State of Alaska
FY2002 Governor's Operating Budget

Department of Health and Social Services
Medical Assistance
Budget Request Unit

Medical Assistance Budget Request Unit

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BRU Mission

To maintain access to health care and to provide health coverage for Alaskans in need.

BRU Services Provided

The Medical Services BRU provides access to a broad range of health services for Alaska's low-income citizens through the Medicaid and Chronic and Acute Medical Assistance (CAMA) programs.

- Medicaid is an "entitlement program" created by the federal government to provide medical services for low-income citizens. Medicaid is funded jointly by a state and federal match formula. The program is geared toward children, adults with dependent children, the elderly and the disabled.

- The ALB Hold Harmless program was created by the Legislature to protect those Alaskans who are eligible for Medicaid but would otherwise lose that eligibility as a result of receipt of the Alaska Longevity Bonus.

- The PFD Hold Harmless Program was created by the Legislature to protect those Medicaid clients who lose Medicaid eligibility as a result of the receipt of the permanent fund dividend.

- CAMA is a State of Alaska program that provides medical care services to extremely needy persons who cannot qualify for Medicaid coverage.

The Division of Medical Assistance (DMA) is responsible for the administration of the Medicaid and Chronic and Acute Medical Assistance (CAMA) programs. The Division is organized into two offices, one in Anchorage and the other in Juneau. The Anchorage office is responsible for medical claims processing, third-party billing and collections, medical policy development, medical review, prior authorization, operational contract monitoring and administration, Eligibility Information System (EIS) interface, surveillance and utilization review, medical facility certification and licensing, patient assessment and provider enrollment relations, health facility rate setting, recipient and provider hearings and appeals, and authorization of waiver services and clients. The Juneau office is responsible for defining Medicaid and CAMA eligibility rules in program manuals, state regulations, and the Medicaid State Plan; defining covered medical services, payment rules and methodologies through State regulations and the Medicaid State Plan; interfacing and negotiating with the federal government; budget/financial allocation and control; legislative interface; personnel administration; contract approval and financial administration; Medicaid Rate Advisory Commission interface and support services; program and administrative planning; special projects coordination; and program planning, coordination, and financing with numerous State divisions and agencies.

The Chronic Acute Medical Assistance (CAMA) program provides a limited package of health services to those individuals with chronic medical conditions who do not qualify for the Medicaid program. The CAMA program served 1,153 individuals in FY2000, providing benefits that include prescription drugs, limited physician visits and hospital care. To receive benefits under the CAMA program, low-income persons must have an immediate need for medical care and be unable to secure other private or public assistance. The program has certain income and asset limits that must be met in order to be eligible. Income is limited to less than $300 per month while total resources must be under $500, with the exception of a home and vehicle. CAMA is the successor to the General Relief Medical (GRM) program.

BRU Goals and Strategies

To provide Alaskans in need with access to the same broad range of medical care through the same network of medical care providers who provide services to the general population, and to conduct medical surveillance that assures medical services provided are appropriate and of the proper amount, duration, and scope.

Key BRU Issues for FY2001 – 2002

MEDICAID SERVICES

FY01 Title XIX Base Program General Fund Shortfall

The Department's recent projections of the number of beneficiaries expected to need medical services and the projected costs related to those services indicate that the program is underfunded in the current fiscal year.

FY02 Medicaid Services Base Program Projected Formula Increment

This request will provide the Division of Medical Assistance the funding necessary to maintain Title XIX "base" Medicaid program services at projected levels of need for FY02. The base Medicaid program is defined as the Medicaid program with related services and eligible populations as it is presently configured.

For the past four years, the Division of Medical Assistance has moved from a budget projection method based on a model of annual expenses to one that uses the change in the number of eligible members by groups and the medical services purchased for each group per month as the primary determinant of program expenditure levels.

The method used to calculate the funding need begins with a basic formula to determine the cost per member per month:

Total Cost for Services Per Month / Total Number of Members Enrolled Per Month

= Total Cost Per Member Per Month

This formula is applied to each individual Medicaid beneficiary group: Children, Adults, the Elderly, and the Disabled. The use of these four member groups helps the Department better realize who our Medicaid beneficiaries are and the cost to the program of the services purchased by each group. An average of each group's historical number of members per month and the average cost of services provided to each member per month is determined, and the totals provide the means by which the Division can objectively extrapolate the line of "best fit" for the base program's future need.

