

# **State of Alaska FY2011 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

- Provide access to appropriate health care services.
- Assure access to a full range of health care service information to our customers.

### Results at a Glance

(Additional performance information is available on the web at <http://omb.alaska.gov/results>.)

#### **END RESULT A: Health care service reductions are mitigated by replacing general funds with alternate funds.**

- Due to an increase in both Indian Health Services (IHS) billings and adjustments to facility encounter rates the goal of increasing IHS billings was realized, with an increase of approximately 9% from FY08 to FY09.

##### **Status of Strategies to Achieve End Result**

- Indian Health Services (IHS) Medicaid participation increased by 9% in expenditures from FY08 to FY09. This exceeded the 5% target increase.
- From FY08 to FY09 the Division of Health Care Services realized an increase in GF recovery of 14%, exceeding the 2% target increase.

#### **END RESULT B: Affordable access to quality health care services is provided to eligible Alaskans.**

- While there has been mixed success in expanding the number of eligible providers, the greatest gains have been made in ancillary providers and physician extenders. Overall, enrolled providers increased from 8,917 in FY08 to 10,255 in FY09; an increase of approximately 15%.

##### **Status of Strategies to Achieve End Result**

- The division has witnessed an increase of approximately 4 days in the average time from claim submission to claim payment, increasing from 11 days in FY08 to 15 days in FY09. This represents an increase of 36% in claims processing time.
- The percentage of claims paid without error decreased from 81% during FY08 to 79% in FY09.

### Key RDU Challenges

Medicaid Management Information System Development Project: The Medicaid Management Information System (MMIS) development project presents the Division of Health Care Services (HCS) with three key challenges: 1) ensuring minimum disruption to state employees, providers, and recipients; 2) completing provider enrollment; and 3) conducting provider/recipient training.

The department awarded a contract to Affiliated Computer Services (ACS) for a new Medicaid Management Information System (MMIS). The new MMIS, known as Alaska Medicaid Health Enterprise, is scheduled to be in operation as of June 2010. The system will be available to providers and recipients who participate in the medical assistance programs as well as the fiscal agent and state staff.

Alaska Medicaid Health Enterprise is a sophisticated, web-enabled solution for administering all Medicaid programs. It will have self-service features so users can access the system through a user-friendly web portal. This progressive MMIS system will incorporate innovative features and advancements that will satisfy the needs of the state, providers and recipients.

Recipient Services: The focus of recipient services is to assist with coverage and eligibility issues, identify providers that are accepting new Medicaid recipients in their practice and resolve disputes. It remains challenging to assist recipients to access and manage their enhanced dental benefit. Each recipient call and circumstance is unique requiring research and appropriate intervention. The most problematic dispute occurs when the provider attempts to bill the Medicaid recipient for the health care service. The department is usually able to resolve these disputes in favor of the recipient.

Pharmacy Program: The HCS Pharmacy program faces multiple key challenges: 1) maintaining coordination of benefits as demand for services increase due to the economic downturn; 2) gaining provider and Centers for Medicare and Medicaid Services (CMS) approval for the coming reimbursement challenges when dispensing fees and drug cost calculations change; 3) maintaining the existing level of Alaska Medicaid Preferred Drug List (PDL) rebate to reduce the net cost of medications. There is uncertainty in the drug rebate program with current health care reform bills.

## **Significant Changes in Results to be Delivered in FY2011**

In FY11, the department will begin implementation of International Classification of Diseases tenth revision (ICD-10). This means that the clinical codes will increase from several thousand to over 50,000 discrete procedure codes improving health care quality, research, public health reporting and promoting accurate reimbursement.

In FY11, the department will begin implementation of Health Insurance Portability and Accountability Act (HIPAA) 5010 standards for certain electronic health care transactions. The 5010 standard is necessary to accommodate the use of the greatly expanded ICD-10 code sets.

In FY11, the department plans to conduct a complete enrollment of providers. This has not been accomplished in the 20 years of the current Medicaid system.

## **Updated Status for Changes in Results to be Delivered in FY2010**

In FY10 the department plans to implement Phase II reimbursement rate increases for non-Tribal Medicaid dental providers. Medicaid pays dental claims for about 42,000 persons a year, mostly children.

Status Update for FY2010: In FY10 the department increased Medicaid reimbursement rates for dental services. The increases in FY09 and FY10 follow a multi-year period with no change in rates and are part of the department's ongoing efforts to increase the number of dental providers enrolled and actively participating in the Alaska Medicaid program. Medicaid pays dental claims for about 42,000 individuals annually.

In FY10 the department plans to conduct a complete enrollment of providers. This has not been accomplished in the 20 years of the current Medicaid system.

Status Update for FY2010: In association with Affiliated Computer Services, the department is developing a web-based portal to re-enroll all current Medicaid providers and to enroll new providers. Development of the web portal is in the final stages with testing scheduled to occur in December 2009. The department intends to re-enroll over 10,000 current providers beginning late January 2010. This project includes validating and updating data for individual providers, groups and facilities.

## **Major RDU Accomplishments in 2009**

Health Care Services (HCS) successfully transitioned the state Medicaid fiscal agent services to a new contractor, Dallas-based Affiliated Computer Services (ACS), Inc., which is also currently developing Alaska's replacement Medicaid Management Information System.

HCS implemented several regulatory initiatives, including emergency regulations expanding life-saving heart and lung transplant coverage to adults and expanding H1N1 vaccine administration coverage to adults. Previously these services were only available to those under 21 years of age.

HCS utilized procedures and tools developed in-house to successfully convert providers from legacy numbers to the National Provider Identifier (NPI) as the identifier on electronic claims transactions. The NPI is used in the transmission of electronic transactions, including claims, to identify the billing, rendering and referring service providers who meet the federal definition for a provider of health care. HCS will finalize this project in early in 2010.

