State of Alaska
FY2006 Governor's Operating Budget

Department of Health and Social Services
Health Care Services
Results Delivery Unit Budget Summary

Health Care Services Results Delivery Unit

Contribution to Department's Mission

Manage health care coverage for Alaskans in need.

Core Services

The Division of Health Care Services (HCS) maintains the Medicaid "core" services including:

- Hospitals, physician services, pharmacy, dental services, transportation, physical, occupational, and speech therapy;
- Laboratory and x-ray;
- Durable medical equipment; and
- Hospice and home health care

HCS also 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.

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 129,500 eligible Alaskans in FY2004 and provided services to more than 119,300 Alaskans during that same fiscal period. The total cost for services provided exceeded $473 million in FY2004.

HCS also administers the following programs:

- 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 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.

End Results	Strategies to Achieve Results
A: Mitigate Health Care Services (HCS) service reductions by replacing general fund (GF) cuts with alternate funds. Target #1: Reduce by 1% the GF expenses replacing them with alternate funds. Measure #1: Percent of GF cuts replaced with alternate funding.	**A1: Increase federal and other funding sources. Maintain or decrease GF expenditures.** Target #1: Increase Indian health services (IHS) participation by 5% in expenditures. Measure #1: Percentage of IHS participation. **A2: Expand fund recovery efforts.** Target #1: Increase funds recovered by 2%. Measure #1: Amount of funds recovered.

End Results	Strategies to Achieve Results
B: To provide affordable access to quality health care services to eligible Alaskans. Target #1: Increase by 2% the number of providers enrolled. Measure #1: Number of providers enrolled.	**B1: Improve time for claim payment.** Target #1: Decrease by .5% the average time HCS takes to pay a claim. Measure #1: The average time HCS takes to pay a claim. **B2: Implement new Medicaid Management Information System (MMIS).** Target #1: 100% centralized payment capabilities with customer access to information. Measure #1: Percent of completion. **B3: Maintain or increase the number of providers enrolled in each census area.** Target #1: Increase by 2% the number of providers enrolled. Measure #1: Number of providers enrolled. **B4: Improve payment efficiency.** Target #1: Increase the % of error-free claims by .5%. Measure #1: Percent of error-free claims.

FY2006 Resources Allocated to Achieve Results

FY2006 Results Delivery Unit Budget: $702,750,800

Personnel:	
Full time	50
Part time	0
Total	50

Performance Measure Detail

A: Result - Mitigate Health Care Services (HCS) service reductions by replacing general fund (GF) cuts with alternate funds.

Target #1: Reduce by 1% the GF expenses replacing them with alternate funds.
Measure #1: Percent of GF cuts replaced with alternate funding.

HCS Medicaid Actuals - Other Funds (in millions)

Year	% Federal	% General	% Other	N/A	YTD
1999	66.0%	34.7%	.8%	0	0
2000	65.3%	25.5%	9.2%	0	0
2001	66.4%	22.7%	10.9%	0	0
2002	66.6%	27.8%	6.1%	0	0
2003	67.5%	25.5%	7.1%	0	0
2004	71.1%	16.6%	12.4%	0	0

Analysis of results and challenges: Seek ways to maximize federal participation through Family Planning,

IHS, BCC, and Title XXI expenditures.

Charted numbers represent actual expenditures recorded in ABS as percentages. Note FY04 is the first year reported after the reorganization. Prior year actuals will include the complete Medicaid Program and therefore do not provide exact comparisons between fiscal years.

A1: Strategy - Increase federal and other funding sources. Maintain or decrease GF expenditures.

Target #1: Increase Indian health services (IHS) participation by 5% in expenditures.
Measure #1: Percentage of IHS participation.

Health Care Services IHS Participation (in millions)

Year	Total Exp	IHS	% of Total	% Increase	YTD
1999	231.4	37.5	16.2%	6.3%	
2000	274.3	49.4	18.0%	1.8%	
2001	329.4	73.2	22.2%	4.2%	
2002	380.2	74.9	19.7%	-2.5%	
2003	443.9	97.4	21.9%	2.2%	
2004	464.1	111.7	24.0%	2.1%	

Analysis of results and challenges: The Department of Health & Social Services has created a unit dedicated to working with Tribal organizations to maximize IHS federal fund participation in the Medicaid Program and to assure Native beneficiary access to a continuum of care through Tribal health services. Some of the work in progress includes the transition of services in the YKHC Delta to the Tribal health care system while sustaining funding for these services during this transition; maximization and improvement to the Medicaid billing capacity of Tribal organizations; and assistance to Tribal health organizations in the expansion of community-based services in addition to primary care.

A2: Strategy - Expand fund recovery efforts.

Target #1: Increase funds recovered by 2%.
Measure #1: Amount of funds recovered.

