



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

**Department of
Health and Social Services**

DIVISION OF BEHAVIORAL HEALTH
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July 19, 2017

RE: SFY 2018 Behavioral Health Treatment and Recovery Grant Reductions

Dear Behavioral Health Treatment and Recovery Grantee:

Developing an equitable way to distribute the 4.9% reduction in the Division of Behavioral Health's (DBH's) SFY 2018 treatment and recovery budget component was, like last year, a complex process. A reduction of \$3.0 Million to DBH grants is – to state the obvious – a significant reduction, and we worked to balance the need to hold certain grants harmless with the benefit that accrued to those who were able to expand services to take advantage of the Medicaid Expansion population. As you know, this year's cut was on top of the 9.5% reduction in grants last year, which was \$5.8 Million). The two-year total reduction equals 14.4% of the Division's grants line.

These reductions reflect the State's efforts to continue to shift from a reliance on grants funded by the State's Unrestricted General Fund (UGF) to funding from Medicaid. This becomes more possible as additional adult clients gain access to health insurance coverage through Medicaid Expansion under the Affordable Care Act (ACA).

The SFY 2018 grant funds targeted for the reduction included UGF and General Fund Mental Health (GF/MH) dollars. The SFY 2018 \$3 Million reduction was applied to behavioral health non-profit businesses in proportion to the amount of Medicaid Expansion payments each grant program was able to generate over a recent twelve month period:

During that period, April 1, 2016 – March 30, 2017, Behavioral Health Medicaid Expansion payments totaled \$20.86 million. [\$19.4 million was used for DBH reduction calculations as \$1.46 million was recouped by agencies without funding eligible for reduction (see "quick reference guide" for details on funding eligible for reduction)].

- Interestingly, while the number of behavioral health Medicaid Expansion clients increased between FY16 and FY17, the overall number of clients did not increase at the same rate. These data confirm, as was first noted last year, that agencies are at least becoming successful at shifting clients formerly funded by grants over to Medicaid.
- Under Medicaid Expansion, some businesses, especially those focusing on adult substance use disorder treatment programs, are better able to take advantage of the benefits of Medicaid Expansion because these programs could not previously bill Medicaid for their adult clients.

- However, agencies *not* significantly benefitting from Medicaid Expansion, such as children's programs, and programs serving the chronically mentally ill adult population, continue to struggle to maximize the new revenue opportunities presented by Medicaid Expansion under the ACA. The Division will be focused on evaluating and assisting this latter group to better optimize access to Medicaid Expansion reimbursement during SFY 2018 (see below).

Like last year, SFY 2018 is a grant continuation, so DBH is requesting – on receipt of your grant award notices in GEMS – that within 15 days of receipt, your agency submit a revised FY 2018 budget that does not drastically reduce or eliminate funding from any one program service type, or seek to shift it to another program service type. In other words, we want the revised program budget your business proposes to closely parallel the budget(s) you submitted earlier this year with your original SFY 2018 continuation grant proposal(s). However, if, after the 1st quarter of this fiscal year, your agency is concerned that its present allocation of grant dollars is limiting its ability to appropriately manage the area's needed behavioral health service array, your business may present a proposed services re-alignment budget to your assigned DBH program manager. Any proposed service changes will be closely scrutinized to ascertain that the service array presently provided is not critically impaired by any proposed revisions to the current services structure.

From the Division's perspective, a part of these discussions will also be to better understand how agencies now able to successfully access the Medicaid Expansion population are managing the distribution of these new resources across their agency. One of our core assumptions is that businesses will use Medicaid Expansion revenue to replace grant funds lost because of the Division's Medicaid Expansion grant reduction / replacement process.

In that regard, please know that DBH has also identified at least a handful of behavioral health providers who, based on their current programs and services, should be better able to bill Medicaid for its services but, for whatever reasons, are billing minimally or not at all. Generally, these agencies will not be immediately asked to take a reduction in grant funding because of their failure to bill Medicaid. However, these agencies will receive a grant deliverable for FY18 that will require them to take active steps during the first two quarters of SFY 2018 to develop internal Medicaid billing procedures and processes that will assist them in successfully beginning to appropriately bill Medicaid during SFY 2018. Assuming that an agency can bill Medicaid for some – or all – of the services it provides, failure to act will result in grant reductions during FY18 and / or potentially grant elimination effective in SFY 2019.

Agencies which are underperforming with regards to Medicaid service delivery and billing, but who are demonstrating moderate access to Medicaid Expansion revenues, will not receive a similar SFY 2018 project deliverable. However, DBH did develop a results based accountability / budgeting (RBA/RBB) measure for SFY 2017 and 2018 (to wit: "the number or percentage of clients who are low income/non-resourced"). This measure was a part of each agency's SFY 2018 continuation application. During the year, DBH will contact agencies to discuss their performance on this measure and on their ability (to continue) to increase access to Medicaid. This will help DBH determine how agencies' Medicaid performances may impact their SFY 2019 grant awards.

In addition, as you know, DBH had been prepared to further reduce the SFY 2018 grants by an amount equal to the estimated cost of the 3% rate increase for Medicaid Provider Type 107 that took effect on May 21st of this year. This would have added another \$1,161,600 to the \$3,000,000 reduction for the current fiscal year. Because a number of grants ended up being discontinued for SFY 2018, we determined to use a portion of those funds to cover the projected \$1.2 Million reduction.

Finally, please also note that Psychiatric Emergency Services is a required program service type for those grantees presently in receipt of these grants, and DBH will *not* approve funding shifts or decreases from the PES program service type grant to any other program service type. The reasons for this should be clear: while we recognize that the approximately thirty agencies funded to provide PES are underfunded, your communities must be able to continue to count on these important local services. I represented during much of SFY 2017 that DBH would be adjusting/ increasing the PES grants of most providers for SFY 2018, and we are going to do so. However, we were not able to make that a part of this grant reduction exercise. We were mixing apples and oranges.

It remains our intent to increment the funding to the majority of PES grantees, but those increments will be handled as SFY 2018 grant amendments later in the fiscal year, after Grants & Contracts has managed the workload of getting all of the grant agreements signed and SFY 2018 first quarter advances processed. We have created a chart of PES grant activity and funding levels which will, to some degree, assist us in the distribution of additional PES funding. However, in truth, data collection in this area remains imprecise and we are also looking at the Emergency Services module in AKAIMS in order to better support / justify funding increases to the PES services that we know comprehensive community providers truly need.

Please do not hesitate to contact your program manager should you have any questions regarding this advice letter, your "SFY 2018 Treatment & Recovery Grantee Funding Summary Sheet," or the attendant "Quick Reference Guide to the Grant Reduction Allocation Process" for SFY 2018.

Every day I think about how unsettled and ambiguous the healthcare world is and will unfortunately continue to be, especially for those businesses trying to provide a stable array of behavioral health services for the people in your service areas. Know that we are more than grateful for your hard work and quality services: in fact, we are incredibly thankful and appreciative that the boards and staff of your organizations continue to provide these important services in the face of such uncertainties. Thank you so much!

Sincerely,

A handwritten signature in black ink, appearing to read "Randall". The signature is stylized with a large, looped 'R' and a cursive 'Burns'.

Randall P. Burns
Director