

# State of Alaska

## Office of Management and Budget

FY2020 Operating Budget Overview:  
Department of Health and Social Services  
Medicaid Services

Presentation to the House HSS Finance Sub Committee  
March 19, 2019

Administrative Services Director Sana Efird/Deputy Commissioner Donna Steward



THE STATE  
of **ALASKA**  
GOVERNOR MICHAEL J. DUNLEAVY

# Medicaid Services FY2020 Operating Budget: Core Services Alignment

*Mission: To provide coverage for the cost of medically necessary health care services for Alaska's low-income children, pregnant women, families, disabled individuals, adults without dependents, and elderly.*

Core Services	Combined General Fund	Other	Federal	Total	% GF
Protect and promote the health of Alaskans	\$134,797.8	\$9,228.9	\$602,366.2	\$746,392.9	18.06%
Provide quality of life in a safe living environment for Alaskans	\$250,565.8	\$1,890.0	\$379,378.2	\$631,834.0	39.66%
Manage health care coverage for Alaskans	\$9,179.7	\$901.4	\$64,425.5	\$74,506.6	12.32%
Facilitate access to affordable health care for Alaskans	\$8,347.8	\$814.3	\$58,151.2	\$67,313.3	12.40%
Strengthen Alaska families	\$861.5	\$33.8	\$1,678.2	\$2,573.5	33.48%
Protect vulnerable Alaskans	\$8,287.4	\$209.2	\$17,914.8	\$26,411.4	31.38%
Promote personal responsibility and accountable decisions by Alaskans	\$861.2	\$33.7	\$1,677.8	\$2,572.7	33.48%
FY2020 Governor's Amended	\$412,901.2	\$13,113.3	\$1,125,591.9	\$1,551,604.4	26.61%



## Medicaid Services FY2020 Operating Budget: Change Summary

	FY2019 Mgmt Plan	FY2020 Governor Amended	Difference	% of Change
UGF	\$661,215.7	\$411,998.9	(\$249,216.8)	-38%
DGF	\$902.3	\$902.3	\$0.0	0%
Other	\$12,479.8	\$13,111.3	\$631.5	5%
Federal	\$1,591,068.5	\$1,125,591.9	(\$465,476.6)	-29%
Total Budget	\$2,265,666.3	\$1,551,604.4	(\$714,061.9)	-32%

- Implement Cost Containment Measures and Reform Initiatives (\$225,000.0 UGF, \$450,000.0 Fed)
- Eliminate Adult Dental Medicaid Benefit (\$8,273.6 UGF, \$18,730.9 Fed)
- Collapse Medicaid Services to a Single Allocation



## Medicaid Services FY2020 Operating Budget: Component Change Summary

	FY2019 Mgmt Plan	FY2020 Governor Amended	Difference	% of Change
DBH Medicaid	\$257,137.8	\$0.0	(\$257,137.8)	-100%
Adult Dental	\$27,004.5	\$0.0	(\$27,004.5)	-100%
HCS Medicaid	\$1,406,555.3	\$0.0	(\$1,406,555.3)	-100%
SDS Medicaid	\$574,968.7	\$0.0	(\$574,968.7)	-100%
Medicaid Services	-	\$1,551,604.4	\$1,551,604.4	
Total Budget	\$2,265,666.3	\$1,551,604.4	(\$714,061.9)	-32%

- Collapse Medicaid Services to a Single Allocation
  - Efficiency Measure: Reduction in man-hours and time to process payment
  - Minimizes administrative burden related to transfers of budget authority
  - Reporting to the Legislature will remain consistent
  - Staff accounting time available to spend on other divisions



## Medicaid (\$millions, FY2018 actuals)

### Health Care Services

- Hospitals (\$565.2)
- Physicians (\$345.1)
- Pharmacy (\$87.5)
- Dental (\$77.9)
- Transportation (\$85.6)
- Lab/X-Ray (\$7.5)
- DME/Audiology (\$23.3)
- Vision (\$10.7)
- Chiropractic/Occu/Phys/Speech Therapy (\$31.2)
- Home Health/Hospice (\$1.8)
- Other (\$16.2)
- Case Management
- Care Coordination Initiative
- Managed Care Pilot
- EPSDT
- Health Facilities Licensing
- Administration/State Plan/Rates
- MMIS/Systems
- Quality Assurance

### Tribal Reclaiming

\$124.2 Federal Revenue  
Total since 2/2016

### Medicaid

- 237,924 Enrollees
- \$646.3 (UGF, DGF, Other)
- \$1,440.5 (Federal)
- **\$2,086.8 (Total)**

