

Medicaid Services FY2023 Overview

House Finance Committee

Albert Wall, Deputy Commissioner

Sylvan Robb, Assistant Commissioner

Gennifer Moreau-Johnson, Director, Division of Behavioral Health

February 16, 2022



Medicaid Topics

- Medicaid Overview
- Medicaid Eligibility
- Medicaid Budget
- Medicaid Eligibility and Spending in Alaska (MESA) – Ted Helvoigt, Ph.D.
- Public Consulting Group Recommendations – Rich Albertoni
- 1115 Waiver – Behavioral Health Demonstration Project

Alaska Medicaid

- Largest health coverage program in Alaska
- Provides comprehensive coverage for Medicaid-eligible recipients
- Medicaid: a collaborative effort
 - Medicaid Eligibility: Division of Public Assistance (DPA)
 - Medicaid Program Administration: Health Care Services (HCS), Division of Behavioral Health (DBH), Senior and Disabilities Services (SDS)
 - Service Payment: HCS and DBH, through both fiscal agents – Conduent and Optum

Alaska Medicaid

- Federal Reporting, Claiming, and Audits: Finance and Management Services
- Rate Setting: Office of Rate Review
- Program Integrity: Medicaid Program Integrity Unit and Medicaid Fraud Control Unit (Department of Law)
- Medicaid State Plan: Office of the Commissioner
- Health Information Technology
- Coordination and Consultation with Tribal Health Organizations

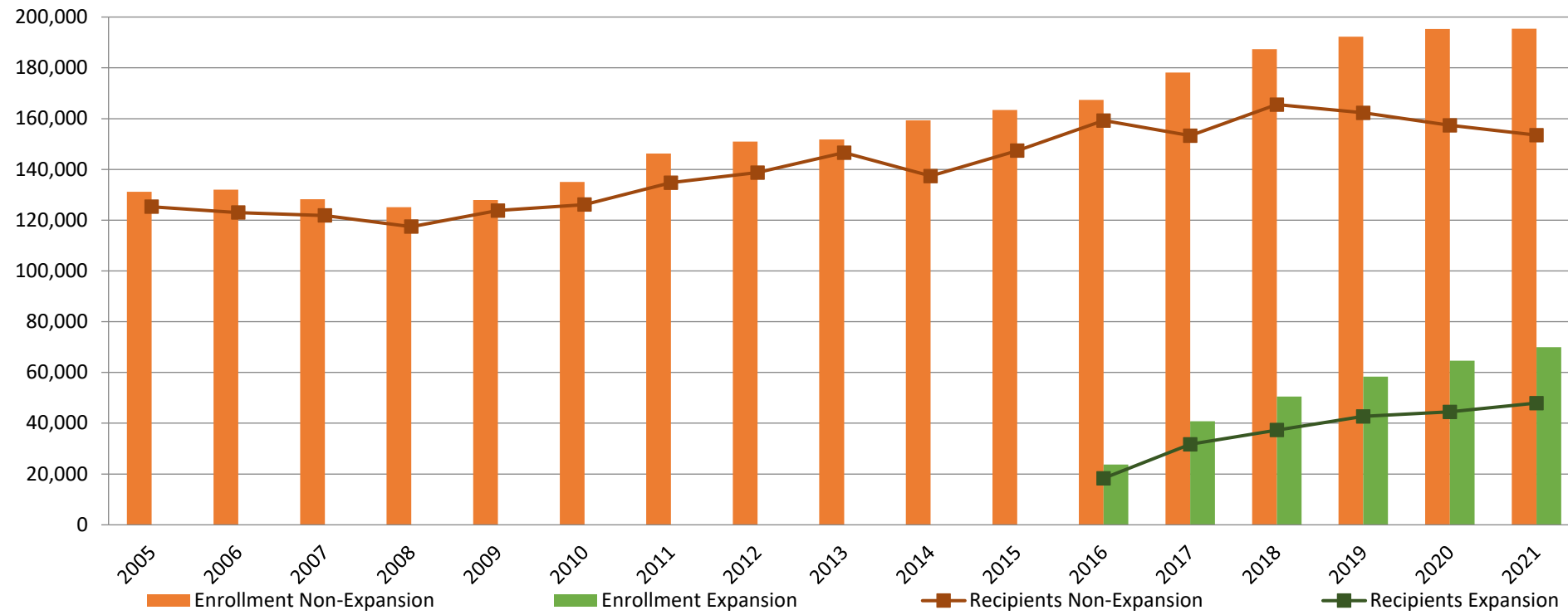
Eligibility

Provide eligibility for medical assistance to needy families with children, pregnant women, low-income adults, aged, blind and disabled people.

- To be eligible, recipients must meet income and/or resource criteria depending on the particular Medicaid category of eligibility
- Eligibility for aged, blind and disabled people are based on eligibility criteria under the Adult Public Assistance program
- Eligibility criteria for parents and other caretaker relatives, pregnant women, children under age 19, under 21 Medicaid, Expansion groups (CHIP and childless adults), and former foster children up to age 26 are based on eligibility criteria created by the Affordable Care Act

Medicaid Enrollees and Recipients

Medicaid Enrollment and Recipients in Alaska



Source: MMIS Warehouse

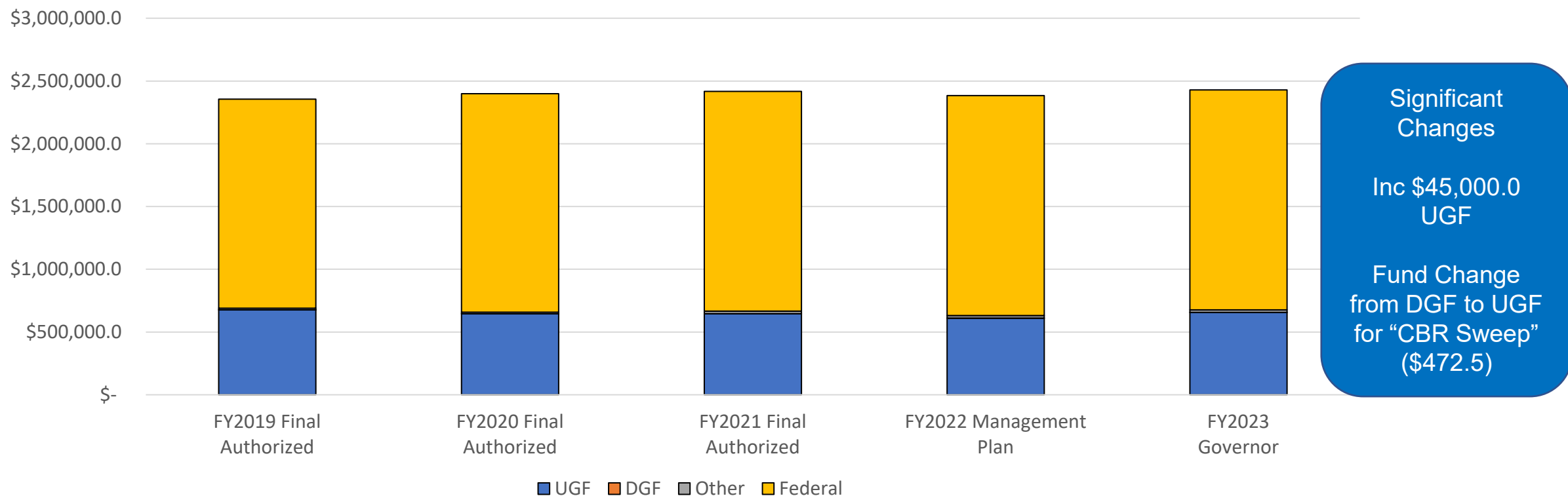


Medicaid Budget Development Process

Incorporates

- Population changes
- Utilization changes
- Actual spending trends
- Any anticipated program changes and special initiatives (State Plan Amendments and regulation changes with a budgetary impact)
- Additional resources
 - Medicaid program utilization metrics developed using the state's accounting and MMIS systems
 - CMS 37/21b Quarterly Budget Report (2-year projections that are the basis of federal grant awards)
 - MMIS expenditure and check-write reports
 - Long-Term Forecast of Medicaid Enrollment and Spending in Alaska (MESA-both prior year and current year version in development)

Medicaid Services Operating Budget Comparison FY2019-FY2023 (in thousands)



| | FY2019 Final Authorized | FY2020 Final Authorized | FY2021 Final Authorized | FY2022 Management Plan | FY2023 Governor | Difference FY2019 and FY2023 |
|----------------|-------------------------|-------------------------|-------------------------|------------------------|-----------------------|------------------------------|
| UGF | \$ 676,215.8 | \$ 644,604.3 | \$ 645,065.6 | \$ 610,567.1 | \$ 656,039.6 | \$ (20,176.2) |
| DGF | \$ 902.3 | \$ 902.3 | \$ 902.3 | \$ 902.3 | \$ 429.8 | \$ (472.5) |
| Other | \$ 12,479.8 | \$ 13,111.3 | \$ 20,714.1 | \$ 20,714.1 | \$ 20,714.1 | \$ 8,234.3 |
| Federal | \$ 1,666,068.5 | \$ 1,739,957.3 | \$ 1,750,620.4 | \$ 1,751,474.4 | \$ 1,751,474.4 | \$ 85,405.9 |
| Total | \$ 2,355,666.4 | \$ 2,398,575.2 | \$ 2,417,302.4 | \$ 2,383,657.9 | \$ 2,428,657.9 | \$ 72,991.5 |

FY2023 Medicaid

For FY2023, the Department's increment of \$45.0 million UGF is due to projected increased utilization, as well as cost saving activities.

