

**State of Alaska
FY2016 Governor Amended 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 2014

Children's Health Insurance Program:

- Health Care Services with assistance from Public Assistance, which determines Medicaid and Children's Health Insurance Program (CHIP) eligibility, 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 Services 2.2, Division Core Services 3 and 4

Systems and Analysis:

- In FY2014 the Systems and Analysis Section expended considerable efforts in problem resolution and support of the Department's implementation of a new Medicaid Management Information System and a new Decision Support System (DSS). Department Core Service 2.2, Division Core Service 3
- The Systems and Analysis Section implemented phase I of a project to bring the new Medicaid Management Information System in compliance with the July 1, 2013 Senior and Disabilities Service waiver regulations. Department Core Service 2.2, Division Core Service 3
- Behavioral Rehabilitation Service changes were implemented in the new Medicaid Management Information System to support the Department's transition of this service category from the Office of Children's Services to the Division of Behavioral Health management and oversight. Department Core Service 2.2, Division Core Service 3
- System quality assurance and implementation support efforts resulted in the successful implementation of pharmacy regulation changes within the Pharmacy Benefit Management System. Department Core Service 2.2, Division Core Service 3

Operations:

- The return on investment (ROI) for inpatient and outpatient utilization review services performed by Qualis Health increased 25 percent, from \$19.88:\$1.00 in FY2013 to \$24.851:\$1.00 in FY2014; ROI for case management services provided by Qualis Health increased 27 percent, from \$5.08:\$1.00 in FY2013 to \$6.45:\$1.00 in FY2014. Net savings realized from services provided by Qualis Health increased 33 percent, from \$3,900,426 to \$5,168,960 over the same time period. Department Core Services 1.1, Division Core Services 2
- Regulations were written and published for public notice to:
 - remove limitations that Centers for Medicare and Medicaid Services determined were unnecessarily restrictive
 - establish nutrition assessment service limitations

- establish nutrition services rates to adequately compensate providers for services rendered using a Resource Based Relative Value Scale (RBRVS) methodology consistent with other midlevel providers, and
- adopt the most recently version of the Bright Futures/American Academy of Pediatrics Department Core Services 1.1 and 2.1, Division Core Services 2
- 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 percent. Health Care Services anticipated a denial rate of 6 – 7 percent under the clinical review model, with a favorable return on investment of three to one. During FY2014 the average monthly denial rate was 10.2 percent resulting in a return on investment of 2.14:1. Department Core Services 1.1 and 2.1, Division Core Services 2, and 4
- 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, 1.2, 2.1 and 2.2, Division Core Services 2, 3, and 4

Pharmacy

- Psychotropic Medication Review Contract: During FY2014 we secured a contractor to provide a second opinion review for high dose and duplicative psychotropic medication therapy with the primary focus being on foster children. The contract is not anticipated to generate cost savings by reducing the number of prescriptions for psychotropic medications. But it is expected to improve the quality of pharmaceutical care Medicaid recipients receive. Department Core Service 2.1, Division Core Services 2 and 4

Tribal Medicaid

- 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 2 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. In addition, 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 1.1, Division Core Service 2

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
- 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 2, 3, and 4
 - The division continues to analyze reasonable alternative payment methodologies for reimbursement of local ground transportation providers (taxis, cars for hire) while continuing to meet federal and state requirements. Department Core Services 1.1 and 2.2, Division Core Services 2, 3, and 4
 - During FY2014, Operations staff expended considerable time and effort to resolve a significant increase in pends (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
 - The department experienced declining 2014 enrollment in the Title XXI Children's Health Insurance Program (CHIP) state plan (enhanced funded children – 65 percent) portion of the Alaska Medicaid program with corresponding increase in child enrollment in Medicaid (at the lower regular Medicaid FMAP - 50 percent), Title XIX children, likely due to the closure of the Anchorage Denali KidCare central processing office, eligibility training issues and other policy decisions surrounding Affordable Care Act. Department Core Services 2.2, Division Core Services 3 and 4
 - Health Care Services Tribal Programs continue to work with Private and Public providers to refinance an Air Ambulance service to a Tribal Health Organization to claim 100 percent reimbursement for Medicaid. Tribal Programs are working with the private providers and tribes to work out majority ownership by the Tribe. This includes getting the Air Ambulance on the Indian Health Services master facility list to guarantee full federal match. An additional task is to get the Private Provider to produce a set rate so Health Care Services see an overall reduction to the overall cost per flight while guaranteeing service availability. Department Core Services 1.1, Division Core Services 2 and 4

Significant Changes in Results to be Delivered in FY2016

- In compliance with the Patient Protection and Affordable Care Act, regulations will be promulgated to allow direct billing by, and reimbursement to, free-standing birth centers. Under current payment practices, payments for costs related to use of the birth facility are made to the attending midwife. Department Core Service 1.1, Division Core Services 2 and 4
- In FY2016, 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, 2014 to October 1, 2015. Department Core Service 2.2, Division Core Service 3
- In an effort to reduce Medicaid fraud, waste and abuse, the new Quality Assurance Team is developing and implementing the National Governors Association Emergency Room Super-utilizer Project. This project is

also known as the Alaska Medicaid Coordinated Care initiative (AMCCI). A new request for proposals (RFP) has been published to secure case management services for super-utilizers. One of the primary goals of the project is to reduce emergency room visits and contain health care costs for this population. Department Core Services 1.1, Division Core Services 3 and 4

Contact Information
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**Medicaid 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
Formula Expenditures												
Behavioral Hlth Medicaid Svcs	75,156.8	313.9	107,548.0	183,018.7	73,525.1	717.5	119,076.8	193,319.4	73,525.1	717.5	123,876.3	198,118.9
Children's Medicaid Services	795.0	0.0	1,369.2	2,164.2	4,410.7	0.0	7,629.3	12,040.0	4,410.7	0.0	7,629.3	12,040.0
Adult Prev Dental Medicaid Svcs	4,406.9	0.0	5,283.9	9,690.8	6,547.2	0.0	9,338.1	15,885.3	6,547.2	0.0	14,719.3	21,266.5
Health Care Medicaid Services	309,567.2	5,264.7	486,601.4	801,433.3	338,265.2	6,256.7	544,409.5	888,931.4	338,265.2	6,256.7	676,758.4	1,021,280.3
Senior/Disabilities Medicaid Svc	224,749.3	105.5	235,564.0	460,418.8	272,081.5	1,068.4	285,815.0	558,964.9	272,081.5	1,068.4	288,723.8	561,873.7
Non-Formula Expenditures												
None.												
Totals	614,675.2	5,684.1	836,366.5	1,456,725.8	694,829.7	8,042.6	966,268.7	1,669,141.0	694,829.7	8,042.6	1,111,707.1	1,814,579.4

**Medicaid 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>
FY2015 Management Plan	693,032.2	1,797.5	8,042.6	966,268.7	1,669,141.0
Proposed budget increases:					
-Behavioral Hlth Medicaid Svcs	0.0	0.0	0.0	4,799.5	4,799.5
-Adult Prev Dental Medicaid Svcs	0.0	0.0	0.0	5,381.2	5,381.2
-Health Care Medicaid Services	0.0	0.0	0.0	132,348.9	132,348.9
-Senior/Disabilities Medicaid Svc	0.0	0.0	0.0	2,908.8	2,908.8
FY2016 Governor Amended	693,032.2	1,797.5	8,042.6	1,111,707.1	1,814,579.4