

# **State of Alaska FY2006 Governor's Operating Budget**

## **Department of Health and Social Services Medical Assistance Administration Component Budget Summary**

**Component: Medical Assistance Administration****Contribution to Department's Mission**

HCS administers, departmentwide, the State Children's Health Insurance Program (SCHIP), the Medicaid Management Information System (MMIS), claims payments and accounting, third-party liability collections and recoveries, and the Chronic and Acute Medical Assistance Program.

**Core Services**

Under the Department of Health & Social Services restructure, the Division of Health Care Services maintains the Medicaid "core" services including hospitals, physician services, pharmacy, dental services, transportation; and other services including physical, occupational, and speech therapy; laboratory; x-ray; durable medical equipment; hospice; and home health care. HCS administers, departmentwide, the State Children's Health Insurance Program (SCHIP), the Medicaid Management Information System (MMIS), claims payments and accounting, third-party liability collections and recoveries, federal reporting activities, Medicaid financing activities, and the Chronic and Acute Medical Assistance program.

The Medical Assistance Administration component provides support for these programs in the areas of systems and analysis, financial recoveries, providers and benefit services, grants and contracts management, budget and fiscal management, accounts receivable and payable, regulations and legislation support and tracking, data processing and information management, research and analysis both in-house, for the governor, the legislature, and for outside agencies and the general public.

Medicaid Services Administration. Federal financial participation (FFP) for Medicaid administrative activities are federally matched at a base rate of 50%. This means the federal government will provide funds equal to the sum the state contributes toward total administrative expenditures. However, higher matching rates of 75% and 90% are authorized by law for certain administrative functions and activities.

In order to receive federal matching dollars for medical services under the Medicaid program, states must maintain a Medicaid state plan. The state plan details the scope of each state's Medicaid program by listing the eligibility groups and standards, the services provided, any applicable service requirements, and payment rates for those services. While states generally have flexibility in forming their Medicaid programs, Medicaid state plans must include certain elements of information and must be consistent with mandates detailed in federal statutes.

The functions provided under the Health Purchasing Group (HPG) component will move to the Medical Assistance Administration (MAA) component in FY06 to more accurately represent the division's function and structure. The MAA assures ongoing, timely, and accurate payment of medical claims through management and monitoring of the MMIS; service providers are consistently informed of appropriate procedures and policy changes; utilization reviews for medical necessity and quality assurance; accurate data for state agencies and the public; accurate third-party accountability and monitoring and tracking of recoveries. Units within this component and the specific services they provide include the following:

**Systems and Analysis**

- Monitoring Claims Payments
- Identifying/Correcting Medicaid Management Information System (MMIS) System Errors
- Implementing and Supervising MMIS Enhancements and Testing
- MMIS Data and Research

**Financial Services and Recovery**

- Policy and Rate Appeals
- Post Payment Review and Cost Avoidance
- Third Party Liability/Recovery
- Accounting – Claims Payment Check Writes and Expenditure

Provider and Benefits Services

- Provider Participation and Access Coordination
- Provider Training and Publications
- Provider Assistance and Problem Resolution
- Beneficiary Training and Problem Resolution – Fair Hearings
- Claims Cycle Monitoring and Problem Resolution

Early, Periodic, Screening, Diagnosis & Treatment (EPSDT) Program. The EPSDT program assures that children enrolled in Medicaid receive well-child care and additional diagnosis or treatment services as needed. All Medicaid Services/EPSDT program activities are directed toward addressing federal EPSDT regulations and related federal initiatives.

The program sends notice to parents or guardians of children due for well-child exams; produces lists of providers (physicians, nurse practitioners, dentists, vision care providers, etc.) who accept new Medicaid patients; coordinates and funds (through Medicaid) transportation to health care appointments for children and pregnant women; and arranges home visits by nurses for women with high risk pregnancies. This assistance is available for health care appointments only if the family would not be able to go to that appointment without it.

<b>FY2006 Resources Allocated to Achieve Results</b>		
<b>FY2006 Component Budget: \$29,547,700</b>	<b>Personnel:</b>	
	Full time	50
	Part time	0
	<b>Total</b>	<b>50</b>

**Key Component Challenges**

Administration of the Medicaid and Chronic and Acute Medical Assistance (CAMA) Programs. Programmatic and financial responsibility for Medicaid services and CAMA are housed under HCS whose customers are the major users of the services. Oversight of the Medicaid program as a whole is under the umbrella of the Commissioner's Office with the Office of Program Review and the Office of Rate Review.

HCS maintains the operations aspects of the programs, i.e., claims payments; contract management; provider, facility and client services.

Medicaid Management Information System Procurement Project. Federal law requires all states participating in the Medicaid program to 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 these fiscal agent contracts be competitively bid. The contract for HCS's current fiscal agent was negotiated and awarded in May 1987.