This line of "best fit" has been projected for the remainder of the current fiscal year through the upcoming fiscal year. The result is an objective projection of the total number of members and the total cost per member needed to maintain the State's base Medicaid program for the remainder of FY01 and FY02, which is supported by the historical trend in the changes in monthly enrollment and spending.

Fiscal year "best fit" projections are further developed by a separate analysis of varying factors that affect Medicaid program enrollment and costs. The Division takes into consideration anticipated changes in State and federal policy and in the related environment that will likely influence the number of eligible members enrolled and/or the cost of services provided to each individual member group.

The following tables summarize the Division's retrospective fiscal year analysis of the base program since July 1996 through the projected program needs for FY 2002.

Average Number Eligible Monthly

……..Children	Adults	Elderly	Disabled	Totals
FY97	37,665	14,332	4,843	7,949	64,790
FY98	36,114	13,196	4,923	8,159	62,391
FY99	38,001	13,333	5,062	8,755	65,151
FY00	49,155	12,990	5,268	9,251	76,664
FY01 Projected	53,830	12,812	5,456	9,670	81,769
FY02 Projected	53,900	12,633	5,651	10,124	82,309

Average Cost Per Member Per Month

……..Children	Adults	Elderly	Disabled	Totals
FY97	$207.55	$282.47	$876.94	$1,059.60	$378.70

FY98	$234.52	$329.75	$947.75	$1,181.30	$434.75
FY99	$272.65	$372.87	$1,041.52	$1,285.83	$489.04
FY00	$262.14	$424.81	$1,129.36	$1,417.49	$488.71
FY01 Projected	$275.58	$446.67	$1,158.81	$1,472.50	$502.88
FY02 Projected	$278.74	$451.68	$1,200.99	$1,467.22	$514.79

Change in Average Number Eligible Monthly

……..Children	Adults	Elderly	Disabled	Totals
FY97				
FY98 (1,552)	(1,136)	80	209	(2,398)
FY99 1,887	137	139	596	2,760
FY00 11,154	(343)	206	496	11,513
FY01 Projected 4,675	(178)	189	420	5,105
FY02 Projected 71	(179)	195	454	540

Change in Average Cost Per Member Per Month

……..Children	Adults	Elderly	Disabled	Totals
FY97				
FY98 $26.97	$47.28	$70.80	$121.70	$ 56.05
FY99 $38.12	$43.12	$93.77	$104.52	$489.04
FY00 ($10.50)	$51.94	$87.93	$131.67	($0.33)
FY01 Projected $13.44	$21.86	$29.46	$55.00	$14.17
FY02 Projected $3.15	$5.00	$42.17	($5.28)	$11.90

- On average, 76,664 Alaskans received Medicaid services each month during FY00.
- In FY01, an average of 81,178 Alaskans are receiving Medicaid services each month.
- Medicaid eligible members per month grew by 18 percent in FY00 from FY99. Children enrolled in Title XIX and Title XXI accounted for 97 percent of the 18 percent increase in total Medicaid eligible members from FY99 to FY00. The enrollment of eligible children is expected to level out during the last of FY01 through FY02.
- The average number of adults receiving Medicaid assistance each month decreased by 3 percent in FY00 from FY99. This is consistent with the trend of very slight decreases in the number of eligible adults each year since FY96.
- The average number of elderly Medicaid members per month has grown by 4 percent from FY99 to FY00. This is consistent with previous years and is expected to remain close to the same in FY02.
- The number of Alaska's Medicaid members in the Disabled category increased by 6 percent in FY00 over FY99. The Department expects the number of disabled members to continue to grow at approximately that same rate.

Based on available information and the analyses performed, there will be a projected increase in base program need of $12.8 million in State general fund match for FY02. This amount drives $50.5 million in federal funds.

Federal Medical Assistance Percentage (FMAP)

The Balanced Budget Act of 1997 changed the percentage rate at which the federal government participates in Alaska's Medicaid program from 50 percent to 59.8 percent for federal fiscal years 98, 99, and 00. This allowed the State to use funds already committed to the Medicaid program to expand coverage for uninsured children and pregnant women. Alaska's enhanced rate reverted to the statutorily calculated FMAP beginning federal FY01.