Medicaid Recoveries: Drug Rebates & Third Party Liability Collections (in millions)

Year	Drug Rebates	TPL	Total	% Increase	YTD
2003	17.0	8.0	25.0	N/A	0
2004	19.4	10.1	29.5	18%	0

Analysis of results and challenges: Health Care Services has been able to increase collections on drug rebates and third-party liability by 18% from FY2003 to FY2004. Efforts continue to enhance contracted services as well as in-house collections.

B: Result - To provide affordable access to quality health care services to eligible Alaskans.

Target #1: Increase by 2% the number of providers enrolled.
Measure #1: Number of providers enrolled.

Analysis of results and challenges: Encourage provider participation through prompt payment and customer service.

B1: Strategy - Improve time for claim payment.

Target #1: Decrease by .5% the average time HCS takes to pay a claim.
Measure #1: The average time HCS takes to pay a claim.

Analysis of results and challenges: In FY04 the average time from receiving a Medicaid claim to paying that same claim was 10.63 days.

In FY03 the average time from receiving a Medicaid claim to paying that same claim was 10.5 days.

In FY02 the average time from receiving a Medicaid claim to paying that same claim was 10.7 days.

Little change is noted.

B2: Strategy - Implement new Medicaid Management Information System (MMIS).

Target #1: 100% centralized payment capabilities with customer access to information.
Measure #1: Percent of completion.

Analysis of results and challenges: Implementation of the new Medicaid Management Information System is in the design, development, and implementation phase. The fiscal agent and the department have worked together from more than a year on this phase. It is estimated the project will be completed in September 2005.

B3: Strategy - Maintain or increase the number of providers enrolled in each census area.

Target #1: Increase by 2% the number of providers enrolled.
Measure #1: Number of providers enrolled.

Medicaid Providers

Year	Licensed	Enrolled	% Enrolled	YTD
2003	2,223	1,472	66.6%	
2004	2,878	1,953	67.8%	

Analysis of results and challenges: Provider participation is divided up into types of providers as follows: Physicians, Dentists, Pharmacies, Hospitals, and Nursing Facilities. Information concerning the number of licensed providers in the State is provided by the Division of Occupational Licensing.

Percent Licensed Providers Enrolled in Medicaid

Percent Change 04 to 03
Physicians 1.1%
Dentists -.6%
Pharmacies 1.3%
Hospitals 0%
Nursing Facilities 0%

2004
Physicians 69%
Dentists 54%
Pharmacies 89%
Hospitals 100%
Nursing Facilities 100%

2003
Physicians 68%
Dentists 55%
Pharmacies 88%
Hospitals 100%
Nursing Facilities 100%

The target of a 2% increase was not met, but the HCS believes the increases/decreases noted above to be excellent marks notwithstanding cost containment measures and program changes implemented over the past two years.

B4: Strategy - Improve payment efficiency.

Target #1: Increase the % of error-free claims by .5%.
Measure #1: Percent of error-free claims.

Analysis of results and challenges: Percentage Change 04 to 03

Hospitals: 1.1%
Physicians: .6%
Dentists: -0.1%
Nursing Facilities: -0.1%
Pharmacies: -2.6%

Pharmacy payment efficiencies have fallen back. In FY02, HCS was operating under a pharmacy claims processing system that was well-known by providers; the system provided limited drug safety editing in comparison to the system in place in FY04. Late in FY03, the department implemented the HIPAA compliant pharmacy claims processor that changed many pharmacy edits and implemented pharmacy safety checks to deny claims of drugs involved in significant drug-drug interactions or drug-disease contraindications. FY04 put claims payment efficiency on a larger descent since the new claims processor was in place for the full fiscal year 2004.

In FY04 the percentage of claims with no errors categorized by the type of provider was as follows:

Hospitals: 63.6%,
Physicians: 65.4%,
Dentists: 74.3%,
Nursing Facilities: 61.7%,
Pharmacies: 77.5%

In FY03 the percentage of claims with no errors categorized by the type of provider was as follows:

Hospitals: 62.5%,
Physicians: 64.8%,
Dentists: 74.4%,
Nursing Facilities: 61.8%,
Pharmacies: 80.1%

In FY02 the percentage of claims with no errors categorized by the type of provider was as follows:

Hospitals: 60.3%,
Physicians: 67.4%,
Dentists: 77.6%,
Nursing Facilities: 65.3%,
Pharmacies: 83.3%

Key RDU Challenges

The goals of the organization are to bring financial stability to operations, maximize federal funds, provide more accountability in program management, and improve quality and customer service. Continued program alignment will balance cost effectiveness and service delivery and improve services to clients. This realignment of duties and responsibilities remains a challenge in FY05 and FY06.

