State of Alaska
FY2009 Governor's Operating Budget

Department of Health and Social Services
Behavioral Health Medicaid Services
Component Budget Summary

Component: Behavioral Health Medicaid Services

Contribution to Department's Mission

The mission of the Behavioral Health Medicaid Services component is to maintain availability of behavioral health services to individuals with a mental disorder or illness and/or a substance abuse disorder.

Core Services

Funds support mental health treatment and substance abuse intervention and treatment services for Medicaid eligible youth and adults.

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. The State Children's Health Insurance Program (SCHIP), operated through Denali KidCare, is an expansion of Medicaid which provides health insurance for uninsured children whose families earn too much to qualify for Medicaid, but not enough to afford private coverage.

Mental Health Clinic Services are provided to children and adults who have been identified through an assessment as emotionally disturbed. Behavioral health clinic services include crisis intervention; family, individual or group psychotherapy; intake and psychiatric assessment; psychological testing; and medication management. Clinic services are provided by state-approved outpatient community mental health clinics and mental health physician clinics.

Mental Health Rehabilitation Services are provided to children and adults identified through an assessment as a severely emotionally disturbed child, or as a severely emotionally disturbed or chronically mentally ill adult. Mental health rehabilitation services when provided in combination with other services are expected to reasonably increase the recipient's ability to function in their home, school, or community. Services include evaluation; individual, family and group skill development; recipient support services; medication administration; and case management. Mental health rehabilitation services are provided by state-approved outpatient community mental health clinics.

Substance Abuse Rehabilitation Services are provided to recipients with an identified need for substance abuse services. Substance abuse services include assessment and diagnosis; outpatient services or intensive outpatient services consisting of counseling, care coordination and rehabilitation treatment; intermediate services provided to patients requiring a structured residential program; medical services directly related to substance abuse; and detoxification. Substance abuse rehabilitation services are provided by state-approved programs.

Behavioral Rehabilitation Services are intervention and stabilization services provided to severely emotionally disturbed children to help them acquire essential coping skills and to remediate debilitating psycho-social, emotional and behavioral disorders. Services include crisis counseling, milieu therapy, supportive counseling, skills training, and case management. Services may be provided in residential care, therapeutic foster care, or therapeutic group home settings that are state-approved.

Inpatient Psychiatric Facility Services are provided to severely emotionally disturbed children under 21 years of age in an inpatient psychiatric hospital facility or a residential psychiatric treatment center. Services must be based on the recommendation of an interdisciplinary team, prior authorized by the department, and provided under the direction of a psychiatrist.

FY2009 Resources Allocated to Achieve Results

FY2009 Component Budget: $175,742,900

Personnel:	
Full time	0
Part time	0
Total	0

Key Component Challenges

- Payment Error Rate Measurement (PERM)
The Division of Behavioral Health (DBH) conducted a vigorous Payment Error Rate Measurement (PERM) effort between August 6 and October 31, 2007. All 58 DBH Medicaid providers were educated to the PERM process via a power point presentation and a simulated audit exercise. An audit preparation checklist was used during the simulated audit exercise, one each for mental health and substance abuse, which was based on the Behavioral Health Medicaid regulations and provider billing manual.

The checklists were designed to assist the provider compile supporting documentation for audit requests on paid Medicaid claims. When a provider had difficulty with this exercise technical assistance was rendered immediately. If the provider performance was particularly deficient, a more in depth training was scheduled for a later date.

The PowerPoint presentations and simulated audit exercises along with provider evaluations constituted Phase I of the DBH PERM efforts. A total of 478 individuals were educated about PERM. As a side benefit, DBH was also able to assist providers in preparation for any audit, including state contract audits.

Phase II of the PERM effort consists of follow up training for those providers who performed poorly in Phase I and provider assistance for individual providers when federal auditors request paid Medicaid claim documentation. Federal audit requests for Medicaid paid claim histories will begin in early 2008 and continue throughout the federal fiscal year. DBH staff will also intensify Medicaid documentation training efforts as part of a two-pronged approach to ensure a low payment error rate measurement for DBH providers and ultimately contribute to a low Medicaid error rate statewide. The PERM efforts are evolving in response to provider evaluations of every phase of these efforts.

- The landscape for behavioral health service delivery continues to be challenging to Alaska behavioral health service providers. As service providers adapt to the changing environment that includes audits and potential “paybacks”, the implementation of “risk management” practices are becoming more formalized in their respective business processes. This has resulted in increased levels of costly administrative burden and diverted resources from actual service delivery. Since reimbursement rates have not kept up, at a minimum with the increased cost of inflation, the efforts to meet basic risk management requirements are resulting in diminishing services, and challenging service providers to meet basic fiscal needs within their organizations. The treatment services network is becoming increasingly more fragile and at risk.