### Public Assistance

Eligibility  
Maintenance of Effort

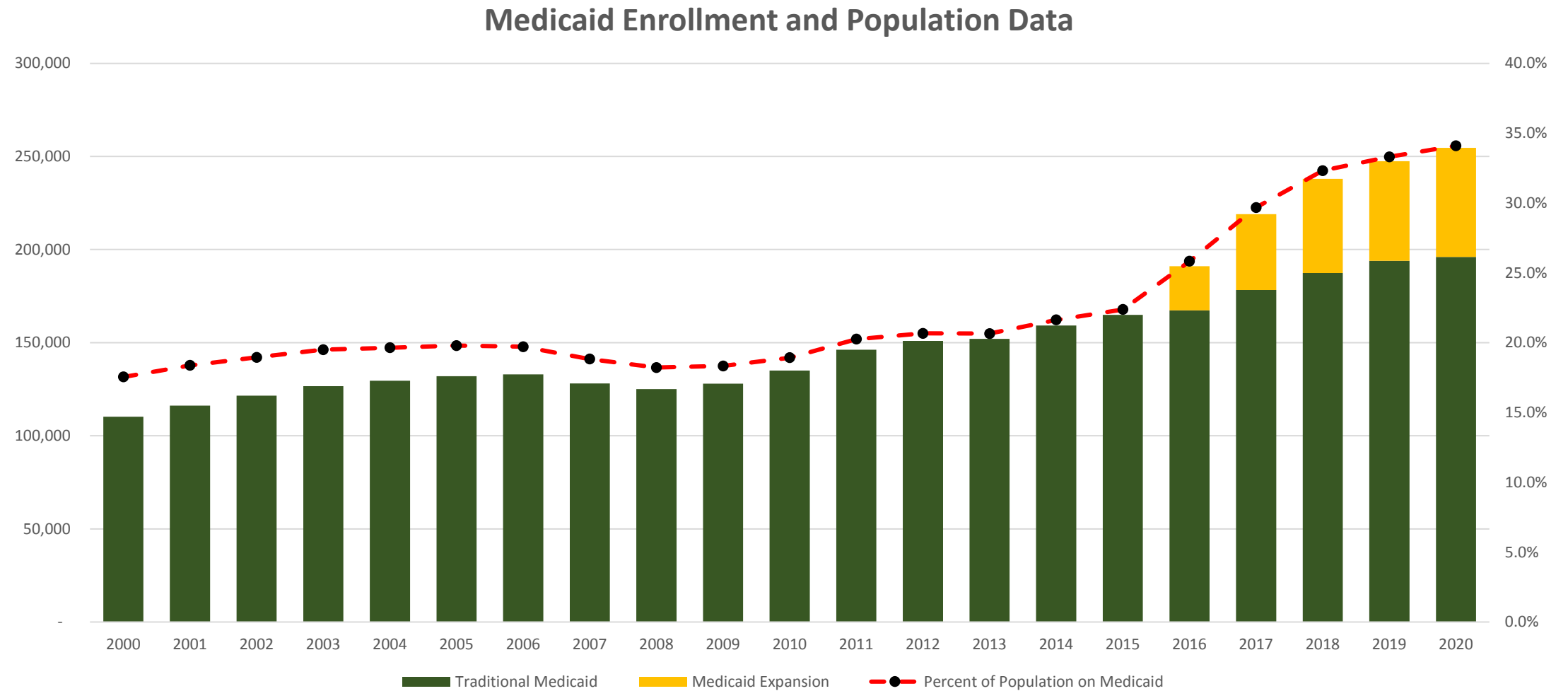
### Behavioral Health

- Psych Hospitals (\$15.3)
- API (\$3.9)
- Mental Health Services (\$188.7)
- DSH (\$17.6)
- Quality Assurance
- Provider Certification/Compliance
- Medical Necessity Review
- 1115 Waiver Application

### Senior and Disabilities

- Personal Care Assistance (\$61.9)
- Waiver Services (\$266.4)
  - Includes AK Pioneer Homes (\$4.5)
- Nursing Homes (\$126.7)
- Intermediate Care Facility (\$2.6)
- Provider Certification/Compliance
- Disability Determination
- Intake/Assessment
- Quality Assurance

# Medicaid Enrollment and Population History



# MEDICAID PROGRAM ADJUSTMENTS

---

## Two Phase Approach

### Phase I: Cost Containment Efforts

- Implementation in SFY 2020
- Familiar strategies plus new approaches

### Phase II: Evaluate New Federal Opportunities

- New flexibilities released November 2018 may provide opportunities to better address the health care needs of the low-income and uninsured in Alaska
- Implementation goal is for late SFY 2020 and SFY 2021

## Phase I: Medicaid Cost Containment

---

### Four Primary Levers for Reducing Medicaid Costs

- Rate Adjustments
- Service/Utilization Adjustments
- Program/Administrative Adjustments
- Eligibility Adjustments



