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# Alaska Medicaid Rate Methodology Review

## House Finance Committee

AK Department of Health (DOH) and Guidehouse

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# Agenda

Introduction and Background

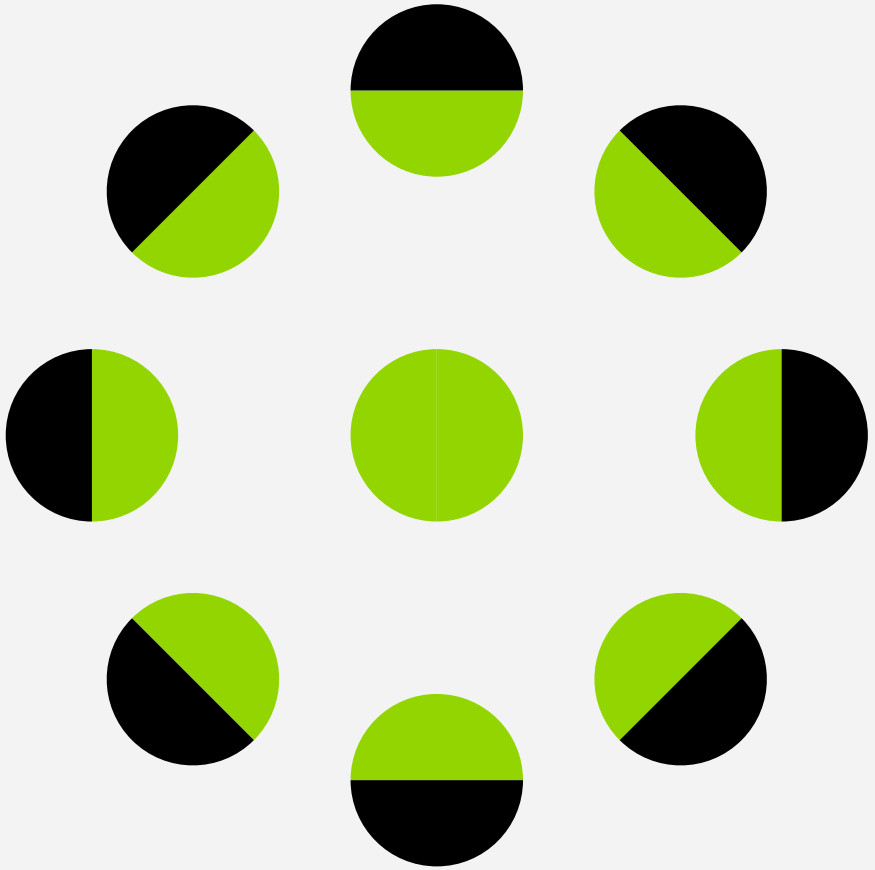
Behavioral Health Findings and Recommendations

Long Term Services and Supports Findings and Recommendations

Federally Qualified Health Center Findings and Recommendations

Medical Transportation Findings and Recommendations

Closing and Questions



# Definitions and Common Terms

| Abbreviation | Description |
|---|---|
| ABA | Applied Behavior Analysis |
| APM | Alternate Payment Methodology |
| BH | Behavioral Health |
| CIS | Change in Scope |
| CMS | Centers for Medicare & Medicaid Services |
| DOH | Department of Health |
| FQHC | Federally Qualified Health Center |
| ICF/IID | Intermediate Care Facilities for Individuals with Intellectual Disabilities |
| IHS | Indian Health Service |
| LTSS | Long Term Services and Supports |
| NEMT | Non-Emergency Medical Transportation |
| OHCDS | Organized Healthcare Delivery System |
| PPS | Prospective Payment System |
| TEFRA | Tax Equity and Fiscal Responsibility Act of 1982 |
| TMO | Tribal Management Office |

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# Introduction and Background

# What is a Rate Evaluation?

**Overview:** A rate evaluation is a **comprehensive review of rates, rate structures, and rate methodologies**, based on **actual costs, service delivery processes, and policy objectives** associated with individual services.

