

State of Alaska
FY2021 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

To provide health coverage to Alaskans in need.

Results

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

Measures by Core Service

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

Major RDU Accomplishments in 2019

- The Residential Licensing section is responsible for the licensing of 713 facilities statewide, including assisted living homes (669) and residential child care facilities (44). During FY2019, the section saw a net gain of 11 facilities and 152 adult beds (3,924 vs. 4,076). Residential licensing specialists conducted 604 inspections during FY2019.
- The Background Check Program processed 19,342 determinations in FY2019.
- The Systems Unit implemented several Medicaid reform initiatives including the 1915k Community First Choice state plan option, the 1915c Individualized Supports Waiver, and Phase I of the 1115a waiver for Behavioral Health Substance Use Disorder services. The unit also completed major system upgrades associated with the clinical editing application utilized by the Medicaid Management Information System (MMIS), upgrades to Oracle, and upgrades to the Cognos data warehouse. System changes are actively underway to support cost containment measures being pursued across the Department.
- The Health Care Services Pharmacy and Ancillary Services unit completed a three-and-a-half year regulation project around durable medical equipment, medical supplies, and prosthetics and orthotics to provide a sustainable reimbursement methodology based on national benchmark pricing and considering actual acquisition costs. The regulation package updated regulations last revised in 2003 and furthered the programs' alignment with Medicare national standards. It also addressed federal upper payment limits for durable medical equipment (DME). The project was signed by the Lieutenant Governor in May 2019. Benefits related to this effort - cost savings, payment and operational efficiencies, decreased service authorization administrative burden, decreased time for reimbursement, and used equipment reimbursement - will be realized during FY2020.
- The Health Care Services Pharmacy and Ancillary Services unit continues to leverage participation in the multi-state National Medicaid Pooling Initiative to secure supplemental drug rebates for covered outpatient drugs. The work of the Drug Utilization Review Committee, the Pharmacy and Therapeutics Committee, and the division, while per claim pharmacy reimbursement rose by 0.9 percent – due to specialty drug products – the final net spend per pharmacy claim dropped by 0.5 percent due to combined federal and supplemental rebate positioning
- The joint work of the Committees and program ensured program resources were being spent in a manner that maximized the services received by the recipients.
- The Health Care Services Operations Unit has identified more than 20 cost-saving and streamlining regulatory projects, 12 of which have been public noticed or will be over the second quarter of FY2020. Operations staff adjudicated 867 provider appeals during FY2019; issued more than 160 provider communications; completed more than 100 updates to 40 provider billing manuals; resolved thousands of provider inquiries, fulfilled 130 legislative inquiries and public records requests; oversaw more than 50 provider education sessions; managed contractor activities that yielded gross savings in excess of \$22.3 million, resulting in a \$14.16 to \$1.00 return on investment for utilization management through the denial of medically unnecessary services, and gross savings in excess of \$3.1 million, resulting in a \$4.86 to \$1.00 return on investment for case management services for Medicaid recipients with complex and costly conditions.

- FY2019 brought the addition of three (3) new ambulatory surgery centers, one (1) home health, one (1) new long-term care facility, and three (3) new birthing centers. The initial surveys added to the survey workload, travel, and survey costs.
- The Accounting and Recovery section, with the help of the Department of Law and a third-party contractor, collected an overall total of \$117.6 million. This unit's work with accounting and financial controls, auditing, collections, and optimizing other revenue sources, has also realized an average savings of \$34 million per quarter in FY2019 while the overall Cost Avoidance savings from members' third party liability and Medicare coverage increased from \$63 million to \$77 million per quarter from FY2018 to FY2019.
- With the assistance of the Tribal Health Organizations and other state departments, the Tribal Unit was able to reclaim \$84.3 million dollars for FY2019.