Public Consulting Group cost saving activities to be implemented in FY2023:

- \$17.0 million projected to be captured once Medicaid eligibility redetermination resumes (until the Public Health Emergency is over, states receiving the enhanced FMAP must adhere to a continuous enrollment requirement).
- \$6.5 million – Implementation of Section 1945 Health Homes
- \$3.5 million – Pay for Performance for Hospitals

Other cost saving activity to be implemented in FY2023:

- \$4.6 million – Implementation of Indian Health Service (IHS) reclaiming by the Administrative Services Organization for the Division of Behavioral Health



MESA FY2022 – FY2042

Long-Term Forecast of Medicaid Enrollment and Spending in Alaska

*Prepared for
The Alaska State Legislature
House Finance Committee
February 16, 2022*

Ted Helvoigt, Ph.D.

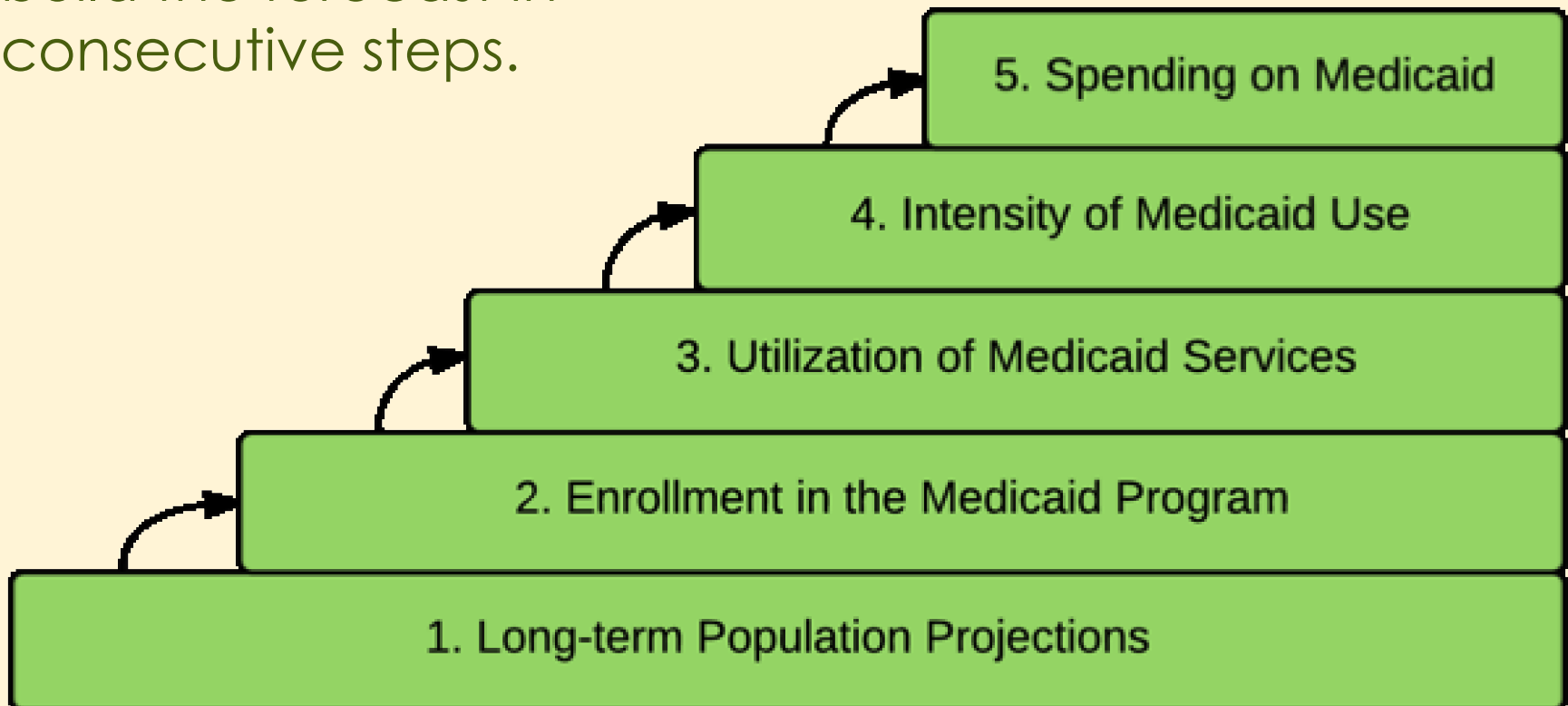
Vice President

Evergreen Economics

www.evergreenecon.com

MESA Modeling Approach

Relies on published data and statistical modeling to build the forecast in consecutive steps.

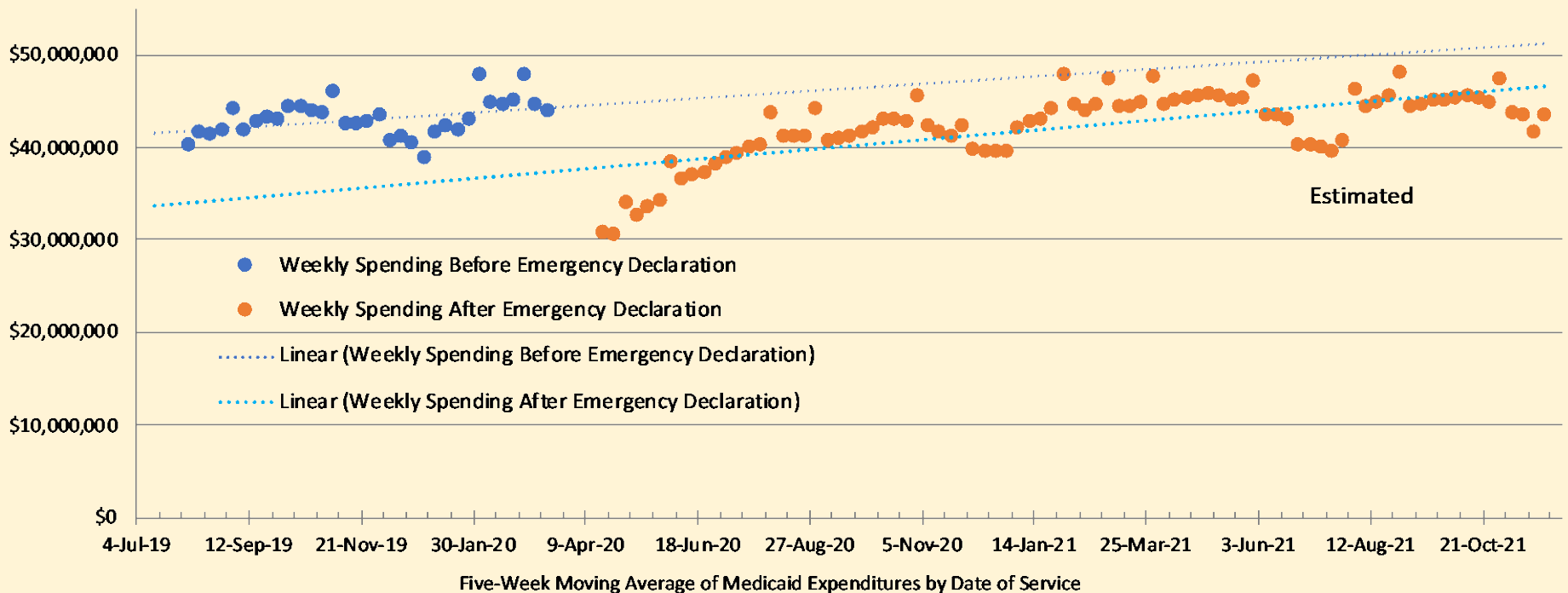




COVID Has Impacted Medicaid Spending

After the steep drop in March 2020, Medicaid spending has largely recovered

Weekly Spending on Medicaid Services by Date of Service, July 2019 – November 2021

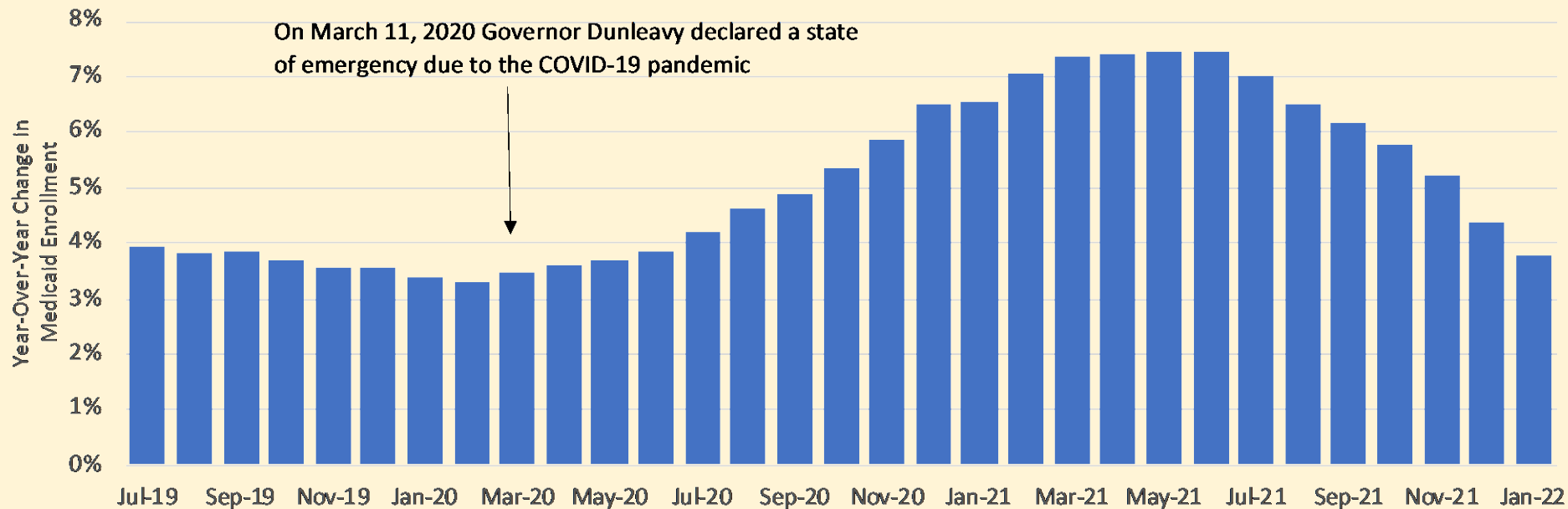




COVID Spurred Growth in Medicaid Enrollment

Federal COVID-19 public health emergency includes a mandate that states maintain continuous Medicaid eligibility for individuals, regardless of any change in employment, income, or other covered circumstance