**Purpose:** The study equips DOH and Alaska's leadership with:

- Information to develop a **sustainable, standardized, and transparent rate setting methodology** based on reasonable provider costs, stakeholder input, and industry best practices
- A starting point to **identify and inform priorities** based on available resources and other timing considerations

**Impact:** Supporting **data-driven decisions** for the effective allocation of Medicaid dollars

# Who Was Involved?

The rate evaluation was a collaborative effort among multiple stakeholder groups.

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Facilitator and analytic consultant to analyze financials, stakeholder input, and public data sources.

## Alaska Department of Health

Intermediary between contractor and providers that also provided insights and support.

## Alaska Providers

Tribal and non-Tribal providers shared data and thoughtful service delivery feedback throughout the process.

## Alaskans with Lived Experience

People with lived experience and their family members participated through listening sessions to share their experience.

# Engagement Scope and Phase 1 Service Categories

This rate evaluation encompassed several DOH divisions, programs, and services within the fee-for-service environment.

## Behavioral Health

- Community Behavioral Health
- Applied Behavior Analysis (Autism)
- Crisis Services
- Adult and Children's Residential

## Long Term Services and Supports (LTSS)

- Home and Community-Based Waiver Services
- Personal Care Services
- Community First Choice Services
- LTSS Targeted Case Management
- Intermediate Care Facilities for Individuals with Intellectual Disabilities

## Federally Qualified Heath Centers (FQHC)

- Prospective Payment System (PPS)
- Alternative Payment Methodology (APM)

## Medical Transportation

- Ground and Air Ambulance
- Taxi
- Paratransit Services
- Accommodation Services

# Stakeholder Engagement

Guidehouse engaged a diverse set of stakeholders across multiple forums and formats to capture feedback from interested parties.

## Key Stakeholders

- ✓ Advocacy Organizations
- ✓ Individual Providers
- ✓ Labor Groups / Caregiver Unions
- ✓ Provider and Industry Associations
- ✓ Self-Advocates and Families of those with Lived Experience
- ✓ Tribal Health Organizations
- ✓ Tribal Travel Management Offices