## Phase I: Cost Containment - Rate Adjustments

---

### Principles for Approaching Rate Adjustments

- Protect Primary Care
- Protect Small Hospitals
- Protect Access to All Services
- Align Payment with Other Public Payers

## Phase I: Cost Containment – Rate and Payment Adjustments

Adjustment	GF Adjustment	Fed Adjustment	Total Adjustment
5% Provider Rate Reduction			
• Inpatient/Outpatient hospital services Critical Access Hospitals Exempt	(\$5,486.9)	(\$9,702.5)	(\$15,189.4)
• Specialty physician services No reduction primary care/obstetrics	(\$2,311.0)	(\$3,978.0)	(\$6,289.0)
• All other providers No reduction to Federally Qualified Health Centers (FQHC)	(\$13,326.0)	(\$15,279.0)	(\$28,605.0)
Withhold Inflation	(\$11,093.0)	(\$15,239.0)	(\$26,332.0)
Hospital diagnosis-related group (DRGs)	(\$4,500.0)	(\$6,750.0)	(\$11,250.0)
Acuity Based Nursing Facility Rate	(\$2,000.0)	(\$3,000.0)	(\$5,000.0)
Cost Based End stage renal disease (EDRD) Rate	(\$1,000.0)	(\$1,200.0)	(\$2,200.0)
Pharmacy Adjustments	(\$2,100.0)	(\$3,900.0)	(\$6,000.0)
<b>Total Adjustments</b>	<b>(\$41,816.9)</b>	<b>(\$59,048.5)</b>	<b>(\$100,865.4)</b>

## Phase I: Cost Containment – Rate and Payment Adjustments

### MEDICAID INPATIENT HOSPITAL PAYMENTS SFYs 2015-2019

FUND SOURCE	SFY 2015	SFY 2016	SFY 2017	SFY 2018	JULY 18- JAN 19	SFY 2019 TREND
General Funds	\$66,265,780	\$82,260,859	\$81,542,546	\$69,701,255	\$48,499,357	\$81,413,912
Federal Funds	\$108,243,782	\$178,185,282	\$254,651,189	\$249,337,581	\$171,554,810	\$287,982,127
Total Funds	\$174,509,562	\$260,446,141	\$336,193,734	\$319,038,836	\$220,054,167	\$369,396,039

