

State of Alaska FY2015 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 2013

- Issued and awarded Request for Proposal (RFP) for Third Party Administrator (TPA) service such as: medical claims administration and managed network, pharmacy benefit management services, dental claims administration and managed network, and healthcare management.
- Acquired project manager services and began implementation for a TPA transition
- Work with medical director and clinical expertise for plan policies and guidance.
- Transitioned employee health plan from fiscal to calendar plan year.
- Completed update and revision of employee health plan booklet.
- Monitored effect of and compliance with federal legislation including the Patient Protection and Affordable Care Act.
- Continued to establish employee wellness program based on best practices and population data trends
- Deposited \$11.3 million to the retiree health trust from the Medicare Part D Retiree Drug Subsidy (RDS) program in Center for Medicare and Medicaid Services (CMS) for fiscal year 2013.
- Developed and produced a health eligibility 834 HIPAA/Hi-tech interface report.
- Implemented health eligibility quality control improvements.
- Implemented business process automation initiatives.

Key Component Challenges

Third Party Administrator - Issued and awarded 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. Coordinate and collaborate with multiple new vendors during the transition of health care services for 80,000 covered lives.

Active Members' Health Plan - Transitioning plan year from fiscal year to calendar year. Evaluate and update the current active health insurance plan booklet and coverage. Establish and implement a wellness and disease management program for AlaskaCare members. Evaluate plan utilization and eliminate plans that are underutilized. Establish and implement strategy for phasing out cross-subsidization among medical plans. Identify best practices in vendor management towards mitigating expenses among high-cost claimants. Increase member involvement,

promote the use of evidence-based medicine in plan design, and expand available decision support tools. Expand Preferred Providers Network development in key geographic areas of the state. Continue an aggressive management of the AlaskaCare Employee health plan to bend the increasing cost curve down, improve value and quality, while promoting effective member health care consumerism. Continue implementation of wellness/preventive initiatives in the AlaskaCare Employee health plan to encourage and continue developing a culture of wellness in State of Alaska workplaces.

Retirees Health Plan - Develop and compile the coverage provisions of the Defined Contributions Retirement Health Plan. Evaluate and update the retiree health insurance plan booklet. Identify best practices in vendor management towards mitigating expenses among high-cost claimants. Increase member involvement, promote the use of evidence-based medicine in plan design and expand available decision support tools. Expand Preferred Providers Network development in key geographic areas of the state.

HIPAA 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, evaluate and implement as appropriate and necessary mandates of federal health care legislation.

Significant Changes in Results to be Delivered in FY2015

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 - 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, evaluate and implement as appropriate and activation of federal health care legislation.

Retiree Members' Health Plan – Enhanced network with increased savings for the health and dentals plans and the members as a result of the transition in health care vendors. Continue an aggressive management of the AlaskaCare Retiree health plan to bend the increasing cost curve down, improve value and quality, and promote effective member health care consumerism. Introduce improved provider locator services, cost comparison of provider services, and health care decision support tools for members. Promote evidence-based medicine to providers and members with communications from the new health care management vendors.

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

Contact: Jim Puckett, Division Director, Retirement and Benefits

Phone: (907) 465-4471

Fax: (907) 465-3086

E-mail: jim.puckett@alaska.gov

Health Plans Administration Component Financial Summary			
<i>All dollars shown in thousands</i>			
	FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	13.4	20.0	20.0
73000 Services	15,411.3	17,020.9	22,520.9
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	15,424.7	17,040.9	22,540.9
Funding Sources:			
1017 Benefits Systems Receipts	15,424.7	17,040.9	22,540.9
Funding Totals	15,424.7	17,040.9	22,540.9

Estimated Revenue Collections				
Description	Master Revenue Account	FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
Unrestricted Revenues				
Benefits System Receipts	51390	116.2	0.0	0.0
Unrestricted Total		116.2	0.0	0.0
Restricted Revenues				
Benefits System Receipts	51390	15,424.7	17,040.9	22,540.9
Restricted Total		15,424.7	17,040.9	22,540.9
Total Estimated Revenues		15,540.9	17,040.9	22,540.9

**Summary of Component Budget Changes
From FY2014 Management Plan to FY2015 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>
FY2014 Management Plan	0.0	0.0	17,040.9	0.0	17,040.9
Proposed budget increases:					
-Third Party Administrator Costs	0.0	0.0	5,500.0	0.0	5,500.0
FY2015 Governor	0.0	0.0	22,540.9	0.0	22,540.9

