



**VISION**

ALASKA INDIVIDUALS, FAMILIES AND COMMUNITIES ARE SAFE AND HEALTHY

**MISSION**

TO PROMOTE AND PROTECT THE HEALTH AND WELL-BEING OF ALASKANS

Senate Finance HSS Sub Committee | FY2018  
Medicaid Rate Setting

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# Rate Setting

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- Price Per Unit
  - Day / Per Diem
  - Procedure Code / Revenue Code
    - Time Increment
    - Untimed

# Medicaid State Plan

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- Agreement with Federal government
- Reimbursement section = 4.19
- [http://dhss.alaska.gov/Commissioner/Pages/MedicaidStatePlan/stateplan\\_sec\\_4.aspx#4o19](http://dhss.alaska.gov/Commissioner/Pages/MedicaidStatePlan/stateplan_sec_4.aspx#4o19)
- State Plan Amendments
  - Within the quarter that the change will be implemented
  - Required for changes to rate methodologies
  - Not required for changes to rates under existing methodologies
    - Rebasing
    - Inflation

# Federal Requirements

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- Upper Payment Limits
  - “Ceiling” on reimbursement level
  - Many different ways to calculate
    - Difficult to compare because of different payment methodologies
  - Mandated since 2013
    - Exception: States that made supplemental payments
  - Services included are:
    - Inpatient Hospital
    - Outpatient Hospital
    - Long Term Care Facility
    - Other Inpatient and Other Patient Services (RPTC)
    - Clinic (MHC, ASC, ESRD)
    - Other Qualified Physician
  - By Bucket
    - State Government Owned
    - Non-State Government Owned
    - Private

# Federal Requirements

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- Access Monitoring Review Plan
  - New Requirement – October 2016
  - Purpose: Ensure rate changes do not affect recipient access
  - Submitted every 3 years, done internally each year
  - Required services
    - Primary Care (Physician and FQHC)
    - Specialist Care
    - Obstetrics and Labor & Delivery
    - Home Health
    - Behavioral Health
    - Any service that has a rate methodology change
  - State must monitor access across time and work to fix issues that arise from rate decreases
  - <http://dhss.alaska.gov/Commissioner/Documents/AMAMRP.pdf>

# How to Change Rates

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- Regulation Change
- State Plan Amendment
  - Would trigger Access Monitoring Review Plan

# Medicaid Services

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- Professional Services
- Inpatient Hospital
- Outpatient Hospital
- Long Term Care
- Federally Qualified Health Center
- Ambulatory Surgery Centers
- Home Health Agency
- End Stage Renal Dialysis
- Hospice
- Residential Psychiatric Treatment Centers
- Home and Community Based Waiver and Personal Care
- Community Behavioral Health
- Free Standing Birthing Centers
- Pharmacy Services
- Transportation/Accommodation
- Tribal

# Professional Services

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- Providers
  - Physicians
  - Dentists
  - Speech Therapists
  - Occupational Therapists
  - Physical Therapists
  - Psychologists (billed outside a clinic)
  - Physician Assistants
  - Advanced Nurse Practitioners



# Professional Services

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- Regulations: 7 AAC 145.050
- Basis: RBRVS  
(Resource Based Relative Value Scale)
- Unit: Various
- Geo. Differential: No

# Professional Services

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- Resource Based Relative Value Scale (RBRVS)
  - 7 Components
    - Relative Value Unit (RVU)
      - 1. Work (RVUw)
      - 2. Practice (RVUp)
      - 3. Malpractice (RVUm)
    - Geographic Practice Cost Index (GCPI)
      - 4. Work (GPCI Work)
      - 5. Practice (GCPI PE)
      - 6. Malpractice/Professional Liability Insurance (GPCI PLI)
    - 7. Conversion Factor
      - Monetizes the amount

# Professional Services

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- Equation:
  - RBRVS =  
$$[(RVU_w \times GCPI_{Work}) + (RVU_p \times GCPI_{PE}) + (RVU_m \times GCPI_{PLI})] \times \text{Conversion Factor}$$
- Alaska adopts all federal RVUs and GCPIs
- Conversion Factor is different
  - Medicare CY17 Conversion Factor:  
\$35.8900
  - Alaska Medicaid SFY17 Conversion Factor:  
\$45.2560

# Inpatient Hospital

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- Regulations: 7 AAC 150.010 – 150.990
- Statute: AS 47.07.040,  
AS 47.07.070 – 47.07.900
- Basis: Cost Based, Provider Specific
- Unit: Per Diem
- Geo. Differential N/A
  
- Number of Providers: 19
  - Critical Access Hospitals: 10
  
- Hospital Medicaid Utilization
  - FY15 ranged from 8.66% to 47.25%
  - Average 25.59%

# Inpatient Hospital

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- Four Year Cycles

- Y1 Statewide weighted average
- Y2 Statewide weighted average
- Y3 Statewide weighted average
- Y4 Statewide weighted average
- Y5 Cost based Rate 1
- Y6 Cost based Rate 1 inflated
- Y7 Cost based Rate 1 inflated
- Y8 Cost based Rate 1 inflated
- Y9 Cost based Rate 2

Using Y3 Costs

Using Y7 Costs

# Inpatient Hospital

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- Medicare Cost Reports
  - DHSS makes Alaska Medicaid Specific Adjustments
- Desk Review Process
  - Remove unallowable expenses
  - Verifies costs were incurred
    - Tie to audit financial statements, post audit working trial balance
  - Compares expenses across years
  - Reviews reclassifications and adjustments made by provider
  - Makes adjustments to provider reported Medicaid days
  - Three step process
    - Auditor, Peer Review, Supervisor

