

State of Alaska
FY2017 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 elderly. The program is managed through a contractual relationship with the U.S. Centers for Medicare and Medicaid Services (CMS), articulated in a series of documents which comprise the State Plan.

Major RDU Accomplishments in 2015

Children's Health Insurance Program:

- With passage of the Patient Protection and Affordable Care Act (ACA) by Congress, the Children's Health Insurance Program (CHIP), a program known as Denali KidCare and administered by Medicaid in Alaska, has been re-authorized nationwide through 2019 with funding authorized through 2017.
- In FFY2015, Congress passed the Medicare Access and CHIP Reauthorization Act (MACRA) of 2015, which included an extension of funding for the Children's Health Insurance Program and increased the enhanced federal medical assistance percentage (FMAP) for Children's Health Insurance Program 23 percent, from 65 percent to 88 percent. Effective October 1, 2016, state general funds will be 12 percent of every dollar spent for Children's Health Insurance Program children. The estimated savings to the Department of Health and Social Services is approximately \$16 million through the end of the CHIP authorization. Department Core Service 2.2 Division Core Services 3 and 4

Systems and Analysis:

- The Division of Health Care Services continued activities related to the federally-mandated project on International Classification of Diseases (ICD version 10) with extensive testing of system changes and deployment in the Medicaid Management Information System along with Alaska Medicaid coverage rules. Disease classifications increased from several thousand to more than 68,000 diagnosis codes and 87,000 inpatient procedure codes. This is expected to improve health care quality, research, and public health reporting, as well as promote accurate reimbursement. The International Classification of Diseases, 10th edition mandate was implemented by the federally required deadline of October 1, 2015. Department Core Service 2.2, Division Core Measure 3
- In SFY2015, the Division of Health Care Services implemented Medicaid Management Information System modifications to member eligibility and claims processing for members deemed eligible on the basis of Hospital Presumptive Eligibility (HPE). This federal mandate is a component of the Affordable Care Act. Department Core Service 2.2, Division Core Measure 3
- In June 2015, the Medicaid Management Information System was modified to accept member eligibility for Department of Corrections' inmates whose hospitalization services are deemed eligible for Medicaid coverage. This is phase I of an ongoing effort to automate acceptance of member eligibility and process claims for this client population. Department Core Service 2.2, Division Core Measure 3

Operations:

- In compliance with the Patient Protection and Affordable Care Act, and in consideration of public input and tribal consultation, the department finalized proposed regulations to allow direct billing by, and reimbursement to, free-standing birth centers. Under current practices, payments for costs related to use of a birth facility are made to the attending midwife. During FY2015 the proposed regulations were released for public comment and adoption is anticipated based on pre-draft provider input. Department Core Service 1.1, Division Core Services 2 and 4

- The Division of Health Care Services realized a \$13.92 to \$1.00 return on investment (ROI) in FY2015 for inpatient and outpatient utilization management (UM) services performed by Qualis Health, and a \$6.38 to \$1.00 return on investment for case management services provided by Qualis Health. The overall utilization management/case management return on investment for FY2015 was \$10.81 to \$1.00. Total net savings realized in FY2015 from services provided by Qualis Health was \$3,155.8. Department Core Services 1.1, Division Core Services 2
- Through a contractor, the Division of Health Care Services continued a utilization review of all outpatient magnetic resonance imaging (MRI), magnetic resonance angiogram (MRA), single-photon emission computerized tomography (SPECT), and positron emission tomography (PET) services. All reviews were based on the industry standard and internationally recognized InterQual criteria. During FY2015 the average monthly denial rate was 11.1 percent for outpatient imaging services and 8.5 percent for all inpatient and outpatient services, resulting in a \$13.95 to \$1.00 overall return on investment. Department Core Services 1.1 and 2.1, Division Core Services 2, and 4

Pharmacy

- Revised Coverage and Payment Regulations for Prescription Medications: In SFY2015, cost-savings were realized based on the changes to payment regulations implemented in late SFY2014. The regulations promulgated in SFY2014 made the payment rates for covered drugs more competitive and comparable to other third party payers. These revisions help in maximizing the services recipients receive with the allocated program resources. Department Core Service 2.1, Division Core Services 4
- Psychotropic Medication Review Contract: During FY2015, the Division of Health Care Services continued, with a contractor, to provide a second opinion review for high dose and duplicative psychotropic medication therapy with foster children as the primary focus. The purpose of the contract is to reduce the number of inappropriate prescriptions for psychotropic medications and to enhance the quality and appropriateness of pharmaceutical care for Medicaid recipients. Department Core Service 2.1 and 3.2, Division Core Services 4