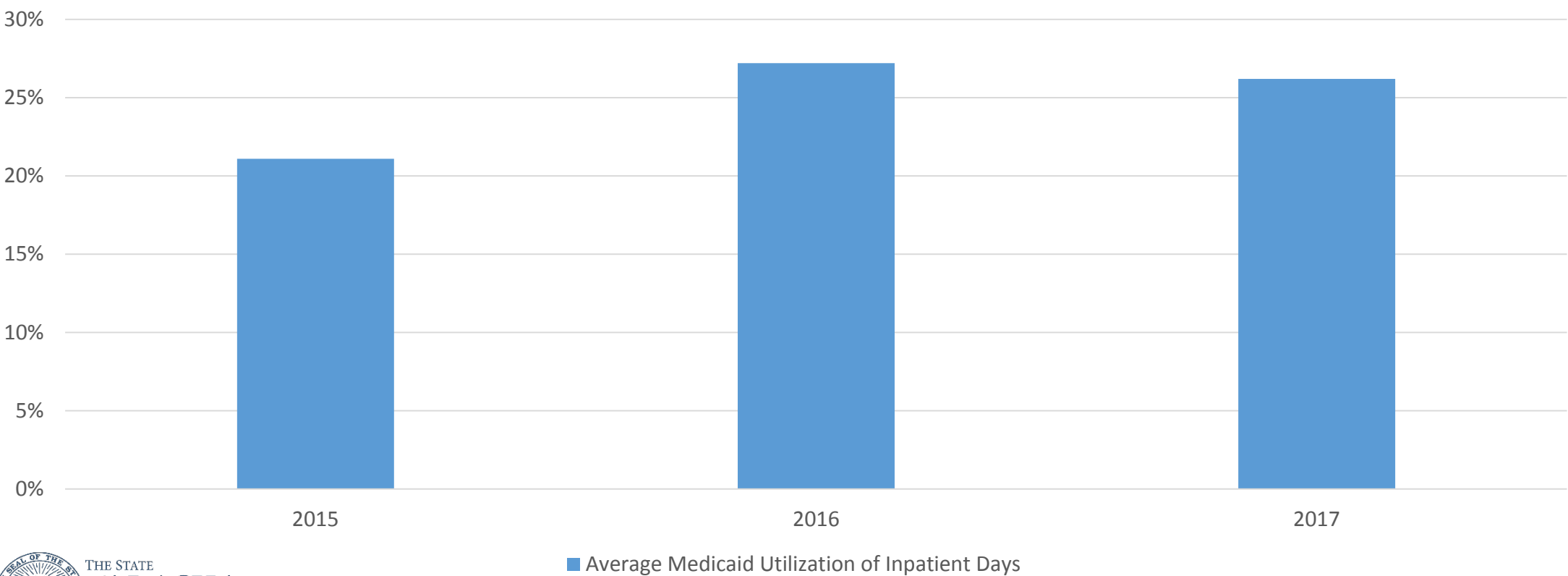
#### Prior Rate Adjustments

- 2019 - 2018 rate reduction, rebasing and inflation restored (facility rates restored to 2017 levels; inflation added for 2019)
- 2018 – 5% inpatient/outpatient rate reduction, all facilities; withhold inflation; no rate rebasing
- 2017 – Withhold inflation, all facilities
- 2016 – Withhold inflation, all facilities

# Phase I: Cost Containment – Rate and Payment Adjustments

## Medicaid Percentage of Hospital Inpatient Days 2015-2017

Average Medicaid Utilization of Inpatient Days



## Phase I: Cost Containment – Rate and Payment Adjustments

### MEDICAID OUTPATIENT HOSPITAL PAYMENTS SFYs 2015-2019

FUND SOURCE	SFY 2015	SFY 2016	SFY 2017	SFY 2018	JULY 18- JAN 19	SFY 2019 TREND
General Funds	\$46,813,312	\$45,041,015	\$46,424,519	\$42,067,047	\$33,804,540	\$56,367,450
Federal Funds	\$104,152,131	\$146,045,562	\$200,509,182	\$204,170,443	\$136,799,177	\$228,106,072
Total Funds	\$150,965,442	\$191,086,577	\$246,933,701	\$246,237,490	\$170,603,716	\$284,473,522

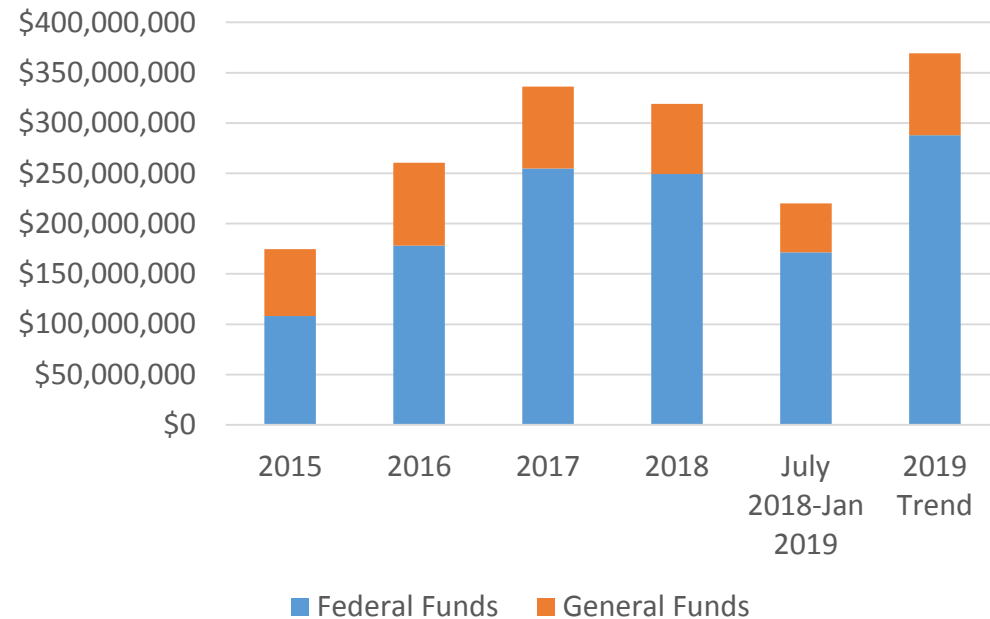
#### Prior Rate Adjustments

- 2019 - 2018 rate reduction restored
- 2018 – 5% inpatient/outpatient rate reduction, all facilities

