new health contracts include an anticipated increase in the number of covered individuals.

The AlaskaCare contract with the third party administrator (TPA), HealthSmart, Inc. will expire June 30, 2013. A Request for Proposals is in process and follows the recommendation of our health consultant; it will separate the current TPA services into four separate components. This separation will enable the division to engage the "best in the specific area of expertise." Final costs for each contract in each component will not be known until contracts have been awarded.

Line Item Detail
Department of Administration
Travel

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

| Line Number | Line Name | | FY2012 Actuals | FY2013 Management Plan | FY2014 Governor |
|-----------------------------------|--------------------------------|--|----------------|------------------------|-----------------|
| 72000 | Travel | | 9.6 | 20.0 | 20.0 |
| Expenditure Account | Servicing Agency | Explanation | FY2012 Actuals | FY2013 Management Plan | FY2014 Governor |
| 72000 Travel Detail Totals | | | 9.6 | 20.0 | 20.0 |
| 72110 | Employee Travel (Instate) | In-State employee third party administrator meetings | 9.6 | 10.9 | 10.9 |
| 72410 | Employee Travel (Out of state) | Out-of-State employee third party administrator meetings | 0.0 | 9.1 | 9.1 |

Line Item Detail
Department of Administration
Services

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

| Line Number | Line Name | | FY2012 Actuals | FY2013 Management Plan | FY2014 Governor |
|-------------------------------------|------------------------------|---|-----------------|------------------------|-----------------|
| 73000 | Services | | 14,799.0 | 15,520.9 | 17,020.9 |
| Expenditure Account | Servicing Agency | Explanation | FY2012 Actuals | FY2013 Management Plan | FY2014 Governor |
| 73000 Services Detail Totals | | | 14,799.0 | 15,520.9 | 17,020.9 |
| 73050 | Financial Services | Consultation on employee benefit programs and issues | 329.1 | 350.0 | 450.0 |
| 73150 | Information Technlgy | Data processing system support | 648.5 | 600.0 | 300.0 |
| 73175 | Health Services | Professional services for independent medical review and coverage recommendations | 11.2 | 25.0 | 25.0 |
| 73225 | Delivery Services | Postage and mailing fees | 47.4 | 65.0 | 65.0 |
| 73650 | Struc/Infstruct/Land | Space rental for health related seminars | 0.0 | 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 | 13,699.0 | 14,353.0 | 16,058.0 |
| 73812 | Legal | Law | | | |
| | | Legal services provided by the Department of Law | 53.5 | 100.0 | 100.0 |
| 73819 | Commission Sales (IA Svcs) | E-Travel | | | |
| | | US Travel Service fees | 0.1 | 0.3 | 0.3 |
| 73821 | Hearing/Mediation (IA Svcs) | Administrative Hearings | | | |
| | | Hearing Officer services for Health Plan cases | 10.2 | 26.2 | 21.2 |

Restricted Revenue Detail
Department of Administration

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

| Master Account | Revenue Description | | | | FY2012 Actuals | FY2013 Management Plan | FY2014 Governor |
|---------------------------|----------------------------|------------------|-------------------------|-------------------|-----------------------|-------------------------------|------------------------|
| 51390 | Benefits System Receipts | | | | 14,808.6 | 15,540.9 | 17,040.9 |
| Detail Information | | | | | | | |
| Revenue Amount | Revenue Description | Component | Collocation Code | AKSAS Fund | FY2012 Actuals | FY2013 Management Plan | FY2014 Governor |
| 51390 | Benefits System Rec | | various | | 14,808.6 | 15,540.9 | 17,040.9 |

Inter-Agency Services
Department of Administration

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

| Expenditure Account | Service Description | Service Type | Servicing Agency | FY2012 Actuals | FY2013 | |
|--|-----------------------------|--|---------------------------------------|----------------|-----------------|-----------------|
| | | | | | Management Plan | FY2014 Governor |
| 73812 | Legal | Legal services provided by the Department of Law | Inter-dept Law | 53.5 | 100.0 | 100.0 |
| 73812 Legal subtotal: | | | | 53.5 | 100.0 | 100.0 |
| 73819 | Commission Sales (IA Svcs) | US Travel Service fees | Intra-dept E-Travel | 0.1 | 0.3 | 0.3 |
| 73819 Commission Sales (IA Svcs) subtotal: | | | | 0.1 | 0.3 | 0.3 |
| 73821 | Hearing/Mediation (IA Svcs) | Hearing Officer services for Health Plan cases | Intra-dept Administrative Hearings | 10.2 | 26.2 | 21.2 |
| 73821 Hearing/Mediation (IA Svcs) subtotal: | | | | 10.2 | 26.2 | 21.2 |
| Health Plans Administration total: | | | | 63.8 | 126.5 | 121.5 |
| Grand Total: | | | | 63.8 | 126.5 | 121.5 |