A priority goal for the division is to transition to a new MMIS system with minimum disruption to its service providers and clients. The new system and fiscal agent contract will not only satisfy the needs of the state, but also the needs of medical service providers and the community of clients they support.

The division has invested three years in the implementation of the new MMIS. This three-year project was divided into three primary phases: planning, development, and implementation. HCS is now in the development stage with an implementation date in 2005.

This project has placed extraordinary pressure on existing staff. The HCS continues to work diligently to maintain adequate, knowledgeable staffing levels to successfully complete this multi-faceted, multi-year project.

Cost Containment. The Division continues implementation of cost containment measures that are aimed at saving general fund dollars departmentwide. Some projects taken on during FY04 were unattainable and had to be abandoned for various reasons. Other projects were initiated that had not been previously identified. The FY06 budget

includes an increment to replace \$9.3 million in net general fund cuts attached to cost containment efforts.

In addition, the HCS is playing an integral role in the Tribal Health Agenda spearheaded by the Office of Program Review. Projects with tasks falling to HCS include development of policy that will enable tribes to bill for services under management contracts, review of new estate recovery policy, assuring tribes that provide public health nursing services are included in the plan for Medicaid reimbursement, provide training for Medicaid administrative match agreements, support for data analysis, reporting, and training of tribes, and the development of "due" lists to keep tribes entering into continuing care provider agreements informed.

Alaska Medicaid Preferred Drug List (PDL). A PDL is a list of prescription medications within a therapeutic class that represents Medicaid's first choice when prescribing for Medicaid patients. Pharmacy growth costs have averaged 17% to 27% over the past several years. To help control these costs, HCS has implemented a PDL for Medicaid beneficiaries as a cost containment measure consistent with our desire to maintain Medicaid services and eligibility to the greatest extent possible. The PDL allows the State to manage the drug program by improving capacity and effectiveness as purchasers of pharmaceuticals and align the patient need, the physicians' knowledge, and the State's purchasing power.

The success of a PDL takes cooperation from providers and prescribers. A Pharmaceutical and Therapeutics (P&T) Committee is responsible for determining the most effective drug or reference drug on the PDL. The P&T Committee is comprised of a group of Alaskan medical professionals who prescribe or dispense prescription drugs. The Committee has statewide representation and includes various physician specialties, pharmacists, dentists, and a nurse practitioner. A sub-committee of psychiatrists will be used when the department reviews mental health drugs.

Implementation was based on a phase-in approach whereby drug classes are added to the PDL over time. The public input has primarily been related to the program's continued, uninterrupted access to specific brand drugs which have clearly proven beneficial to the patient. The program design meets this need.

Surveillance, Utilization & Review. HCS is committed to an aggressive recruitment and retention effort to build and sustain a highly competent resource infrastructure with substantive program and business management expertise and depth. This will assure the state continues to enjoy the benefits of a service delivery system of the highest caliber, and well-managed, comprehensive and consistent health program policy under an aggressive cost containment strategy.

The HCS and the Medicaid Provider Fraud Unit have agreed to an effort to assist with collections and recovery of claims. Expanded lock-in services and enhanced fraud and abuse activities have begun both in-house and by contracts for services.

## **Significant Changes in Results to be Delivered in FY2006**

Health Care Services continues to adjust to the Department of Health and Social Services reorganization of staff and 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 with continuing efforts in FY05. This will be a continuing effort in FY06 that will require additional adjustments in the division and the department.

No break to services to the public has occurred throughout this multi-year reorganization.

The Maternal and Child Family Health program functions and staff have been transferred to the Division of Public Health in FY06.

## **Major Component Accomplishments in 2004**

The HCS has played a key role in the design, development, and implementation stage for the state's new MMIS. Requirement verification sessions have been taking place for over a year; staff time and effort without additional compensation have been commendable. Implementation is slated for September 2005.

**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 – HCS**

- Cost avoid Medicare covered drugs - regulation required
- Expanded case management of high-cost recipients
- Expanded efforts to identify drug abuse through client lock-in to single physician
- Continued expansion of the Preferred Drug List
- Continued work on prior authorization requirements for hospital visits
- Increase efforts to eliminate duplicative services through MMIS claims editing
- Identify and implement administrative claiming activities with IHS facilities

**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

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**Medical Assistance Administration  
Component Financial Summary**

*All dollars shown in thousands*

	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	1,097.3	1,114.9	4,016.6
72000 Travel	109.0	84.0	94.8
73000 Services	385.1	4,192.0	25,200.3
74000 Commodities	25.8	53.9	115.0
75000 Capital Outlay	0.0	37.5	121.0
77000 Grants, Benefits	0.0	60.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>1,617.2</b>	<b>5,542.3</b>	<b>29,547.7</b>
<b>Funding Sources:</b>			
1002 Federal Receipts	717.8	3,404.0	21,097.6
1003 General Fund Match	899.4	932.6	8,164.3
1004 General Fund Receipts	0.0	58.3	235.8
1007 Inter-Agency Receipts	0.0	465.3	0.0
1156 Receipt Supported Services	0.0	682.1	0.0
1189 Senior Care Fund	0.0	0.0	50.0
<b>Funding Totals</b>	<b>1,617.2</b>	<b>5,542.3</b>	<b>29,547.7</b>

