

State of Alaska
FY2020 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, adults without dependents, and elderly. The program is managed through a contractual relationship with the U.S. Centers for Medicare and Medicaid Services (CMS), articulated in a series of documents, which comprise the State Plan.

Major RDU Accomplishments in 2018

The Centers for Medicare and Medicaid Services certified the state's Medicaid Management Information System with the result that the department may now claim 75 percent instead of 50 percent federal participation rate for the operation and maintenance of its system.

The SB74 (2016) target for Tribal Health savings continue to be achieved with a total of approximately \$44,700.0 in FY2018. The 2016 change in tribal policy continues to improve access to necessary medical services and care coordination across providers for American Indians/Alaska Natives. These efforts from implementation during FY2016 through FY2018 have resulted in the establishment of 1,450 care coordination agreements, validation of over 6,000 referrals per quarter, and the quarterly exchange of records to support approximately \$105 million.

The Tribal Health Unit collaborated with the Alaska Native Tribal Health Consortium and departmental Medicaid divisions to implement the Community and Behavioral Health Aides (CHA/BHA) for coverage of procedures at clinics in rural Alaska at a set encounter rate. This will cover up to 400 certified CHA and BHA with approximately \$40 million at 100 percent federal spending annually.

As required in SB74 (2016) the Office of Rate Review calculated the baseline and first year results for the Medicaid Performance Quality and Cost Effectiveness Measures. The performance measures plus annual and five-year performance targets were developed by an external workgroup brought to together by the Department to identify measures that could help monitor the transition of the Medicaid program as redesign efforts continue.

The Program Integrity unit recovered \$2,500.0 in overpayments and issued 16 payment suspensions to Medicaid providers in collaboration with the Medicaid Fraud Control Unit (MFCU) due to credible allegations of fraud.

The Program Integrity unit promulgated regulations related to provider recordkeeping and self-audits to implement statutory requirements associated with Medicaid Reform.

The Office of Rate Review finalized the calculations necessary to transition hospitals (inpatient and outpatient) and nursing facilities from temporary to final Medicaid reimbursement rates.

The Drug Utilization Review (DUR) Committee approved the State's leveraging of a new, more cost-effective HCV treatment FDA-approved to treat the majority of hepatitis C virus variants in an 8-week regimen as compared to the usual 12-week regimen. This decision allowed for an absolute pharmacy reimbursement savings of \$3.6 million while increasing the number of individuals treated by 160 percent over the previous 12-months. The late summer 2017 release of new FDA-approved HCV medications allowed more significant competition and decreased upfront pricing in addition to further negotiated rates. Swift action by the department resulted in pharmacy reimbursement cost avoidance estimates in excess of \$6 million against another clinically-similar, recently available product and over \$10 million as compared to the previously preferred agent.

The department updated and published its "Long-Term Forecast of Medicaid Enrollment and Spending in Alaska: 2019-2025". The report reflects spending per Medicaid enrollee is currently well below the earlier forecast and is projected to continue to grow at a much slower rate due to cost savings efforts by the Alaska Legislature and department, and proportionally more adults 20-64 years of age than was expected when the first long-term forecast was released in 2006.

Key RDU Challenges

The United States Congress re-authorized the Children's Health Insurance Program (CHIP) and the enhanced federal medical assistance percentage of 88 percent will start transitioning back to the normal 65 percent by FY2021.

The opioid crisis has placed a strain on limited state resources for substance dependence services and chronic pain management. The pharmacy program has observed a three-fold increase in pharmacy reimbursement payments for medication-assisted therapy buprenorphine-based drug products since 2015; pharmacy reimbursement costs approached \$4.5 million in pharmacy reimbursement during SFY2018. A corresponding trend in decreased opioid utilization due to initiatives at both the division and state level may help to blunt the financial impact in the short-term by offsetting part of the increased costs in this area; however, the rate of increase will continue to outpace the offsets in the near-term.

Developing and implementing cost saving program updates within compliance of a complex federal and state regulatory environment. The transitions to Medicaid Managed Care and the development of the 1115 Behavioral Health Medicaid Demonstration Waiver require considerable agency resources to ensure a fully compliant program, in addition to continuing ongoing operations require that considerable departmental resources.