Year-Over-Year Percent Change in Medicaid Enrollment, Jul 2019 – Nov 2021



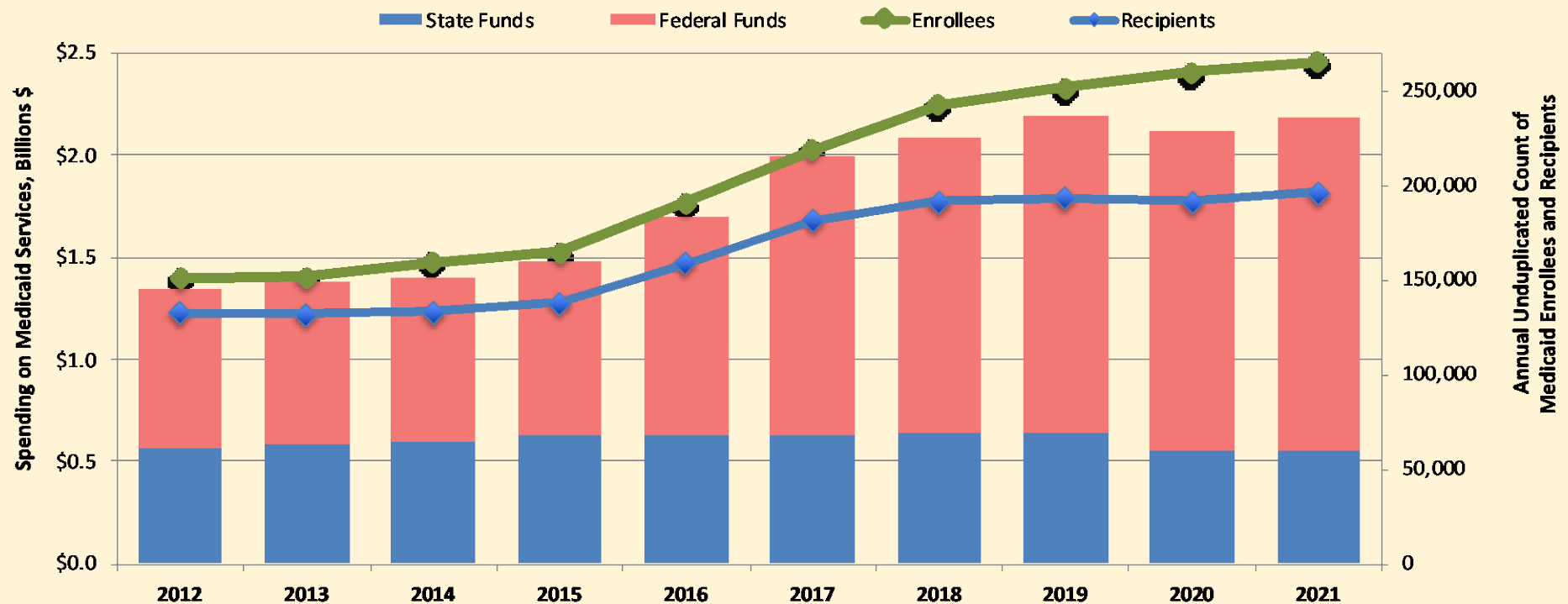


Substantial Growth Beginning in FY2016

Between FY2015 and FY2021...

- Medicaid Enrollment grew by 61% (Recipients grew by 42%)
- Federal spending grew by 95%
- GF spending **decreased** by nearly 12%.

Spending on Medicaid Services, Enrollment in the Medicaid Program, and Recipients of Medicaid Services, By Date of Service, FY2012 – FY2021





Population Is Aging and Growth Has Slowed

- Senior population will experience relatively strong growth through the 20-year projection period.
- Population growth will be slowest for children
- Last population forecast was published in April 2020

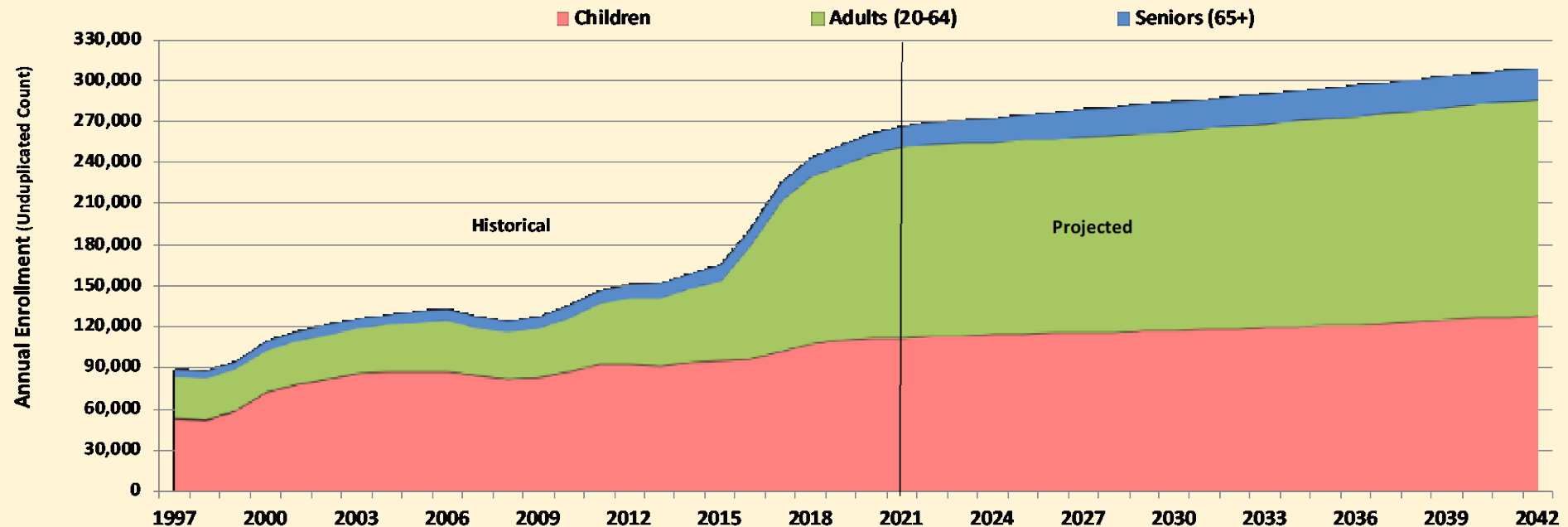
Alaska's Population by Age Cohort for Selected Years, 2022-2042

| Age Group | 2022 | 2027 | 2032 | 2037 | 2042 | Avg. Annual Change |
|-------------------------|----------------|----------------|----------------|----------------|----------------|--------------------|
| Children (0-19) | 204,179 | 205,905 | 205,580 | 208,083 | 212,620 | 0.20% |
| Adults (20-64) | 430,285 | 429,553 | 437,270 | 449,727 | 461,669 | 0.35% |
| Seniors (65+) | 104,442 | 124,143 | 134,203 | 134,667 | 131,467 | 1.16% |
| Total Population | 738,906 | 759,601 | 777,053 | 792,477 | 805,756 | 0.43% |

Medicaid Enrollment – the Long View

- In 1999, there were fewer than 100,000 enrollees.
- Today, there are about 267,000.
- By 2042, there will be more than 300,000.

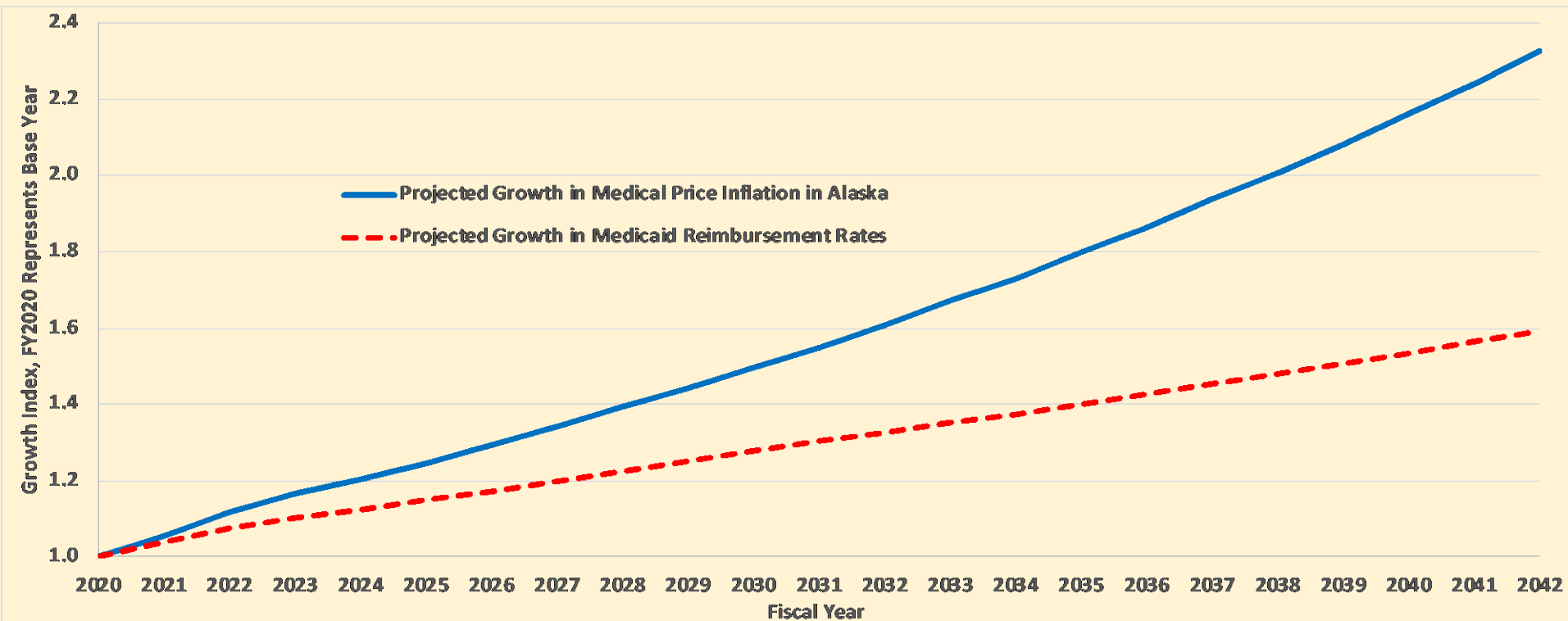
Annual Unduplicated Count of Medicaid Enrollment





