

**State of Alaska  
FY2016 Governor Amended Operating  
Budget**

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

## Health Care Services Results Delivery Unit

### Contribution to Department's Mission

To provide health coverage to Alaskans in need.

### Results

(Additional performance information is available on the web at <https://omb.alaska.gov/results>.)

#### Core Services

- Ensure health care facilities are safe.
- Ensure health care capacity to meet client needs.
- Provide fiduciary oversight for Alaska Medicaid.
- Ensure access of clients to health care.

#### Measures by Core Service

(Additional performance information is available on the web at <https://omb.alaska.gov/results>.)

1. Ensure health care facilities are safe.
2. Ensure health care capacity to meet client needs.
3. Provide fiduciary oversight for Alaska Medicaid.
4. Ensure access of clients to health care.

### Major RDU Accomplishments in 2014

- Health Care Services continued development and design activities related to the federally-mandated International Classification of Diseases, 10th edition (ICD-10) for the new Enterprise Medicaid Management Information System. The International Classification of Diseases, 10th edition mandate must be implemented by October 1, 2015. Department Core Service 2.2, Division Core Measure 3
- Changes to the regulations governing coverage and payment for prescription medications were implemented in May of 2014 and are anticipated to generate an annual savings of \$1,000.0. Some of the notable changes were elimination of coverage for some non-prescription medications, revision of payment for medications, and increasing the dispensing fees paid to pharmacies. The changes were necessary to ensure program resources were being spent in a manner that maximizes the services received by recipients. Department Core Service 2.2, Division Core Measure 3
- Health Care Services applied and qualified for its fifth Children's Health Insurance Program Reauthorization Act (CHIPRA) performance bonus payment for the department in the amount of \$2,531.0, bringing the cumulative bonus since 2009 to \$18,022.0. Department Core Service 2.2, Division Core Services 3 and 4
- With guidance from the Centers for Medicare and Medicaid Services (CMS), Health Care Services changed a policy that limited tribal hospital and clinic payments to the Medicaid allowed amount when the patient has private insurance, and now pays up to the encounter payment, which in some cases is a difference of several hundred dollars per claim. This is a no-cost change to the state because these services are 100 percent federally reimbursable. Department Core Service 2.1, Division Core Service 3
- Health Care Services renewed the Third Party Liability contract with Health Management Services (HMS), which ensures continued robust collections from commercial insurance, Tricare, and Medicare. New initiatives include expansion of Tricare and commercial insurance collections to include a greater universe of services. Also under this contract, the Health Insurance Premium Payment program enrollment grew by 13

percent in FY2014, realizing a calculated savings increase of \$1,000.0 from FY2013. Department Core Service 2.1, Division Core Service 3

- Health Care Services continued efforts related to a complete rewrite of 52 provider billing manual sections. The new manuals are more user-friendly, easier to update, are searchable, and contain hyperlinks for ease of navigation. Twenty manual sections were drafted, approved, and published, during FY2014 for a total of 34 completed since inception of this project; 9 of the remaining 18 are near completion. Department Core Services 1.1, and 1.2, Division Core Services 2 and 3
- Outpatient Imaging Contract: Effective April 15, 2013, Health Care Services replaced its administrative (non-clinical) review of selected outpatient imaging services with clinical reviews based on internationally recognized Utilization Review Accreditation Commission (URAC) standards. Under the administrative review model, fewer than five imaging requests were denied per month, yielding a denial rate of two to 2.5 percent. The division anticipated a denial rate of six to seven percent under the clinical review model, with return on investment (ROI) = 3:1. During FY2014 the average monthly denial rate was 10.2 percent resulting in a return on investment of 2:1. Department Core Service 1.1, Division Core Service 2
- Created policies and procedures to incorporate the Office of Rate Review formally into the rate setting process for out-of-state Residential Psychiatric Treatment Centers. Department Core Services 2.1 and 2.2, Division Core Service 3
- The Residential Licensing Program received 709 Priority One and Two complaints. This is an increase of 565 Priority One and Two complaints from FY2013. In addition, even with the additional complaints, all intakes and investigative work was completed in a timely manner with no backlog going into FY2015. Department Priorities 1 and 3; Department Core Services 1.1; and 3.2; Division Core Service 1
- The Health Facilities Licensing and Certification survey team is comprised of registered nurses that are responsible for the state licensing and federal certification of health care facilities in the State of Alaska. These facilities include: general acute care hospitals, long term acute care hospitals, rural primary care hospitals, critical access hospitals, long term care nursing facilities, volunteer and full service Hospice programs, home health agencies, rural health clinics, frontier extended stay clinics, birthing centers, ambulatory surgical centers, and end stage renal disease dialysis centers, and outpatient physical therapy, speech, and pathology service centers. The teams completed a total of 73 full surveys in FY2014, each lasting an average of four to five days. Department Core Services 1.1 and 3.2, Division Core Service 1
- Health Care Services Tribal Programs continually assists with capital project oversight for facilities that play an important role in providing access to necessary services in rural communities. This allows recipients to remain in their community, thus reducing transportation expenditures and services being provided in non-tribal settings. The recent opening of two long term care facilities at a \$40 million capital expense has created capacity for 36 nursing home beds to be reimbursed at 100 percent match versus 50 percent at non-tribal settings and realizes a savings of up to \$185,000 per bed annually. Also, a new \$12.6 million capital expense for a Pre-maternal home is opening in the Bethel area and will provide increased capacity from 24 to 32 beds for rural tribal services to be provided in the region. Department Core Service 2.2, Division Core Services 2 and 4

