

State of Alaska
FY2007 Governor's Operating Budget

Department of Health and Social Services
Senior and Disabilities Medicaid Services
Component Budget Summary

Component: Senior and Disabilities Medicaid Services

Contribution to Department's Mission

To maximize the services available to all Alaskans who are entitled to Medicaid services.

Core Services

Funds support institutional and community-based services for older Alaskans, children who are developmentally disabled, and adults with disabilities.

The Medicaid program is a jointly funded, cooperative entitlement program between federal and state governments to assist in the provision of adequate and competent medical care to eligible needy persons. Some individuals receive care through Medicaid waiver programs which allow individuals to be served in non-institutional, home and community based settings rather than institutional skilled nursing facilities.

Nursing Facility Services include placement in a nursing institution which provides either an intermediate or skilled level of nursing care. In FY05, nearly 1,100 individuals received nursing facility services. There are 749 nursing home beds available in Alaska.

Personal Care Services provide home and community-based non-technical, hands-on assistance with activities of daily living (such as bathing, dressing, or grooming) or instrumental activities of daily living (such as shopping or cooking) necessary to maintain the health and safety of the client in a home setting. Services are provided by trained personal care assistants through a qualified personal care agency. There are two methods of delivering personal care services: agency-based or consumer-directed. In the agency-based model, the agency oversees, manages, and supervises the personal care attendant. In the consumer-directed model, the consumer selects, trains, and supervises their personal care attendant. In FY05, more than 4,000 individuals received personal care attendant services.

Home and Community Based Waiver Services provide long-term care services in less restrictive settings to elderly and disabled persons who need the level of care provided in a nursing facility but wish to remain in their own homes and communities. Services include care coordination, chore services, adult day care, day habilitation, environmental modifications, meals, respite care, residential care in alternatives such as assisted living or group homes, specialized equipment, specialized private duty nursing, supported employment, and transportation to waiver services. Senior and Disabilities Medicaid Services administer four Medicaid Waiver programs:

Older Alaskan Waiver provides services to Medicaid eligible persons aged 65 and older who need the level of care provided in a nursing home. In FY05, more than 1,300 individuals received services through the OA waiver.

Adults with Physical Disabilities Waiver provides services to Medicaid eligible persons between the ages of 21 and 64 who need the level of care provided in a nursing home. In FY05, more than 1,000 individuals received services through the APD waiver.

Mental Retardation/Developmental Disability Waiver provides services to Medicaid eligible persons with mental retardation, autism, cerebral palsy, seizure disorder, or a condition that means the person functions as if having mental retardation. The person must also have a serious limitation in everyday functions of life and need the level of care provided in an intermediate care facility for the mentally retarded. In FY05, nearly 2,300 individuals received services through the MRDD waiver.

Children with Complex Medical Conditions Waiver provides services to Medicaid eligible persons age 21 or younger having a severe, life threatening, chronic physical condition that is expected to continue for more than 30 days and needs constant monitoring. The child also must be dependent upon medical care or technology and need the level of care provided in a nursing home or hospital. In FY05, more than 200 individuals received services through the CCMC waiver.