The department continues to explore ways to reduce transportation costs while meeting the needs of Alaskans and remaining in compliance with federal Medicaid transportation regulations.

The Division of Health Care Systems Unit continue to be challenged to address multiple large implementation projects, concurrently, to comply with changing department policies and regulations, and state and federal legislation. Many Medicaid Reform initiatives are under policy development throughout the department, and nearly each of these initiatives has Systems implications that must be evaluated and scheduled. With a small staff of subject matter experts, this becomes a resourcing challenge.

Health Care Services Operations Unit is challenged to oversee Medicaid Management Information System (MMIS) claims processing for 7,477,457 claims annually, submitted by 30,077 enrolled providers; research and manually resolve 1,500 pended claims monthly; provide regulatory oversight and management of more than 30 provider types and services; adjudicate 2nd level appeals for more than 50 enrolled provider types; provide regulatory oversight and management of the operations, publications, and training components of the fiscal agent contract; provide regulatory oversight and management of the utilization management and case management contracts; provide regulatory oversight and management of the vision services contract; promulgate regulations for more than 40 provider types; and comply with state and federal annual, monthly, and ad hoc reporting requirements.

Maintain compliance with federal and state requirements to manage the Medicaid waiver programs and meet documentation and timeline requirements. This includes initial assessments, reassessments, level of care determinations, and completed plans of care that must be mailed to each participant.

Inadequate staffing results in delays in implementing personal care regulatory changes that may result in cost savings for the program.

With few exceptions, Alaska's dentists are located only in larger communities; consequently, costly Medicaid travel, including airfare and in some instances overnight lodging and meals, is necessary. Although dental health aide therapists meet some of the minor dental needs in small communities, dental-related travel continues to be one of the greatest, and the most costly, challenges to the Adult Preventive Medicaid program.

Behavioral Health Services has significantly reorganized its staffing sections in order to begin to respond to the impact of the various initiatives approved in SB74 (2016) that impact the Division, working to better position the Division and its staff for the advent of the many changes coming its way. Additional staffing changes will be necessary, as the full extent of the redesigned behavioral health care system is better understood.

Significant Changes in Results to be Delivered in FY2020

Substantial changes to the Centers for Medicare and Medicaid Services Medicaid Electronic Health Record

Incentive Program rules for the Alaska Medicaid Electronic Health Record (EHR) Incentive Program are expected to occur in FY2020, and more changes are expected to occur in FY2019. In FY2012, the rules will require changes to how clinical quality measures are reported by providers. Since Health Information Technology for Economic and Clinical Health (HITECH) funding ends FFY2021, and all incentive payments must be made to providers by December 31, 2021 there are many business processes changes that will need to occur in the next 1–2 years to ensure Alaska can pay incentive payment to all eligible professionals within the specified timeframes.

Will continue to evaluate Health Information infrastructure needs for FY2020 that will support the department's Enterprise Information Technology Strategic Framework and Roadmap. During FY2019, the department completed the Health Information Infrastructure Plan workgroup meetings and received the final plan from the technical contractors followed by providing a written response for each infrastructure plan recommendation.

Continue to explore new ways to reduce transportation costs while meeting the needs of Alaskans and remaining in compliance with federal Medicaid transportation regulations. The cost of intrastate and interstate medically necessary travel continues to be a challenge for the Medicaid program. The limited availability of basic medical services in remote Alaska villages results in Medicaid beneficiaries living in remote areas to travel to receive the majority of their medical care. The limited availability of specialized medical services in Alaska causes Medicaid beneficiaries to travel outside the state when they require services not available in Alaska.

The Health Care Services Quality Assurance unit expects the implementation of a new Provider Enrollment module, as well as finalization of the design and structure of a new decision support system in FY2019. Both of these system upgrades will enhance the division's ability to maintain compliance with state and federal law, allowing for increased reporting accuracy.

