

# State of Alaska

## Office of Management and Budget

FY2020 Operating Budget Overview:

Department of Health and Social Services

Division of Health Care Services/Medicaid Services

Presentation to the Senate Finance HSS Budget Subcommittee

March 29, 2019

Administrative Services Director Sana Efird/Deputy Commissioner Donna Steward



# Health Care Services FY2020 Operating Budget: Core Services Alignment

*Mission: To provide health coverage to Alaskans in need*

Core Services	Combined General Fund	Other	Federal	Total	% GF
Protect and promote the health of Alaskans	\$ 7,526.7	\$ 669.5	\$ 7,468.0	\$ 15,664.3	48.0%
Provide quality of life in a safe living environment for Alaskans	\$ 721.9	\$ 64.3	\$ 716.2	\$ 1,502.1	48.1%
Manage health care coverage for Alaskans in need	\$ 1,030.9	\$ 91.7	\$ 1,023.3	\$ 2,145.8	48.0%
Facilitate access to affordable health care for Alaskans	\$ 927.3	\$ 82.7	\$ 920.2	\$ 1,931.2	48.0%
Strengthen Alaska families	\$ -	\$ -	\$ -	\$ -	
Protect vulnerable Alaskans	\$ 103.1	\$ 9.2	\$ 103.0	\$ 214.6	48.0%
Promote personal responsibility and accountable decisions by Alaskans	\$ -	\$ -	\$ -	\$ -	
<b>FY2020 Governor's Amended</b>	<b>\$ 10,309.9</b>	<b>\$ 917.4</b>	<b>\$ 10,230.7</b>	<b>\$ 21,458.0</b>	<b>48.0%</b>



## Health Care Services FY2020 Operating Budget

Health Care Services				
	FY2019 Management Plan	FY2020 Governor Amended	Difference	% of Change
UGF	\$8,263.8	\$8,238.5	(\$25.3)	-0.3%
DGF	\$2,082.0	\$2,071.4	(\$10.6)	-0.5%
Other	\$1,209.6	\$917.4	(\$292.2)	-24.2%
Federal	\$10,476.3	\$10,230.7	(\$245.6)	-2.3%
Total Budget	\$22,031.7	\$21,458.0	(\$573.7)	-2.6%

- Travel reduction (\$99.6) Total
- SB74 Implementation of Medicaid Reform (\$181.9) federal, (\$292.2) MHTAAR
- Sustain safety net health coverage for low income Alaskans



## Budget Reductions and Impacts Since FY2015

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Unrestricted General Fund Reduction	\$1,665.1↓	16.8% ↓
Permanent Full Time Position Decrease	10 ↓	7.5% ↓

- **Health Facilities Licensing & Certification**
  - Less nurses sent on surveys
- **Residential Licensing**
  - Biannual inspections
- **Background Check Program**
  - Workloads volume
- **Medical Assistance Administration**
  - System changes, Medicaid Reform

## Services to Providers

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- **28,276 – Active Medical Providers enrolled in Medicaid**
  - 4,282 – Billing Providers
  - 23,994 – Rendering Providers
- **836 – Facilities licensed through Health Care Services**
  - 129 – Health Care Facilities (combination of federal certification and state license as applicable)
  - 662 – Assisted Living Homes
  - 45 – Residential Child Care Facilities
- **23,350 – Background Checks in FY2018**
  - 49% – Applications require no additional fees and/or fingerprints due to system efficiencies
  - 554 – Total number of unique individuals who received barriers

## Health Care Services Projects

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- System changes necessary for significant program changes
  - 1115 waiver
    - Coordinated Care Demonstration Projects
      - Providence Family Medical Center
      - Managed Care
- Transportation initiatives
- Tribal Transportation
- “Golden Ticket”
- Telemedicine

## Current Challenges for Health Care Services

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- Volume of required system changes
  - Activity in all three Medicaid divisions (HCS, DBH, SDS)
  - Multiple and competing deadlines
- Multiple contracts with multiple contractors
- Numerous annual audits
- Number of requests for data
- Staff retention. Recruitment of qualified candidates.

