State of Alaska
FY2005 Governor's Operating Budget

Department of Health and Social Services
Medicaid Services
Component Budget Summary

Contents

Component: Medicaid Services *3*
Component Financial Summary 8
Summary of Component Budget Changes 9

Component: Medicaid Services

Contribution to Department's Mission

Health Care Services (HCS) is a new division and a new RDU in FY2004. The Department of Health and Social Services (DHSS) restructure placed certain Medicaid categories of service financed and managed by the Division of Medical Assistance with certain Maternal and Child Family Health services provided and managed by the Division of Public Health. The mission of the former Division of Medical Assistance *"to maintain access to health care and to provide health coverage for Alaskans in need"* continues to accurately state the mission of the collective Division of Health Care Services.

Core Services

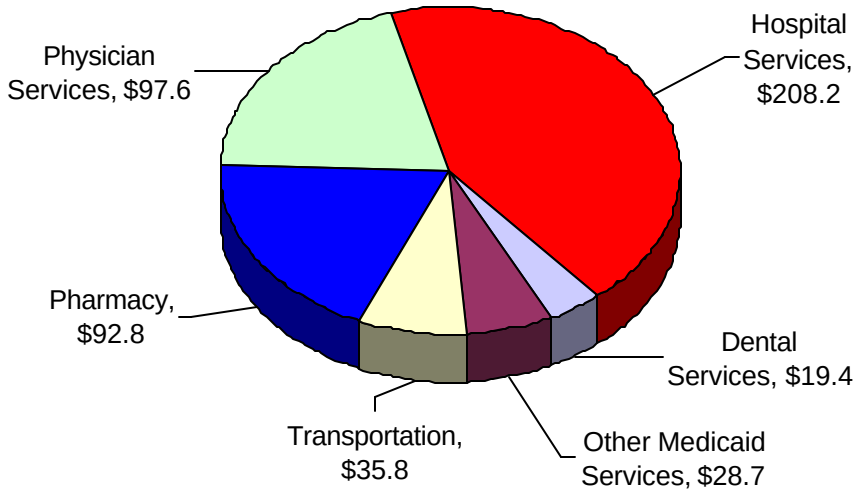
Medicaid Services are reimbursed by the federal government at a statutory Federal Medical Assistance Percentage (FMAP). FMAP under Title XIX of the Social Security Act is determined by formula calculation on the federal fiscal year (FFY). In addition to the Title XIX rate, certain Medicaid fund source categories are reimbursed at enhanced or fixed levels. Published formulated rates are not always available for timely Alaska budget development calculations resulting in necessary FMAP adjustments to projected or authorized funding levels.

The FY2005 budget includes change records replacing general funds realized in FY2004 as a result of the federal Jobs and Growth Tax Relief Reconciliation Act of 2003 (TRRA). Under this Act, increased FMAP rates were made available to states for five calendar quarters begining April 1, 2003 ending June 30, 2004.

Title XXI (SCHIP known in Alaska as the Denali KidCare Program (DKC)) and the Breast and Cervical Cancer program are reimbursed at enhanced rates which are also formula-based on the FFY. Family planning and the Indian Health Services (IHS) rates are fixed at 90% and 100% respectively.

The HCS Medicaid categories of service, while not necessarily the fastest growing, are in the aggregate the most costly. The categories of service administered by HCS supported more than 128,190 eligible Alaskans in FY2003 and provided services to more than 116,800 Alaskans during that same fiscal period. The total cost for services provided under the HCS categories of service exceeded $482 million in FY2003.

HCS Medicaid Service Costs
FY2003
(Expenditures in Millions)



Growth rates for the HCS Medicaid service categories have averaged 17.6% annually for the past 5 years. Largest growth areas include transportation at an average of 25.9% and pharmacy at an average of 24.8%. In FY2003, nearly 18% of all Medicaid expenditures were 100% federally funded through IHS facilities.

Medicaid core services eligible numbers encompass all Medicaid eligibles statewide. Recipient numbers, persons using the services provided, have continue to grow for the past 4 years as shown below. Physician services is the most highly utilized category of services with pharmacy being second.

Medicaid Eligibles to Recipients

	Eligibles	Recipients	% Utilization
FY1999	94,500	79,770	84.4%
FY2000	111,100	92,100	82.9%
FY2001	118,100	100,150	84.8%
FY2002	124,920	110,570	88.5%
FY2003	128,190	116,840	91.1%

The Chronic and Acute Medical Assistance Program (CAMA)

The CAMA program provides a limited package of health services to those individuals with chronic medical conditions who do not qualify for the Medicaid program. CAMA's limited benefits are only available to low-income persons with an immediate need for medical care who are unable to secure other private or public assistance.

During the FY03 budget process, the CAMA appropriation was cut by 50%, leaving a total of $2 million to provide limited services to Alaska's indigent. The HCS implemented regulations that limited coverage making CAMA primarily a prescription drug program for the terminally ill, chemotherapy patients, and people with certain chronic conditions that without treatment would lead to disability or death.

