State of Alaska
FY2002 Governor's Operating Budget

Department of Health and Social Services
Medical Assistance Administration
Budget Request Unit

Medical Assistance Administration Budget Request Unit

Contact: Janet Clarke, Director, Administrative Services
Tel: (907) 465-1630 **Fax:** (907) 465-2499 **E-mail:** janet_clarke@health.state.ak.us

BRU Mission

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

BRU Services Provided

The Division of Medical Assistance (DMA) is responsible for the administration of the Medicaid and Chronic and Acute Medical Assistance (CAMA) programs. CAMA is the successor to the General Relief Medical (GRM) program.

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.

BRU Goals and Strategies

- Establish program policy and overall program management to ensure that the Division of Medical Assistance works cooperatively with medical providers, clients, and governmental agencies to achieve the mission.
- Provide structural organization emphasizing customer service.
- Anticipate needs and provide timely and responsive support for Medical Assistance programs and personnel.

Key BRU Issues for FY2001 – 2002

Medicaid Management Information System Procurement Project

Federal law requires that all states participating in the Medicaid program operate an automated claims processing system which must be certified by the federal government as a Medicaid Management Information System (MMIS). Federal rules also require that fiscal agent contracts like Alaska's be competitively bid periodically. In addition, new federal rules under the recently adopted Health Insurance Portability and Accountability Act (HIPAA) have mandated significant changes in electronic transaction standards, confidentiality, and system security. In FY88 the Division contracted with First Health Services Corporation through a competitive bid to develop and operate an MMIS in Alaska. In FY89 the federal government certified Alaska's MMIS.

During FY96/97 the Division released an RFP soliciting proposals for the design, development, implementation and operation of a new MMIS in Alaska. The Division received one proposal from an interested vendor. The Division rejected the proposal as not in the best interest of the State pursuant to 2 AAC 12.270. The Health Care Financing Administration concurred with the State's action and extended Alaska's reprocurement implementation date. Given

the remaining reprocurement timeframe and the still maturing claims processing technology the Division upgraded the current MMIS to Year 2000 Compliant and extended the current contract and will reprocure.

The State of Alaska has decided to take advantage of recent technological advancements and replace or enhance the current MMIS. This three-year project is called the "MMIS Procurement Project" and is divided into three primary phases: Planning, Development, and Implementation. The project, when successfully completed, will result in an eight-year fiscal agent contract.

One of the priority goals for the Department is that the transition to the new system and fiscal agent is accomplished with a minimum of disruption to the provider, user, and beneficiary. It is the Division's goal to involve these communities in the Planning Phase so that a more useful and user friendly system is developed. The new system and contract for fiscal agent services will not only satisfy the needs of the State but the community of clients and medical providers which it is intended to serve.

Medicaid Refinancing

Medicaid is a joint state-federal funded program operated by the Division to pay for primary, acute and long term care services for eligible low-income Alaskans. Most states have taken advantage of the additional federal funding available by modifying their programs to accommodate Medicaid's requirements. Although Alaska has also taken advantage of some important opportunities under Medicaid, many still remain. The Division continues to pursue opportunities for refinancing existing programs that could qualify for Medicaid match participation for allowable services and administrative functions provided for Medicaid eligible clients.

Major BRU Accomplishments for FY2000

Denali KidCare

Under Title XXI -- the Children's Health Insurance Program, 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. Based on federal census numbers, it was expected that the program could reach 11,600 uninsured children. The Division contracted with the Divisions of Public Health and Public Assistance for the outreach and eligibility determination activities necessary to implement the program, and the Robert Wood Johnson Foundation and the Crosset Fund granted funds to Alaska to augment the State's outreach efforts. As a result, Denali KidCare has exceeded all expectations by reaching approximately 15,000 uninsured children.

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 programs 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 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.

Operating the Medicaid Program Efficiently and Humanely

During FY00, 111,083 eligible members were enrolled in the Medicaid Program. Of these, 92,103, or 83 percent, used the health care coverage available to them. The total expenditure for Medicaid related services provided to these beneficiaries was $467 million, and 1,960,000 bills were generated to First Health Services Corporation, Medicaid's fiduciary contractor.

The Medicaid Hotline, established in 1996, responded to 17,545 inquiries from Alaskans with questions or concerns about eligibility requirements, services, billings, or other aspects of the program. These issues were handled in an expedient manner with accuracy and concern for the issue at hand.

Two units within the Division are in place to meet the responsibility of ensuring the Medicaid Program is as efficient as possible. The Third Party Liability Unit pursues monies owed the State by insurance companies and court settlements, among others. During FY00, the unit collected over $1,500,000 in recoveries.

The Surveillance and Utilization Review Subsystem, or SURS Unit, is designed to determine whether or not program services are being misused by clients or providers. This review process establishes norms for services provided and received and then monitors the services used by Medicaid clients to detect improper, inappropriate, or illegal use of the program. During FY00, the SURS Unit collected over $390,000.

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		Average # of errors
	No errors	2 or more 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 reduce 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:

96.3 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 FY2000.)

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 Administration

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 State Programs	2,234.0	12,352.1	0.0	14,586.1	2,545.5	13,554.6	0.0	16,100.1	4,026.1	16,502.2	405.0	20,933.3
Non-Formula Expenditures												
Medical Assistance Admin.	639.1	655.3	0.0	1,294.4	816.8	875.1	0.0	1,691.9	879.8	938.7	101.4	1,919.9
Health Purchasing Group	4,707.5	10,774.4	0.0	15,481.9	5,281.5	11,804.2	0.0	17,085.7	5,138.1	11,658.9	0.0	16,797.0
Certification and Licensing	336.1	659.9	0.0	996.0	353.6	748.8	0.0	1,102.4	379.4	773.3	0.0	1,152.7
Hearings and Appeals	192.2	185.4	0.0	377.6	203.9	204.5	0.0	408.4	203.9	203.0	0.0	406.9
Audit	279.5	148.0	88.6	516.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Children's Health Eligibility	816.2	1,217.3	329.9	2,363.4	889.1	1,338.7	405.0	2,632.8	0.0	0.0	0.0	0.0
Totals	**9,204.6**	**25,992.4**	**418.5**	**35,615.5**	**10,090.4**	**28,525.9**	**405.0**	**39,021.3**	**10,627.3**	**30,076.1**	**506.4**	**41,209.8**

Medical Assistance Administration

Proposed Changes in Levels of Service for FY2002

There are no changes to the level of services provided by Medical Assistance Administration.

Medical Assistance Administration

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	**10,090.4**	**28,525.9**	**405.0**	**39,021.3**
Adjustments which will continue current level of service:				
-Medical Assistance Admin.	63.0	63.6	1.0	127.6
-Medicaid State Programs	941.6	1,391.2	405.0	2,737.8
-Health Purchasing Group	-143.4	-145.3	0.0	-288.7
-Certification and Licensing	25.8	24.5	0.0	50.3
-Hearings and Appeals	0.0	-1.5	0.0	-1.5
-Children's Health Eligibility	-889.1	-1,338.7	-405.0	-2,632.8
Proposed budget increases:				
-Medical Assistance Admin.	0.0	0.0	100.4	100.4
-Medicaid State Programs	539.0	1,556.4	0.0	2,095.4
FY2002 Governor	**10,627.3**	**30,076.1**	**506.4**	**41,209.8**