

The slide features a dark blue background with a faint, repeating pattern of the word "ALASKA" and "STATE" in a light blue, sans-serif font. On the left side, there is a vertical strip showing a portion of a modern building with large windows. On the right side, there is a vertical strip showing a classical building with large columns and the word "CAPITOL" inscribed on the facade. The main title "Alaska Department of Health" is centered on the left side in a large, white, sans-serif font.

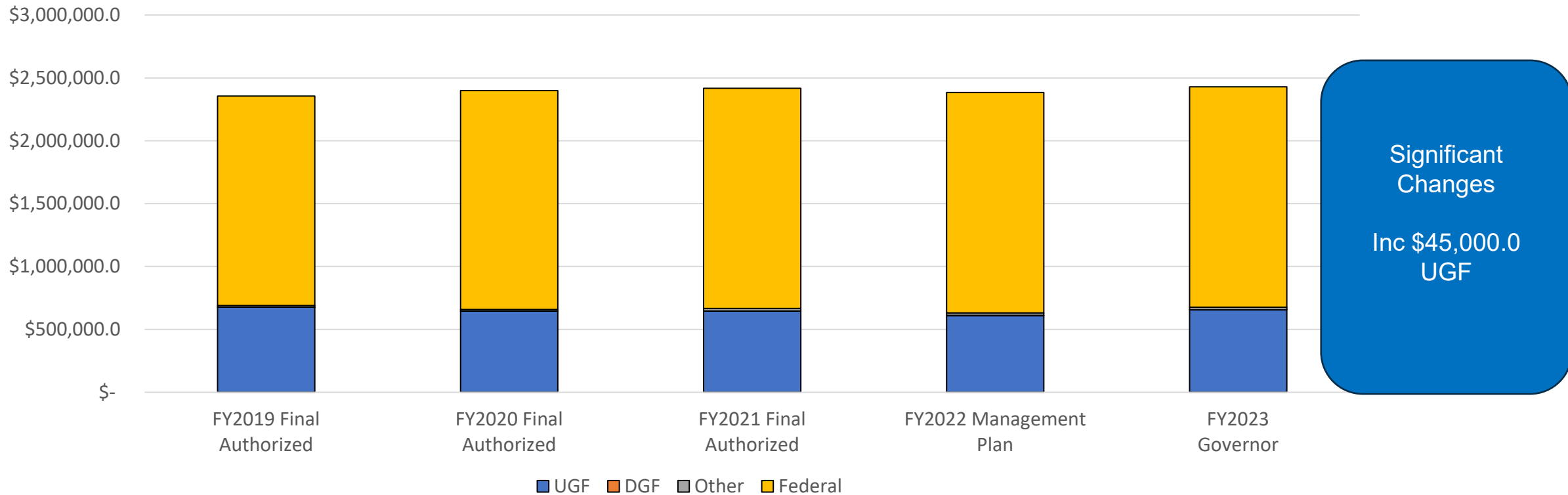
Alaska Department of Health

Senate Finance
Medicaid Budget Overview

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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

FY2023 projection: \$72.0 million shortfall *if no cost containment actions are taken*

Cost containment activities (Public Consulting Group recommendations and other)

- \$17.0 million projected to be captured once Medicaid eligibility redetermination can resume
 - \$6.5 million – Implementation of Section 1945 Health Homes
 - \$3.5 million – Pay for Performance for Hospitals
 - \$4.6 million – Implementation of Indian Health Service (IHS) reclaiming by the Administrative Services Organization
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- \$31.6M of cost containment activities

\$45.0M increment request (allows for \$4.6M flexibility for implementation challenges)

FY2023 Medicaid – if enhanced Federal Medical Assistance Percentage is extended for one quarter of FY2023

FY2023 projection: \$54.5 million (original \$72.0 million offset by \$17.5 million for enhanced FMAP) shortfall *if no cost containment actions are taken*

Cost containment activities (Public Consulting Group recommendations and other)

- \$12.8 million projected to be captured once Medicaid eligibility redetermination can resume
- \$6.5 million – Implementation of Section 1945 Health Homes
- \$3.5 million – Pay for Performance for Hospitals
- \$4.6 million – Implementation of Indian Health Service (IHS) reclaiming by the Administrative Services Organization

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- \$27.4 million of cost containment activities

\$45.0 million increment request (allows for additional flexibility for implementation delays caused by the extension of the Public Health Emergency)

FY2023 Medicaid

- \$17.0 million GF projected to be captured once Medicaid eligibility redetermination can resume
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- During the public health emergency (PHE), the state received 6.2% enhanced Federal Medical Assistance Percentage (FMAP) in exchange for maintaining all Medicaid enrollees (with limited exceptions)
 - At the conclusion of the federally declared COVID PHE, complete a review of all current Medicaid enrollment files to identify ineligible cases. Savings estimate based on Urban Institute post-PHE report and other state third-party data matching experience.