HCS successfully completed a project to upgrade the pre-payment auditing software tool Claim Check®. This software evaluates procedure codes used on claims to ensure correct payment of services. Claim Check® uses Current Procedural Terminology guidelines of the American Medical Association and health care industry standards to evaluate

for appropriate relationships of procedure codes submitted on claims. This upgrade ensures continued support and application of the software tool, as well as providing for new edits and guidelines.

HCS transitioned from the planning phase to development and implementation of changes needed to comply with the federal Deficit Reduction Act (DRA) requirements for use of National Drug Codes (NDC) on professional and outpatient facility claims. These billing changes are required to satisfy DRA rules for Drug Rebate claiming. HCS initiated a project to comply with the federal DRA requirements relating to partial-month beneficiary eligibility. This project is ongoing in FY10.

HCS implemented reporting processes to satisfy requirements relating to the federally-mandated Payment Error Rate Measurement (PERM) project. This project focuses on both claims payment and beneficiary eligibility determination. Reporting processes were developed to support both areas of PERM. HCS participated in department-wide coordination efforts and provided technical assistance and support to providers. All activities related to the 2009 PERM review cycle were completed.

HCS completed system implementation efforts relating to:

1. Payment of a two percent add-on fee to Assisted Living Homes in support of changes to the Division of Senior and Disability Services (SDS) regulations.
2. Increase to the maximum daily rate for respite care in support of changes to SDS regulations.
3. Payments to psychologists in support of changes to Division of Behavioral Health (DBH) regulations.
4. Improved clinical edit pharmacy claims processes by defining the conditions required to approve certain drug claims without an authorization (Step Edits).
5. Revision to the default dispensing fee and rate for pharmacy claims.
6. Improvements to handle large volume files within the electronic transaction set for client eligibility.
7. Identification of and payment rules for facilities with the federal designation sole community hospital.
8. Conversion to the federally-mandated Medicare Buy in file format.

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 levels of services provided wherever possible.

### Contact Information

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**Health Care Services  
RDU Financial Summary by Component**

*All dollars shown in thousands*

	FY2009 Actuals				FY2010 Management Plan				FY2011 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
<b>Formula Expenditures</b>												
Adult Prev	0.0	0.0	0.0	0.0	2,416.8	4,871.6	0.0	7,288.4	2,873.2	5,319.6	0.0	8,192.8
Dental Medicaid Svcs												
Medicaid Services	201,556.3	407,116.4	3,433.2	612,105.9	182,938.4	460,689.2	11,071.7	654,699.3	198,268.6	476,055.8	7,169.2	681,493.6
Catastrophic & Chronic Illness	1,422.5	0.0	0.0	1,422.5	1,471.0	0.0	0.0	1,471.0	1,471.0	0.0	0.0	1,471.0
<b>Non-Formula Expenditures</b>												
Health Facilities Survey	0.0	0.0	0.0	0.0	206.7	1,260.1	80.0	1,546.8	541.7	1,372.6	80.0	1,994.3
Medical Assistance Admin.	9,204.4	17,692.1	2,038.4	28,934.9	10,553.5	24,407.8	1,499.3	36,460.6	10,552.5	24,260.5	2,777.1	37,590.1
Rate Review	684.8	685.0	292.5	1,662.3	932.6	1,061.1	0.0	1,993.7	1,121.1	1,249.6	0.0	2,370.7
Health Planning & Infrastructure	0.0	0.0	0.0	0.0	503.7	3,397.9	434.9	4,336.5	978.8	1,963.1	445.9	3,387.8
Community Health Grants	0.0	0.0	0.0	0.0	2,153.9	0.0	0.0	2,153.9	2,153.9	0.0	0.0	2,153.9
<b>Totals</b>	<b>212,868.0</b>	<b>425,493.5</b>	<b>5,764.1</b>	<b>644,125.6</b>	<b>201,176.6</b>	<b>495,687.7</b>	<b>13,085.9</b>	<b>709,950.2</b>	<b>217,960.8</b>	<b>510,221.2</b>	<b>10,472.2</b>	<b>738,654.2</b>

**Health Care Services**  
**Summary of RDU Budget Changes by Component**  
**From FY2010 Management Plan to FY2011 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2010 Management Plan</b>	<b>201,176.6</b>	<b>495,687.7</b>	<b>13,085.9</b>	<b>709,950.2</b>
<b>Adjustments which will continue current level of service:</b>				
-Medicaid Services	-2,000.0	-2,000.0	0.0	-4,000.0
-Medical Assistance Admin.	-31.0	-597.3	20.1	-608.2
-Rate Review	1.0	1.0	0.0	2.0
-Health Planning & Infrastructure	475.1	-470.9	-306.0	-301.8
<b>Proposed budget decreases:</b>				
-Medicaid Services	0.0	0.0	-4,000.0	-4,000.0
-Health Planning & Infrastructure	0.0	-1,000.0	0.0	-1,000.0
<b>Proposed budget increases:</b>				
-Adult Prev Dental Medicaid Svcs	456.4	448.0	0.0	904.4
-Medicaid Services	17,330.2	17,366.6	97.5	34,794.3
-Health Facilities Survey	335.0	112.5	0.0	447.5
-Medical Assistance Admin.	30.0	450.0	1,257.7	1,737.7
-Rate Review	187.5	187.5	0.0	375.0
-Health Planning & Infrastructure	0.0	36.1	317.0	353.1
<b>FY2011 Governor</b>	<b>217,960.8</b>	<b>510,221.2</b>	<b>10,472.2</b>	<b>738,654.2</b>