FY2007 Resources Allocated to Achieve Results

FY2007 Component Budget: \$306,102,500

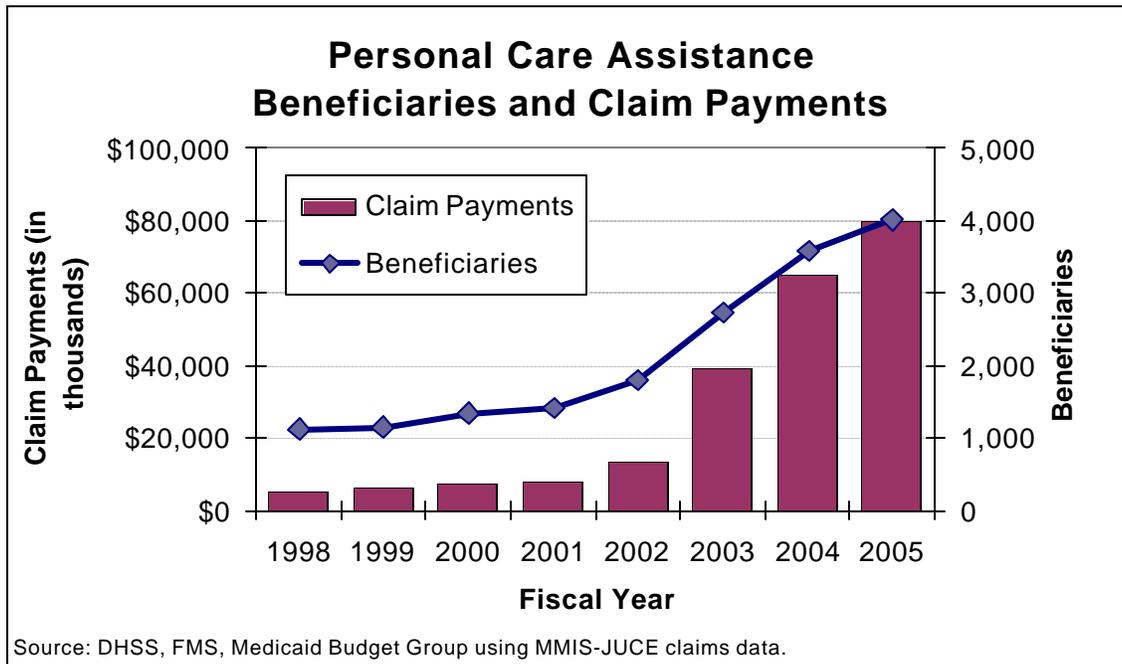
Personnel:

Full time	0
Part time	0
Total	0

Key Component Challenges

Cost Containment in Personal Care Attendant (PCA) Program: The number of PCA clients served and the cost has steadily increased since the program was implemented. In 2000 the program served 1,300 clients at a cost of \$7.6 million. The final cost for FY05 was nearly \$80 million, serving about 3,800 clients. Two strategies for containing costs are (1) audits of providers and (2) regulations to make the PCA program more effective and accountable while ensuring that beneficiaries receive only the services for which they are eligible.

- Audits of PCA Providers: The Division recently audited a number of PCA agencies and assistance providers. The audits uncovered areas of improvement needed throughout the program from both the state and providers. Overall, audits revealed an inconsistent provision of services by providers to PCA clients. DHSS lacked a measurable standard for providers' delivery of services and needed to clearly identify the state's role and the provider's role in the care of the client.
- Regulation Changes: At the direction of the state legislature, DHSS has proposed regulations to better manage and evaluate the PCA program. The state's goal is to slow and manage the growth of the PCA program, so that it does not require cuts to services in other areas of identified need and priority. The proposed changes clarify and strengthen the requirements for PCA client assessments and eligibility, and define provider requirements. The department anticipates completion of the regulations by November 2005, with implementation of DHSS client assessments by January 2006.



Fragmentation of Services: Fragmentation of services has been identified as a barrier to providing long-term care (LTC)

services in Alaska. With no over-arching infrastructure, services have developed that meet immediate needs with little planning for how all these services fit together into a seamless system - a system that defines services components in similar ways and operates under the same administrative structure for oversight of the financial aspects as well as delivery of services. Evaluating the cost effectiveness of Alaska's LTC system has proven to be difficult. The system is characterized by multiple types of service providers and multiple reimbursement rate methodologies. To address this, DHSS has contracted with a national firm for a study of Alaska's long-term care and cost system. This study will encompass both the Medicaid and grant funded programs.