Growth in Medicaid Reimbursement Rates

Medicaid reimbursement rates will grow at a *slower rate* than overall healthcare price inflation





GF Spending Will Grow Faster than Federal

- Difference in growth rates is due to *anticipated* ending of FFP enhancement that is part of the federal public health emergency, which is subject to change
- Assumes no other future changes to FMAPs

Projected State and Federal Spending on Medicaid Services, FY2022 - FY2042 (Millions \$)

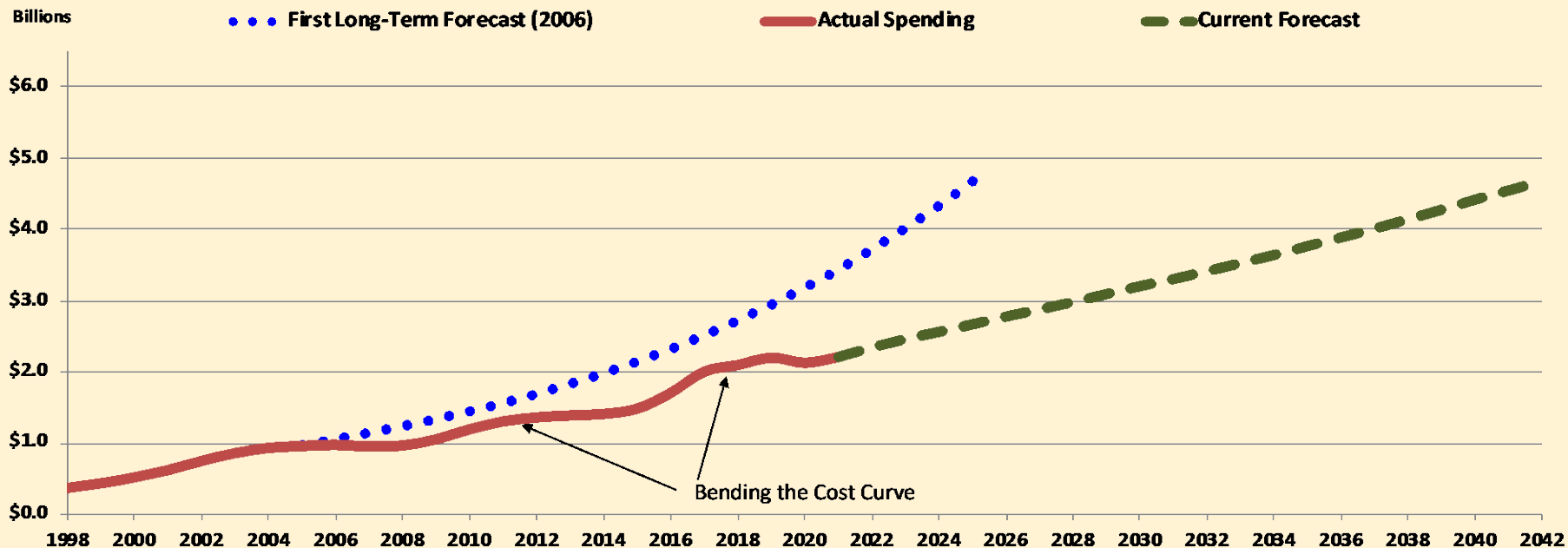
| Fund Source | 2022 | 2027 | 2032 | 2037 | 2042 | Annual Growth |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|---------------|
| State GF and Other Matching Funds | \$595.3 | \$802.3 | \$972.5 | \$1,156.7 | \$1,351.7 | 4.2% |
| Federal | \$1,742 | \$2,067 | \$2,437 | \$2,854 | \$3,327 | 3.3% |
| Total Spending* | \$2,337 | \$2,870 | \$3,409 | \$4,010 | \$4,679 | 3.5% |

* Due to rounding, some totals may not precisely match the sum of components shown in table.

Bending the Cost Curve

- Cost containment efforts work
- Spending has been much lower than was projected in 2006
- Projected spending growth is lower than earlier forecasts

Comparing Projected Spending from Current Forecast and First Long-Term Medicaid Forecast

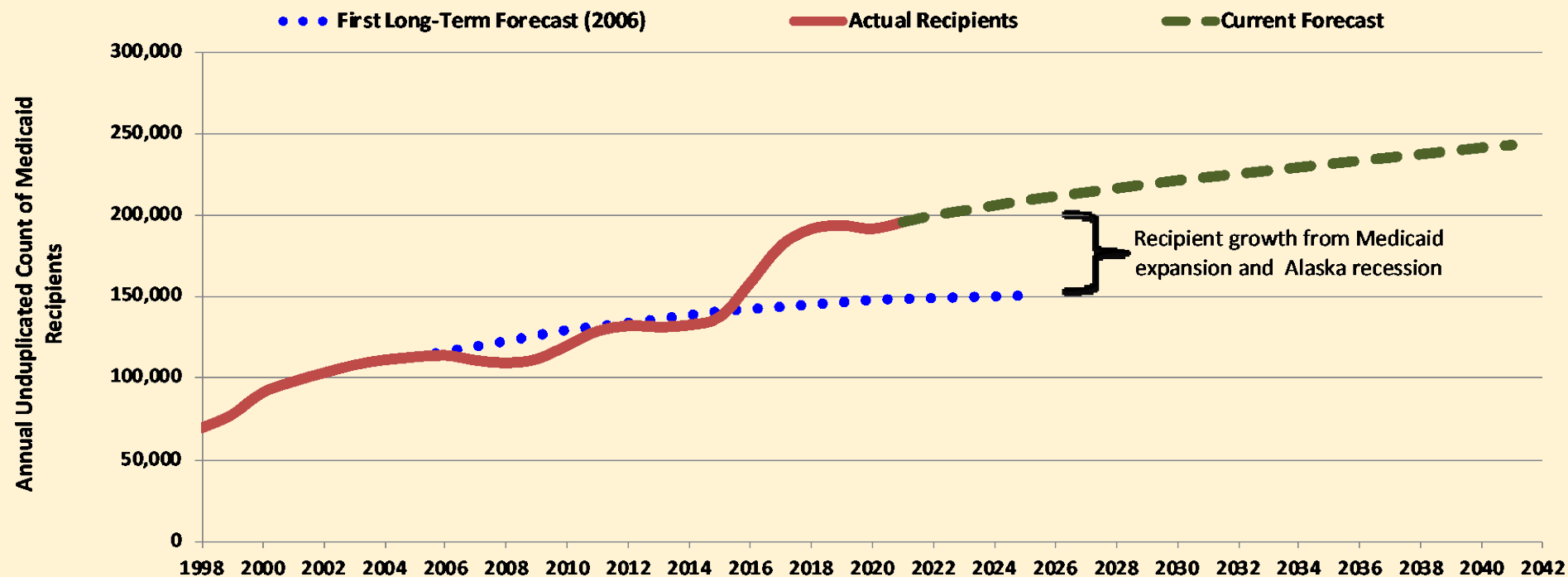




Many More Alaskans Receiving Medicaid Services

- Actual recipients counts closely tracked the 2006 projection until Medicaid expansion in FY2016
- Recipient counts likely also impacted by Alaska recession

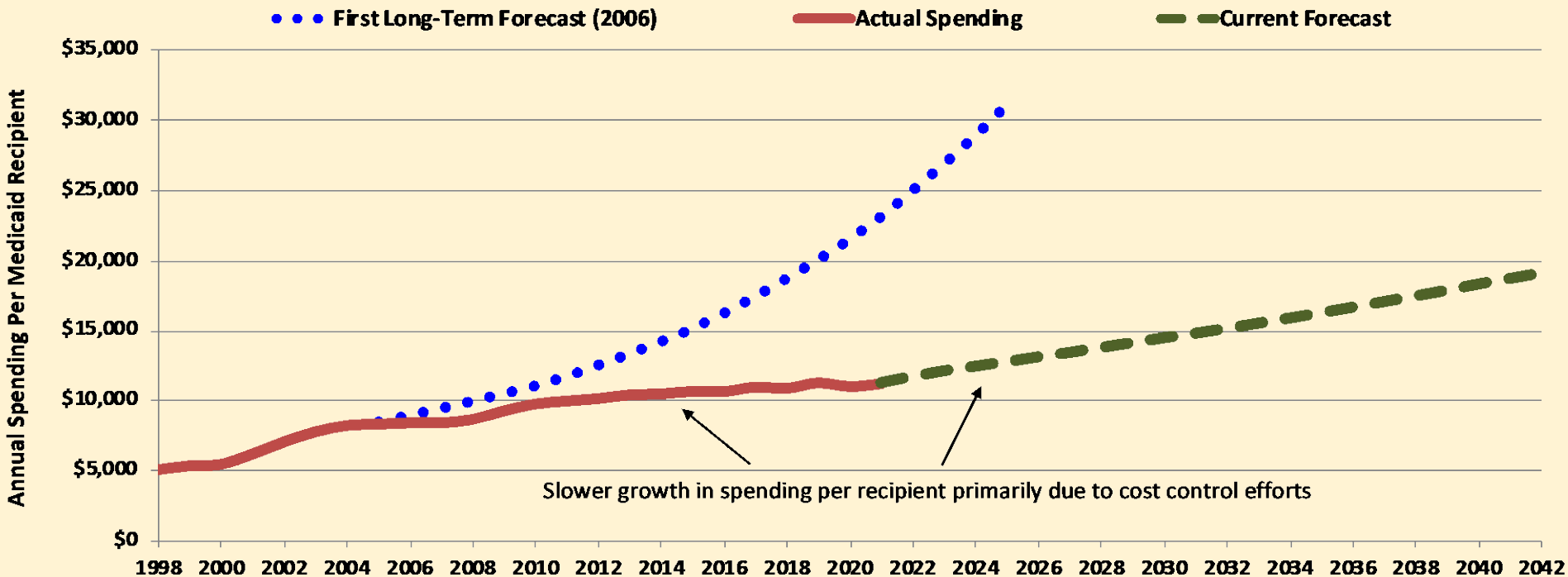
Comparing Projected Recipients from Current Forecast and First Long-Term Medicaid Forecast



More Recipients & Lower Spending Means...