FY2005 Resources Allocated to Achieve Results

FY2005 Component Budget: $649,258,200

Personnel:	
Full time	0
Part time	0
Total	0

Key Component Challenges

Health Care Services is a newly created BRU in FY04. As part of a service integration plan, the Department of Health and Social Services is undertaking a major reorganization of programs. The goals of the reorganization are to bring financial stability to operations, maximize federal funds, provide more accountability in program management, and improve quality and customer service. The new program alignment will balance cost effectiveness and service delivery and improve services to clients.

Many internal and external transfers were made in the FY04 budget to implement the changes envisioned by the reorganization. Additional changes and adjustments will be made in the FY 05 budget process as the division settles into its new role and moves toward integration.

Medicaid Services

Medicaid Service Delivery and Program Management. Over the past four years, growth in the number of Alaskans enrolled in the department-wide Medicaid program has averaged 8.1% annually while the cost of services provided has grown an average of 18.3% annually. Current economic and health care trends in Alaska continue to exert increasing pressure on state health care managers and policymakers to provide clear and demonstrated evidence of the following:

- The ability to sustain an effective and responsive health care management capability while containing costs to the extent permissible by law;
- The capacity to consistently produce comprehensive, accurate, and timely information and data/trend analyses to provide legislators, policymakers, health care providers, and the public the base from which to measure how well that health care management capability is actually performing; and
- The ability to effectively and efficiently disseminate that information to policymakers, legislators, our clients, and the public.

The division is committed to building and supporting a medical services program with quality technical and management expertise, and to developing and implementing innovative and effective business management practices to assure the department, the governor, the legislature, and the public will receive and enjoy the benefits of a service delivery system capable of meeting state health care needs under an aggressive cost containment strategy.

Please see RDU Challenges.

Significant Changes in Results to be Delivered in FY2005

Health Care Services is a newly created RDU in FY04. As part of a service integration plan, the Department of Health and Social Services is undertaking a major reorganization of programs. The goals of the reorganization are to bring financial stability to operations, maximize federal funds, provide more accountability in program management, and maintain quality and customer service. The new program alignment will balance cost effectiveness and service delivery.

Many internal and external transfers were made in FY04 to implement the changes envisioned by the reorganization. This will be a continuing effort in FY05 that will require more changes as the division settles into its new role and moves toward integration.

If these changes can be implemented without major problems or breaks in service, no changes to results delivered to the public should be realized.

Major Component Accomplishments in 2003

Health Insurance Portability and Accountability.

The national Health Insurance Portability and Accountability Act (HIPAA) was signed into federal law in 1996. The Act is intended to protect health insurance coverage for workers and their families when they change or lose their jobs. The Administrative Simplification provisions of HIPAA are intended to reduce the costs and administrative burdens of health care by implementing the use of standard electronic transactions and code sets of many administrative and financial transactions that are currently carried out either through electronic transactions with local variation, or manually on paper.

The HIPAA legislation indicates a health plan may not refuse to conduct any transaction identified as a standard transaction (X12 transaction). These transactions are defined by national industry standards. HCS must insure compliance with the requirements of HIPAA. The HIPAA Privacy Act requirement implements the Administrative Simplification provisions of HIPAA, defining standards for the privacy of individually identifiable health information. Implementation of HIPAA has been an ongoing project with statewide implications. HCS has continued to work within HIPAA implementation needs without the benefit of increased staffing, and has thus far been successful in the implementation of changes in compliance with HIPAA requirements.

Cost Containment

HCS has played a major role in the implementation of cost containment measures in an effort to reduce the cost of Medicaid Services while maintaining wherever possible levels of services provided.

Summary of Cost Containment regulations – HCS

- Established new eligibility verification requirements – Effective 3/26/03
- Revised inpatient hospital regulations to require authorization after 3 days for all stays except maternity – effective 3/26/03
- Established a lower rate for therapeutic transition days for stays at residential psychiatric facilities – effective 3/26/03
- Established prior authorization authority and limitations on prescription drugs – effective 3/26/03
- Established process for recovery of Medicaid expenditures related to program violations, abuse, and estate recoveries – effective 3/26/03
- Restricted CAMA coverage – effective 9/20/03
- Implemented CS SB 105 (HES) and revised poverty guidelines –effective 10/26/03
- Recognition of fraud statute established by CS SS SB 41 (FIN) – effective 10/26/03
- Established separate psychiatric rate for facilities establishing new psychiatric facilities or units – public comment ended 10/27/03
- Exclusion of home office costs from facility rates – public comment ended 10/27/03
- Reimbursement of LTC capital costs at a minimum 85% occupancy standard – public comment ended 10/27/03
- Establishment of a reconsideration process as a requirement to filing a facility rate appeal – public comment ended 10/27/03

Statutory and Regulatory Authority

Alaska Statutes:
AS 47.07 Medical Assistance for Needy Persons
AS 47.08 Assistance for Catastrophic Illness and Chronic or Acute Medical Conditions
AS 47.25 Public Assistance