## Forums

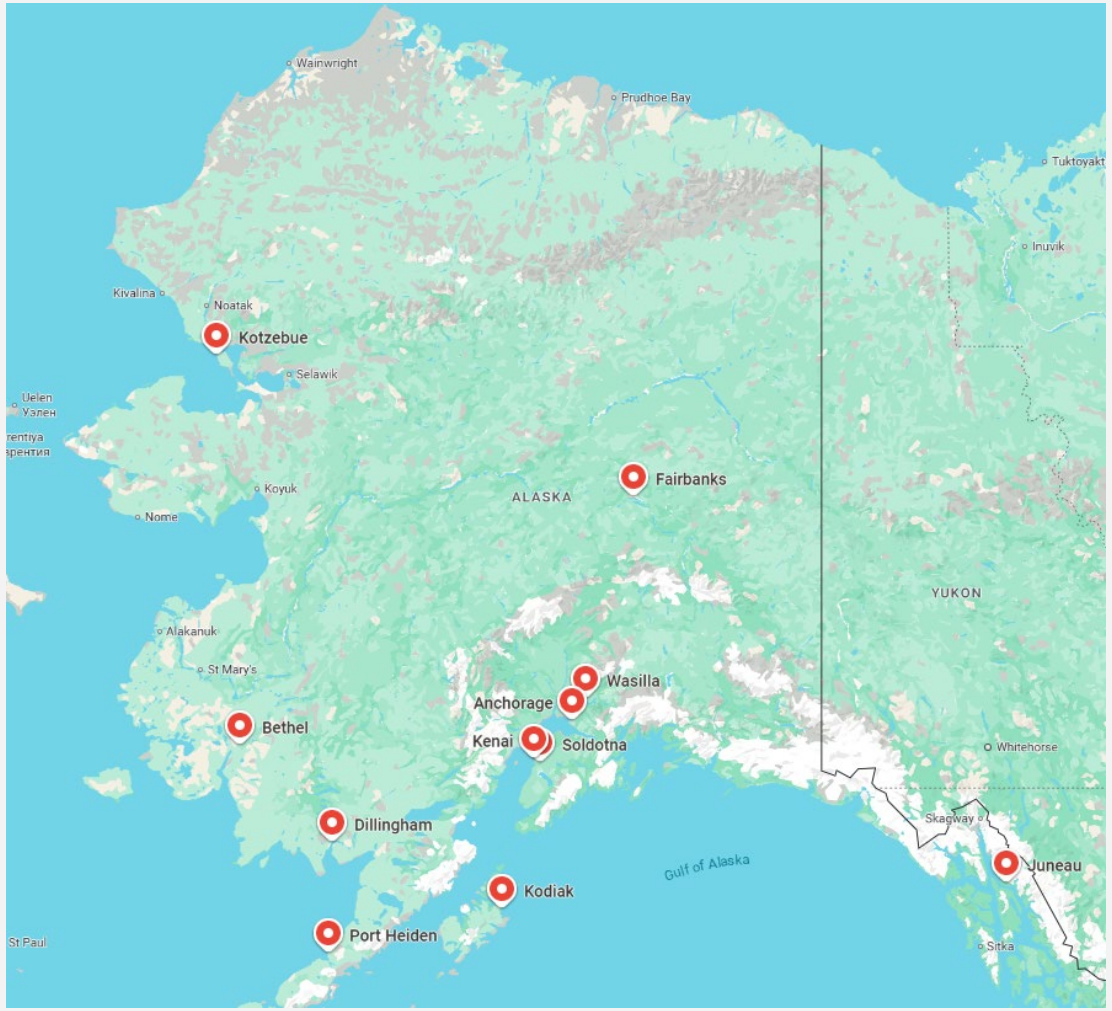
- ✓ Association Meetings
- ✓ Focus Groups
- ✓ Interviews
- ✓ Listening Sessions
- ✓ Provider Surveys
- ✓ Site Visits

# On Site Stakeholder Engagement

Guidehouse visited providers and associations across the state

Guidehouse visited each Alaska region to understand differences in city, rural hub, and village service infrastructure