FY2023 Medicaid

- \$17.0 million GF projected to be captured once Medicaid eligibility redetermination can resume

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



FY2023 Medicaid

- \$6.5 million GF – Implementation of 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 eight 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 federal.
- This is a state plan option and may be implemented regionally. The State may establish provider eligibility standards by region.

Steps to Implementation:

- Draft and submit a State Plan Amendment (SPA) to the Centers for Medicare and Medicaid Services (CMS)
- CMS reviews and approves SPA
- Update regulations (concurrent with CMS review period)

Begin to realize savings: As soon as possible pending CMS approval and adopted regulations

FY2023 Medicaid

- \$3.5 million GF – Pay for Performance for Hospitals
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- 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.

Steps to Implementation:

- Draft and submit a State Plan Amendment (SPA) to the Centers for Medicare and Medicaid Services (CMS)
- CMS reviews and approves SPA
- Update regulations (concurrent with CMS review period)

Begin to realize savings: As soon as possible pending CMS approval and adopted regulations

FY2023 Medicaid

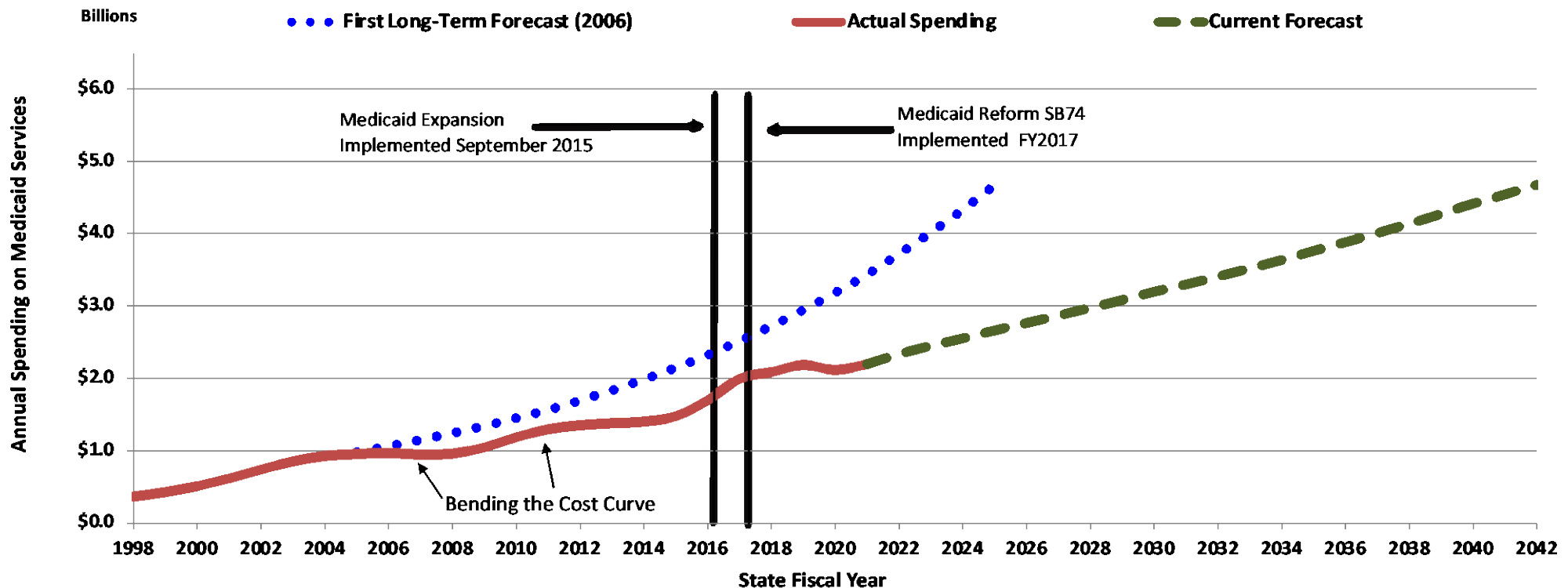
- \$4.6 million GF – Implementation of Indian Health Service (IHS) reclaiming by the Administrative Services Organization (ASO)
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- IHS reclaiming has not been submitted for Medicaid claims processed by the Administrative Services Organization (processing claims for the 1115 Behavioral Health Waiver)
 - ASO initially focused on ensuring smooth onboarding and prompt payments to providers
 - CMS allows retroactive claiming for the current quarter and the previous seven quarters