The Balanced Budget Refinement Act of 2000 may authorize a five-year (federal FY01-05), five percent adjustment to the FMAP statutory formula applicable only to Medicaid and the Children's Health Insurance Program, but the methodology change to the per capita income calculation implemented by the Bureau of Economic Analysis (BEA)

may actually reduce Alaska's FMAP for federal FY02 by 3 percent. As of this writing, the Act remains in conference committee until the outcome of the Presidential election is determined.

API DSH Match Return

Under the "base" Medicaid program, the Alaska Psychiatric Institute (API) is only allowed to collect Medicaid for children ages 21 or under and the elderly over the age of 65. In FY94 the Administration and the Legislature agreed to have API participate in the federal Medicaid Disproportionate Share Hospital program (DSH). DSH allowed for additional federal Medicaid payments to API because they served a disproportionate share of low-income patients. The DSH program has allowed the Legislature to save $7 million per year for a total of $49 million in API general fund need from FY94 through FY00.

In 1998, Congress passed legislation that changed the DSH program by reducing the federal government's participation. Beginning with federal FY01, the amount the State can claim as DSH will be reduced over a three year period to 30 percent of what was claimed in federal FY95. In FY01, the federal DSH payment to API was reduced by $4,253,975. Federal payments will drop $900,000 in FY02 and $630,000 in FY03. The Department of Health and Social Services worked with the Alaska Mental Health Authority and developed a plan to minimize the impact on API and the State general fund as the DSH federal payments drop.

In order to replace DSH revenue lost to API, portions of the GF/MH originally provided to Medical Assistance were returned to the Division of Mental Health and Developmental Disabilities in FY00 and FY01. A third transfer to API is included in the FY02 request, continuing the replacement of the lost DSH revenue with GF/MH.

Denali KidCare (Children's Health Insurance Program)

Under Title XXI, the Children's Health Insurance Program (CHIP), Alaska opted to expand the Medicaid program to assure adequate health care coverage for children and pregnant women with annual incomes below 200 percent of the federal poverty level. Denali KidCare, implemented in March of 1999, was expected to reach 11,600 uninsured children. Approximately 15,000 children have been enrolled in the program. The Division anticipates enrollment numbers to level out during the remainder of FY01 and throughout FY02.

State Children's Health Insurance Program (SCHIP) Reallocation

The Balanced Budget Refinement Act of 2000 authorizes reallocated funding to Alaska and eight other states that exhausted individual federal FY98 and FY99 SCHIP allotments. Each state receiving a reallocation will be allowed two years in which to spend these dedicated funds. Alaska's share is likely to be about $20 million although final numbers will not be available until mid-to-late January 2001. During FY00, Alaska's federal allotment for SCHIP was $7.7 million; expenditures on Title XXI children exceeded $27 million in federal funds. As of this writing, the Act is being considered by the President.

Mental Health Stabilization Homes

Mental Health Stabilization Homes will provide a short-term option as a step down from restrictive care or as an interim setting for children with emotional disturbances that are difficult to place. This interim care will allow families and providers the opportunity to develop a safe and appropriate community placement. This project will be funded with federal funds only from this Division.

CHRONIC AND ACUTE MEDICAL ASSISTANCE (CAMA)

CAMA provides a limited package of health services to those individuals with chronic medical conditions who do not qualify for the Medicaid program. The program provides benefits, including necessary prescription drugs, limited physician visits, and required hospital care, to individuals in need with incomes of less than $300 per month and total resources that do not exceed $500 in value with the exception of a home and a vehicle.

The FY01 Authorized funding for the CAMA program is $4,304.4 in general funds. The CAMA program was under-funded in FY00, and payments for medical services claims were deferred for payment until July 1, 2000. Three months into the current fiscal year, one half of the FY01 projected number of Alaskans who qualify for CAMA benefits were enrolled. Expenditures, excluding the deferred payments amount, exceeded one-third of FY01 authorized funds.

The Department is closely monitoring the combined effects of the FY00 shortfall, enrollment numbers, and the cost of care provided on FY01 expenditure levels.