- Senate Bill 61 legislative intent language authorizes the Division of Behavioral Health to examine whether expanding Medicaid coverage for behavioral health treatment may provide a cost effective method to partially address the need for increased, effective treatment. Currently Medicaid eligibility categories exclude from coverage most men and women between ages 22 and 64, even if they meet the income and resource requirements. Substance abuse treatment for these Alaskans, if available at all, is funded with local funds or state general funds. Federal Medicaid funds are simply not available under the current Medicaid eligibility criteria unless waived or somehow incorporated into a Deficit Reduction Act state plan for a unique benefit package. However, this segment of the population costs Alaska hundreds of millions of dollars in lost work, increased health care, education and criminal justice costs. Additional populations to be considered for coverage include parents of children receiving Medicaid behavioral health services and uninsured children in need of behavioral health services who do not meet current eligibility criteria for Medicaid or Denali KidCare. DBH proposes that all Alaskans seeking, but unable to afford, behavioral health treatment could be covered for appropriate services. The department anticipates hiring a contractor familiar with Medicaid waiver law and policy to evaluate the feasibility of expanding the Medicaid program to provide services to this targeted group of Alaskans in need of behavioral health services.

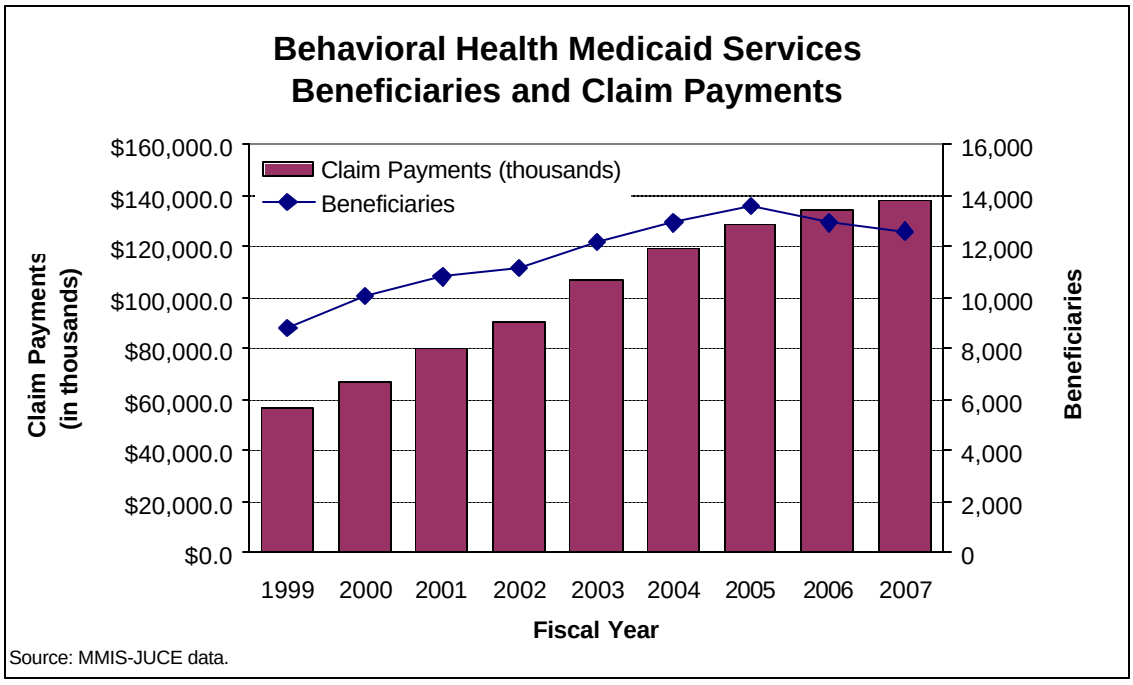
- The former Division of Alcoholism and Drug Abuse and Division of Mental Health and Developmental Disabilities were

merged into the current Division of Behavioral Health. Subsequent to that time a primary focus of the Division of Behavioral Health has largely been that of "integrating" the two former service systems into one. Currently, the Division of Behavioral Health is engaged in promoting system integration and business practice improvement through the development of integrated behavioral health regulations. This regulation package consists of the development of new "integrated" (substance abuse/mental health) regulations. The goals for these new regulations include:

1. Ensure State compliance with federal regulations
2. Maintain system accountability and system integrity
3. Remove unnecessary "industry standards" from reimbursement regulations
4. Clarify the role of the Division of Behavioral Health and its expectations of grantees
5. Reduce administrative burden where possible for both department and behavioral health grantees
6. Adopt a national accreditation policy to ensure industry standards are embodied within provider business practices
7. Link quality services and outcomes to priority populations
8. Increase both consumer and grantee satisfaction

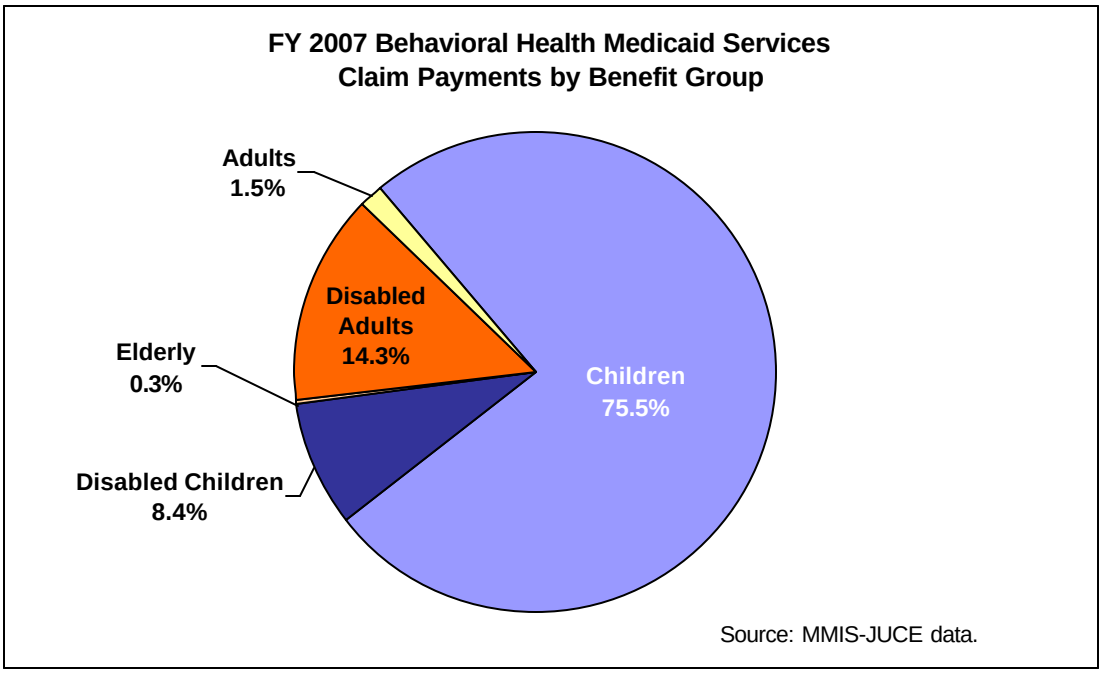
Significant Changes in Results to be Delivered in FY2009

- For FY09, Behavioral Health Medicaid component costs are projected to grow 4% over the authorized amount of $170,541.3. Cost containment efforts begun in FY04 have successfully reduced the rate of growth in recent years. Although growth has been relatively slow for the past 5 years, increased capacity expected on completion of approved Certificate of Need (CON) projects, changes in residential psychiatric treatment center (RPTC) provider rates, and revision of income criteria for children and pregnant women (Senate Bill 27, effective July 2007) will contribute to the approximately 15% increase in costs forecast for FY08. Growth is expected to slow in FY09 following these changes.