## 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
  - 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





# MEDICAID PROGRAM ADJUSTMENTS

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## 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
- Additional flexibilities to be released by May 15, 2019
- Implementation goal is for late SFY 2020 and SFY 2021

## Phase I: Medicaid Cost Containment

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### Four Primary Levers for Reducing Medicaid Costs

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

## Phase I: Medicaid Cost Containment – Eligibility Adjustments

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The Department is not recommending any adjustments to Medicaid program eligibility

## Phase I: Cost Containment - Rate Adjustments

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### Principles for Approaching Rate Adjustments

- Protect Primary Care
- Protect Small Hospitals
- Protect Access to 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 PPS hospital services Critical Access Hospitals exempt	(\$5,486.9)	(\$9,702.5)	(\$15,189.4)
• Specialty physician services Primary care/obstetrics/pediatrics exempt	(\$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 Groups (DRG)	(\$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 (ESRD)	(\$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 HOSPITAL PAYMENTS SFYs 2015-2019

FUND SOURCE	SFY 2015	SFY 2016	SFY 2017	SFY 2018	JULY 18-JAN 19	SFY 2019 TREND
<b>General Funds (All)</b>	<b>\$ 113,079,092</b>	<b>\$ 127,301,874</b>	<b>\$ 127,967,065</b>	<b>\$ 111,768,302</b>	<b>\$ 82,303,897</b>	<b>\$ 137,781,362</b>
Inpatient Hospital	\$ 66,265,780	\$ 82,260,859	\$ 81,542,546	\$ 69,701,255	\$ 48,499,357	\$ 81,413,912
Outpatient Hospital	\$ 46,813,312	\$ 45,041,015	\$ 46,424,519	\$ 42,067,047	\$ 33,804,540	\$ 56,367,450
<b>Federal Funds (Reclaiming)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,622,002</b>	<b>\$ 8,165,432</b>	<b>\$ 11,206,149</b>	<b>\$ 19,210,542</b>
Inpatient Hospital	\$ -	\$ -	\$ 4,928,107	\$ 6,830,036	\$ 10,027,604	\$ 17,190,179
Outpatient Hospital	\$ -	\$ -	\$ 693,894	\$ 1,335,396	\$ 1,178,545	\$ 2,020,363
<b>Federal Funds (All Other)</b>	<b>\$ 212,395,913</b>	<b>\$ 324,230,844</b>	<b>\$ 449,538,369</b>	<b>\$ 445,342,592</b>	<b>\$ 297,147,838</b>	<b>\$ 496,877,657</b>
Inpatient Hospital	\$ 108,243,782	\$ 178,185,282	\$ 249,723,082	\$ 242,507,545	\$ 161,527,206	\$ 270,791,948
Outpatient Hospital	\$ 104,152,131	\$ 146,045,562	\$ 199,815,288	\$ 202,835,047	\$ 135,620,632	\$ 226,085,709
<b>Total Funds</b>	<b>\$ 325,475,004</b>	<b>\$ 451,532,718</b>	<b>\$ 583,127,435</b>	<b>\$ 565,276,326</b>	<b>\$ 390,657,883</b>	<b>\$ 653,869,561</b>
Inpatient Hospital	\$ 174,509,562	\$ 260,446,141	\$ 336,193,734	\$ 319,038,836	\$ 220,054,167	\$ 369,396,039
Outpatient Hospital	\$ 150,965,442	\$ 191,086,577	\$ 246,933,701	\$ 246,237,490	\$ 170,603,716	\$ 284,473,522

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

### MEDICAID HOSPITAL RATE ADJUSTMENTS SFYs 2015-2019

TOTAL INPATIENT AND OUTPATIENT HOSPITAL PAYMENTS						
FUND SOURCE	SFY 2015	SFY 2016	SFY 2017	SFY 2018	JULY 18-JAN 19	SFY 2019 TREND
General Funds	\$113,079,092	\$ 127,301,874	\$127,967,065	\$111,768,302	\$ 82,303,897	\$137,781,362
Federal Funds (Reclaiming)	\$ -	\$ -	\$ 5,622,002	\$ 8,165,432	\$ 11,206,149	\$ 19,210,542
Federal Funds (All Other)	\$212,395,913	\$ 324,230,844	\$449,538,369	\$445,342,592	\$ 297,147,838	\$496,877,657