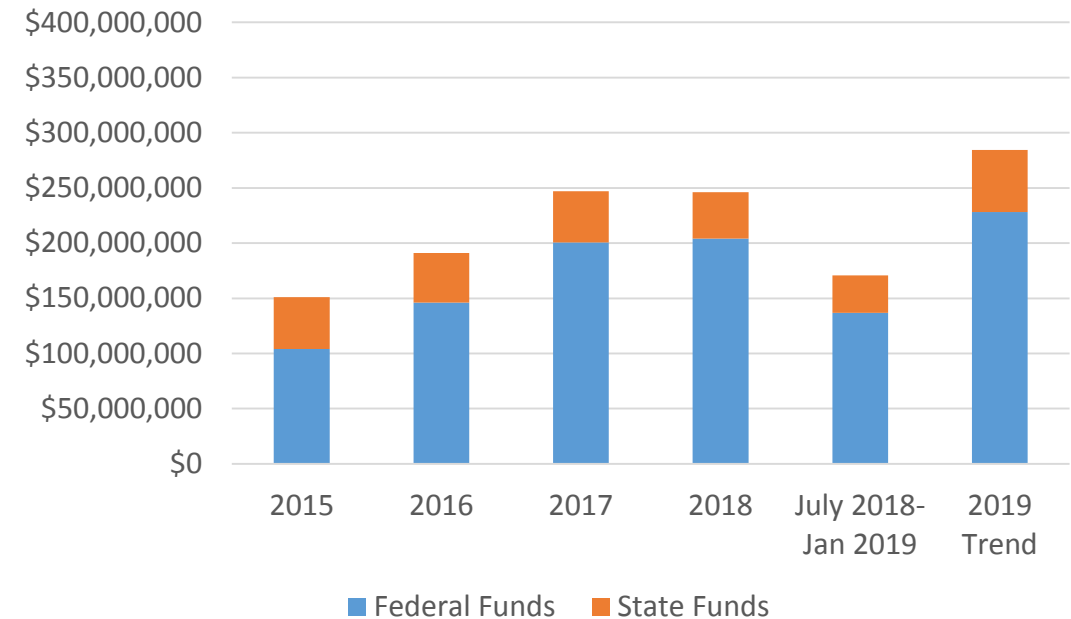
# Phase I: Cost Containment – Rate and Payment Adjustments

## MEDICAID HOSPITAL PAYMENTS SFYs 2015-2019

INPATIENT HOSPITAL EXPENDITURES  
SFY 2015-2019



OUTPATIENT HOSPITAL EXPENDITURES  
SFY 2015-2019



## Phase I: Cost Containment – Rate and Payment Adjustments

---

### CRITICAL ACCESS HOSPITALS NOT AFFECTED BY PROPOSED RATE ADJUSTMENTS

- Cordova Community Medical Center
- Norton Sound Regional Hospital
- Peace Health Ketchikan
- Petersburg Medical Center
- Providence Kodiak Medical Center
- Providence Seward Medical Center
- Providence Valdez Medical Center
- Samuel Simmons Memorial
- Sitka Community Hospital
- South Peninsula Hospital
- Wrangell Medical Center

## Phase I: Cost Containment – Rate and Payment Adjustments

### MEDICAID PHYSICIAN PAYMENTS SFYs 2015-2019

FUND SOURCE	SFY 2015	SFY 2016	SFY 2017	SFY 2018	JULY 18- JAN 19	SFY 2019 TREND
<b>General Funds</b>	\$70,767,235	\$65,429,237	\$74,834,654	\$70,529,998	\$38,045,792	\$64,039,260
<b>Federal Funds</b>	\$149,429,974	\$185,945,561	\$263,052,535	\$274,575,634	\$189,697,592	\$319,301,896
<b>Total Funds</b>	<b>\$220,197,209</b>	<b>\$251,374,798</b>	<b>\$337,887,190</b>	<b>\$345,105,633</b>	<b>\$227,743,384</b>	<b>\$383,341,156</b>