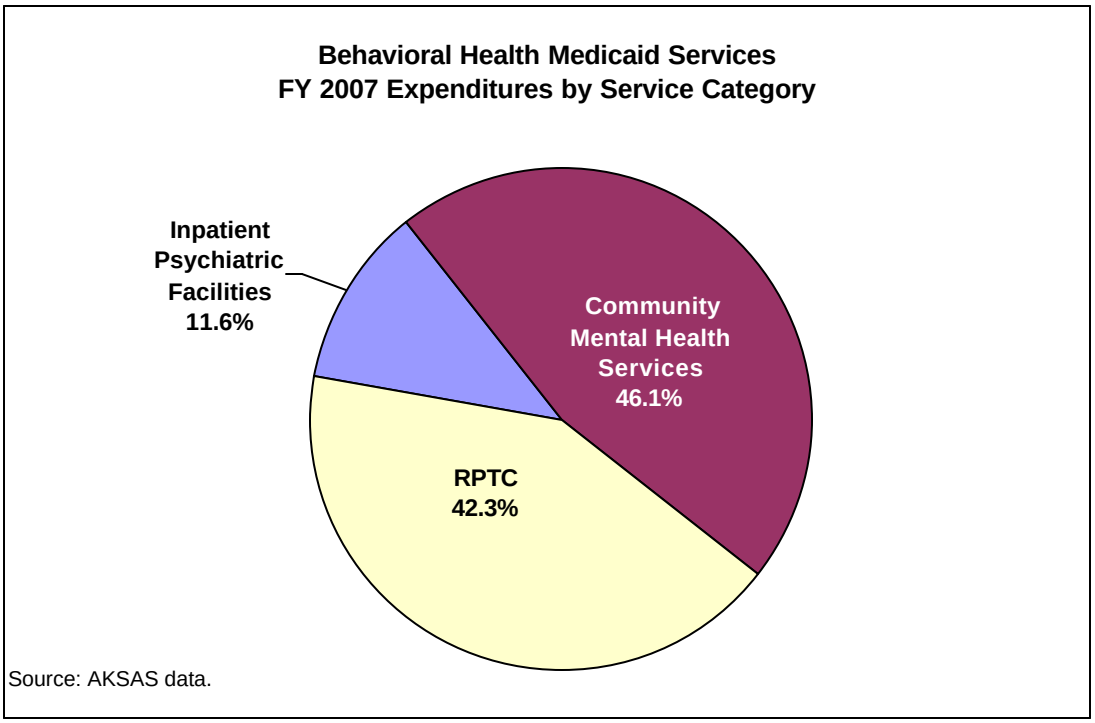


Major Component Accomplishments in 2007

- In FY07 the Behavioral Health Medicaid component provided services to about 12,600 persons at an average annual cost per person that approached $11,000 (or on average about $914 per person per month). Seventy-two percent of these beneficiaries were children and about 23% were disabled (disabled adults, 15%; disabled children, 8%).



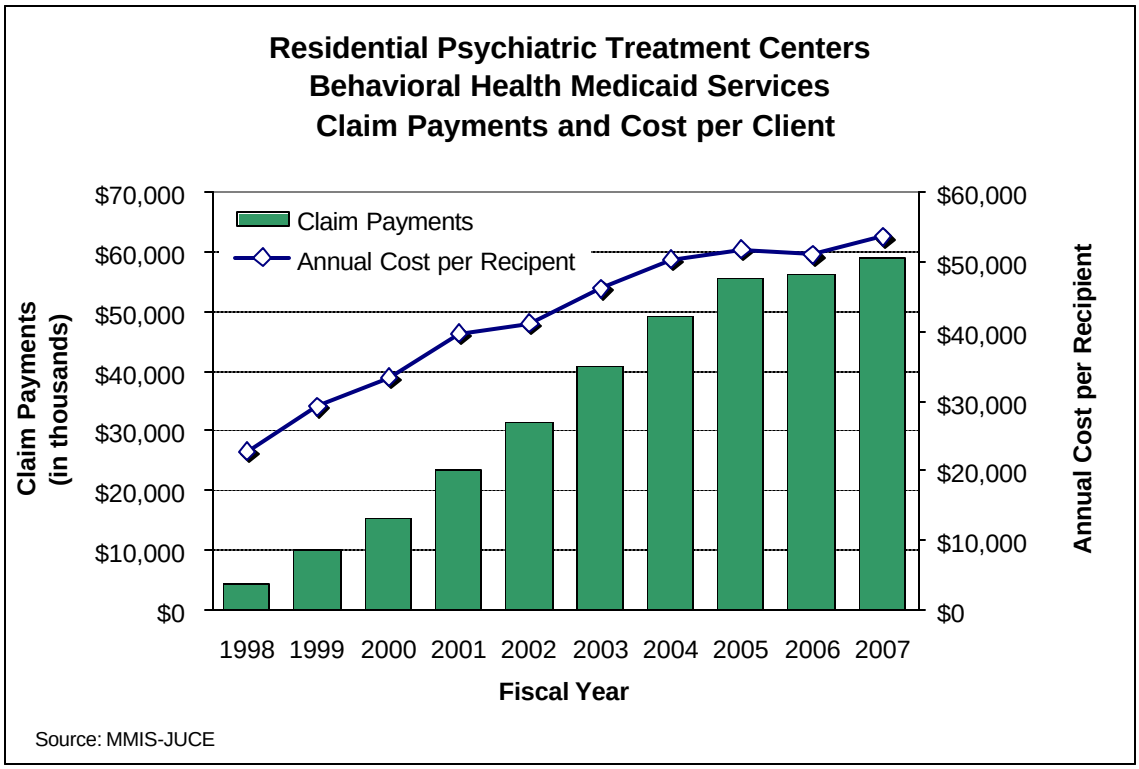
- Medicaid costs for behavioral health services grew by less than 3% between FY06 and FY07. The Behavioral Health Medicaid Services component funds three types of services: inpatient psychiatric hospital services, residential psychiatric treatment center (RPTC) services, and community behavioral health services. Inpatient psychiatric hospital claims comprised 12%, RPTC claims comprised 42%, and claims submitted by community behavioral health providers comprised 46% of costs funded through this component in FY07.



