

State of Alaska FY2012 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: Mitigate Health Care Services (HCS) service reductions by replacing general funds with alternate funds.

- Due to an increase in both Indian Health Services (IHS) billings and encounter rates, the target strategy of increasing IHS billings was realized, with an increase of approximately 21% from SFY 2009 to SFY 2010.
- In addition, the division exceeded the target of a 2% increase in GF recovery. Recovered GF increased by approximately 27% in SFY 2010 when compared to SFY 2009.
- *Note: The large increase in recovered GF during SFY 2010 can be attributed to an expanded focus on estate recoveries during this period. THIS INCREASE IN RECOVERED GF MAY NOT BE NOTICED IN FUTURE FUNDING CYCLES.

Status of Strategies to Achieve End Result

- IHS Medicaid participation increased from SFY 2008 to SFY 2009. Total IHS expenditures were \$193 million in SFY10, compared to \$159 million in SFY09, a 21% increase.
- The division exceeded the 2% target for increasing GF recovery during SFY2010. The division experienced an increase in recovered funds of approximately 27%.
- *Note: The large increase in recovered GF during SFY2010 can be attributed to an expanded focus on estate recoveries during this period. THIS INCREASE IN RECOVERED GF MAY NOT BE NOTICED IN FUTURE FUNDING CYCLES.

END RESULT B: To provide affordable access to quality health care services 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 10,255 in FY09 to 10,841 in FY10. This was an increase of approximately 5%, exceeding the 2% target.
- The target to reduce the rate of uninsured Alaskans to less than 14.6% was not met. In 2009 the rate of uninsured Alaskans grew to 21.1% up from 19.8% in 2008. Source: U.S. Census Bureau, Current Population Survey/AK
- The target to increase the ratio of active licensed healthcare providers in Alaska in proportion to the population growth has been met. The ratio of active physicians to Alaska residents has shown an increase over the prior CY, with 1 physician per 405 residents in CY10. This is in comparison to 1 per 441 residents during CY09. Source: Alaska Occupational Licensing
- The number of adults who visited a dentist in CY08 was 66% of the Alaska population. During CY 2009 this percentage increased slightly to 66.3% of the Alaskan population. However, this percentage is still far below the target of 80% for CY 2010. Source: Kaiser Statehealthfacts.org

Status of Strategies to Achieve End Result

- The division has witnessed a decrease of approximately 5 days in the average time from receipt of a claim to final claim payment, decreasing from 15 days in SFY09 to 10 days in SFY10. This represents a decrease of approximately 33% in processing time.
- The percentage of claims paid without error decreased from 79% during SFY09 to 75% in SFY10.

Key RDU Challenges

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

The new MMIS, known as Alaska Medicaid Health Enterprise, will be utilized by providers and recipients who participate in the medical assistance programs, as well as by 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 with access to dental care and management of their enhanced dental benefits. 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 services.

Pharmacy Program: The HCS Pharmacy program faces multiple key challenges: 1) maintaining coordination of benefits as demand for services increases due to the protracted economic downturn; 2) gaining Centers for Medicare and Medicaid Services (CMS) approval for the coming reimbursement challenges when dispensing fees and drug cost calculations change; 3) reviewing the Alaska Medicaid Preferred Drug List (PDL) rebate after the drug rebate changes associated with health care reform are fully implemented.

Significant Changes in Results to be Delivered in FY2012

In FY12, the department will continue with implementation of International Classification of Diseases tenth revision (ICD-10). The increase from several thousand to more than 50,000 discrete clinical procedure codes is expected to improve health care quality, research, and public health reporting as well as promote accurate reimbursement.

In FY12, the department will continue with implementation of Health Insurance Portability and Accountability Act (HIPAA) 5010 standards for certain electronic health care transactions. The 5010 standard is required to accommodate the use of the greatly expanded ICD-10 code sets.

To align with MMIS replacement project efforts and timelines, and to reprioritize use of the new web-based portal for the enrollment of new providers, the reenrollment of all 12,000+ current providers originally planned for FY11 was rescheduled for FY12. 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 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.

Status Update: A Health Care Services work group has been formed to evaluate Medicaid impacts. Work has commenced on planning and drafting of an Implementation Advanced Planning Document (IAPD). The implementation date for ICD-10 is October 2013.

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.

Status Update: The Planning Advanced Planning Document (PAPD) is complete. An Implementation Advanced Planning Document is in final draft for submission to CMS. Alternative technical solutions have been evaluated and

the IAPD to CMS contains the state's recommendation for technical solutions. In addition, the HCS Systems and Analysis unit is conducting comparisons of current HIPAA standards to new standards to identify processing impacts.

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.

Status Update: Due to a delay in the implementation of the new MMIS, provider re-enrollment has not been accomplished.

Major RDU Accomplishments in 2010

HCS successfully completed a multi-year project that converted all covered entity providers from use of legacy numbers to use of the HIPAA-mandated National Provider Identifier (NPI). The NPI is used in the transmission of all electronic transactions, including claims, to identify the billing, rendering, and referring service providers who meet the federal definition of a covered entity provider of health care provider.

HCS adopted the Omnibus Medicaid Coverage and Payment Regulations, the outcome of a multi-year interdivisional regulations rewrite project overseen by HCS. This project created room for growth, reorganized regulations for logic and ease of search and readability, combined regulations with policy previously stated only in billing manuals, separated coverage policy from payment methodologies and rates, and will significantly simplify future regulations projects.