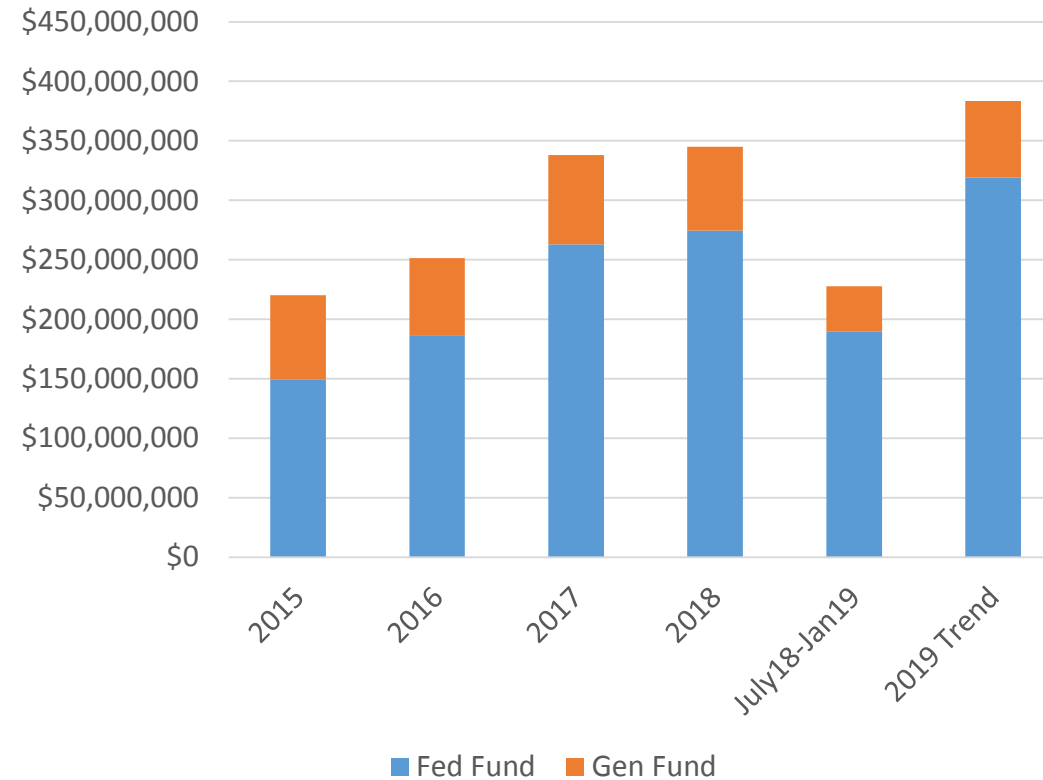
#### Prior Rate Adjustments

- 2019 – Inflation allowed
- 2018 – 10.3% permanent reduction (payment remains 13% above Medicare); withhold inflation
- 2017 – Withhold inflation
- 2016 – Withhold inflation



## Phase I: Cost Containment – Rate and Payment Adjustments

### MEDICAID PHYSICIAN PAYMENTS SFYs 2015-2019



## Phase I: Cost Containment – Rate and Payment Adjustments

### MEDICAID BEHAVIORAL HEALTH PAYMENTS SFYs 2015-2019

FUND SOURCE	SFY 2015	SFY 2016	SFY 2017	SFY 2018	JULY 18- JAN 19	SFY 2019 TREND
<b>General Funds</b>	\$55,296,912	\$48,684,756	\$51,701,942	\$52,529,630	\$32,599,833	\$56,443,989
<b>Federal Funds</b>	\$84,570,855	\$94,338,578	\$111,155,317	\$133,620,112	\$87,833,303	\$152,076,299
<b>Total Funds</b>	<b>\$139,867,767</b>	<b>\$143,023,334</b>	<b>\$162,857,259</b>	<b>\$186,149,742</b>	<b>\$120,433,136</b>	<b>\$208,520,289</b>

#### Prior Rate Adjustments

- January 1, 2019 - Rate increase for multiple community behavioral health services resulted in 14.8% aggregate increase for affected services
- 2018 – Rate increase of 3% for community behavioral health services