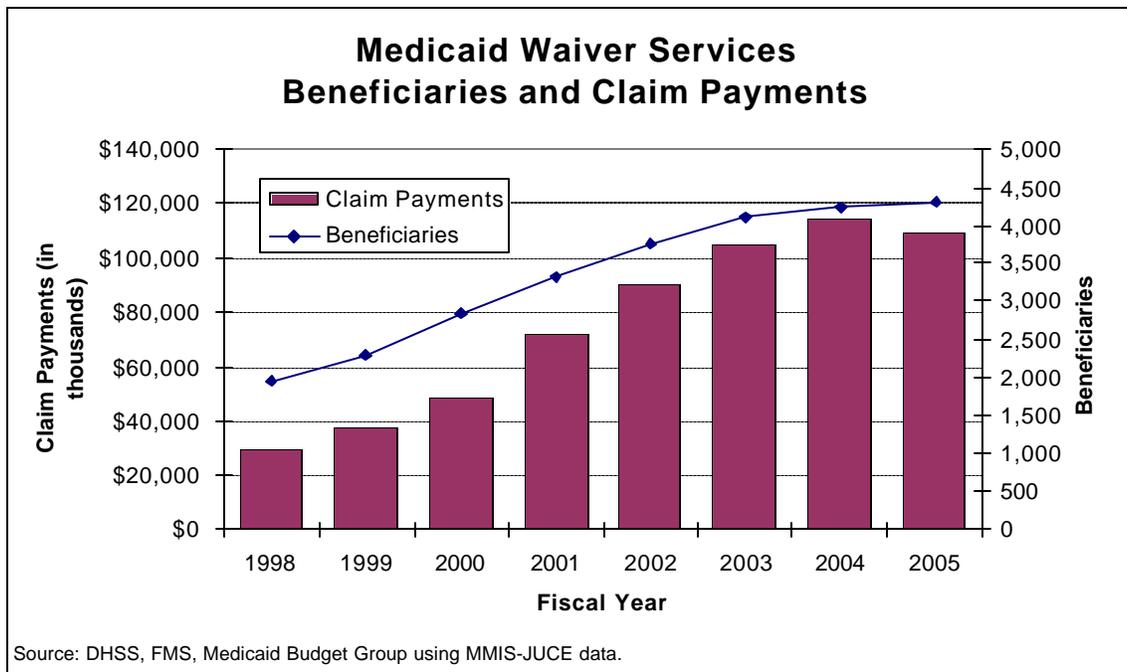
The contractor will evaluate Alaska's LTC system in terms of:

- (1) the array of facility and non-facility LTC and their related costs;
- (2) the present rate-setting methodologies; and
- (3) improved rate setting structures for consideration.

The study will also provide a review of the current service delivery system for home and community based waiver services, assisted living homes, personal care attendants, nursing homes, and Pioneer Home services. The contractor will make recommendations for developing the most appropriate, sustainable array of LTC services in Alaska. The results of the study will be incorporated into regulation allowing improved fiscal responsibility and service delivery systems.

Waiver Program Renewal:

All four of the home and community-based waiver programs are due for renewal in FY06. The application format has changed since the last renewal and will require a substantial amount of effort to complete. Renewal is not automatic. Since the last renewal period, the Center for Medicaid and Medicare Services has increased their scrutiny of home and community-based services nationally.



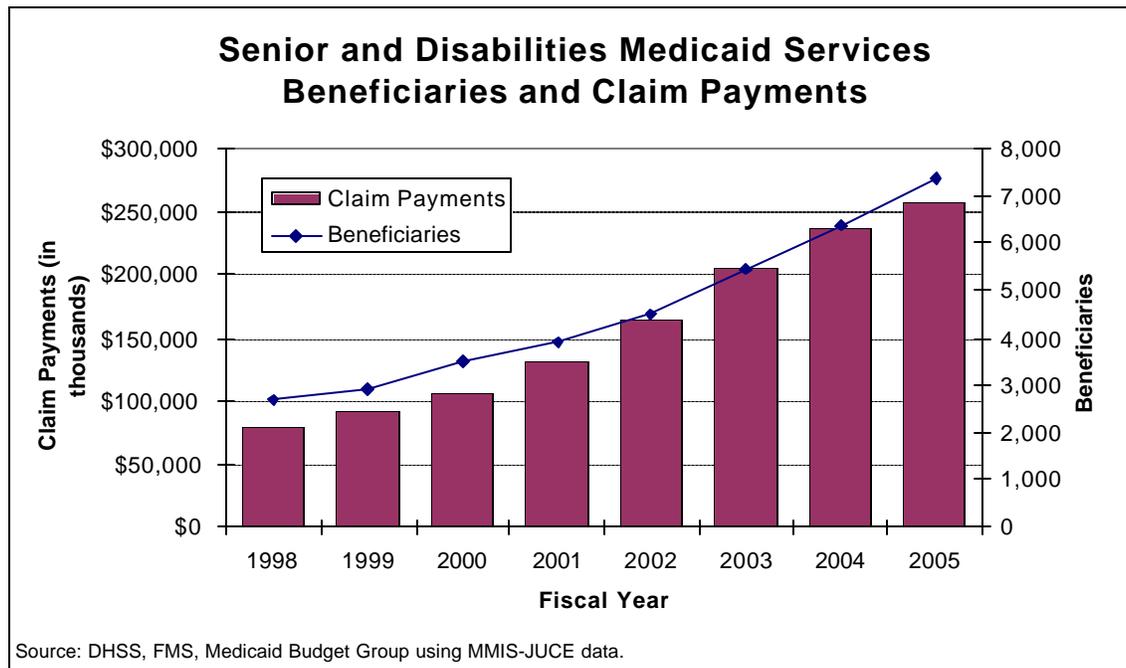
Medicaid Financing:

A prospective challenge for all Medicaid programs is the potential reduction of Alaska's Federal Authorized Medicaid Percentage (FMAP) from 57.58% to 51.07% in FFY07. Such a drop would significantly increase Alaska's share of the cost of Medicaid. However, there is currently legislation in Congress that would hold Alaska harmless for two years (FY06 & FY07). If passed, the Alaska FMAP would remain at the 57.58% rate.

Significant Changes in Results to be Delivered in FY2007

Expenditures in FY07 for Senior and Disabilities Medicaid Services are projected to grow \$55.7 million (\$32.4M

Federal/\$23.3 GF), a 9% increase from FY06 to FY07. This component has experienced rapid growth since the Personal Care Attendant program was amended in 2001 to expand services and to allow consumers to choose their own personal care assistant.



Audits of Personal Care Attendant service providers and strict enforcement of existing regulations are expected to reduce the number of beneficiaries and the use of this service.

Proposed regulation changes to the Personal Care Attendant program are expected to further reduce the number of clients accessing the PCA program and the quantity of services utilized. The department estimates that reduction in costs to the program should start occurring in February 2006. If that timeline is met then the projection is that for the first time in 5 years the PCA program will have stabilized and expenditures in FY06 will be approximately equal to FY05 (\$80 million).

- The “purpose and scope” of the PCA Program were defined in the proposed regulations to indicate the program is available to prevent hospitalization and nursing home placement or enable a disabled person to work.
- The definition of standby assistance was restricted so that it would only be linked to unsafe situations.
- Instrumental Activities of Daily Living (IADL's) are limited to specific needs in outlined in the PCAT assessment and linked to an Activity of Daily Living (ADL)
- The PCAT assessment tool was piloted, modified and adopted to provide “an objective client assessment tool”.
- The regulations provide for the physician certification of the recipients' medical conditions.
- If more than one recipient of PCA services resides in the home only one PCA can be paid for shared services.
- A certification application packet and process was established for Medicaid PCA providers.
- CPR, First Aid and a unique identification number are required for all individual PCA providers beginning February 1, 2007.
- Assessments are to be completed by a state contractor and prior authorizations for service will be required.
- Solicitation of clients by providers of PCA services are expressly prohibited.