Component Detail All Funds
Department of Administration

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

	FY2013 Actuals	FY2014 Conference Committee	FY2014 Authorized	FY2014 Management Plan	FY2015 Governor	FY2014 Management Plan vs FY2015 Governor	
71000 Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
72000 Travel	13.4	20.0	20.0	20.0	20.0	0.0	0.0%
73000 Services	15,411.3	17,020.9	17,020.9	17,020.9	22,520.9	5,500.0	32.3%
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	15,424.7	17,040.9	17,040.9	17,040.9	22,540.9	5,500.0	32.3%
Fund Sources:							
1017Ben Sys (Other)	15,424.7	17,040.9	17,040.9	17,040.9	22,540.9	5,500.0	32.3%
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	15,424.7	17,040.9	17,040.9	17,040.9	22,540.9	5,500.0	32.3%
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 FY2014 Conference Committee To FY2014 Authorized *****												
FY2014 Conference Committee												
ConfCom		17,040.9	0.0	20.0	17,020.9	0.0	0.0	0.0	0.0	0	0	0
1017 Ben Sys		17,040.9										
Subtotal		17,040.9	0.0	20.0	17,020.9	0.0	0.0	0.0	0.0	0	0	0
***** Changes From FY2014 Authorized To FY2014 Management Plan *****												
Subtotal		17,040.9	0.0	20.0	17,020.9	0.0	0.0	0.0	0.0	0	0	0
***** Changes From FY2014 Management Plan To FY2015 Governor *****												
Third Party Administrator Costs												
Inc		5,500.0	0.0	0.0	5,500.0	0.0	0.0	0.0	0.0	0	0	0
1017 Ben Sys		5,500.0										
Totals		22,540.9	0.0	20.0	22,520.9	0.0	0.0	0.0	0.0	0	0	0

The new AlaskaCare contracts for third party administrator (TPA) services will become effective January 1, 2014. The Request for Proposals issued for this contract followed the recommendation of the departments' Health Consultant and separated the TPA services into four major components: Medical Claims Administration and Managed Network, Healthcare Management, Pharmacy Benefit Management, and Dental Claims Administration and Managed Network. This design will help the division engage the "best in the specific area of expertise." Aetna, winner of three components, and Moda Health (formerly Oregon Dental Services), winner of the dental component, are the new contractors. The actual service fees for each contract will be projected by January 1, 2014.

With the assistance of the departments' Health Consultant, the Division estimates the additional cost of \$5,500,000 for the new contracts and an increase in the number of lives covered.

Line Item Detail
Department of Administration
Travel

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

Line Number	Line Name		FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
72000	Travel		13.4	20.0	20.0
Expenditure Account	Servicing Agency	Explanation	FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
72000 Travel Detail Totals			13.4	20.0	20.0
72110	Employee Travel (Instate)	In-State employee third party administrator meetings	9.3	10.9	13.9
72410	Employee Travel (Out of state)	Out-of-State employee third party administrator meetings	4.1	9.1	6.1

Line Item Detail
Department of Administration
Services

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

Line Number	Line Name			FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
73000	Services			15,411.3	17,020.9	22,520.9
				FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
Expenditure Account	Servicing Agency	Explanation		FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
73000 Services Detail Totals				15,411.3	17,020.9	22,520.9
73025	Education Services			1.6	0.0	0.0
73050	Financial Services		Consultation on employee benefit programs and issues	734.3	750.0	750.0
73150	Information Technlgy		Data processing system support	141.8	150.0	140.0
73175	Health Services		Professional services for independent medical review and coverage recommendations	0.5	25.0	25.0
73225	Delivery Services		Postage and mailing fees	33.1	65.0	50.0
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	14,136.0	15,683.0	21,070.5
73812	Legal	Law	Legal services provided by the Department of Law	298.9	250.0	250.0
73819	Commission Sales (IA Svcs)	E-Travel	US Travel Service fees	0.2	0.3	0.3
73821	Hearing/Mediation (IA Svcs)	Administrative Hearings	Hearing Officer services for Health Plan cases	10.5	21.2	21.2
73823	Health	H&SS	Medical expertise and counsel Medical expertise and counsel	54.4	75.0	212.5

Unrestricted Revenue Detail
Department of Administration

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

Master Account	Revenue Description				FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
51390	Benefits System Receipts				116.2	0.0	0.0
Detail Information							
Revenue Amount	Revenue Description	Component	Collocation Code	AKSAS Fund	FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
51390	Benefits System Rec				116.2	0.0	0.0

Restricted Revenue Detail
Department of Administration

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

Master Account	Revenue Description				FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
51390	Benefits System Receipts				15,424.7	17,040.9	22,540.9
Detail Information							
Revenue Amount	Revenue Description	Component	Collocation Code	AKSAS Fund	FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
51390	Benefits System Rec		various		15,424.7	17,040.9	22,540.9

Inter-Agency Services
Department of Administration

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

Expenditure Account	Service Description	Service Type	Servicing Agency	FY2013 Actuals	FY2014		
					Management Plan	FY2015 Governor	
73812	Legal	Legal services provided by the Department of Law	Inter-dept	Law	298.9	250.0	250.0
				73812 Legal subtotal:	298.9	250.0	250.0
73819	Commission Sales (IA Svcs)	US Travel Service fees	Intra-dept	E-Travel	0.2	0.3	0.3
				73819 Commission Sales (IA Svcs) subtotal:	0.2	0.3	0.3
73821	Hearing/Mediation (IA Svcs)	Hearing Officer services for Health Plan cases	Intra-dept	Administrative Hearings	10.5	21.2	21.2
				73821 Hearing/Mediation (IA Svcs) subtotal:	10.5	21.2	21.2
73823	Health	Medical expertise and counsel Medical expertise and counsel	Inter-dept	H&SS	54.4	75.0	212.5
				73823 Health subtotal:	54.4	75.0	212.5
				Health Plans Administration total:	364.0	346.5	484.0
				Grand Total:	364.0	346.5	484.0