## Phase I: Cost Containment – Rate and Payment Adjustments

### MEDICAID COMMUNITY BEHAVIORAL HEALTH PAYMENT SUBSET SFYs 2015-2019

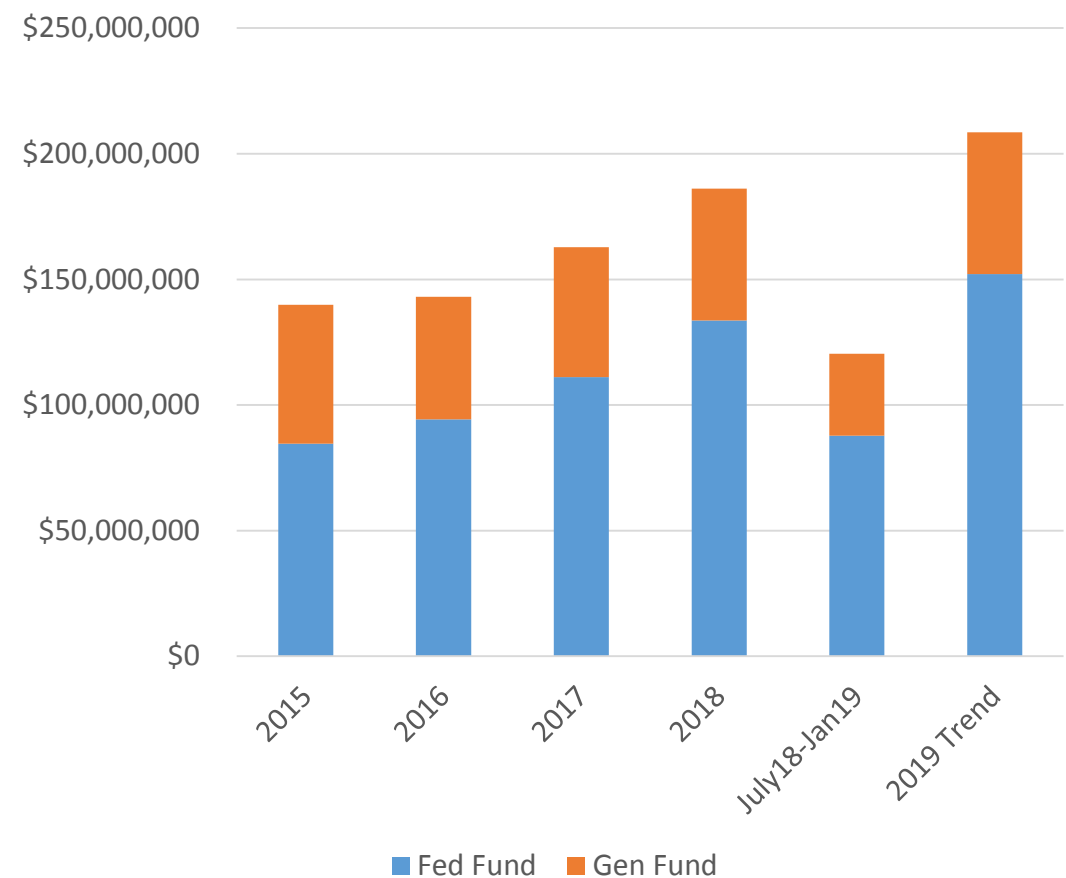
FUND SOURCE	SFY 2015	SFY 2016	SFY 2017	SFY 2018
General Funds	\$49,288,654	\$44,216,682	\$47,088,096	\$49,376,304
Federal Funds	\$51,725,137	\$50,507,532	\$61,255,666	\$68,709,243
Total Funds	\$101,013,791	\$94,724,214	\$108,343,762	\$118,085,546

#### Prior Rate Adjustments

- January 1, 2019 – Rate increase for multiple community behavioral health services resulted in 14.8% aggregate increase for affected services
- 2018 – Rate increase of 3% for community behavioral health services; protected from cost containment applied to other providers

# Phase I: Cost Containment – Rate and Payment Adjustments

## MEDICAID BEHAVIORAL HEALTH PAYMENTS SFYs 2015-2019



# Phase I: Cost Containment – Rate and Payment Adjustments

---

## ADDITIONAL RATE AND PAYMENT ADJUSTMENT NOTES

- **Withhold Inflation**
  - Applies to all providers granted annual inflation except hospitals with small facility agreements
  - Inflation withheld 2016, 2017 and 2018
- **Implement Hospital Diagnosis Related Groups “DRG” Payment System**
  - Will not apply to critical access hospitals
  - 5% inpatient/outpatient rate reduction will end when DRGs go live
- **Implement Acuity Based Skilled Nursing Facility Rates**
  - System similar to Medicare Resource Utilization Groups (RUGs)
- **Move to Cost-Based Rates for End Stage Renal Disease (ESRD) Clinics**
  - Ready for implementation
  - Additional discussions with providers on innovative payment model
  - Current ESRD rates are 233% above Medicare rates; revised rates remain 22% higher than Medicare
- **Pharmacy Adjustment**
  - Position the program to react more nimbly to drug price changes

## Phase I: Cost Containment – Rate and Payment Adjustments

---

### Access and Provider Rates

- All rate adjustments must be approved through the Centers for Medicare and Medicaid Services (CMS) State Plan Amendment (SPA) process
- CMS also requires states to submit “Access Monitoring Review Plans”
  - Effect of rate adjustments meeting or exceeding 5% are monitored for three years to ensure access is not impacted by the adjustments
  - Recipient and provider enrollment by location, as well as utilization information is submitted to CMS annually for monitoring purposes
    - Baseline information submitted when adjustments move forward
- Alaska Medicaid 2017 Access Monitoring Review Plan

[http://www.dhss.alaska.gov/Commissioner/Documents/AMRP\\_SFY2017.pdf](http://www.dhss.alaska.gov/Commissioner/Documents/AMRP_SFY2017.pdf)

## Phase I: Cost Containment – Service/Utilization Adjustments

Adjustment	GF Adjustment	Fed Adjustment	Total Adjustment
Limit Physical, Occupational, and Speech Therapy to 12 visits per year	(\$1,000.0)	(\$1,800.0)	(\$2,800.0)
Expand Care Management Program	(\$2,010.0)	(\$4,690.0)	(\$6,700.0)
Implement Nurse Hotline	(\$500.0)	(\$500.0)	(\$1,000.0)
Eliminate Adult Preventative Dental Medicaid Services	(\$8,273.6)	(\$18,730.9)	(\$27,004.5)
<b>Total Adjustments</b>	<b>(\$11,783.6)</b>	<b>(\$25,720.9)</b>	<b>(\$37,504.5)</b>