- Spending per recipient is much lower today than projected in 2006.
- Cost containment initiative by DHSS will likely continue to suppress growth in spending.

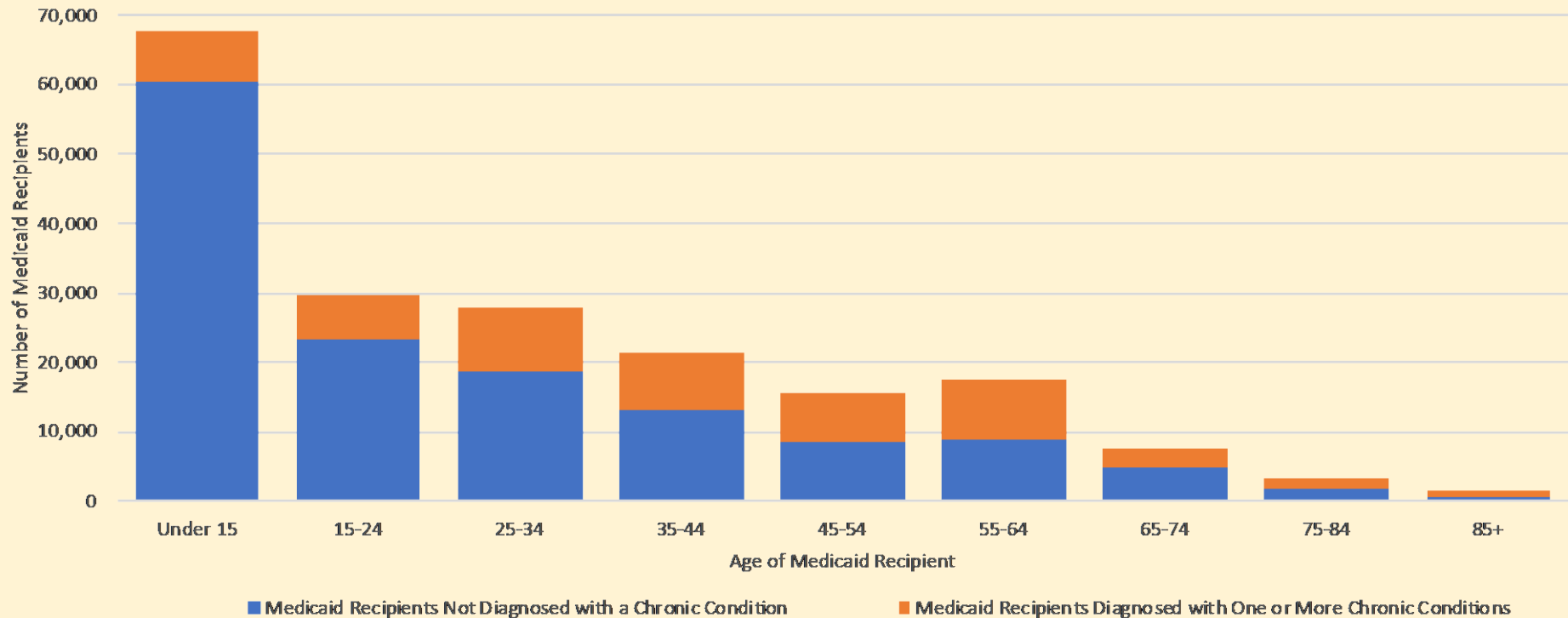
Comparing Projected Spending per Recipient from Current Forecast and First Long-Term Medicaid Forecast



Chronic Conditions and Age, FY2020

- Most Medicaid recipients do not have a diagnosed chronic condition
- Prevalence of a diagnosed chronic condition increases with age

Medicaid Recipients by Age and Diagnosis of One or More Chronic Conditions, FY2020

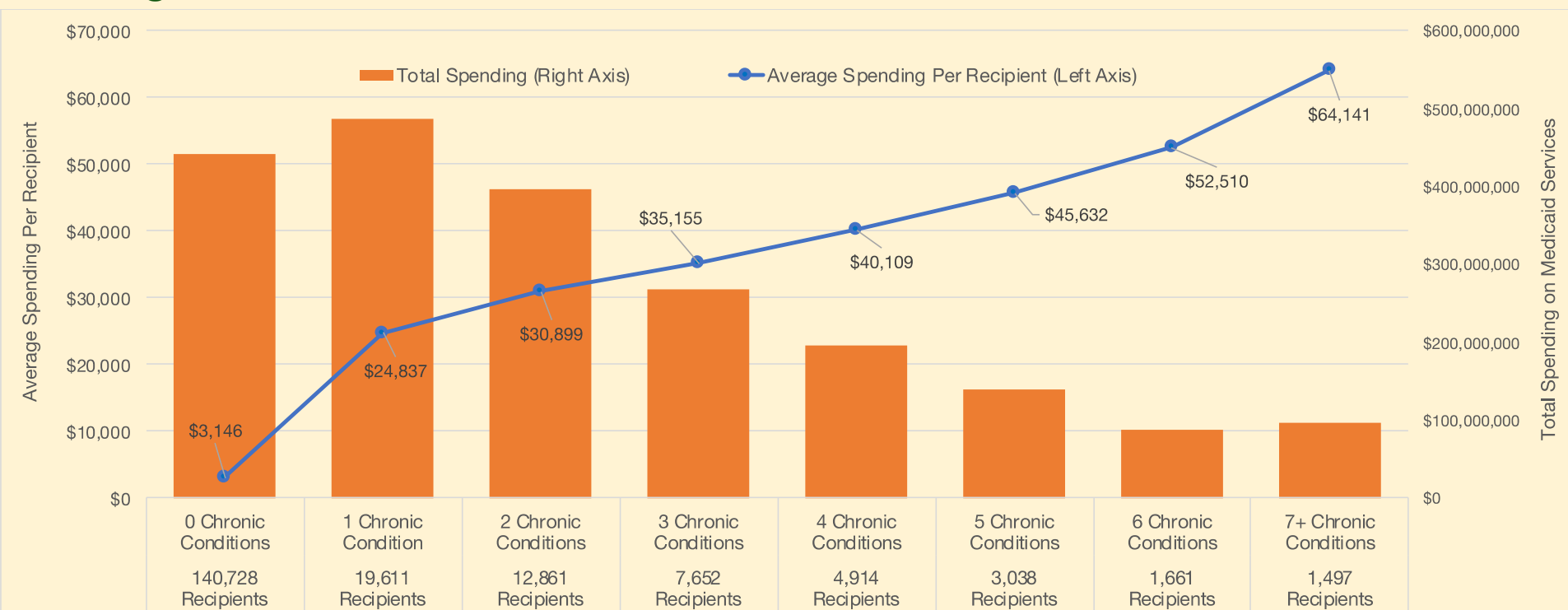




Impact of Co-Chronic Conditions on Spending

As the number of diagnosed chronic conditions increase, so does spending on Medicaid services

Average and Total Spending on Medicaid Services by Number of Diagnosed Chronic Conditions, FY2020

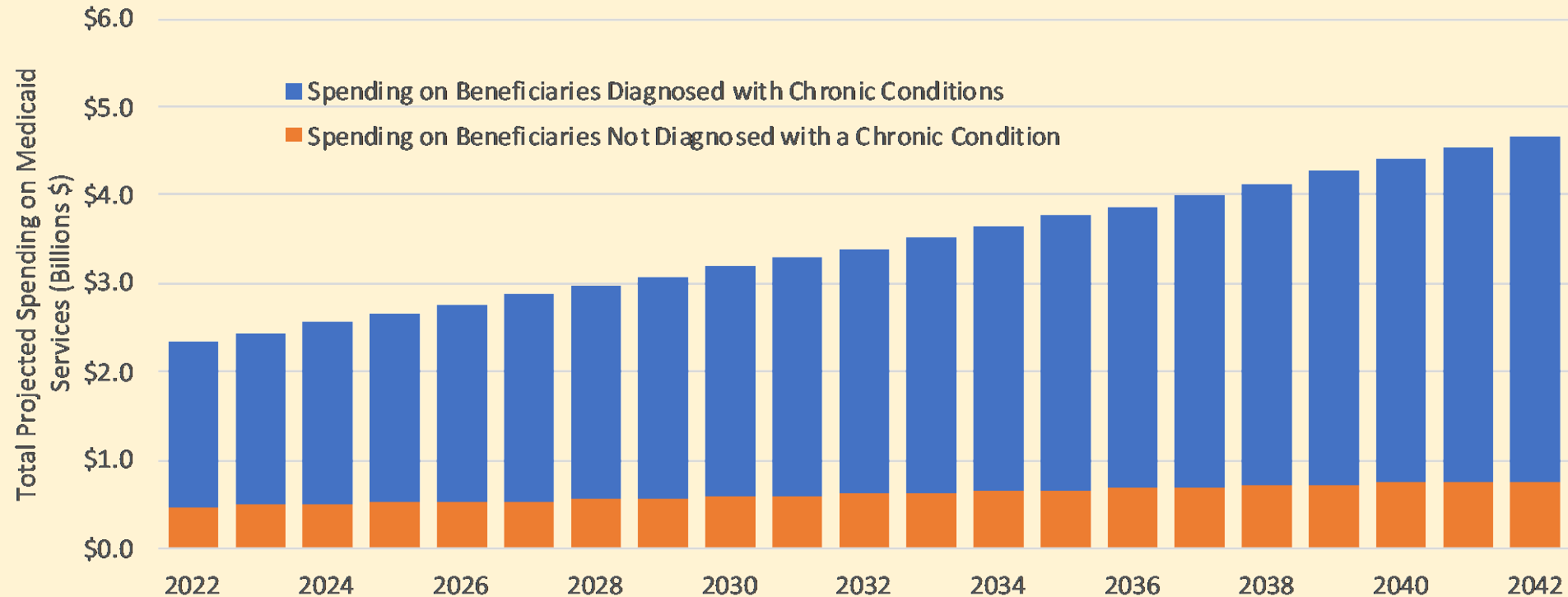




Chronic Conditions Drive Medicaid Spending

Today 80% of Medicaid spending is on beneficiaries diagnosed with one or more chronic conditions; This will grow to 84% by 2042