Tribal Medicaid

- Successfully worked with tribal health organizations to research and agree to National Average Drug Acquisition Cost (NADAC) drug pricing which generated a reduction of approximately 3 percent in acquisition costs for tribal pharmacy supplies. Department Core Service 2.1 Division Core Service 3
- Rolled out Hospital Presumptive eligibility which increased the numbers of tribal and Medicaid eligible beneficiaries to increase Federal Medical Assistance Percentage. Department Core Service 2.2 Division Core Service 4
- Assisted tribal health in out-reach and enrollment efforts through tribal administrative claiming. Also assured accurate claiming of American Indian/Alaska Native beneficiaries to allow for a higher Federal Medical Assistance Percentage. Department Core Service 2.1 Division Core Service 3

Quality Assurance:

- During FY2015, the Division of Health Care Services Recipient Fair Hearings received 133 requests for a fair hearing. Of those, 75 were resolved and closed prior to hearing and 58 were presented to an administrative law judge. This translates into potential cost savings to the Department of Health and Social Services' reimbursable services agreement with the Department of Law. Of the cases presented, 52 were agency upheld, and 2 were agency overturned, and four are currently awaiting decisions. The high percentage of upheld cases demonstrates that the Department is functioning at a high level of proficiency with respect to recipient coverage and service delivery requirements. Department Core Service 2.1, Division Core Measure 3

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
- As a result of Alaska's vast size, rural nature, and limited availability of medical services, travel, both in-state and out-of-state, is often necessary for Medicaid members to receive medical care. The Division of Health Care Services is challenged to explore ways to reduce transportation costs yet comply with federal Medicaid transportation regulations. Department Core Services 1.1 and 2.2; Division Core Services 2, 3, and 4
 - The Department is challenged to develop alternative payment methodologies for reasonable reimbursement to 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
 - The Division of Health Care Services' Operations Unit is challenged to oversee claims processing, resolve pends, provide responses to questions and inquiries, and adjudicate appeals, which number in excess of 600 annually, from more than 50 provider types. Department Core Services 2.1 and 2.2; Division Core Services 2, 3, and 4
 - The Division of Behavioral Health continues to work towards implementing a payment methodology to support the costs of providing services including the feasibility of incorporating an acuity adjustment into the rate methodology applied to outpatient behavioral health services. The Division remains committed to continuing this effort and will conduct further reviews of alternative payment methodologies.
 - With the senior population in Alaska projected to increase, the Division of Senior and Disabilities Services will be challenged to manage the waiver programs and personal care assistance services in a way that controls the growth of spending and contains costs while ensuring that quality services are available to the individuals that really need them.

Significant Changes in Results to be Delivered in FY2017

- The Division of Health Care Services will implement and manage a new free-standing birth center provider type to comply with requirements of the Patient Protection and Affordable Care Act and in accordance with newly adopted state regulations. The Division will establish enrollment requirements, covered services, a payment methodology, and payment rate. Department Core Services 1.1, 2.1, and 2.2; Division Core Services 2, 3, and 4