**Estimated Revenue Collections**

Description	Master Revenue Account	FY2004 Actuals	FY2005 Managem ent Plan	FY2006 Governor
<b>Unrestricted Revenues</b>				
General Fund Match	68510	0.0	932.7	8,227.7
Unrestricted Fund	68515	0.0	58.3	236.4
<b>Unrestricted Total</b>		<b>0.0</b>	<b>991.0</b>	<b>8,464.1</b>
<b>Restricted Revenues</b>				
Federal Receipts	51010	717.8	3,404.0	21,184.6
Interagency Receipts	51015	0.0	465.3	0.0
Receipt Supported Services	51073	0.0	682.1	0.0
<b>Restricted Total</b>		<b>717.8</b>	<b>4,551.4</b>	<b>21,184.6</b>
<b>Total Estimated Revenues</b>		<b>717.8</b>	<b>5,542.4</b>	<b>29,648.7</b>

**Summary of Component Budget Changes  
From FY2005 Management Plan to FY2006 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2005 Management Plan</b>	<b>990.9</b>	<b>3,404.0</b>	<b>1,147.4</b>	<b>5,542.3</b>
<b>Adjustments which will continue current level of service:</b>				
-FY 05 Bargaining Unit Contract Terms: GGU	1.4	3.7	1.9	7.0
-Medicaid Operations Contract Costs and Enhanced Program Oversight	578.8	578.8	0.0	1,157.6
-Transfer positions to Administrative Support Services	-135.1	-135.1	0.0	-270.2
-Transfer Contract Funds to Medical Assistance Administration from Medicaid Services	2,916.0	6,829.0	0.0	9,745.0
-Transfer Maternal and Child Health to the Division of Public Health	-194.9	-1,323.5	-1,067.1	-2,585.5
-Transfer Medical Care Advisory Committee to the Commissioner's Office/OPR	-13.5	-13.5	0.0	-27.0
-Consolidate Health Care Services Administrative Services into Medical Assistance Administration	4,206.2	11,693.1	50.0	15,949.3
-FY06 Cost Increases for Bargaining Units and Non-Covered Employees	10.5	20.1	0.0	30.6
-Adjustments for Personal Services Working Reserve Rates and SBS	0.0	1.3	0.0	1.3
<b>Proposed budget decreases:</b>				
-Decrement I/A and RSS that cannot be earned	0.0	0.0	-82.2	-82.2
<b>Proposed budget increases:</b>				
-Implement New Payment Error Rate Measurement Program	39.8	39.7	0.0	79.5
<b>FY2006 Governor</b>	<b>8,400.1</b>	<b>21,097.6</b>	<b>50.0</b>	<b>29,547.7</b>

**Medical Assistance Administration  
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2005</u>	<u>FY2006</u>		
	<u>Management</u>	<u>Governor</u>		
	<u>Plan</u>			
Full-time	15	50	Annual Salaries	2,854,205
Part-time	0	0	COLA	38,388
Nonpermanent	0	5	Premium Pay	0
			Annual Benefits	1,415,203
			<i>Less 3.30% Vacancy Factor</i>	<i>(142,157)</i>
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>15</b>	<b>55</b>	<b>Total Personal Services</b>	<b>4,165,639</b>

**Position Classification Summary**

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	1	0	0	0	1
Accounting Clerk II	1	0	0	0	1
Accounting Tech I	1	0	0	0	1
Accounting Tech III	1	0	0	0	1
Administrative Assistant	2	0	0	0	2
Administrative Clerk II	1	0	0	0	1
Administrative Clerk III	1	0	0	0	1
Division Director	0	0	1	0	1
Health Program Mgr III	1	0	0	0	1
Health Program Mgr IV	1	0	0	0	1
Hlth & Soc Svcs Plnr II	1	0	0	0	1
Internal Auditor II	0	0	1	0	1
Internal Auditor IV	1	0	0	0	1
Medicaid Pharm Program Manager	1	0	0	0	1
Medical Assist Admin I	8	0	0	0	8
Medical Assist Admin II	7	0	0	0	7
Medical Assist Admin III	6	0	1	0	7
Medical Assist Admin IV	6	0	0	0	6
Nurse Consultant I	4	0	0	0	4
Nurse Consultant II	2	0	0	0	2
Project Manager	1	0	0	0	1
Research Analyst I	1	0	0	0	1
Research Analyst II	2	0	0	0	2
Research Analyst III	1	0	0	0	1
Research Analyst IV	1	0	0	0	1
<b>Totals</b>	<b>52</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>55</b>