

# **State of Alaska FY2015 Governor's Operating Budget**

## **Department of Health and Social Services Medicaid Services Results Delivery Unit Budget Summary**

## Medicaid Services Results Delivery Unit

### Contribution to Department's Mission

Medicaid is a jointly funded (federal and state) program that provides coverage for the cost of medically necessary health care services for Alaska's low-income children, pregnant women, families, disabled individuals, and the elderly. The program is managed through a contractual relationship with the Centers for Medicare and Medicaid Services, articulated in a series of documents comprising the State Plan.

### Major RDU Accomplishments in 2013

#### Systems and Analysis:

- Compliance efforts were completed in FY2013 to respond to the National Correct Coding Initiative federal mandate that establishes edit rules for medically-unlikely situations, as well as rules for comparison of procedure-to-procedure conditions. Quarterly code list updates issued by the Centers for Medicare and Medicaid Services are incorporated into the Medicaid Management Information System claims editing. These edits have been implemented to evaluate claims from all required provider types. The savings from this effort were \$2.4 million in FY2013.
- The Medicaid Budget Unit, together with Evergreen Economics, prepared the 2012-2032 long term forecast for Medicaid Enrollment and Spending in Alaska and published it on the State website.

#### Operations:

- Re-enrollment of the department's more 9,000 Medicaid services providers was successfully completed. Re-enrollment, which has not been conducted since the implementation of the current management information system, enabled a smooth transition to Alaska Medicaid Health Enterprise, the replacement system that was launched in October 2013.
- Effective April 15, 2013, Health Care Services replaced administrative (non-clinical) review of outpatient imaging services (magnetic resonance imaging, magnetic resonance angiogram, single-photon emission computerized tomography, and positron emission tomography) with clinical review based on internationally recognized Utilization Review Accreditation Commission standards. Under the administrative review model, fewer than 5 imaging requests per month were denied, yielding a denial rate of 2 – 2½%. Health Care Services anticipates a denial rate of 6 – 7% under the clinical review model, with a favorable return on investment of three to one.
- Implemented tiered rates for eyeglass fitting based on complexity of the service.

Revised End Stage Renal Disease clinic payment regulations to allow for separate rates for peritoneal dialysis and hemodialysis, which differ in clinical complexity. Increased Revised End Stage Renal Disease composite rate to include all except the two most expensive dialysis-related drugs, erythrocyte-stimulating agents and parenteral iron replacement products, and to allow clinics to bill separately for these two drugs.

### Key RDU Challenges

- Even without Medicaid expansion, it is likely that Alaska will experience increased enrollment by individuals currently eligible that have either never enrolled in Medicaid or were enrolled in the Medicaid program, but allowed their enrollment to expire. The Kaiser Foundation study estimates that even without expansion, the Affordable Care Act will lead to an increase in Medicaid enrollment in Alaska of 10,000 by year 2022.
- Due to a change in income determination standards by the Centers for Medicare and Medicaid Services, modified adjusted gross income will be used to determine eligibility for Medicaid. The new modified adjusted gross income standards no longer require an asset test to determine financial eligibility. It is projected that this will increase overall enrollment. However, one of the challenges that Alaska faces from the new income

determination standard is to insure that children currently enrolled in Medicaid are being held harmless and won't fall off the program due to a slightly higher income than the new standard allows..

- One of the mandatory Affordable Care Act provisions is that all children and young adults under age 26 are eligible for coverage on their parents' health insurance plan, regardless of their financial status. Since the State is essentially a foster child's parent and the State's health insurance is Medicaid, we now have an additional population of former foster children who had previously aged out of Medicaid coverage that now become eligible again under this provision. We estimate that there are about 219 of these additional individuals between ages 19 and 26.
- Transportation continues to be a focus as local transportation options and payment methodologies are reviewed for sustainability and cost-effectiveness.
- Planning and implementation of the new Alaska Medicaid Health Enterprise continues to require significant time and effort.

### **Significant Changes in Results to be Delivered in FY2015**

In FY2015, the department will implement the federally mandated International Classification of Diseases, tenth revision. The increase from several thousand to more than 68,000 diagnosis codes and to 87,000 inpatient procedure codes is expected to improve health care quality, research, and public health reporting. It is also expected to promote accurate reimbursement. Implementation of the new revision was recently extended from October 1, 2013 to October 1, 2014.

<b>Contact Information</b>
<p><b>Contact:</b> Sarah Woods, Deputy Director <b>Phone:</b> (907) 465-1631 <b>Fax:</b> (907) 465-2499 <b>E-mail:</b> sarah.woods2@alaska.gov</p>

**Medicaid Services  
RDU Financial Summary by Component**

*All dollars shown in thousands*

	FY2013 Actuals				FY2014 Management Plan				FY2015 Governor			
	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds
<b>Formula Expenditures</b>												
Behavioral Hlth Medicaid Svcs	74,221.1	151.8	94,487.9	168,860.8	82,765.0	717.5	119,076.8	202,559.3	73,525.1	717.5	119,076.8	193,319.4
Children's Medicaid Services	3,469.9	52.2	4,811.8	8,333.9	4,659.4	0.0	7,629.3	12,288.7	4,410.7	0.0	7,629.3	12,040.0
Adult Prev Dental Medicaid Svcs	5,025.9	0.0	6,627.9	11,653.8	6,377.1	0.0	9,338.1	15,715.2	6,547.2	0.0	9,338.1	15,885.3
Health Care Medicaid Services	289,657.6	5,997.8	486,533.3	782,188.7	330,549.4	6,256.7	564,462.0	901,268.1	338,511.4	6,256.7	564,462.0	909,230.1
Senior/Disabilities Medicaid Svc	233,427.6	490.2	243,837.7	477,755.5	253,955.4	1,068.4	265,815.0	520,838.8	272,081.5	1,068.4	265,815.0	538,964.9
Medicaid Unallocated Reduction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Non-Formula Expenditures</b>												
None.												
<b>Totals</b>	<b>605,802.1</b>	<b>6,692.0</b>	<b>836,298.6</b>	<b>1,448,792.7</b>	<b>678,306.3</b>	<b>8,042.6</b>	<b>966,321.2</b>	<b>1,652,670.1</b>	<b>695,075.9</b>	<b>8,042.6</b>	<b>966,321.2</b>	<b>1,669,439.7</b>

**Medicaid Services**  
**Summary of RDU Budget Changes by Component**  
**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>
<b>FY2014 Management Plan</b>	<b>676,508.8</b>	<b>1,797.5</b>	<b>8,042.6</b>	<b>966,321.2</b>	<b>1,652,670.1</b>
<b>Adjustments which will continue current level of service:</b>					
-Behavioral Hlth Medicaid Svcs	-6,000.0	0.0	0.0	0.0	-6,000.0
<b>Proposed budget decreases:</b>					
-Behavioral Hlth Medicaid Svcs	-3,239.9	0.0	0.0	0.0	-3,239.9
-Children's Medicaid Services	-248.7	0.0	0.0	0.0	-248.7
<b>Proposed budget increases:</b>					
-Adult Prev Dental Medicaid Svcs	170.1	0.0	0.0	0.0	170.1
-Health Care Medicaid Services	7,962.0	0.0	0.0	0.0	7,962.0
-Senior/Disabilities Medicaid Svc	18,126.1	0.0	0.0	0.0	18,126.1
<b>FY2015 Governor</b>	<b>693,278.4</b>	<b>1,797.5</b>	<b>8,042.6</b>	<b>966,321.2</b>	<b>1,669,439.7</b>