#### Inpatient Hospital - Prior Rate Adjustments

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

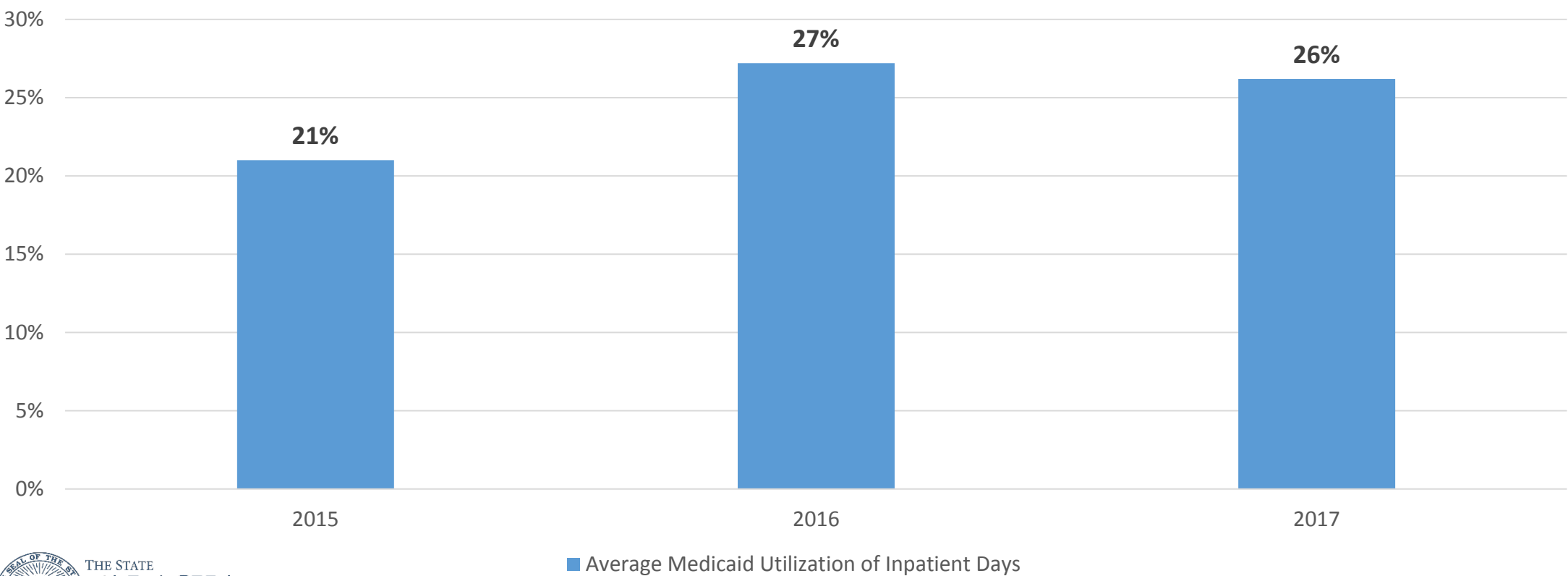
#### Outpatient Hospital - Prior Rate Adjustments

- 2019 – Rate reduction from 2018 restored
- 2018 – 5% outpatient rate reduction, all facilities