Projected Spending on Medicaid Services, FY2022 – FY2042



PCG Medicaid Strategic Advising Project

Summary of Findings and Recommendations Included in DHSS Budget

Rich Albertoni, February 16, 2022

PCG Strategic Advising Scope of Work

- Assist DHSS in creating a global roadmap that redesigns the Medicaid and public assistance system at a lower cost.
- Assist and work with appropriate internal and external entities to offer budget initiatives and cost reduction ideas across the DHSS system.
- Assistance transitioning Alaska's Medicaid model to one that provides programmatic flexibility while limiting the exponential growth in costs that is seen in other state systems.
- Create policy reforms that offer greater self-sufficiency and independence, reduce the burden on government dependence, improve quality, and lower expenditures in Alaska's health and social services system.
- Assist in preparation of reform proposals and negotiation of federal approvals.
- Assist in implementation of reforms.



Methodology

Four one-week site visits to
Anchorage and Juneau

Ongoing biweekly calls with
Commissioner's Office

In depth meetings with division
and program staff

Stakeholder Engagement

AK Primary Care Assoc.
AK Native Health Board
AK Native Tribal Health Cons.
AK Health Transform. Project
AK Division of Insurance
Providence Health System
Evergreen Economics
AK Retirement & Benefits Health Team
ASHNHA
Key state legislators/staff
DHSS Directors/Staff
Summer 2021 Report Briefings

Additional Sources

National Best Practice Info
Reports shared by stakeholders
Medicaid Data Book
DHSS/State Website



The Road Map: Overall Reform Principles

- **Payment Reform:** Move toward value-based purchasing
- **Delivery System Reform:** Move toward coordinated care
- **Cost Containment:** Address inflationary pressures
- **Program Integrity:** Prevent fraud, waste and abuse
- **State Financial Stewardship:** Assure Alaska claims its fair share of Medicaid matching dollars

Paying for value and coordinating care advance mission of quality healthcare for all Alaskans



Initiatives Included in Budget

| Initiative | Financial Impact (State Dollars) | Notes |
|--|-------------------------------------|---|
| Medicaid Eligibility Redeterminations | \$17 million | One-time savings based on approximately 3% individuals being determined to be ineligible (Program Integrity) |
| Implement Section 1945 Health Homes | \$6.5 million | Modeled based on other state savings (Delivery System Reform) |
| Hospital Payments to Include Pay for Performance | \$3.5 million | Savings achieved through improved care, reduced hospitalizations (Payment Reform) |
| Total | \$27 million | |



Medicaid Eligibility Redeterminations

At the conclusion of the federally declared COVID public health emergency (PHE), complete a review of all current Medicaid enrollment files to identify in eligible cases. Savings estimate based on Urban Institute post-PHE report and other state third-party data matching experience.

Potential Cost Savings

| Population | Est. Average Annual Spend (State Share) | Est. Enrollment | Est. Disenrollments @3% Ineligibility | Est. Cost Savings @3% Ineligibility |
|--------------------------|---|-----------------|---------------------------------------|-------------------------------------|
| Adults | \$2,068 | 48,436 | 1,453 | \$3,004,969 |
| Children | \$1,541 | 119,101 | 3,573 | \$5,506,039 |
| Aged, Blind and Disabled | \$8,228 | 34,972 | 1,049 | \$8,632,488 |
| Total | | 202,509 | 6,075 | \$17,143,497 |

Sources:

1. <https://www.kff.org/medicaid/state-indicator/medicaid-spending-by-enrollment-group/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>
2. http://dhss.alaska.gov/HealthyAlaska/Documents/redesign/FY-2018_Annual_Medicaid_Reform_Report_with_Appendices.pdf



AK Delivery System Reform Baseline

- Alaska remains an outlier among Medicaid programs in having no fully capitated managed care.
- State's unique characteristics make traditional Medicaid managed care challenging on a statewide basis.
- Tribal Health System in Alaska is unique among states
- Alaska has existing care coordination assets upon which to build, such as the Behavioral Health 1115 Waiver, the Providence Care Coordination Demonstration and High Utilizers Mat-Su (HUMS)
- Change must be incremental and build on current features



Implement Section 1945 Health Homes

Provides authority for care coordination initiatives within fee-for-service payment system while engaging care entities to perform specific services at 90% FMAP for 8 quarters. Targets people with chronic conditions.

Community Health Centers (CHCs) say they are ready and willing partners to do this. Converting the Providence initiative to a Health Home would convert 90% of care fees to FED.

This is a state plan option and may be implemented regionally. The State may establish provider eligibility standards by region.



Payment Reform: States often begin with hospital pay for performance

Current hospital inpatient “per diem” method incorporates hospital cost increases as they accrue. As a result, the State reacts to cost adjustments rather than managing rates to a state budget.

Current outpatient method is based on a “percent of charges,” permitting hospitals to control their own prices by adjusting charges.

Neither method is acuity-based, meaning reimbursement is not based on the intensity of resource utilization. The method is also not value-based to align with quality outcomes.



Establish a Fund for Hospital Pay for Performance while continuing to work with hospitals on DRGs



Establish authority under the State Plan for the annual hospital rate setting method to include a budget adjustment factor that effectively manages cost growth to and incentivizes hospital efficiency.



Pair the Budget Adjustment Factor with Quality based payments to incentivize both resource efficiency and positive patient outcomes. Possible pay for reporting in Year 1.



Plan for Transitioning to Rate Methods that Weigh Resource Utilization: This would include Diagnostic Related Groupers (DRGs) for inpatient and Ambulatory Patient Groupers (APGs) or Enhanced Ambulatory Patient Groupers (EAPGs) for outpatient.





Solutions that Matter



1115 Behavioral Health Medicaid Waiver

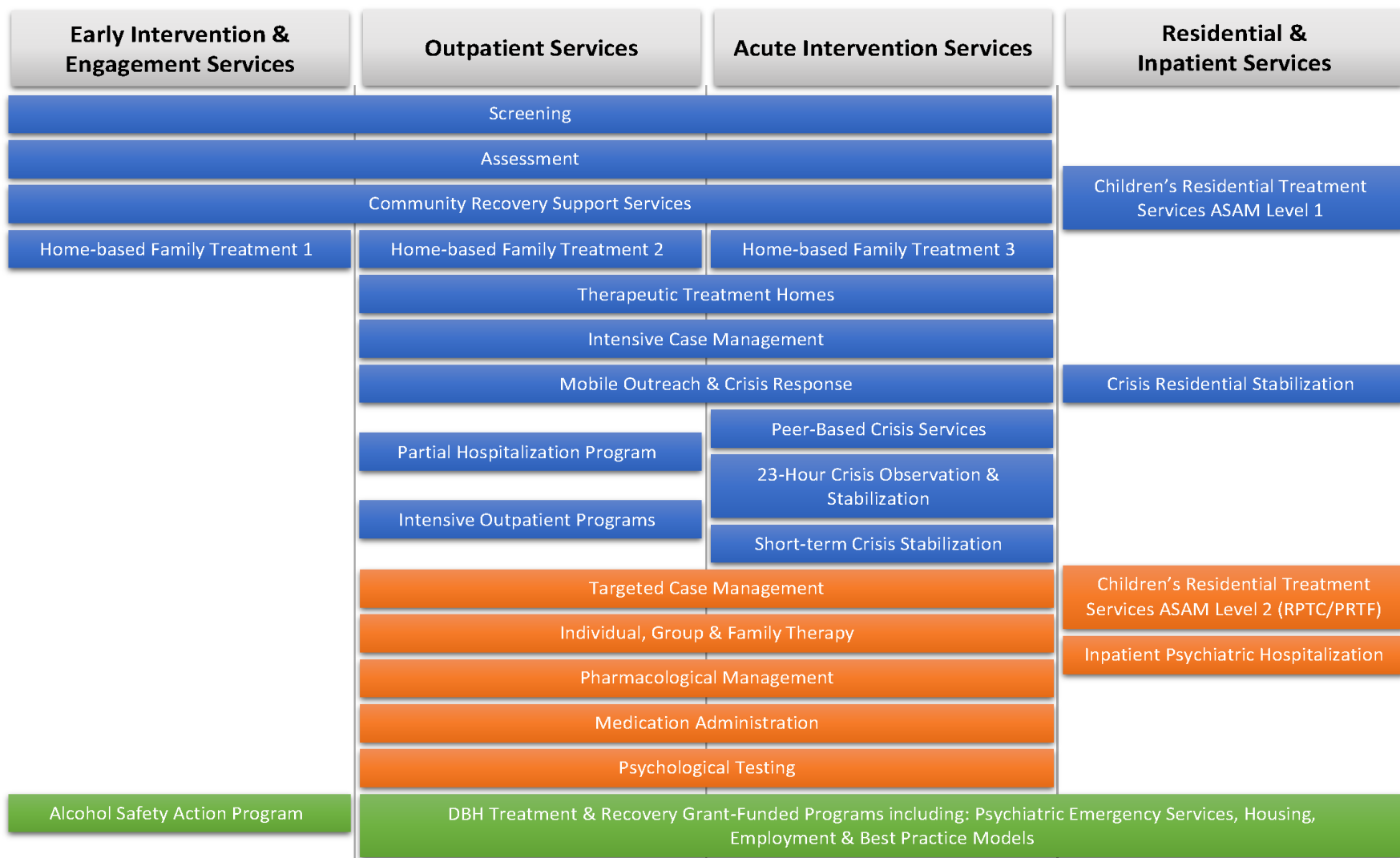
The 1115 Behavioral Health Medicaid Waiver demonstration project focuses on establishing an enhanced set of benefits for three target populations of Medicaid recipients:

- Children, adolescents, and their parents or caretakers with – or at risk of – mental health and/or substance-use disorders
- Individuals with acute mental health needs
- Individuals with substance-use disorders

More detailed information about the waiver demonstration's goals and objectives for each of these target populations is found on the 1115 webpage:

<http://dhss.alaska.gov/dbh/Pages/1115/>

**DHSS Mental Health Continuum of Care
AT-RISK CHILDREN & ADOLESCENTS AGES 0-21**

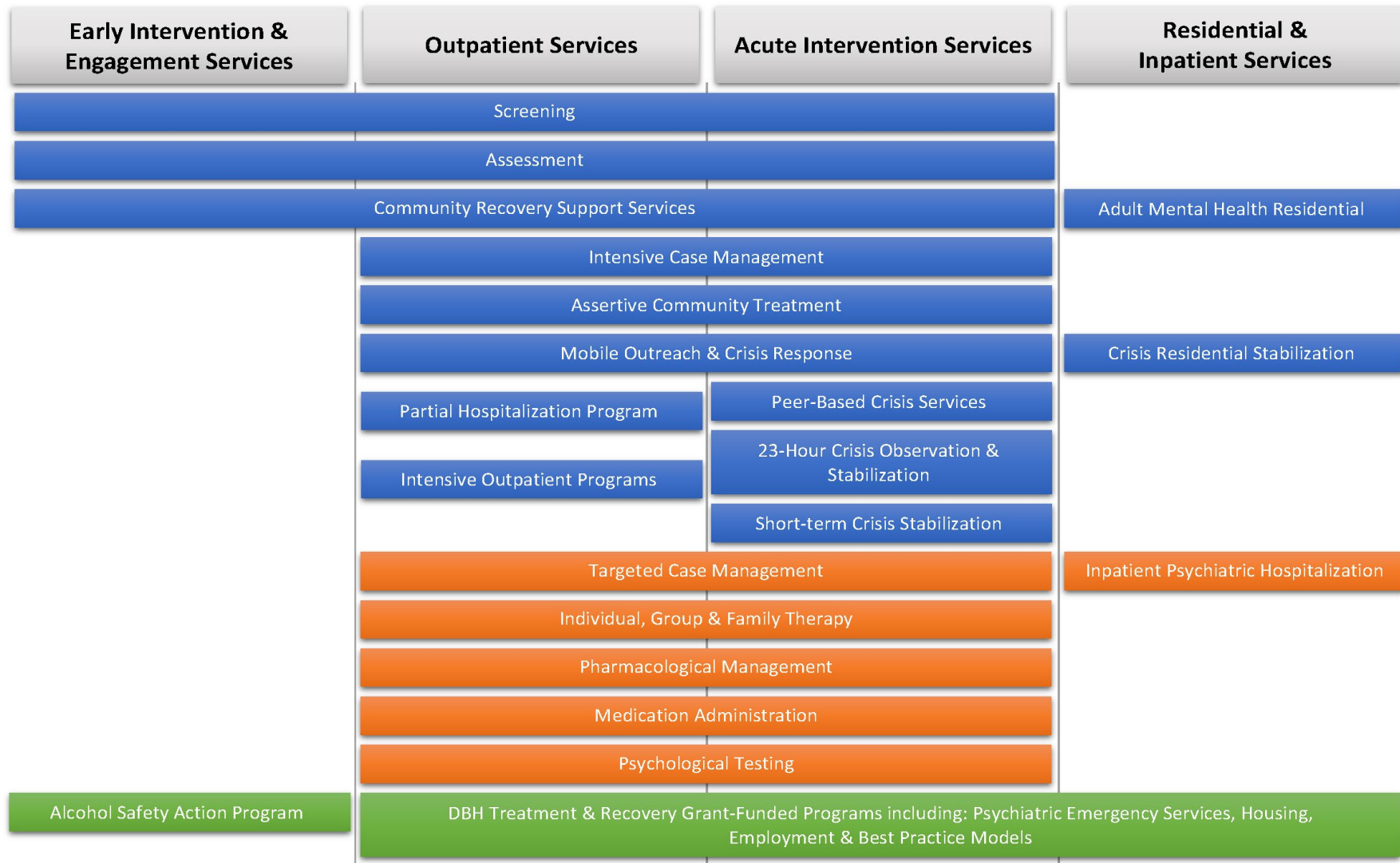


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At-Risk Children and
Adolescents Ages 0-21



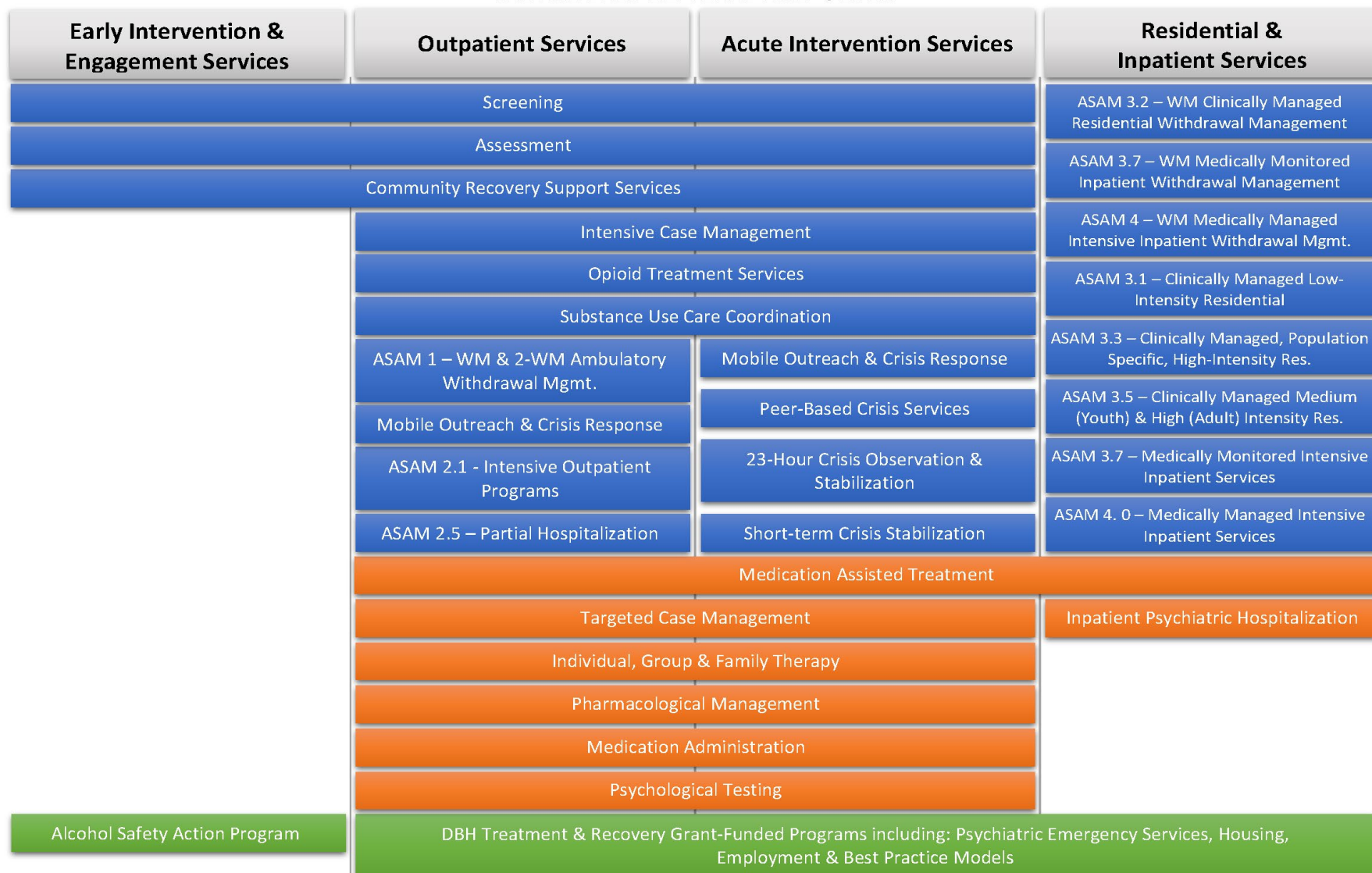
**DHSS Mental Health Continuum of Care
INDIVIDUALS 18 YEARS AND OLDER**