- The Division of Health Care Services anticipates an increase in claims processing oversight, pended claims resolution, appeals, outreach, education, and other operation activities in proportion to the increase in individuals who have enrolled under Medicaid Expansion. Department Core Services 1.1, 2.1, and 2.2; Division Core Services 2 and 3
- The Division of Health Care Services will implement and manage new dental and orthodontic services regulations to apply service limitations for full and partial dentures and for lifetime limitations for orthodontic appliances. Further, demonstrated oral hygiene adequate to successfully complete treatment will be required prior to commencement of orthodontic treatment. These changes will more closely align Medicaid requirements with that of commercial carriers and is fully supported by enrolled dental providers, based on solicited input prior to drafting of the proposed regulations. Department Core Services 1.1, 2.1, and 2.2; Division Core Services 2, 3, and 4
- In SFY2017, the Division of Health Care Services will complete the federal mandate for the Transformed Medicaid Statistical Information System (T-MSIS) project. This will bring Alaska Medicaid into compliance with federal Medicaid reporting standards for paid claims, members, and providers. Upon deployment of these changes, Alaska Medicaid will commence efforts to bring current the filing of monthly Transformed Medicaid Statistical Information System information with the federal U.S. Centers for Medicare and Medicaid Services. Department Core Service 2.2; Division Core Measure 3
- In FY2017, the Division of Behavioral Health will develop and implement Applied Behavioral Analyst (ABA) services to treat Medicaid eligible children who have been diagnosed with an autism spectrum disorder. The work effort includes designing the system of care, developing the Medicaid State Plan Amendment (SPA) and regulations, coordinating the system changes, and developing and implementing oversight and quality management systems. In FY2016, the U.S. Centers for Medicare and Medicaid Services mandated that autism spectrum disorder services be provided. The Department will provide this new Medicaid service through the Early and Periodic Screening, Diagnostic and Treatment (EPSDT) program.
- The Division of Senior and Disabilities Services is currently in the process of designing, developing, and implementing an Automated Service Plan system with a provider portal in support of the Division's programs. The implementation of this system will emphasize service integration among state programs, including the Division of Senior and Disabilities Services, Medicaid, Behavioral Health, Eligibility, Financial Services, Certification and Licensing, and Public Health.

Contact Information
<p>Contact: Sana P. Efir, Assistant Commissioner Phone: (907) 465-1630 Fax: (907) 465-2499 E-mail: sana.efird@alaska.gov</p>

**Medicaid Services
RDU Financial Summary by Component**

All dollars shown in thousands

	FY2015 Actuals				FY2016 Management Plan				FY2017 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
Formula Expenditures												
Behavioral Hlth Medicaid Svcs	78,889.6	373.8	109,460.0	188,723.4	68,914.1	717.5	119,076.8	188,708.4	65,543.4	717.5	124,283.2	190,544.1
Children's Medicaid Services	0.0	0.0	0.0	0.0	2,814.6	0.0	7,629.3	10,443.9	2,814.6	0.0	7,629.3	10,443.9
Adult Prev Dental Medicaid Svcs	6,009.6	0.0	6,341.7	12,351.3	6,362.4	0.0	9,338.1	15,700.5	6,044.3	0.0	15,650.3	21,694.6
Health Care Medicaid Services	347,293.9	7,447.2	528,460.5	883,201.6	293,624.2	6,256.7	544,367.0	844,247.9	278,957.9	8,200.4	688,462.2	975,620.5
Senior/Disabilities Medicaid Svc	240,884.5	165.4	256,442.2	497,492.1	265,229.4	1,068.4	285,815.0	552,112.8	251,967.9	1,068.4	289,227.0	542,263.3
Non-Formula Expenditures												
None.												
Totals	673,077.6	7,986.4	900,704.4	1,581,768.4	636,944.7	8,042.6	966,226.2	1,611,213.5	605,328.1	9,986.3	1,125,252.0	1,740,566.4

Medicaid Services
Summary of RDU Budget Changes by Component
From FY2016 Management Plan to FY2017 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>
FY2016 Management Plan	635,147.2	1,797.5	8,042.6	966,226.2	1,611,213.5
Proposed budget increases:					
-Behavioral Hlth Medicaid Svcs	0.0	0.0	0.0	5,206.4	5,206.4
-Adult Prev Dental Medicaid Svcs	0.0	0.0	0.0	6,312.2	6,312.2
-Health Care Medicaid Services	0.0	0.0	1,943.7	158,761.5	160,705.2
-Senior/Disabilities Medicaid Svc	0.0	0.0	0.0	3,412.0	3,412.0
Proposed budget decreases:					
-Behavioral Hlth Medicaid Svcs	-3,370.7	0.0	0.0	0.0	-3,370.7
-Adult Prev Dental Medicaid Svcs	-318.1	0.0	0.0	0.0	-318.1
-Health Care Medicaid Services	-14,666.3	0.0	0.0	-14,666.3	-29,332.6
-Senior/Disabilities Medicaid Svc	-13,261.5	0.0	0.0	0.0	-13,261.5
FY2017 Governor	603,530.6	1,797.5	9,986.3	1,125,252.0	1,740,566.4