- In FY07, Behavioral Health collaborated with the DHSS Office of Rate Review to complete a rate (cost) study for community based behavioral health service providers. This was the first formal examination to determine actual costs of service delivery. It will serve as a benchmark for addressing outdated reimbursement rates for the

behavioral health service delivery system.

- Children using residential psychiatric treatment center (RPTC) services currently cost Medicaid over $50,000 per child per year (average per child for RPTC claims paid during the fiscal year). The high cost of RPTC services is due in part to providing services to severely emotionally disturbed youth who are sent to out-of-state facilities. Initial analysis indicates that children are being sent out of state when their complex treatment needs cannot be provided locally, when there are limited community-based options, or when the number of in-state RPTC beds is not sufficient. These young people frequently remain in out-of-state residential facilities longer than those served in state due to their complex problems and because it is difficult to develop a plan to bring them home to lower levels of care. This trend is beginning to turn, as evidenced by a 39% drop in the number of children out of state for treatment between April 2006 and October 2007. In FY09 the division will continue efforts to increase the number of available RPTC beds in state, expand community-based options, and improve systems that facilitate the step down of service intensity when clinically appropriate. As a result of children remaining in state, families will be able to participate to a greater extent in their child's recovery and the need for future services will be reduced.



Source: MMIS-JUCE

Statutory and Regulatory Authority

AS 47.07 Medical Assistance for Needy Persons
AS 47.25 Public Assistance

Administrative Code;
7 AAC 43 Medicaid
7 AAC 100 Medicaid Assistance Eligibility

Social Security Act:
Title XIX Medicaid
Title XVII Medicare
Title XXI Children's Health Insurance Program

Code of Federal Regulations:

42 CFR Part 400 to End

Contact Information

Contact: Laura Baker, Budget Chief
Phone: (907) 465-1629
Fax: (907) 465-1850
E-mail: Laura.Baker@alaska.gov

Behavioral Health Medicaid Services
Component Financial Summary

All dollars shown in thousands

	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Services	1,620.0	1,620.0	0.0
74000 Commodities	0.0	0.0	0.0
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	143,118.1	168,921.3	175,742.9
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	**144,738.1**	**170,541.3**	**175,742.9**
Funding Sources:			
1002 Federal Receipts	84,433.8	102,961.8	100,552.9
1003 General Fund Match	29,698.2	34,260.5	33,450.5
1004 General Fund Receipts	0.0	262.9	262.9
1037 General Fund / Mental Health	30,542.5	30,656.1	39,076.6
1108 Statutory Designated Program Receipts	63.6	900.0	900.0
1180 Alcohol & Other Drug Abuse Treatment & Prevention Fund	0.0	1,500.0	1,500.0
Funding Totals	**144,738.1**	**170,541.3**	**175,742.9**

Estimated Revenue Collections

Description	Master Revenue Account	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		**0.0**	**0.0**	**0.0**
Restricted Revenues				
Federal Receipts	51010	84,433.8	102,961.8	100,552.9
Statutory Designated Program Receipts	51063	63.6	900.0	900.0
Restricted Total		**84,497.4**	**103,861.8**	**101,452.9**
Total Estimated Revenues		**84,497.4**	**103,861.8**	**101,452.9**

Summary of Component Budget Changes
From FY2008 Management Plan to FY2009 Governor

All dollars shown in thousands

	General Funds	Federal Funds	Other Funds	Total Funds
FY2008 Management Plan	**65,179.5**	**102,961.8**	**2,400.0**	**170,541.3**
Adjustments which will continue current level of service:				
-Transfer out Medicaid Mental Health Prior Authorization Contract to Behavioral Health Administration	-810.0	-810.0	0.0	-1,620.0
-FY09 Medicaid SCHIP Allotment Shortfall	900.0	-900.0	0.0	0.0
-FFY09 Federal Medical Assistance Percentage (FMAP) Rate Change for Medicaid	4,560.6	-4,560.6	0.0	0.0
Proposed budget increases:				
-FY09 Projected Medicaid Formula Growth	2,959.9	3,861.7	0.0	6,821.6
FY2009 Governor	**72,790.0**	**100,552.9**	**2,400.0**	**175,742.9**