

State of Alaska
FY2014 Governor's Operating Budget

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

Medicaid Services Results Delivery Unit

Contribution to Department's Mission

Medicaid is a jointly funded (federal and state) program that provides coverage for the cost of medically necessary health care services for Alaska's low-income children, pregnant women, families, disabled individuals, and the elderly. The program is managed through a contractual relationship with the Centers for Medicare and Medicaid Services (CMS), articulated in a series of documents comprising the State Plan.

Major RDU Accomplishments in 2012

Practitioner/Provider Relations:

- With support from the Early and Periodic Screening, Diagnosis, and Treatment Provider Task Force, Health Care Services adopted new regulations that replaced the existing Alaska Periodicity Schedule for Child and Adolescent Health Screening with the nationally-recognized Bright Futures/American Academy of Pediatrics Recommendations for Preventive Pediatric Health Care recommendations.
- Following Medicare's implementation of a composite (bundled) payment methodology for dialysis/End-Stage Renal Disease clinics, Health Care Services adopted similar regulations effective April 1, 2012. The new regulations replace a non-sustainable payment methodology based on billed charges with a single composite rate. The new rate will result in cost-avoidance for the program while offering adequate incentive for providers to continue to treat Medicaid recipients.

Medicaid Management Information System (MMIS):

- Compliance efforts continued to respond to the National Correct Coding Initiative (NCCI) federal mandate that establishes edit rules for medically-unlikely situations, as well as rules for comparison of procedure-to-procedure conditions. Quarterly code list updates issued by CMS are incorporated into MMIS claims editing. These edits have been implemented to evaluate claims from most relevant provider types. Work is on-going to expand this editing to remaining relevant provider types. The savings from this effort were \$2,201,086 in FY2012.
- The division continues to improve accuracy of claims processing: (1) by implementing measures to identify and edit claims for community health aides/practitioners and dental health aides/technicians as servicing providers; (2) by implementing billing and payment changes that model industry standards for anesthesia services; (3) by applying upgrades to editing software that detects coding anomalies and assures that claims are properly coded using industry standard edits; (4) by completing regular updates to preferred drug lists.

Pharmacy:

- Pharmacy payment regulations were implemented using the wholesale acquisition cost (WAC) to replace the average wholesale price (AWP) in pricing pharmacy claims. The AWP rates were no longer available from the national drug file.
- A pharmacy State Maximum Allowable Cost (SMAC) program was implemented to establish payment limits for selected generic medications.
- Pharmacy quality control and cost control standards were implemented to improve program management. These included brand-name multi-source medication controls, expanded quantity limit controls, expanded therapeutic duplication controls, and expanded refill controls.
- Estimated FY2012 savings as a result of Pharmacy cost avoidance initiatives come to \$11,754,220.

Children's Medicaid and Children's Health Insurance Program (CHIP):

- The Children's Health Insurance Program Reauthorization Act of 2009 authorized performance bonus payments designed to reward states for eligibility and enrollment simplifications in addition to meeting enrollment targets by enrolling already eligible but uninsured low-income children in Medicaid. For the third year in a row, the Department received a Children's Health Insurance Program Reauthorization Act performance bonus payment totaling \$5.7 million with a cumulative award over three years totaling \$11.3 million. Also under Children's Health Insurance Program Reauthorization Act, the Department was recognized for children's quality improvement in Medicaid/Children's Health Insurance Program by the National Governors' Association at the Centers for Medicare and Medicaid Services Quality Conference being one of seven states to have reported on more than half of the Children's Health Insurance Program Reauthorization Act children's core quality of care measures.

The division 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.