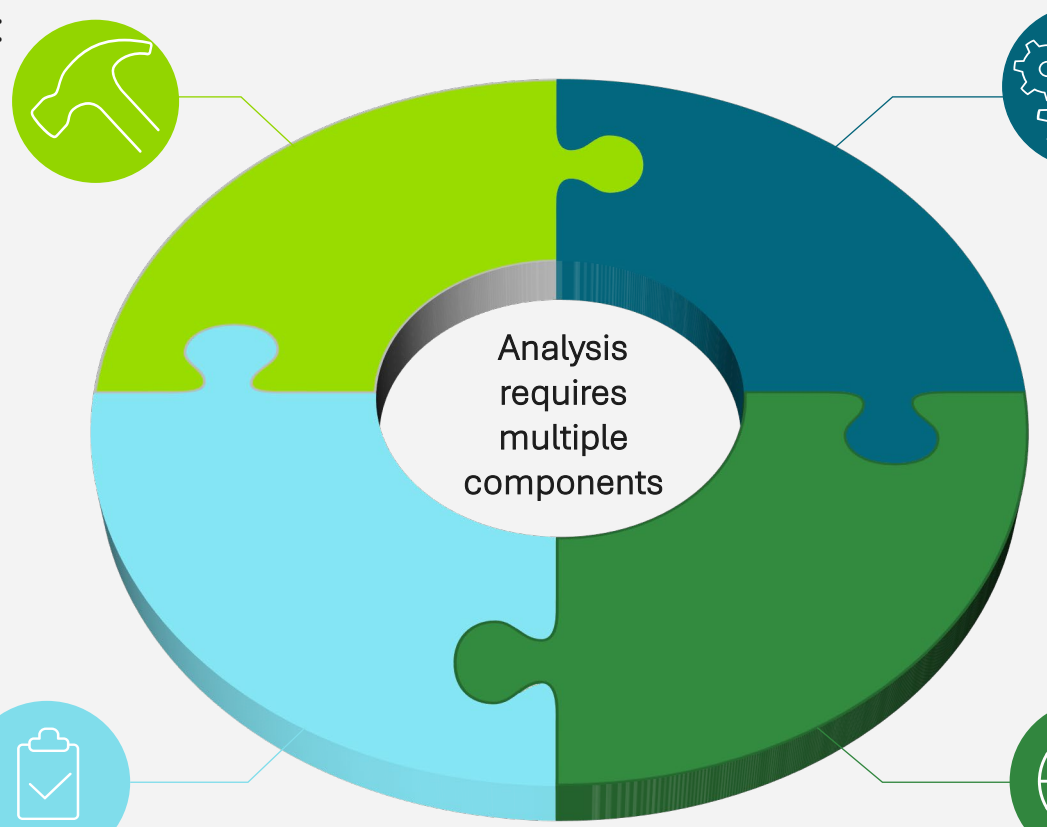
We met with providers representing service provision across all 4 workstreams



# Approach to Rate-Building

Employs assumptions of:

- Wages
- Types of employees
- Staffing ratios
- Employee benefits
- Other provider costs
- Service utilization




Recognizes the costs of services with service-specific variations

**Independent Model Approach** – An approach using state-specific data sources to develop the estimates for each cost component for each service.

Consideration of participant's specific needs (team dynamics, staffing ratios)

Assumptions can be derived from state, national or industry standard data

# Data Sources

We used a variety of sources to inform the rate evaluations.

## Provider Information

1. Provider Cost and Wage Survey from Alaska Providers
2. Provider Cost Reports
3. Stakeholder Feedback

## Public Data

1. Bureau of Labor Statistics – Wages, Supplemental Pay, Inflation (Alaska and national data)
2. Medical Expenditure Panel Survey (MEPS) – Alaska Health Insurance Costs
3. Medicare Rate Benchmarks
4. Other State and National Benchmarks

## State / DOH Data

1. Medicaid Claims Data
2. Program and Service Manuals
3. Department-mandated rate evaluation requirements

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# Behavioral Health (BH) Findings and Recommendations

# Behavioral Health Rate Evaluation Findings

**Findings**

1. Service reimbursement is misaligned with some services having adequate reimbursement while other services seem to be too high or too low.

2. Indirect costs which represent the overhead costs to deliver services are disproportionately high, even when accounting for Alaska's overall higher cost of living. Representing roughly 40 cents on every dollar.

3. Lack of historical standards (i.e., group sizes, wages and overhead assumptions) built into rate reimbursement has contributed to the misalignment of the system overall and has resulted in relying on historical costs without efficiency expectations.

# BH Rate Evaluation Recommendations

## Rates

- Methodology Transition and Rate Recalibration
- Hold Harmless
- Rate Rebalancing

## Enhancements

- Geographic Adjustment
- Staff Transportation Add-On
- Service Definition Review
- Updates to Crisis Services