# Phase I: Cost Containment – Rate and Payment Adjustments

## Medicaid Percentage of Hospital Inpatient Days 2015-2017

Average Medicaid Utilization of Inpatient Days

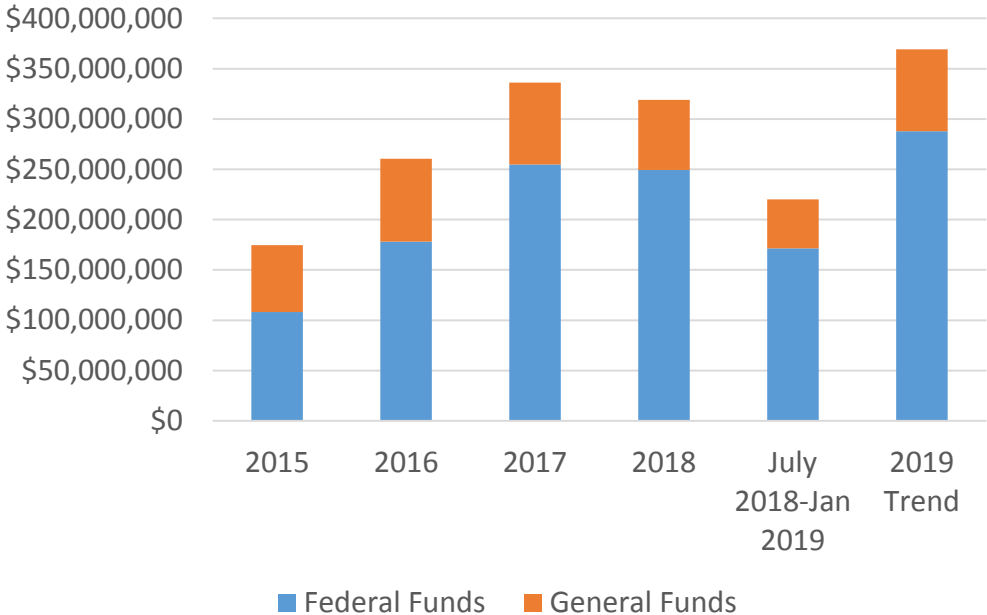




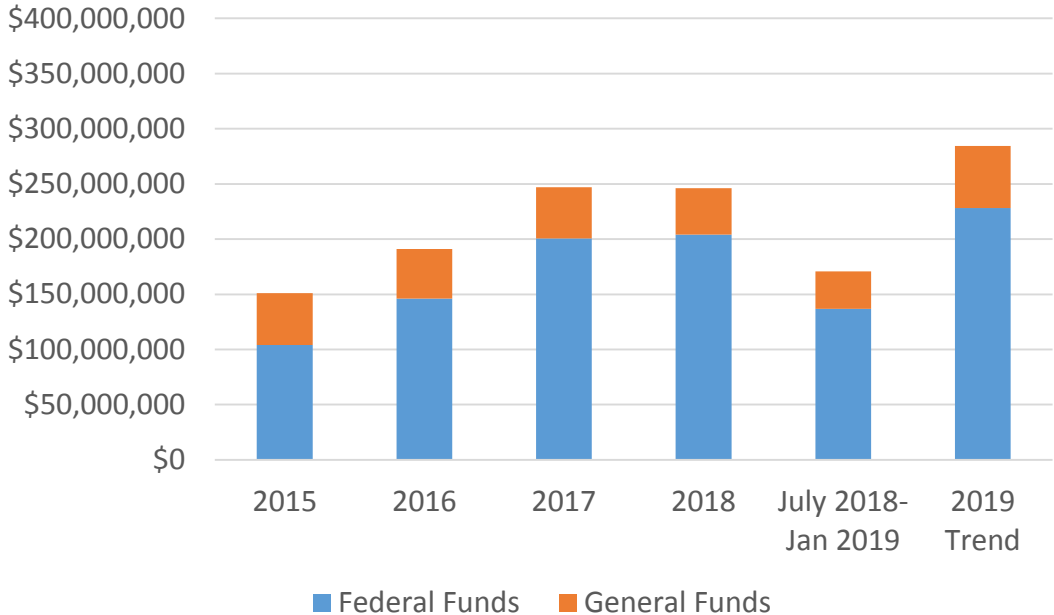
# Phase I: Cost Containment – Rate and Payment Adjustments

## MEDICAID 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

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### 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
- Hospitals paid Indian Health Service inpatient encounter rate

# Phase I: Cost Containment – Rate and Payment Adjustments

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## RECAP 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
  - January 1, 2020 implementation
- **Implement Acuity Based Skilled Nursing Facility Rates**
  - System similar to Medicare Resource Utilization Groups (RUGs)
  - January 1, 2020 implementation
- **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
  - January 1, 2020 implementation

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

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### 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
Physical, Occupational, and Speech Therapy 12 visits each per year	(\$1,000.0)	(\$1,800.0)	(\$2,800.0)
Expand “Lock-In” Program	(\$2,010.0)	(\$4,690.0)	(\$6,700.0)
Implement Nurse Hotline	(\$500.0)	(\$500.0)	(\$1,000.0)
Eliminate Adult Preventive Dental	(\$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

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## RECAP 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
  - Implementation October 1, 2019
- **Expand “Lock-In” Program**
  - Also known as Medicaid Care Management 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
  - Implementation January 1, 2020
- **Eliminate Adult Dental**
  - Optional service
  - Adult emergency dental services remain covered

## 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 A/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

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## RECAP 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
  - October 1, 2019
- **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 – will work with CMS to claim all payments made 0-138% FPL



# Phase I: Cost Containment – Administrative/Program Adjustments

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- **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
  - Implementation October 1, 2019
- **Transition Behavioral Health Grants**
  - Services currently funded by grant dollars will transition to Medicaid under 1115 waiver
  - 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
  - Implementation January 1, 2020
- **Transition Additional Services to 1915(k)**
  - No change to service delivery
  - Eligible for higher FMAP
  - Implementation January 1, 2020

## 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

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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