Social Security Act:
Title XVIII Medicare
Title XIX Medicaid
Title XXI Children's Health Insurance Program

Administrative Code:
7 AAC 43 Medicaid
7 AAC 48 Chronic and Acute Medical Assistance

Code of Federal Regulations:
Title 42 CFR Part 400 to End

Contact Information

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Medicaid Services
Component Financial Summary

All dollars shown in thousands

	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.5	0.0	0.0
73000 Contractual	18,506.3	18,215.0	54,745.7
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	809,610.4	602,139.1	594,512.5
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	**828,117.2**	**620,354.1**	**649,258.2**
Funding Sources:			
1002 Federal Receipts	558,581.3	441,019.1	470,221.8
1003 General Fund Match	180,422.2	94,288.3	96,276.5
1004 General Fund Receipts	1,711.3	1,695.4	4,824.5
1007 Inter-Agency Receipts	19,188.2	18,105.4	20,233.5
1037 General Fund / Mental Health	28,942.2	0.0	0.0
1108 Statutory Designated Program Receipts	37,845.5	63,434.5	55,890.5
1156 Receipt Supported Services	364.0	750.0	750.0
1168 Tobacco Use Education and Cessation Fund	1,062.5	1,061.4	1,061.4
Funding Totals	**828,117.2**	**620,354.1**	**649,258.2**

Estimated Revenue Collections

Description	Master Revenue Account	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		**0.0**	**0.0**	**0.0**
Restricted Revenues				
Federal Receipts	51010	558,581.3	441,019.1	470,221.8
Interagency Receipts	51015	19,188.2	18,105.4	20,233.5
Statutory Designated Program Receipts	51063	37,845.5	63,434.5	55,890.5
Receipt Supported Services	51073	364.0	750.0	750.0
Restricted Total		**615,979.0**	**523,309.0**	**547,095.8**
Total Estimated Revenues		**615,979.0**	**523,309.0**	**547,095.8**

Summary of Component Budget Changes
From FY2004 Authorized to FY2005 Governor

All dollars shown in thousands

	General Funds	Federal Funds	Other Funds	Total Funds
FY2004 Authorized	**95,983.7**	**441,019.1**	**83,351.3**	**620,354.1**
Adjustments which will continue current level of service:				
-Transfer Children's Health Eligibility to HCS Medicaid Services	194.7	918.3	0.0	1,113.0
-Adjust FairShare to expected level of participation	7,544.0	0.0	-7,544.0	0.0
-Refinancing with 100% federal participation for IHS eligible recipients	-4,500.0	4,500.0	0.0	0.0
-Reverse time-limited tax relief FMAP change of FY 04	3,129.1	-3,129.1	0.0	0.0
Proposed budget decreases:				
-Ch. 34, SLA 03 (SB 105) Second year eliminating cost of living adjustments under DKC	-1,276.3	-2,712.0	0.0	-3,988.3
-Increase Efforts to Eliminate Duplicative Services - Claims	-38.0	-57.0	0.0	-95.0
-Implement Prior Authorization Requirement for Selected Hospital Outpatient Visits - REG Chg	-147.3	-220.9	0.0	-368.2
-Expand Effort to Identify Drug Abuse	-760.0	-1,140.0	0.0	-1,900.0
-Expand Case Management of High-Cost Recipients	-720.0	-1,080.0	0.0	-1,800.0
-Expand Preferred Drug List by Adding Additional Pharmaceuticals	-8,076.9	-12,115.4	0.0	-20,192.3
-Implement Prior Authorization Requirements for Occupational Therapy Coverage - REG CHG	-32.5	-48.5	0.0	-81.0
-Implement Prior Authorization Requirements for Physical Therapy Coverage - REG CHG	-160.9	-241.3	0.0	-402.2
-Cost Avoid Medicare Covered Drugs	-1,080.0	-1,620.0	0.0	-2,700.0
-Continuation of FY 04 Cost Containment Efforts	-2,704.8	0.0	0.0	-2,704.8
-Rate setting regulation adjustment - REG CHG	-229.0	0.0	0.0	-229.0
Proposed budget increases:				
-Increased Federal Authority for IHS Administrative Claiming	0.0	826.0	0.0	826.0
-Projected Medicaid Growth	13,920.2	45,202.4	0.0	59,122.6
-Ch. 9, SLA 03 (SB 78) Second year Medicaid coverage for breast and cervical cancers	40.5	98.3	0.0	138.8
-Increase I/A Receipt Authority in Line with Estimated ProShare & Disproportionate Share Match	0.0	0.0	2,128.1	2,128.1
-Ch. 25, SLA 2003 (HB229) Second year medical/cognitive disability	14.5	21.9	0.0	36.4

Summary of Component Budget Changes
From FY2004 Authorized to FY2005 Governor

All dollars shown in thousands

	General Funds	Federal Funds	Other Funds	Total Funds
parole				
FY2005 Governor	**101,101.0**	**470,221.8**	**77,935.4**	**649,258.2**