## State Operations

- Cost Reporting
- Annual Rate Updates

# Annual Fiscal Impact for BH Recommendations

| Report # | Recommendation | Estimated State Share Expenditures (GF) | Total Estimated Expenditures (Fed/GF) |
|---|---|---|---|
| BH-R1 | Behavioral Health Methodology Transition and Rate Recalibration | $4.1M | $13.1M |
| BH-R2 | Behavioral Health Hold Harmless | $1.6M | $4.4M |
| BH-R3 | Behavioral Health Geographic Differentials | $1.3M | $3.3M – $3.4M |
| BH-R4 | Behavioral Health Cost Reporting | $148K – $224K | $296K – $447K |
| BH-R5 | Behavioral Health Rate Rebalancing* | -- | -- |
| BH-R6 | Behavioral Health Crisis Services (Included in BH-R1) | $282K – $286K | $1.4M |
| BH-R7 | Behavioral Health Service Definition Review* | -- | -- |
| BH-R8 | Behavioral Health Administrative Rate Review | $9K – $18K | $18K – $35K |
| BH-R9 | Behavioral Health Staff Transportation Rate Add-On* | -- | -- |
| | **Total** | **$7.2M - $7.5M** | **$21.1M - $21.4M** |

*Double dash marks do not indicate a budget neutral fiscal impact but are intended to illustrate that depending on the approach or utilization of services there may be a positive or negative impact

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# Long Term Services and Supports (LTSS) Findings and Recommendations

# LTSS Rate Evaluation Findings

**Findings**

1. With a few exceptions, service rates kept pace with Guidehouse-benchmarked rates, but LTSS methodologies still offer opportunities to adopt more responsive acuity-adjusted rates.

2. Personal care services remain essential to LTSS programs, yet reimbursement appears too low to sustain the workforce, and current cost reporting processes are unlikely to meet CMS Access Rule requirements if federal rules take effect.

3. Current LTSS geographic rate differentials rely on a methodology nearly 20 years old, and updating the data would better reflect current regional cost differences.

4. Indirect costs as a proportion of total LTSS costs are substantially higher than indirect cost ratios typically observed in other states, even when accounting for Alaska's overall higher costs.

# LTSS Rate Evaluation Recommendations

## Rate Adequacy and Transparency

- Methodology Transition and Rate Recalibration
- Hold Harmless or Other "Risk Corridors"

## Methodological Improvements

- Geographic Adjustment
- Tiered Rates for Select Services
- Acuity-Adjusted Residential Reimbursement
- OHCDS Admin Fees and Policies
- Brokerage Impacts on Waiver Non-Medical Transportation

## Administrative Processes

- Cost Reporting System
- Annual Admin Rate Updates
- Medicaid LTSS for Tribal Members

# Annual Fiscal Impact for LTSS Recommendations

| # | Recommendation | Estimated State Share Expenditures (GF) | Estimated Total Fed & State Expenditures (Fed/GF) |
|---|---|---|---|
| LT-R1 | LTSS Methodology Transition and Rate Recalibration* (No Hold Harmless) | $20.6M | $45.7M |
| LT-R2 | LTSS Hold Harmless | $338K – $1.2M | $763K – $1.9M |
| LT-R3 | LTSS Geographic Differentials | $246K – $366K | $74K – $669K |
| LT-R4 | LTSS Cost Reporting - Access Rule, Enhancements, and Web Portal | $32K – $745K | $64K – $1.5M |
| LT-R5 | LTSS Rate Tiering | ($239K) – $3.5M | ($502K) – $8.3M |
| LT-R6 | LTSS High-Intensity Residential Settings and Acuity-Adjusted Reimbursement Framework | $3.4M | $7.2M |
| LT-R7 | OHCDS for E-Mods | $4K – $13K | $8K – $27K |
| LT-R8 | LTSS Administrative Rate Review | $9K – $18K | $18K – $35K |
| LT-R9 | Broker for Waiver Transportation | Included in Transportation Rate Evaluation | |
| LT-R10 | Medicaid LTSS for Tribal Members | -- | -- |
| | **Total** | **$53.3M – $65.3M** | **$24.5M – $29.9M** |

*Utilization for the Group Home or Family Home Habilitation Acuity Add-on service is based on SFY2025 claims due to a procedure code change that is not reflected in the LTSS Rate Evaluation Report fiscal impact projections. The LTSS Rate Evaluation fiscal impact projections are based on SFY2024 claims and the SFY2024 fee schedule available at the time of the study.

