

State of Alaska
FY2022 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 2020

- The Residential Licensing section is responsible for the licensing of 740 facilities statewide, including assisted living homes (694) and residential childcare facilities (46). During FY2020, the section saw a net gain of 35 adult facilities and 291 adult beds (4,076 versus 4,367).
- Residential licensing specialists conducted 479 inspections during FY2020. This decrease in inspections when compared to FY2019 is directly related to the public health emergency.
- The Background Check Program processed and issued 20,532 determinations in FY2020.
- The Systems unit implemented several cost containment measures, such as assessing patient liability for Assisted Living Homes on incoming claims and a five percent reduction on services for non-primary care providers.
- The Systems unit completed a major system enhancement in editing of physician-administered drugs to ensure accurate and appropriate billing. Other initiatives completed in the past year included transitioning payment of services for the 1115 Waiver to the Administrative Services Organization.
- Due to the public health emergency, Medicaid Management Information System updates were made to meet the necessary flexibility required to allow for testing and continuity of services including a vast expansion of telehealth services.
- The Systems unit is also actively working on the implementation of Diagnosis Related Group payment methodology for hospital inpatient stays, a Medicaid Member Portal, and compliance with the Centers for Medicare and Medicaid Services Interoperability Rule that enable patients, including Medicaid recipients, to access their clinical and Medicaid claims information.
- The Pharmacy Services unit worked with legislative partners to pass SB44 which allowed the program to update the Preferred Drug List after the publicly noticed Pharmacy and Therapeutics Committee meetings. The ability to update the Preferred Drug List allows the program to be more responsive to new-to-market drugs in negotiating supplemental rebates for direct cost savings while providing access to new therapeutics that may have improved patient outcomes, thus offering indirect medical cost savings.
- The Pharmacy Services unit leveraged the public health emergency to gain disaster relief state plan approval to reimburse pharmacists for non-dispensing professional services, such as vaccine administration and naloxone independent dispensing. As part of the effort, the Health Care Services team was able to complete the system configurations necessary to enroll pharmacists and pharmacy professional groups. State regulatory approval for the authorities granted in the disaster relief state plan amendment is pending signature.
- The Health Care Services Medicaid Operations unit has identified more than 25 cost-saving and streamlining regulatory projects, 12 of which have been public noticed or will be over the second quarter of FY2021. Medicaid Operations staff adjudicated 785 provider appeals during FY2020; issued more than 200 provider communications; completed more than 50 updates to 40 provider billing manuals; resolved thousands of provider inquiries, researched, resolved, and responded to more than 150 legislative inquiries and public records requests; oversaw more than 60 provider education sessions; contractor activities yielded gross savings in excess of \$19.1 million, resulting in a \$12.40 to \$1.00 return on investment for utilization management through the denial of medically unnecessary services, and gross savings in excess of \$1.1 million, resulting in a \$8.30 to \$1.00 return on investment for case management services for Medicaid

recipients with complex and costly conditions. Additionally, Medicaid Operations, in conjunction with the fiscal agent, designed, developed, and implemented a new travel voucher to reduce misuse and fraud, increase oversight of Medicaid transportation services, and streamline administrative processing of travel requests.

- The Accounting and Recovery section, in collaboration with the Department of Law and a third-party contractor, collected an overall total of \$120.3 million. This unit's work with accounting and financial controls, auditing, collections, and optimizing other revenue sources, has also realized an increase in average savings of \$48 million per quarter in FY2020 while the overall cost avoidance savings from members' third-party liability and Medicare coverage increased two percent per quarter from FY2019 to FY2020.
- The Accounting and Recovery section in collaboration with the Division of Public Assistance, has been working to clean up the Medicare over 65 expansion coding list. This list provided by Centers for Medicare and Medicaid Services, identifies members who have not been enrolled in Medicare but are eligible. Last year the average monthly expansion membership had 300-400 members that were incorrectly coded. Today, this number has decreased to less than 30 members identified, and efforts continue to clean up the system to ensure they are correctly assigned Medicaid categories. This project helped increase cost avoidance savings by 14 percent compared to FY2019.
- With the assistance of the Tribal Health Organizations and other state departments, the Tribal Health unit was able to reclaim \$95.1 million dollars for FY2020.
- Non-emergency Medical Transportation (NEMT) regulations, filed in FY2020, will require use of the least expensive mode of transportation that is appropriate for the Medicaid member, reduce costs associated with rebooking of flights missed for reasons within the member's control, and eliminate overbilling for meal expenses.
- Health Care Services, in collaboration with other divisions, successfully requested and received multiple 1135 Waiver flexibilities from the Centers for Medicare and Medicaid Services to address the public health emergency and ease provider burden.