Estimated Effective Date: Begin processing April 1, 2022

Approval Required: Does not require approval from the Centers for Medicare and Medicaid Services (CMS)

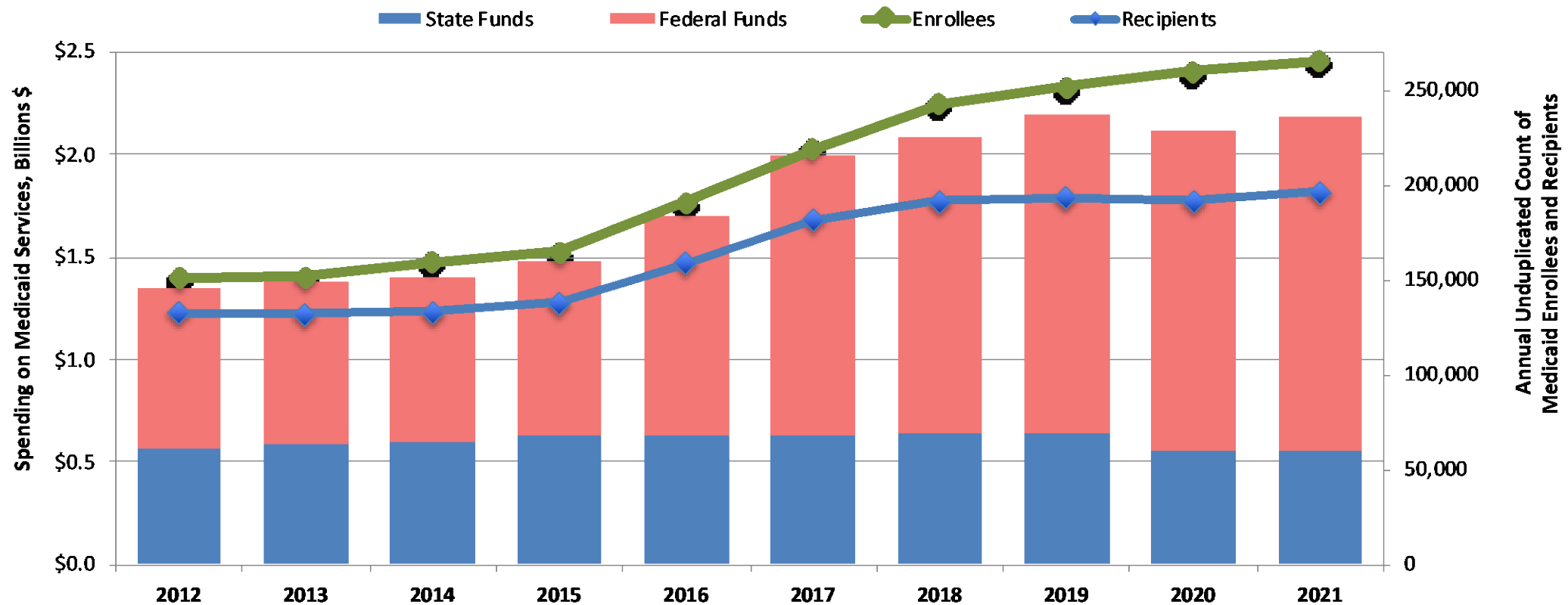
Medicaid Spending – Actuals and Projected

Spending on Medicaid Services – Actual and Projected



Source: Analysis by Evergreen Economics of data provided by the Medicaid Budget Group.

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



Source: Analysis by Evergreen Economics of data provided by the Medicaid Budget Group.