Medicaid Services

Medicaid Service Delivery and Program Management. In FY04 the number of Alaskans enrolled in the department-wide Medicaid program increased only 1.1% over FY03 while the cost of services provided has grown an average of 5%. 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/trends 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 in fact receive and enjoy the benefits of a service delivery system capable of meeting state health care needs under cost containment strategy.

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 through contracts for services.

Administration of the Medicaid Program and Chronic and Acute Medical Assistance (CAMA). Programmatic and financial responsibility for Medicaid services and for CAMA are housed under the RDU whose customers are the major users of the services: Medicaid funding for mental health related services in Behavioral Health Medicaid Services component; Behavioral Rehabilitation Services in the Children's Medicaid Services component; and funding for nursing homes, personal care, and waivered services in the Senior and Disabilities Medicaid Services component. Oversight of the 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.

Chronic and Acute Medical Assistance (CAMA). HCS is working to continue to provide payment for individuals with chronic medical conditions who do not qualify for the Medicaid program within the appropriated general fund amount through aggressive management of claiming adjustments for payments made by CAMA for individuals who become Medicaid eligible.

Significant Changes in Results to be Delivered in FY2006

The Division of Health Care Services is not proposing any significant changes to service levels provided in FY06. However, there are some changes to the structure:

- All administrative functions in the division are being moved in the Medical Assistance Administration component. This will provide for more efficient budgeting and monitoring of resources.
- Contractual Funds are being moved from from the Medicaid Services component to the Administration component to provide for better financial management.
- The Maternal and Child Family Health program functions and staff have been transferred to the Division of Public Health in FY06.

Major RDU 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 compensation has been commendable. Implementation is slated for September 2005.

CAMA

The CAMA program provided payment for 1,521 individuals within the appropriated general fund amount in FY2004 through regulations that reduced services provided and aggressive management of claiming adjustments for payments made by CAMA for individuals who become Medicaid eligible. This was necessary to stay within the reduced budget allowed for CAMA in FY04.

Contact Information

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Health Care Services
RDU Financial Summary by Component

All dollars shown in thousands

	FY2004 Actuals				FY2005 Management Plan				FY2006 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	100,440.2	431,225.2	74,977.0	606,642.4	102,162.4	470,221.8	76,874.0	649,258.2	125,840.7	469,017.4	76,874.0	671,732.1
Catastrophic & Chronic Illness	2,221.0	0.0	0.0	2,221.0	1,471.0	0.0	0.0	1,471.0	1,471.0	0.0	0.0	1,471.0
Children's Health Eligibility	235.9	973.7	0.0	1,209.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-Formula Expenditures												
Medical Assistance Admin.	899.4	717.8	0.0	1,617.2	990.9	3,404.0	1,147.4	5,542.3	8,400.1	21,097.6	50.0	29,547.7
Health Purchasing Group	4,447.4	9,980.9	13.1	14,441.4	4,262.4	11,729.5	0.0	15,991.9	0.0	0.0	0.0	0.0
Certification and Licensing	331.4	637.8	0.0	969.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hearings and Appeals	205.7	81.3	44.0	331.0	236.7	255.9	0.0	492.6	0.0	0.0	0.0	0.0
Women's and Adolescents Services	191.5	3,887.4	936.7	5,015.6	172.9	2,855.4	135.9	3,164.2	0.0	0.0	0.0	0.0
Medicaid State Programs	113.6	10,538.4	0.0	10,652.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Totals	**109,086.1**	**458,042.5**	**75,970.8**	**643,099.4**	**109,296.3**	**488,466.6**	**78,157.3**	**675,920.2**	**135,711.8**	**490,115.0**	**76,924.0**	**702,750.8**

Health Care Services
Summary of RDU Budget Changes by Component
From FY2005 Management Plan to FY2006 Governor

All dollars shown in thousands

	General Funds	Federal Funds	Other Funds	Total Funds
FY2005 Management Plan	**109,296.3**	**488,466.6**	**78,157.3**	**675,920.2**
Adjustments which will continue current level of service:				
-Medicaid Services	-4,024.8	-7,437.8	0.0	-11,462.6
-Medical Assistance Admin.	7,369.4	17,653.9	-1,015.2	24,008.1
-Health Purchasing Group	-4,262.4	-11,729.5	-50.0	-16,041.9
-Women's and Adolescents Services	-172.9	-2,855.4	-135.9	-3,164.2
Proposed budget decreases:				
-Medicaid Services	0.0	-20,150.8	0.0	-20,150.8
-Medical Assistance Admin.	0.0	0.0	-82.2	-82.2
Proposed budget increases:				
-Medicaid Services	27,703.1	26,384.2	0.0	54,087.3
-Medical Assistance Admin.	39.8	39.7	0.0	79.5
-Health Purchasing Group	0.0	0.0	50.0	50.0
FY2006 Governor	**135,711.8**	**490,115.0**	**76,924.0**	**702,750.8**