Significant changes to Medicaid Systems processing, including the implementation of the Coordinated Care Demonstration Project's Managed Care Initiative, are scheduled to be completed in FY2019. Changes related to the Coordinated Care Demonstration Project will allow eligible members within the Anchorage and Mat-Su regions to receive an enhanced level of care coordination at a lower cost to the state. System changes to service authorization structure and requirements will be implemented and will allow for a more streamlined approach for requesting authorizations, a reduced burden for receiving authorizations, and an expedited claims adjudication timeline when authorizations are required. Additionally, substance use disorder services covered under Medicaid will be enhanced through the 1115 waiver and changes within the processing system are required to address the ongoing statewide opioid epidemic as well as other substance use concerns. A Medicaid Information Technology Architecture 3.0 assessment will be completed. Medicaid Information Technology Architecture 3.0 is required by the Centers for Medicare and Medicaid Services (CMS) to qualify for continued enhanced funding for the Medicaid Management Information System. Medicaid Information Technology Architecture framework is required for all Medicaid programs. The information from the assessment will allow the division to target system and operational processes that can be improved and targeted for future upgrades.

Behavioral Health Services continues the grant reformation process transitioning from a general fund grant-based system to a Medicaid reimbursement process to increase access to behavioral healthcare.

Development and Implementation of Electronic Visit Verification System for Personal Care Services and Home Health, as required by the 21st Century Cures Act.

Final implementation and ongoing monitoring of the federally mandated Home and Community Based Settings Requirements.

Design, development and implementation of the InterRAI assessment tool and person centered support plan with in the Harmony database. The implementation the database system upgrade will provide increased efficiency to the State by automating Medicaid access services, service authorization and resource allocation. Additional efficiencies include the management of eligibility assessment tools and service authorization process.

Development of 1115 Behavioral Health Waiver and other ramifications of SB74 (2016) and SB91 are requiring significant restructuring of the current services array. Some of these models will be in full operation by FY2020,

and others will still be in development. Managing all of the moving parts of the project require significant staff time and attention and close coordination with our Commissioner's team on Medicaid redesign and reform.

Contact Information

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**Medicaid Services
RDU Financial Summary by Component**

All dollars shown in thousands

	FY2018 Actuals				FY2019 Management Plan				FY2020 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	82,629.0	364.2	171,928.8	254,922.0	86,131.1	3,208.5	167,798.2	257,137.8	89,724.4	3,367.5	172,105.7	265,197.6
Adult Prev Dental Medicaid Svcs	6,488.4	0.0	15,637.3	22,125.7	8,273.6	0.0	18,730.9	27,004.5	8,273.6	0.0	18,730.9	27,004.5
Health Care Medicaid Services	349,303.2	3,121.0	998,332.4	1,350,756.6	314,627.7	8,202.9	1,083,724.7	1,406,555.3	342,357.1	21,167.0	1,082,291.1	1,445,815.2
Senior/Disabilities Medicaid Svc	204,405.1	0.0	254,594.4	458,999.5	253,085.6	1,068.4	320,814.7	574,968.7	243,585.6	1,068.4	330,314.7	574,968.7
Non-Formula Expenditures												
None.												
Totals	642,825.7	3,485.2	1,440,492.9	2,086,803.8	662,118.0	12,479.8	1,591,068.5	2,265,666.3	683,940.7	25,602.9	1,603,442.4	2,312,986.0

Medicaid Services
Summary of RDU Budget Changes by Component
From FY2019 Management Plan to FY2020 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>
FY2019 Management Plan	661,215.7	902.3	12,479.8	1,591,068.5	2,265,666.3
One-time items:					
-Behavioral Hlth Medicaid Svcs	-25.0	0.0	-2,491.0	-25.0	-2,541.0
-Health Care Medicaid Services	-6,443.2	0.0	-2.5	-7,000.0	-13,445.7
Adjustments which continue current level of service:					
-Health Care Medicaid Services	0.0	0.0	0.0	754.3	754.3
-Senior/Disabilities Medicaid Svc	-9,500.0	0.0	0.0	9,500.0	0.0
Proposed budget increases:					
-Behavioral Hlth Medicaid Svcs	3,618.3	0.0	2,650.0	4,332.5	10,600.8
-Health Care Medicaid Services	34,172.6	0.0	12,966.6	4,812.1	51,951.3
FY2020 Governor	683,038.4	902.3	25,602.9	1,603,442.4	2,312,986.0