# Phase I: Cost Containment – Service/Utilization Adjustments

---

## NOTES ON SERVICE/UTILIZATION ADJUSTMENTS

- **Limit Physical Therapy, Occupational Therapy and Speech Therapy Visits**
  - Each therapy will be limited to 12 visits per year
  - Additional visits may be granted with prior approval
  - Limits will not apply to children
- **Expand Care Management Program**
  - Also known as Medicaid “Lock-In” program
  - Estimate of 3,200 additional individuals will be added to the program in 2020
- **Implement 24-hour Nurse Hotline**
  - Provide recipients with resource to discuss health issues
  - Reduce excess utilization by connecting recipients with appropriate level of care
- **Eliminate Adult Dental**
  - Optional service
  - Adult emergency dental services covered under Medicaid



## Phase I: Cost Containment – Administrative/Program Changes

Adjustment	GF Adjustment	Fed Adjustment	Total Adjustment
Reduce Timely Filing Allowance	(\$10,000.0)	(\$16,500.0)	(\$26,500.0)
Streamline Cost of Care Collection	(\$500.0)	(\$500.0)	(\$1,000.0)
Reclaiming Medicare Part B Premium	(\$1,188.0)	\$1,188.0	\$0.0
Tribal Reclaiming – All Services	(\$20,100.0)	\$20,100.0	\$0.0
Tribal Reclaiming Medicare Part B Premium	(\$1,955.0)	\$1,955.0	\$0.0
Transportation Efficiencies	(\$3,000.0)	(\$5,200.0)	(\$8,200.0)
Transition Behavioral Health Grants	(\$12,000.0)	\$0	(\$12,000.0)
Electronic Visit Verification	(\$440.6)	(\$469.1)	(\$909.7)
Transition Services to 1915(k)	(\$123.0)	\$123.0	\$0
<b>Total Adjustments</b>	<b>(\$49,306.6)</b>	<b>\$696.9</b>	<b>(\$48,609.7)</b>

## Phase I: Cost Containment – Administrative/Program Adjustments

---

### NOTES ON ADMINISTRATIVE/PROGRAM ADJUSTMENTS

- **Reduce Timely Filing**
  - Adjusts the time a provider may file a claim from 12 months to 6 months
  - Will reduce false claims and claim submission errors
- **Streamline Collection of Cost of Care Amounts**
  - Improve collection of required amounts
- **Reclaiming for Medicare Part B Premiums**
  - Program can claim 100% match for Medicare Part B premiums paid for those 120-138% FPL
- **Increase Tribal Reclaiming – All Services**
  - Identify additional opportunities for tribal reclaiming with total increase from \$84 million to \$104 million per year
- **Tribal Reclaiming - Medicaid Part A/B Premium**
  - Program can claim 100% match for Medicare Part B premiums paid on behalf of Alaska Natives 120-138% FPL

# Phase I: Cost Containment – Administrative/Program Adjustments

---

(cont.)

- **Transportation Efficiencies**

- Pay provider posted rates for ground transportation
- More closely audit requests for non-emergency air transportation and accommodations
- Increase use of bus passes as appropriate

- **Transition Behavioral Health Grants**

- Services currently funded by grant dollars will transition to Medicaid under 1115 waiver (housing support)
- Grants reduced from \$51 million to \$39 million

- **Electronic Visit Verification**

- Improve verification of services delivered under Home and Community Based Services waivers
- Reduce excess hours billed

- **Transition Additional Services to 1915(k)**

- No change to service delivery
- Eligible for higher FMAP



## Phase I: Cost Containment – Total Adjustments

	General Funds	Federal Funds	Total Funds
Rate and Payment	(\$41,816.9)	(\$59,048.5)	(\$100,865.4)
Service/Utilization	(\$11,783.6.0)	(\$25,720.9)	(\$37,504.5)
Program/Admin	(\$49,306.6)	\$696.9	(\$48,609.7)
<b>TOTAL ADJUSTMENTS</b>	<b>(\$102,907.1)</b>	<b>(\$84,072.5)</b>	<b>(\$186,979.6)</b>

## Phase II: Explore Federal Flexibilities

---

Department is evaluating federal flexibilities under new and existing waiver programs to address the following goals:

- Ensuring Alaskans have access to affordable health care coverage and health care services
- Exploring synergies between federal waiver opportunities that could reduce coverage instabilities for low income Alaskans
- Shoring up the financial sustainability, affordability and predictability of the Alaska Medicaid program

# Sustainable, Predictable, Affordable