Key RDU Challenges

- The Residential Licensing program has grown significantly to approximately 510 licensed assisted living homes, with 2,774 beds, statewide. The number of critical incident reports has increased to over 8,849.
- Federal background check requirements for certain programs, such as Head Start and child care programs, have been updated and include federal timelines for implementation. Other state agencies and programs are requesting to enroll through the background check unit. Some will require regulation changes as well as new staff which could be funded through reimbursable services agreements. Additional positions are required and a classification study of staff.
- The Systems Unit is challenged to address multiple large implementation projects concurrently and comply with changing department policies, regulations and state/ federal legislation. Many Medicaid Reform and Cost Containment initiatives are under policy development throughout the department, and nearly each of these initiatives has systems implications that must be evaluated and scheduled. Additional long term system planning work is underway to ensure that the state has cost-effective, customer-oriented fiscal agent services and a flexible, stable claims processing system for the foreseeable future.
- The opioid crisis continues to place a strain on limited state fiscal resources. The pharmacy program has observed a greater than four-fold increase in pharmacy reimbursement payments for medication-assisted therapy of both buprenorphine- and naltrexone-based drug products since FY2016; pharmacy reimbursement costs approached \$9 million in pharmacy reimbursement during FY2019. A corresponding trend in decreased opioid utilization does have a 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.

Significant Changes in Results to be Delivered in FY2021

- The division expects to see results from a Vision Regulation package moved forward in FY2019. Key highlights are: eliminating coverage for non-standard products, increase service authorization requirements for specialized products and decreased limits for adult vision products, increased program monitoring for services such as fitting fees.
- The division plans to implement a manual pricing project improvement strategies for other problematic areas that have been identified in ambulance claims; third-party payer claims; and fiscal agent customer services. This will lead to improved accuracy in claims reimbursement and accuracy in information and quality of service being delivered to health care providers and enrolled beneficiaries.
- The division moved a Non-Emergency Medical Transportation (NEMT) regulation package forward in FY2019 that will reduce costs associated with rebooking of flights due to factors within the members control; eliminate overbilling for meal expenses; requiring the least expensive mode of transportation that is appropriate for the member.
- New federal regulations will be implemented in November 2019 for Health Facilities Licensing and Certification; State regulations will need to go through the regulation change process, so they can be more closely aligned and reduce regulatory burden.

Contact Information

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

All dollars shown in thousands

	FY2019 Actuals				FY2020 Management Plan				FY2021 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	0.3	0.0	0.0	0.3	153.9	0.0	0.0	153.9	153.9	0.0	0.0	153.9
Non-Formula Expenditures												
Health Facilities Licensing & Ce	619.5	33.3	1,219.3	1,872.1	756.4	100.0	1,391.5	2,247.9	716.7	100.0	1,359.6	2,176.3
Residential Licensing	2,369.4	280.4	868.3	3,518.1	2,926.9	363.0	1,332.7	4,622.6	2,905.4	363.0	1,301.5	4,569.9
Medical Assistance Admin.	4,421.9	439.6	4,640.4	9,501.9	5,379.4	402.5	6,340.4	12,122.3	6,054.4	179.3	7,015.2	13,248.9
Rate Review	1,096.8	0.0	919.6	2,016.4	1,282.6	60.0	1,360.1	2,702.7	0.0	0.0	0.0	0.0
Totals	8,507.9	753.3	7,647.6	16,908.8	10,499.2	925.5	10,424.7	21,849.4	9,830.4	642.3	9,676.3	20,149.0

Health Care Services
Summary of RDU Budget Changes by Component
From FY2020 Management Plan to FY2021 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>
FY2020 Management Plan	8,406.0	2,093.2	925.5	10,424.7	21,849.4
Adjustments which continue current level of service:					
-Health Facilities Licensing & Ce	-41.3	1.6	0.0	-31.9	-71.6
-Residential Licensing	-28.2	6.7	0.0	-31.2	-52.7
-Medical Assistance Admin.	675.0	0.0	-223.2	674.8	1,126.6
FY2021 Governor	7,871.3	1,959.1	642.3	9,676.3	20,149.0