# Inpatient Hospital

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- High Level Calculation
  - Allowable Medicaid Costs / Medicaid Days
  - Inflate
    - Historical costs are used
    - Use Global Insights Healthcare Cost Review

# Outpatient Hospital

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- Regulations: 7 AAC 150.160(c)
- Statute: AS 47.07.040,  
AS 47.07.070 –47.07.900
- Basis: Cost Based, Provider Specific
- Unit: % of Charges
- Geo. Differential: N/A



# Outpatient Hospital

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- High Level Calculation
  - Cost-to-charge ratio by cost center multiplied by corresponding Medicaid outpatient charges
  - $\text{Sum of Medicaid outpatient costs by cost center} / \text{Sum of Medicaid outpatient charges}$
- Desk Review on four year cycle
- Done same time as their inpatient rate

# Long Term Care

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- Regulations: 7 AAC 150.160(e)
- Statute: AS 47.07.040,  
AS 47.07.070 – 47.07.900
- Basis: Cost Based, Provider Specific
- Unit: Per Diem
- Geo. Differential: N/A
  
- Number of Providers: 18
  - Stand alone providers: 6
  
- AK Nursing Homes have high Medicaid utilization
  - FY15 ranged from 34.81% to 100%
  - Average 81.26%

# Long Term Care

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- High Level Calculation
  - AK Allowable Medicaid Total Costs / Medicaid Days
- Desk Review on four year cycle
- Inflate
  - Historical costs are used
  - Use Global Insights Healthcare Cost Review

# Federally Qualified Health Centers

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- Regulations: 7 AAC 145.700
- Basis: Cost Based, Provider Specific
- Unit: Per Visit
- Geo. Differential: N/A
  
- Number of Providers: 16
  
- Optional: Include dental and behavioral health costs and visits with physical health vs. billing fee for service

# Federally Qualified Health Centers

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- Provider Option
  - Medicare Economic Index
    - State weighted average in the year when the provider joined AK Medicaid
      - Floor
  - Prospective Payment System
    - Cost Based
    - 4 year rebase cycle
    - Uses 2 years of Medicare Cost Reports

# Ambulatory Surgery Centers

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- Regulations: 7 AAC 150.160(h)
- Basis: 2000 Medicare Groupers  
Inflated forward
- Unit: Procedure
- Geo. Differential: No

# Home Health Agency

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- Regulations: 7 AAC 145.510
- Basis: 80% Charges
- Unit: Visit
- Geo. Differential: N/A
  
- Internal Upper Payment Limit against Medicare Cost Report

# End Stage Renal Dialysis

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- Regulations: 7 AAC 145.607
- Basis: \$1,000 hemodialysis  
\$500 peritoneal dialysis
- Unit: Treatment
- Geo. Differential: N/A



# Hospice

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- Regulations: 7 AAC 145.690
- Basis: Medicare
- Unit: Visit
- Geo. Differential: No

# Residential Psychiatric Treatment Centers

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- Regulations: 7 AAC 145.620
- Basis: Periodic Cost Survey
- Unit: Per Diem
- Geo. Differential: No
  
- Rate Calculation
  - All RPTC Allowable Costs / All RPTC Days

# Home and Community Based Waiver and Personal Care

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- Regulations: 7 AAC 145.500 & 145.520-145.540
- Basis: Cost Survey
- Unit: Various
- Geo. Differential: Yes

# Community Behavioral Health

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- Regulations: 7 AAC 145.580
- Basis: Legacy
- Unit: Various
- Geo. Differential: No
- Department undergoing rate analysis

# Free Standing Birthing Center

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- Regulations: 7 AAC 145.680
- Basis: 75% of 1 day hospital stay
- Unit: Visit
- Geo. Differential: No

# Pharmacy Services

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- Regulations: 7 AAC 145.400 - 145.410
- Basis: Acquisition Cost + Dispense Fee
- Unit: Various
- Geo. Differential: Dispense Fee
  
- Acquisition Cost
  - Lesser of
    - Federal Upper Limit
    - State Maximum Allowable Cost (National Average Drug Acquisition Cost, NADAC)
    - Wholesale Acquisition Cost (WAC) + 1%
    - Submitted cost
- Dispense Fee
  - Varies based on
    - On-road
    - Off-road
    - Out of State
    - Mediset

# Transportation / Accommodation

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- Regulations: 7 AAC 145.440
- Basis: Fee Schedule
- Unit: Various
- Geo. Differential: No

# Tribal

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- Regulations: 7 AAC 155.010
- Basis: Cost Based  
Set in Federal Register
- Unit: Encounter
- Geo. Differential: No
- Types:
  - Inpatient
  - Outpatient/Clinic
  - Behavioral Health
  - Dental
  - Community Health Aide / Practitioner
    - Not set in the federal register
- Pharmacy for Tribal
  - WAC +15%



# Rate Comparisons

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- Professional Services
  - 2<sup>nd</sup> behind North Dakota
- Other Services – Challenges
  - Different payment methodologies
  - Different provider requirements
    - PhD v. Masters
  - Different services included
    - Transportation
  - Managed Care

# SB74

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- Coordinated Care Demonstration Projects
- Milliman
  - Innovative Payment Models
  - Emergency Department Shared Savings

# QUESTIONS?

## Thank You



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