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# Federally Qualified Health Center (FQHC) Findings and Recommendations

# FQHC Rate Evaluation Findings

**Findings**

1. Many FQHCs have modified their service offerings over the past two decades. Those changes may not be reflected in their current Prospective Payment System (PPS) rates, but most providers have rates that reflect more recent cost data through the Alternative Payment Methodology (APM) rate.

2. FQHC providers report that they are experiencing service delivery challenges, some of which may be partially addressable through Medicaid policy revisions.

# FQHC Rate Evaluation Recommendations

## Catch-Up Change in Scope

- Offer providers an opportunity to capture significant changes in their PPS rates

## Technical Assistance

- Help providers who need support to update their rate methodology

## Policy Updates

- Create a policy and process moving forward that allows providers to update their PPS rates when they experience significant changes

# Annual Fiscal Impact for FQHC Recommendations

| Report # | Recommendation | Estimated State Share Expenditures (GF) | Total Estimated Expenditures (Fed/GF) |
|---|---|---|---|
| FQ-R1 | Catch-Up Change in Scope PPS Rate Update | $800K – $1.5M | $2.9M – $5.3M |

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# Medical Transportation Findings and Recommendations

# Medical Transportation Rate Evaluation Findings

**Findings**

1. Rates have not been regularly updated for ambulance or lodging. Lack of regular updates has resulted in current reimbursement levels not aligning with current costs and lodging providers not accepting Medicaid.
2. Ambulance staffing is becoming a significant issue, as providers are unable to offer the compensation and training necessary to attract and retain staff.
3. Members and booking providers face challenges with lodging availability, particularly during tourist season. Rural Tribal entities often cover lodging out-of-pocket or house members within the hospital system, sometimes in common areas.
4. Alaska Medicaid policy and payment systems present challenges related to out-of-state lodging, transportation, and meals.

# Medical Transportation Rate and Policy Recommendations

## Rates

- Ambulance Rate Increase
- Single Lodging Rate Increase
- Seasonal Lodging Rates
- Wheelchair Van Rate Increase
- Administrative Rate Updates and Rebasing

## Policy

- Urgent But Not Emergency Policy
- Escorts
- “Travel Event” Definition

## Partnerships

- Brokerage
- Prior Authorization Fee Increase
- Public Transportation Partnerships

# Annual Fiscal Impact for Transportation Recommendations

| Report # | Recommendation | Estimated State Share Expenditures (GF) | Total Estimated Expenditures (Fed/GF) |
|---|---|---|---|
| MT-R1 | Ambulance Rate Increase | $2.3M - $2.4M | $16.0M – $16.1M |
| MT-R2 | Brokerage and Government-to-Government Partnerships | Up to $0.3M Savings | Up to $1.4M Savings |
| MT-R3 | Lodging Rate Increase | $1.3M - $1.8M | $4.8M - $4.9M |
| MT-R4 | Wheelchair Van Rate Increase | $0.2M | $0.5M |
| MT-R5 | Urgent but Not Emergency Policy | N/A | N/A |
| MT-R6 | TMO Travel Prior Authorization Fee Increase | $55K | $1.0M |
| MT-R7 | Escort Policy | N/A | N/A |
| MT-R8 | Public Transportation Partnerships | $0.3M - $0.1M Savings | $0.6M - $0.1M Savings |
| MT-R9 | Administrative Rate Update and Rebasing Policy | Dependent on Policy | Dependent on Policy |
| MT-R10 | “Travel Event” Regulation Revision | N/A | N/A |
| | **Total** | **$3.8M - $3.9M** | **$20.4M - $20.5M** |

Note: Numbers included on this slide are preliminary and subject to change upon finalization of the report.

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# Thank You

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