1115
Behavioral
Health
Medicaid
Waiver
Mental Health
Continuum of
Care
Individuals 18 Years and
Older



DHSS Substance Use Disorder Continuum of Care INDIVIDUALS 12 YEARS AND OLDER

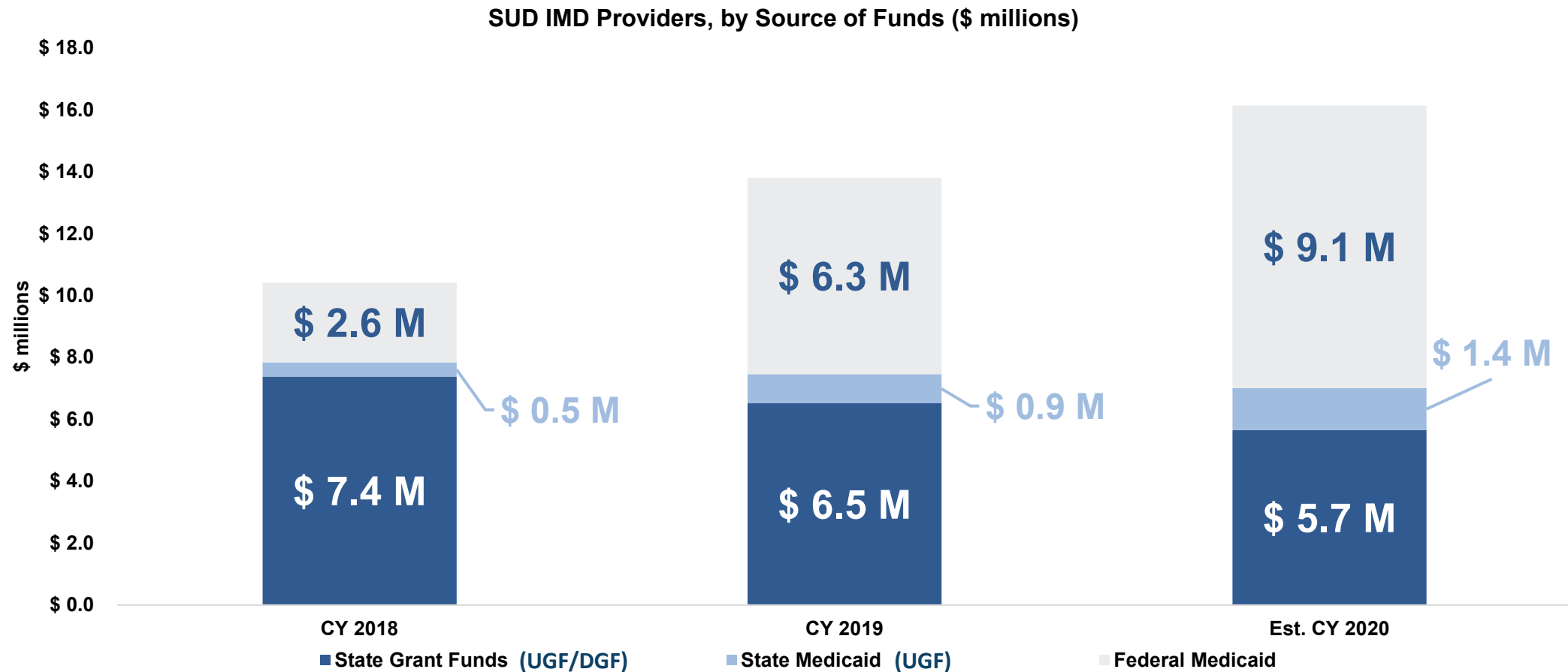


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Substance Use
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Individuals 12 Years and Older

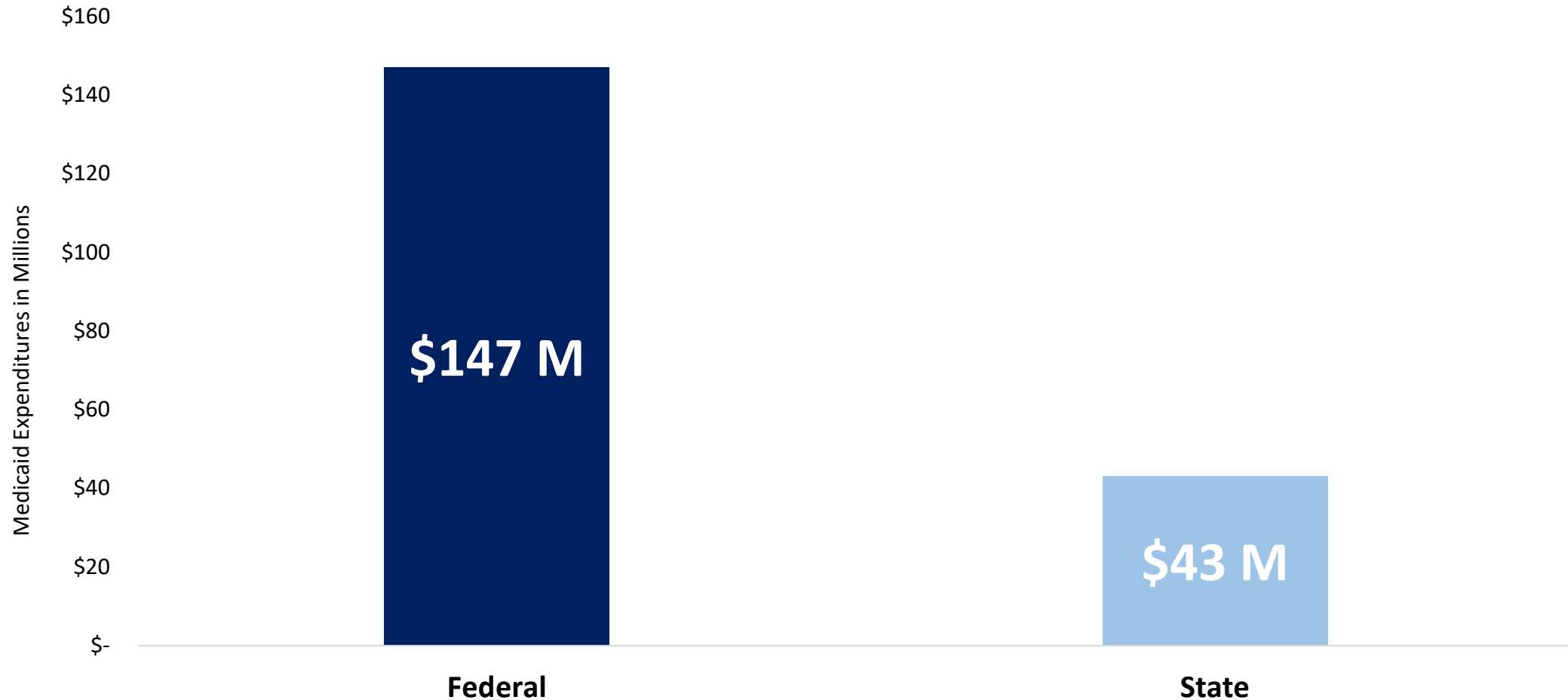
An Example: Shift from State Grant Funds to Medicaid

State Expenditures by Calendar Year



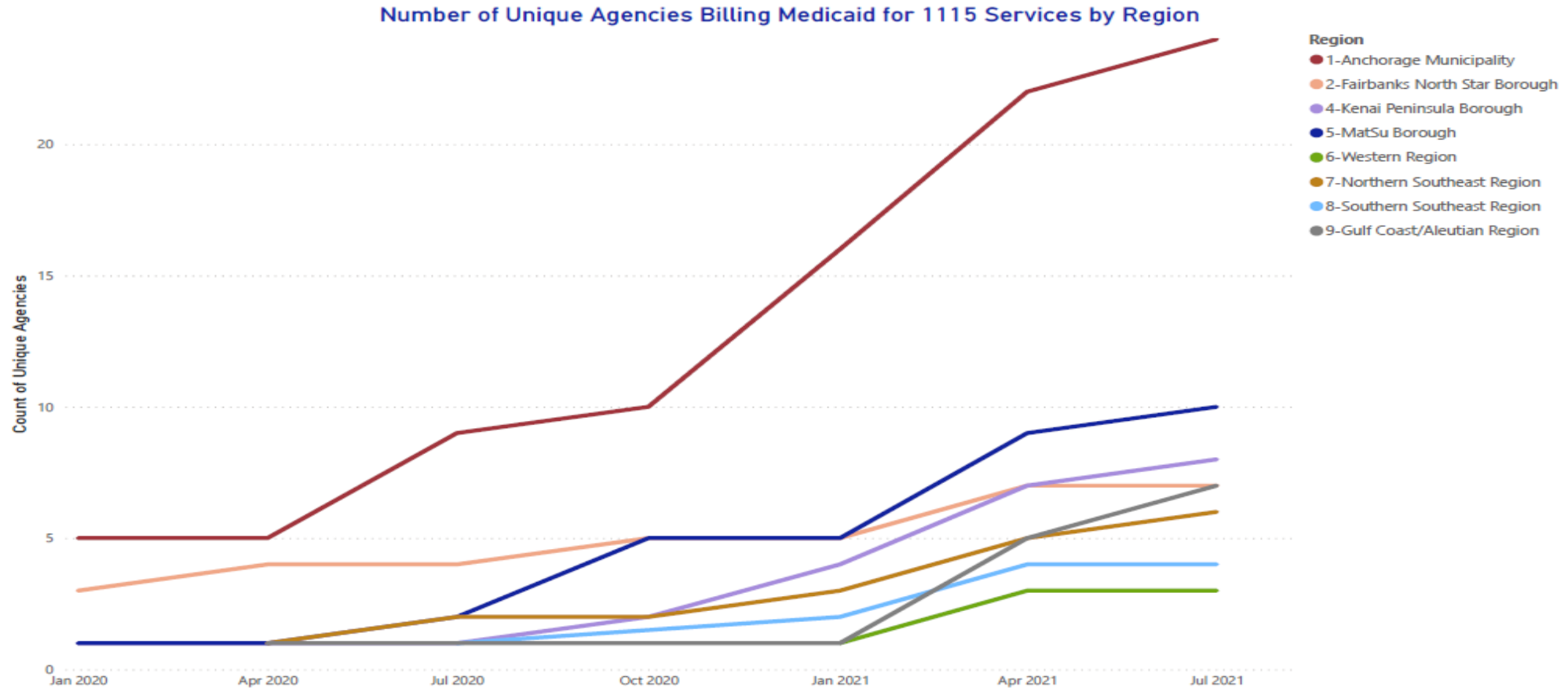
SFY2021

ASO Medicaid Expenditures: Federal vs. State Split



Number of Unique Agencies Billing Medicaid

For 1115 Waiver Services by Region





Any Questions?