Major Component Accomplishments in 2005

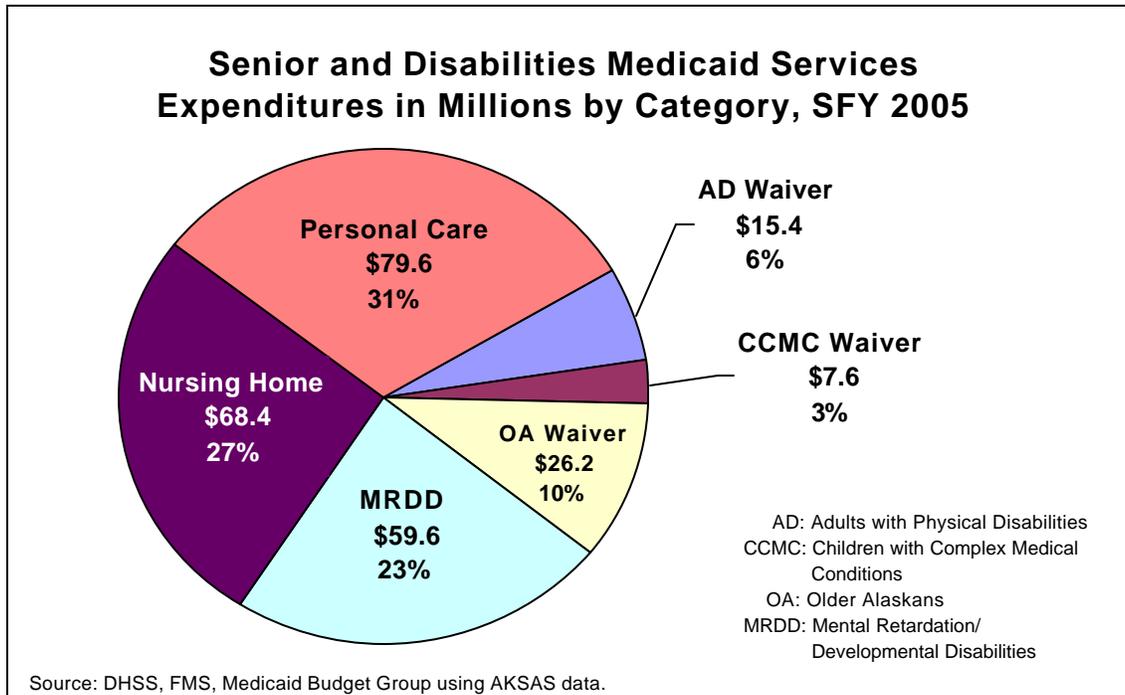
Senior and Disabilities Medicaid Services experienced a 9% rate of growth from FY04 to FY05. Growth is due to an increase in the number of clients. The number of recipients rose an average of 32% while the cost-per-recipient decreased 16%. The rapid increase in Senior & Disabilities Medicaid Services client base is not surprising since they serve the fastest growing segment of the population, those age 65 and over.

Personal Care Services (PCA) accounted for 70% of the increased cost in FY05. Personal Care was the fastest growing category of service with a 24% increase from FY04 to FY05. However, this is a substantial improvement from the 65% increase PCA experienced between FY03 and FY04.

Nursing Home Services experienced an increase of 21% from FY04 to FY05. Nursing homes saw both an increase in the monthly average number of beneficiaries and the cost-per-recipient. The average cost increased because of facility rate adjustments. Rates are recalculated every four years and inflation adjusted in interim years.

Growth for the component as a whole slowed to 9% in SFY05 from the near 25% annual increases seen in FY01, FY02, and FY03.

The division implemented a cost based rate-setting methodology in order to develop standards for all state providers. The new standards should be fully implemented in FY06. The results will be services provided at a standardized cost.



Statutory and Regulatory Authority

AS 47.07 Medical Assistance for Needy Persons
 AS 47.25 Public Assistance

Social Security Act:
 Title XVIII Medicare
 Title XIX Medicaid

Administrative Code:
 7 AAC 43 Medicaid

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

Contact Information

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Senior and Disabilities Medicaid Services Component Financial Summary

All dollars shown in thousands

	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Services	800.0	0.0	0.0
74000 Commodities	0.0	0.0	0.0
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	257,145.4	250,412.5	306,102.5
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	257,945.4	250,412.5	306,102.5
Funding Sources:			
1002 Federal Receipts	151,537.9	147,164.0	179,546.4
1003 General Fund Match	104,337.2	101,030.9	124,338.5
1004 General Fund Receipts	1,684.1	842.6	842.6
1007 Inter-Agency Receipts	206.2	1,375.0	1,375.0
1037 General Fund / Mental Health	180.0	0.0	0.0
Funding Totals	257,945.4	250,412.5	306,102.5

Estimated Revenue Collections

Description	Master Revenue Account	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Federal Receipts	51010	151,537.9	147,164.0	179,546.4
Interagency Receipts	51015	206.2	1,375.0	1,375.0
Restricted Total		151,744.1	148,539.0	180,921.4
Total Estimated Revenues		151,744.1	148,539.0	180,921.4

**Summary of Component Budget Changes
From FY2006 Management Plan to FY2007 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2006 Management Plan	101,873.5	147,164.0	1,375.0	250,412.5
Proposed budget increases:				
-Projected FY07 Growth	23,307.6	32,382.4	0.0	55,690.0
FY2007 Governor	125,181.1	179,546.4	1,375.0	306,102.5