## **Key RDU Challenges**

### **Department Priorities, Core Services, and Division Core Services to Meet Department's Mission**

#### **1. Health and Wellness Across the Lifespan**

Core Service:

- 1.1 Protect and Promote the Health of Alaskans
- 1.2 Provide Quality of Life in a Safe Living Environment for Alaskans

## **2. Health care Access Delivery and Value**

Core Service:

- 2.1 Manage Health Care Coverage for Alaskans in Need
- 2.2 Facilitate Access to Affordable Health Care for Alaskans

## **3. Safe and Responsible Individuals, Families, and Communities**

Core Service:

- 3.1 Strengthen Alaska Families
- 3.2 Protect Vulnerable Alaskans
- 3.3 Promote Personal Responsibility and Accountable Decisions by Alaskans

### **Division Core Services**

1. Ensure Health Care Facilities are Safe
2. Ensure Health Care Capacity to Meet Client Needs
3. Provide Fiduciary Oversight for Alaska Medicaid
4. Ensure Access of Clients to Health Care

Health Information Technologies:

- A significant challenge is the continued sustainability of the Health Information Exchange since the end of the Health Information Exchange Cooperative Agreement Grant in FY2014. There is an increased need for the State and other stakeholders to fund the ongoing operations of the Health Information Exchange established under AS 18.23.300. Department Core Measure 2.1.

Recipient Services:

- During FY2014, Operations staff expended considerable time and effort to resolve a significant increase in the number of rejected Medicaid claims that could not be processed by the Medicaid Management Information System, from 300 – 600 per month in FY2013 to 2,500 – 3,000 per month in FY2014. Department Core Services 1.1 and 2.2, Division Core Services 2 and 3
- For Medicaid members who must travel out of area to receive care, the division is exploring ways to reduce transportation costs by coordinating, and/or encourage the member to coordinate appointments, such that multiple appointments can be accomplished during a single travel episode. Department Core Services 1.1 and 2.2, Division Core Services 3 and 4
- Support with member eligibility, transportation and service issues, and assistance with identification of providers who are accepting new Medicaid patients continue as the focus of recipient services. Assisting recipients with transportation issues continues to be a challenge, as does ensuring access to complex medical care. Each recipient call is unique and requires research and resourcefulness to identify appropriate intervention. The most frequent issues include providers attempting to bill the Medicaid recipient for services and arranging for medically necessary transportation and accommodation services. Department Core Service 1.1, 2.1 and 2.2, Division Core Services 2 and 4

Pharmacy Program:

- Two of the key challenges facing the Health Care Services Pharmacy program are: (1) managing the utilization and program costs for new, and extremely costly, drug regimens and; (2) managing provider expectation while operating an evidenced based, fiscally responsible program. Department Core Service 2.1, Division Core Services 2 and 4
- Durable Medical Equipment: the primary challenge facing the Durable Medical Equipment program stems from the need for updated coverage and payment regulations. The department has initiated the regulation project in FY2014; however, significant provider pushback is anticipated as the department attempts to mirror

Medicare coverage and payment logic. The changes are needed because current coverage and payment logic are outdated, which prevent the department from properly updating the program to ensure recipients have access to services. Department Core Service 1.2, Division Core Service 1

Accounting and Recovery

- A key challenge of the Accounting and Recovery section is the collection of cost of care obligations for waiver recipients. A method must be developed for the up-front collection of cost-of-care from waiver recipients as a condition of eligibility rather than application of cost-of-care to claims processing. Department Core Service 2.1, Division Core Service 3

**Significant Changes in Results to be Delivered in FY2016**

In FY2016, Health Care Services will implement the mandate for International Classification of Diseases, 10th edition. 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. The planned implementation date for the International Classification of Diseases, 10th edition changes is October 1, 2015. Department Core Service 2.2, Division Core Service 3

Contact Information
<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>

**Health Care Services  
RDU Financial Summary by Component**

*All dollars shown in thousands*

	FY2014 Actuals				FY2015 Management Plan				FY2016 Governor Amended			
	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>												
Catastrophic & Chronic Illness	957.1	0.0	0.0	957.1	1,471.0	0.0	0.0	1,471.0	471.0	0.0	0.0	471.0
<b>Non-Formula Expenditures</b>												
Health Facilities Licensing & Ce	575.2	0.0	1,260.3	1,835.5	805.7	60.0	1,384.3	2,250.0	815.7	60.0	1,407.6	2,283.3
Residential Licensing	3,246.6	219.7	1,358.0	4,824.3	3,184.8	263.0	1,244.8	4,692.6	3,220.3	263.0	1,267.1	4,750.4
Medical Assistance Admin.	4,481.7	1,784.2	4,716.1	10,982.0	5,082.0	2,457.0	5,932.7	13,471.7	5,141.1	1,672.6	6,172.7	12,986.4
Rate Review	1,110.3	0.0	1,110.2	2,220.5	1,216.0	0.0	1,290.3	2,506.3	1,235.3	0.0	1,310.3	2,545.6
Community Health Grants	2,153.9	0.0	0.0	2,153.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Totals</b>	<b>12,524.8</b>	<b>2,003.9</b>	<b>8,444.6</b>	<b>22,973.3</b>	<b>11,759.5</b>	<b>2,780.0</b>	<b>9,852.1</b>	<b>24,391.6</b>	<b>10,883.4</b>	<b>1,995.6</b>	<b>10,157.7</b>	<b>23,036.7</b>

**Health Care Services**  
**Summary of RDU Budget Changes by Component**  
**From FY2015 Management Plan to FY2016 Governor Amended**

*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>FY2015 Management Plan</b>	<b>9,894.4</b>	<b>1,865.1</b>	<b>2,780.0</b>	<b>9,852.1</b>	<b>24,391.6</b>
<b>One-time items:</b>					
-Medical Assistance Admin.	-13.7	0.0	0.0	-41.5	-55.2
<b>Adjustments which continue current level of service:</b>					
-Health Facilities Licensing & Ce	10.0	0.0	0.0	23.3	33.3
-Residential Licensing	22.4	13.1	0.0	22.3	57.8
-Medical Assistance Admin.	72.8	0.0	10.6	76.5	159.9
-Rate Review	19.2	0.1	0.0	20.0	39.3
<b>Proposed budget increases:</b>					
-Medical Assistance Admin.	0.0	0.0	205.0	205.0	410.0
<b>Proposed budget decreases:</b>					
-Catastrophic & Chronic Illness	-1,000.0	0.0	0.0	0.0	-1,000.0
-Medical Assistance Admin.	0.0	0.0	-1,000.0	0.0	-1,000.0
<b>FY2016 Governor Amended</b>	<b>9,005.1</b>	<b>1,878.3</b>	<b>1,995.6</b>	<b>10,157.7</b>	<b>23,036.7</b>