As a part of the larger department-wide tobacco cessation initiative, HCS adopted regulations allowing reimbursement to pharmacists for the provision of tobacco cessation counseling, expanding the resources available to those who desire to cease their use of tobacco. Systems work relating to this initiative is ongoing in FY11.

HCS revised existing Respiratory Syncytial Virus (RSV) prophylaxis criteria based on the 2009 American Academy of Pediatrics recommendations, resulting in a reduction of program expenditures by more than \$2 million for FY10.

HCS continued efforts related to the FY12 and FY14 compliance deadlines for HIPAA 5010 transactions and ICD-10 code set, respectively.

As part of its efforts to promote high quality, cost effective outcomes and ensure appropriate medical services are provided to recipients, HCS initiated efforts to procure a utilization management and case management services. The successful bidder will evaluate the medical necessity and appropriateness of selected inpatient admissions and outpatient medical services and provide coordination of care for highly complex and/or costly health care needs.

HCS completed development of business processes and implemented payment rules to support the department's participation in the federal demonstration project for Medicaid coverage of Frontier Extended Stay Clinics (FESC).

HCS completed implementation of Medicaid enrollment and payment rules for professional assistants. These enrollment and processing rule changes result in identification of specific mid-level rendering providers, thereby providing greater accuracy in claims editing and payment.

HCS and Division of Behavioral Health (DBH) completed a joint effort to convert Community Mental Health Center and School Based Service providers from billing Medicaid with certain non-compliant codes to corresponding federally-compliant billing codes.

HCS continued efforts to improve accuracy of claims processing standards by implementing measures to identify and edit claims for care coordinators as servicing providers, by implementing place of service editing to evaluate compliance with national billing standards, by applying upgrades to editing software that detects coding anomalies and assures that claims are properly coded using industry standard edits, and by completing regular updates to preferred drug lists.

In association with Affiliated Computer Services, HCS completed development, testing, and implementation of a web-based enrollment portal. The portal is successfully being used by new providers to enroll, and is expected to be used for reenrollment as that project commences.

Health Care Services implemented the provider enrollment portal allowing new providers to enroll with the Alaska Medical Assistance program via the internet. The web portal, operational and functioning since September 2010, is accessible any time, links to other websites to assist in the enrollment process, and reduces errors and decreases paperwork.

HCS continues to play 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
<p>Contact: Joe Hall, Budget Manager Phone: (907) 465-1629 Fax: (907) 465-1850 E-mail: joseph.hall@alaska.gov</p>

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

All dollars shown in thousands

	FY2010 Actuals				FY2011 Management Plan				FY2012 Governor			
	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds
Formula Expenditures												
Catastrophic & Chronic Illness	1,278.6	0.0	0.0	1,278.6	1,471.0	0.0	0.0	1,471.0	1,471.0	0.0	0.0	1,471.0
Adult Prev	2,174.6	0.0	4,554.0	6,728.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dental												
Medicaid Svcs												
Health Care	207,742.5	3,981.1	492,939.5	704,663.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Medicaid Services												
Non-Formula Expenditures												
Health Facilities	414.6	0.0	1,156.0	1,570.6	553.3	80.7	1,407.5	2,041.5	566.2	80.7	1,442.8	2,089.7
Licensing & Ce												
Medical	10,667.0	2,108.2	20,474.6	33,249.8	10,771.0	2,824.8	24,725.3	38,321.1	5,342.3	5,657.4	8,777.2	19,776.9
Assistance Admin.												
Rate Review	941.9	0.0	849.3	1,791.2	1,072.8	0.0	1,205.5	2,278.3	1,101.2	0.0	1,237.6	2,338.8
Health Planning & Systems	600.5	283.1	1,457.1	2,340.7	1,187.2	2,280.1	1,996.8	5,464.1	1,433.6	2,250.8	2,052.8	5,737.2
Develo												
Community Health Grants	2,140.8	0.0	0.0	2,140.8	2,153.9	0.0	0.0	2,153.9	2,153.9	0.0	0.0	2,153.9
Totals	225,960.5	6,372.4	521,430.5	753,763.4	17,209.2	5,185.6	29,335.1	51,729.9	12,068.2	7,988.9	13,510.4	33,567.5

Health Care Services
Summary of RDU Budget Changes by Component
From FY2011 Management Plan to FY2012 Governor

All dollars shown in thousands

	<u>Unrestricted Gen (UGF)</u>	<u>Designated Gen (DGF)</u>	<u>Other Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
FY2011 Management Plan	17,077.9	131.3	5,185.6	29,335.1	51,729.9
Adjustments which will continue current level of service:					
-Health Facilities Licensing & Ce	12.9	0.0	0.0	35.3	48.2
-Medical Assistance Admin.	-5,928.7	0.0	82.6	-15,948.1	-21,794.2
-Rate Review	28.4	0.0	0.0	32.1	60.5
-Health Planning & Systems Develo	241.6	4.8	-464.3	56.0	-161.9
Proposed budget increases:					
-Medical Assistance Admin.	500.0	0.0	2,750.0	0.0	3,250.0
-Health Planning & Systems Develo	0.0	0.0	435.0	0.0	435.0
FY2012 Governor	11,932.1	136.1	7,988.9	13,510.4	33,567.5