The CAMA program beneficiary caseload is anticipated to grow at an annual rate of 10 percent for the period FY01-02. This rate of growth can be attributed, in part, to a continued increase in the number of adults who lose Medicaid eligibility and subsequently enter the CAMA program. The cost of providing the basic services under CAMA to eligible Alaskans is expected to increase consistent with the experience of the Medicaid program and other State-funded health programs. The Department is conservatively requesting an increment of $430.0 to maintain the current level of services provided under the State's CAMA program in FY02.

Major BRU Accomplishments for FY2000

Denali KidCare Program

The success of Alaska's Denali KidCare program is well-known nationally and has received national praise in an article published by the New York Times in September 2000. "Experts did not expect a rural state (Alaska), with a large Native American population and broad swaths of hard-to-travel land, to set any records in enrollment. As it turned out, Alaska was among the top six states in signing up uninsured children, according to figures from the Children's Defense Fund, which has closely monitored enrollment. And U.S. Secretary of Health and Human Services Donna Shalala praised the program started by the Knowles-Ulmer administration in a letter to the governor. 'On the occasion of your State of the Child address... I would like to congratulate the State of Alaska on its efforts to make sure that every child gets a healthy start in life.'"

Hospital Pro Share

Alaska, along with several other states, gained approval by the federal government to initiate supplemental Medicaid payments to government owned hospitals. Separately, under section 1903(w)(6)(A) of the Social Security Act, states are allowed to receive intergovernmental transfers of funds for use within their Medicaid program as match for federal expenditures in return. States have combined these two provisions to simultaneously provide support to public hospitals and other health needs within the state.

Last year the State of Alaska paid out $20 million dollars and received $18 million in intergovernmental transfers. This FY02 budget anticipates the same experience although calculations will not occur until after this writing. It should be noted that there is movement on the federal level to discontinue hospital pro-share.

Chronic Acute Medical Assistance

The CAMA program has continued to meet the acute medical needs of a growing caseload of extremely needy persons while the program remains under-funded.

Key Performance Measures for FY2002

Measure: The average time the division takes from receiving a claim to paying it. (SB)
(Developed jointly with Legislature in FY2000.)

Current Status:
Six month average: 11.03 days.

Benchmark:
We have reviewed historical data and the average time to pay a claim has remained around 11 days. We believe that is the benchmark to maintain.

Background and Strategies:
The assumption is that the timely payment of medical claims gives providers incentive to participate in the Medicaid Program. Therefore, the legislature and the division are interested in a measure of how timely the division responds to or pays claims.

Measure: The number of errors per claim processed categorized by the type of provider. (SB)
(Developed jointly with Legislature in FY2000.)

Current Status:

	Percent of Claims Paid with No errors	2 or more errors	Average # of errors per claims paid
All Providers	73.54	4.54	.47
Inpatient Hosp.	63.24	4.53	.95
IHS Clinic	77.15	2.60	.46
Physician(individual)	71.49	6.22	.52
Physician(group)	68.80	4.80	.69
Dentist(individual)	71.44	11.79	.44
Dentist(group)	76.55	10.53	.42
Home & Community Based Care	74.55	5.44	.55
Pharmacy	82.98	1.11	.23
Mental Health Agcy	69.41	7.65	.56

Background and Strategies:
This is a measure of the providers ability to file error-free claims which reduces the work necessary to process claims. Those provider types experiencing more problems filing error-free claims are targeted for additional training. We assume that providers who do not experience problems in getting claims paid are much more likely to continue participating in the Medicaid Program.

Measure: The percentage of total funds that are used to pay claims compared to the percent used for administration of the division. (SB)
(Developed jointly with Legislature in FY2000.)

Current Status:
97.3 percent of total funds are used to pay claims.
3.7 percent of total funds are used to administer the Division.

Background and Strategies:
This is a fiscal measure of the State's administrative overhead necessary to support the medical assistance programs.

Measure: The percentage of the providers who are participating in the medical assistance program. (SB)
(Developed jointly with Legislature in FY2001.)

Current Status:

	Enrolled	Participating	Percent Participating
Physicians	3,806	802	21.07
Physicians(group)	115	96	83.48
Dentists	490	192	39.18
Dentists(group)	21	15	71.43
Pharmacies	198	115	58.08
Hospitals	25	25	100.00
Nursing Homes	15	15	100.00

Enrolled: 8,040
Participating: 2,358
All Other: 3,370
% Participating: 29.33%

* The all other category includes all enrolled providers who are not participating. A participating provider is defined as a provider that has billed Medicaid for services one or more times in the past calendar year.