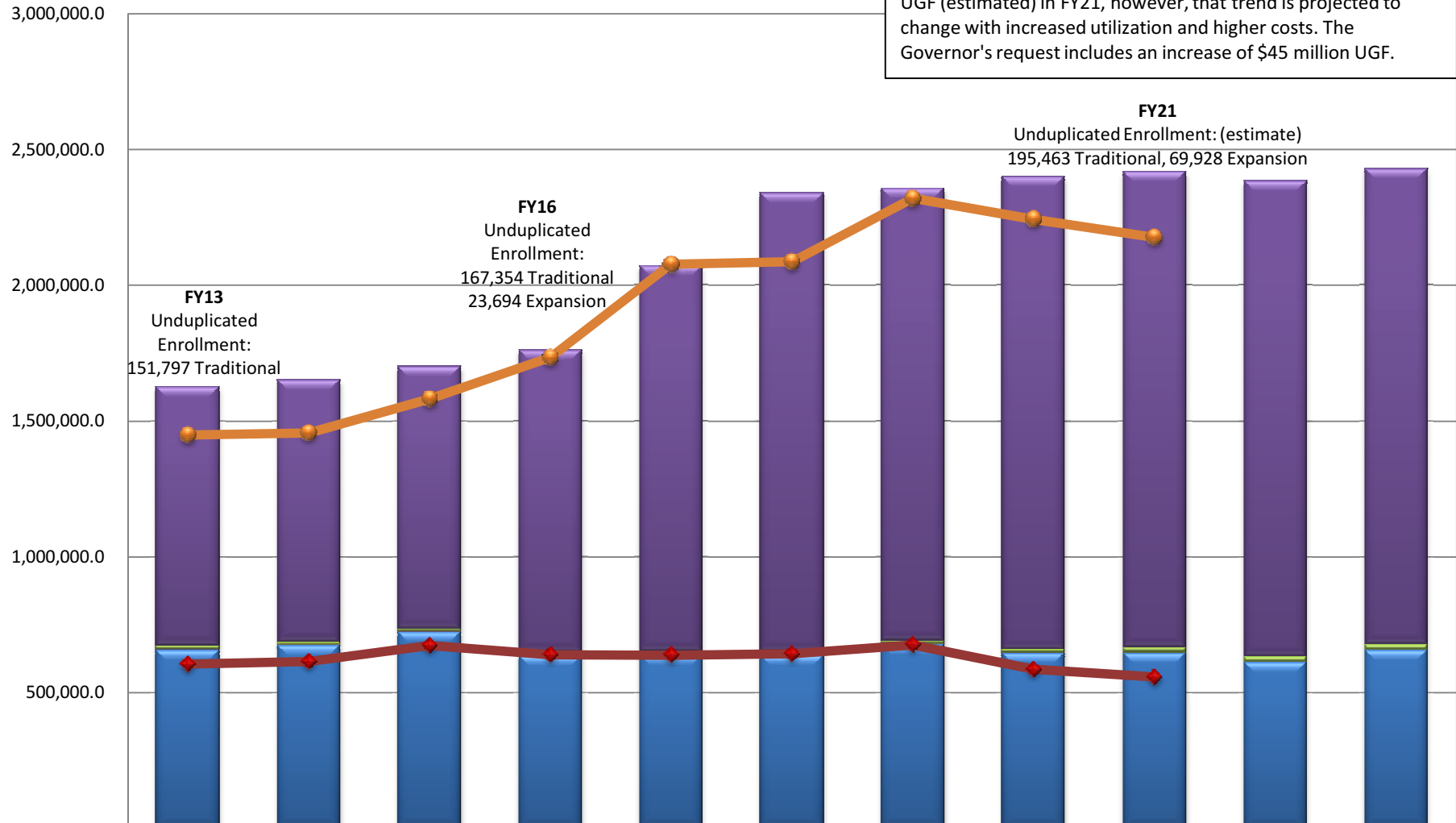
Between FY13 FnlBud and FY23Gov:

- **UGF** increased by \$0.5 million (0.1%)
- **DGF** decreased by \$1.9 million (-82%)
- **Other funds** increased by \$6.4 million (45%)
- **Federal funds** increased by \$798.6 million (84%)

Medicaid Services Appropriation

All Funds
(includes supplementals)
(\$ millions)

COVID-19: Congress approved an additional 6.2% to the Federal Medicaid Assistance Percentage (FMAP) during the public health emergency which has resulted in UGF savings to the State (the enhanced FMAP is currently set to expire 6/30/2022). The program lapsed \$59.1 million UGF in FY20 and \$87.6 million UGF (estimated) in FY21, however, that trend is projected to change with increased utilization and higher costs. The Governor's request includes an increase of \$45 million UGF.