Key RDU Challenges

- The Affordable Care Act continues to present opportunities and challenges to all Medicaid Service programs, resulting from the limited amount of information being provided by the Federal government at this time. If Alaska implements the optional Medicaid expansion component, regulations, state plan amendments and benefit packages will need to be developed and claims, service authorizations, and other claims-related activities will need to be reviewed for capacity to accommodate the additional adults who would qualify.
- The number of appointments available to Medicaid-eligible dental patients continues to be a challenge for the program. While more than 500 dentists are enrolled as Medicaid providers, a much smaller number actually provide care and submit claims for Medicaid patients. Collaboration will continue with the Alaska Dental Society to encourage more participation of private dentists in the Medicaid program.
- Transportation continues to be a focus as local transportation options and payment methodologies are reviewed for cost-effectiveness.
- Under the Affordable Care Act, states must change the methods they use to determine some people financially eligible for Medicaid. One change is to eliminate the income disregards currently used by states when determining eligibility. Children who would lose their Medicaid eligibility because those disregards no longer apply must be covered under the federal Children's Health Insurance Program for one year. Although states are still waiting on final federal policy about regarding state flexibility in changing their financial eligibility rules, it is almost certain some children in Alaska will be impacted. Therefore, the state will need to make the necessary legal, administrative, and system changes to support this extension of coverage.

Significant Changes in Results to be Delivered in FY2014

- In FY2014, the department will continue with implementation of the mandate for International Classification of Diseases tenth revision (ICD-10). The increase from several thousand to more than 68,000 diagnosis codes and to 87,000 inpatient procedure codes is expected to improve health care quality, research, and public health reporting. It is also expected to promote accurate reimbursement. The International Classification of Diseases tenth revision implementation date was recently extended from October 1, 2013 to October 1, 2014.
- The department will conclude re-enrollment efforts of its more than 17,000 providers, an endeavor that commenced in FY2013. Re-enrollment, which has not been conducted since the implementation of the current Medicaid Management Information System, will enable a smooth transition to the replacement Medicaid Management Information System, projected to launch in 2014 for project efforts and timelines, and to reprioritize use of the new web-based portal for the enrollment of new providers.

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**Medicaid Services
RDU Financial Summary by Component**

All dollars shown in thousands

	FY2012 Actuals				FY2013 Management Plan				FY2014 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												
Behavioral Hlth Medicaid Svcs	71,203.4	9.5	95,388.7	166,601.6	85,141.7	717.5	119,076.8	204,936.0	85,141.7	717.5	119,076.8	204,936.0
Children's Medicaid Services	3,839.8	0.0	4,545.0	8,384.8	6,308.1	0.0	7,629.3	13,937.4	6,308.1	0.0	7,629.3	13,937.4
Adult Prev Dental Medicaid Svcs	4,608.7	0.0	6,221.9	10,830.6	5,390.2	0.0	7,146.5	12,536.7	7,088.5	0.0	9,338.1	16,426.6
Health Care Medicaid Services	274,898.2	4,712.4	464,482.8	744,093.4	333,513.3	9,796.7	559,894.9	903,204.9	335,781.5	6,256.7	564,462.0	906,500.2
Senior/Disabilities Medicaid Svc	211,912.7	102.6	227,707.7	439,723.0	247,470.5	3,752.2	259,130.0	510,352.7	253,955.4	1,068.4	265,815.0	520,838.8
Non-Formula Expenditures												
None.												
Totals	566,462.8	4,824.5	798,346.1	1,369,633.4	677,823.8	14,266.4	952,877.5	1,644,967.7	688,275.2	8,042.6	966,321.2	1,662,639.0

Medicaid Services
Summary of RDU Budget Changes by Component
From FY2013 Management Plan to FY2014 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>
FY2013 Management Plan	675,476.3	2,347.5	14,266.4	952,877.5	1,644,967.7
Adjustments which will continue current level of service:					
-Health Care Medicaid Services	0.0	0.0	650.0	0.0	650.0
-Senior/Disabilities Medicaid Svc	0.0	0.0	-650.0	0.0	-650.0
Proposed budget decreases:					
-Health Care Medicaid Services	0.0	-550.0	-4,190.0	0.0	-4,740.0
-Senior/Disabilities Medicaid Svc	0.0	0.0	-2,033.8	0.0	-2,033.8
Proposed budget increases:					
-Adult Prev Dental Medicaid Svcs	1,698.3	0.0	0.0	2,191.6	3,889.9
-Health Care Medicaid Services	2,818.2	0.0	0.0	4,567.1	7,385.3
-Senior/Disabilities Medicaid Svc	6,484.9	0.0	0.0	6,685.0	13,169.9
FY2014 Governor	686,477.7	1,797.5	8,042.6	966,321.2	1,662,639.0