Please see benchmark narrative.

Benchmark:
The Division has measured providers enrolled and providers participating in the Medicaid Program during FY2000. An enrolled provider is any provider that has been enrolled in the Medicaid claims payment system as a provider of a service covered under Medicaid. A participating provider is defined as a provider that has billed Medicaid for services one or more times in the past calendar year. The "all other" category listed in this performance measure includes all enrolled providers who are not participating. Non-participating providers may include, but are not limited to, providers that have switched services (for example, a generalist now providing EMT services), providers that are no longer in business, or providers that are eligible to provide more than one services, but have not billed for any one of those services (for example, a large hospital may bill for many different services, but not all in the past calendar year).

Background and Strategies:
This is a measure of Alaska's medical assistance clients' access to medical services through the same network of medical providers available to the balance of the State's population.

Measure: Health care coverage, children-Medicaid & Denali KidCare enrolled children. (GI)
(Not yet addressed by Legislature.)

Current Status:
Monthly number of Medicaid & Denali KidCare enrolled children:
September, 2000 52,409
August, 2000 54,869
July, 2000 53,893
June, 2000 54,597
May, 2000 54,310
April, 2000 52,663

Six month average: 53,790

Background and Strategies:
As part of Governor Tony Knowles' Smart Start for Alaska's Children initiative, the Medicaid program was expanded to incorporate the new federal Children's Health Insurance Program (CHIP). Under this expansion, children through age 18 and pregnant women are eligible for health care coverage if their family income is below 200 percent of the federal poverty level. The expanded coverage of children and pregnant women is called Denali KidCare to reflect the new empaisis on outreach and improved access to simplified eligibility processes. The expanded coverage began March 1, 1999.

Status of FY2001 Performance Measures

	Achieved	*On track*	*Too soon to tell*	*Not likely to achieve*	*Needs modification*
• The average time the division takes from receiving a claim to paying it. (SB)		X			
• The number of errors per claim processed categorized by the type of provider. (SB)		X			
• The percentage of total funds that are used to pay claims compared to the percent used for administration of the division. (SB)		X			
• The percentage of the providers who are participating in the medical assistance program. (SB)		X			
• Health care coverage, children-Medicaid & Denali KidCare enrolled children. (GI)		X			

Medical Assistance

BRU Financial Summary by Component

All dollars in thousands

	FY2000 Actuals				FY2001 Authorized				FY2002 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures												
Medicaid Services	145,514.7	307,508.4	17,685.9	470,709.0	143,688.7	318,028.4	24,295.2	486,012.3	156,771.7	368,479.3	23,022.2	548,273.2
Catastrophic & Chronic Illness	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4,734.4	0.0	0.0	4,734.4
Non-Formula Expenditures												
None.												
Totals	**145,514.7**	**307,508.4**	**17,685.9**	**470,709.0**	**143,688.7**	**318,028.4**	**24,295.2**	**486,012.3**	**161,506.1**	**368,479.3**	**23,022.2**	**553,007.6**

Medical Assistance

Proposed Changes in Levels of Service for FY2002

Mental Health Stabilization Homes

Mental Health Stabilization Homes will provide a short-term option as a step down from restrictive care or as an interim setting for children with emotional disturbances that are difficult to place. This interim care will allow families and providers the opportunity to develop a safe and appropriate community placement. This project will be funded with federal funds only from this Division.

Medical Assistance

Summary of BRU Budget Changes by Component

From FY2001 Authorized to FY2002 Governor

All dollars in thousands

	General Funds	Federal Funds	Other Funds	Total Funds
FY2001 Authorized	**143,688.7**	**318,028.4**	**24,295.2**	**486,012.3**
Adjustments which will continue current level of service:				
-Medicaid Services	-24.5	0.0	-1,273.0	-1,297.5
Proposed budget increases:				
-Medicaid Services	13,107.5	50,450.9	0.0	63,558.4
-Catastrophic & Chronic Illness	430.0	0.0	0.0	430.0
FY2002 Governor	**161,506.1**	**368,479.3**	**23,022.2**	**553,007.6**