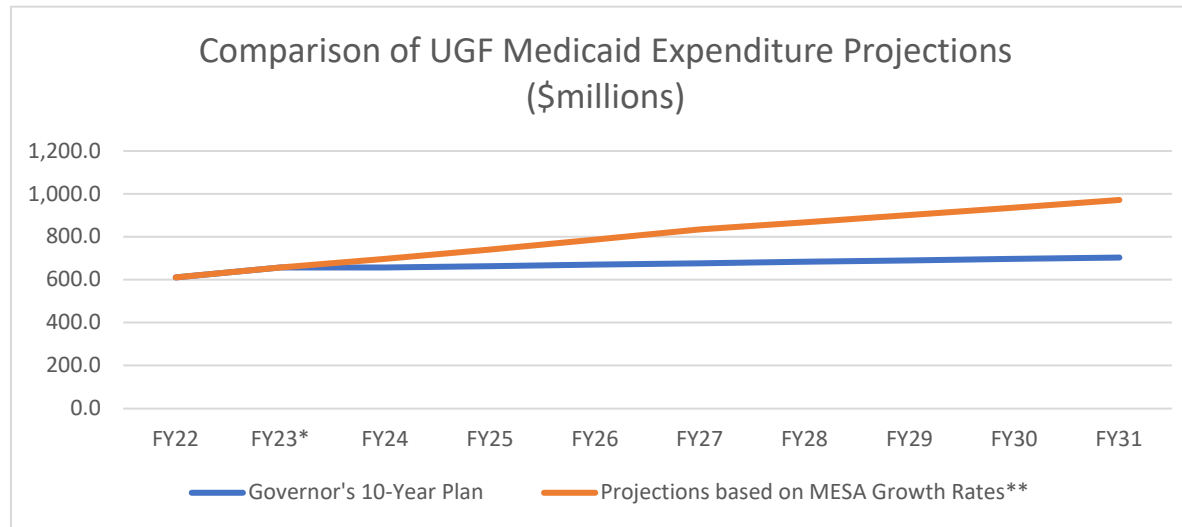
	13FnlBud	14FnlBud	15FnlBud	16FnlBud	17FnlBud	18FnlBud	19FnlBud	20FnlBud	21FnlBud	22MgtPln	23Gov
Federal Receipts	952,877.5	966,321.2	966,268.7	1,111,664.6	1,421,167.5	1,690,128.3	1,666,068.5	1,739,957.3	1,750,620.4	1,751,474.4	1,751,474.4
Other State Funds	14,266.4	8,042.6	8,042.6	9,742.6	10,418.8	11,901.3	12,479.8	13,111.3	20,714.1	20,714.1	20,714.1
DGF	2,347.5	1,797.5	1,797.5	1,797.5	432.4	474.9	902.3	902.3	902.3	902.3	429.8
UGF	655,583.6	673,930.6	723,032.2	635,147.2	638,296.5	637,233.9	676,215.7	644,604.3	645,065.6	610,567.1	656,039.6
UGF Actuals	605,249.7	614,470.7	672,867.0	638,913.6	638,295.8	642,727.0	676,211.9	585,495.2	557,535.2		
All Funds Actuals	1,448,792.7	1,456,725.8	1,581,768.4	1,733,671.7	2,076,956.2	2,086,803.8	2,320,185.6	2,243,949.5	2,177,012.0		

Comparison of UGF Medicaid Expenditure Projections (\$millions)

	FY22	FY23*	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	Cumulative Difference, FY22-FY31
Governor's 10-Year Plan	610.6	656.0	656.0	662.6	669.2	675.9	682.6	689.5	696.4	703.3	
Percent Change From Prior Year		7.4%	0.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	
Projections based on MESA											
Growth Rates**	610.6	656.0	696.7	739.9	785.7	834.5	867.0	900.8	935.9	972.4	
Percent Change From Prior Year		7.4%	6.2%	6.2%	6.2%	6.2%	3.9%	3.9%	3.9%	3.9%	
Annual Difference Between MESA Growth Rate and 10-Year Plan	0.0	0.0	40.7	77.3	116.6	158.6	184.4	211.3	239.6	269.1	1,297.5

*UGF Medicaid expenditures increased by 7.4% from FY22 to the FY23 Governor's proposed budget

**Estimate applying Medicaid Enrollment and Spending in Alaska (MESA) report's implied 5-year average growth rates to FY23 Governor's proposed budget. Evergreen Economics projections imply 6.2% average annual growth from for FY22-FY27 and 3.9% from FY27-FY32. The MESA report projects a 4.2% annual average for the entire 20-year period of FY22-FY42.



The purpose of the MESA forecast is to serve as a benchmark and inform the Alaska Legislature and DHSS of the projected long-term trends in Medicaid enrollment and spending under the assumption that the current mix of Medicaid services remains constant and that eligibility criteria do not change. The forecast does not assume or consider possible future changes in Medicaid policies, services offered, or eligibility requirements.