Key RDU Challenges

- The Residential Licensing program has grown significantly since its creation in FY2007, at which time there were approximately 510 licensed assisted living homes, with 2,774 beds, statewide. Since FY2007, the number of assisted living homes has increased by 184 adult facilities and 1,593 beds. Since FY2011, the number of critical incident reports received annually has increased significantly from around 1,800 to around 8,500. Alaska continues to have one of the fastest growing senior populations in the nation; the number of older Alaskans is increasing at a rate of more than four times the national average. This growth will directly impact the growth in assisted living home provider numbers, which ultimately adds to the current workload related to licensing, background checks, and complaint investigations.
- Due to the public health emergency, work has shifted from conducting onsite inspection to spending a significant amount of time helping facilities and public health agencies mitigate and triage COVID-19 positive cases in licensed facilities. This has put a significant burden on our facilities who are dealing with a variety of challenges related to public health emergency.
- Federal background check requirements for certain childcare programs continue to make progress for meeting the federal timelines for implementation. Additional statutory and regulatory changes may be needed as the federal government continues to refine the requirements. Additionally, changes to the database will be needed to accommodate the federal revisions and to ensure a singular background check database system can meet the needs of all participating state divisions and programs. Other state agencies and programs are requesting to enroll through the Background Check Program. Some will require regulation changes as well as new staff which would require additional resources.
- 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 federal 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 resources for substance dependence services and chronic pain management. Expanded infrastructure support through other Medicaid divisions continues to address unmet need. As a result, the pharmacy program has observed a six-fold increase in pharmacy reimbursement payments for buprenorphine-based medication-assisted therapy drug products since 2015. Total pharmacy reimbursement costs for buprenorphine-based products approached \$9 million during

FY2020. The corresponding trend in decreased opioid utilization has helped to blunt the financial impact in the short-term by off-setting part of the increased costs for opioid dependence treatment; however, the rate of increase will continue to outpace the offsets in the near-term. The greater impact is the clinical and personal benefit of decreasing medically unnecessary opioid utilization and providing opportunities to move individuals into recovery.

- Accounting and Recovery continues to be challenged with reducing errors when it comes to third-party liability policies being loaded into Medicaid Management Information System. The unit is working with the Systems team to clean up and streamline processes continuing to increase cost avoidance savings. The challenge is being able to prioritize these processes and system fixes to maximize recoveries with a third-party liability contractor and realize increased savings in the coming year.
- As part of the reclaiming process, the Tribal Health section within the Division of Health Care Services tracks the care coordination agreements and partners with the Tribal Health Organizations to verify referrals and exchange of health records in order for the state to claim 100 percent federal funding. The number of referrals requested and verified by the Department of Health and Social Services since the new policy was implemented through the end of FY2020 was 96,942. The number for which sufficient documentation was available to validate the referral was 18,590 or 20.65 percent of referrals requested. Due to the steady increase of referral requests and required extensive review of medical records, the number of verified referrals showed a decline in FY2020. The department continues to partner with the Tribal Health Organizations to identify ways to increase the percentage of verified referrals.
- During the third and fourth quarters of FY2020, well child visits and exams for individuals with chronic conditions declined significantly, despite telehealth flexibilities related to the public health emergency. Health Care Services is challenged to address this decline, which could lead to unanticipated and more costly medical needs, including an increase in inpatient stays, because of the delayed or avoided preventive care and treatment.
- Alaska Medicaid has begun to experience a loss of specialized service providers as practices close because of increased costs and reduced revenue during the public health emergency. Losses of in-state providers may lead to increased travel needs or higher costs for in-state care alternatives.

Significant Changes in Results to be Delivered in FY2022

- The division expects to move forward a vision regulation package that was delayed in FY2020. This package includes eliminating coverage for non-standard products, increasing service authorization requirements for specialized products, decreasing limits for adult vision products, and increasing program monitoring for services such as fitting fees.
- The division continues plans to implement manual pricing improvement strategies to address problematic areas across provider types. This effort will improve claims reimbursement accuracy and reduce legislative audit findings.
- Health Care Services initiated a project to update Medicaid telehealth regulations. This project was delayed because of the public health emergency, however, the 1135 telehealth flexibilities allowed during the public health emergency will provide the divisions data to assist in determining which changes should be made permanent.
- Health Facilities Licensing and Certification regulations will be amended to reflect changes to federal regulations that removed the administratively burdensome ambulatory surgery center transfer agreement requirement.
- Medicaid home health regulations will be amended to allow additional provider types to order home health services, within scopes of practice.

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

All dollars shown in thousands

	FY2020 Actuals				FY2021 Management Plan				FY2022 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	1.3	0.0	0.0	1.3	153.9	0.0	0.0	153.9	153.9	0.0	0.0	153.9
Non-Formula Expenditures												
Health Facilities Licensing & Ce	576.2	37.9	977.5	1,591.6	800.6	100.0	1,561.9	2,462.5	794.1	100.0	1,560.3	2,454.4
Residential Licensing	2,471.3	244.0	1,068.9	3,784.2	2,912.6	363.0	1,309.5	4,585.1	2,921.3	363.0	1,315.5	4,599.8
Medical Assistance Admin.	5,286.3	820.1	4,895.0	11,001.4	6,053.0	178.7	7,014.1	13,245.8	5,928.2	178.7	6,896.6	13,003.5
Rate Review	897.3	0.0	896.3	1,793.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Totals	9,232.4	1,102.0	7,837.7	18,172.1	9,920.1	641.7	9,885.5	20,447.3	9,797.5	641.7	9,772.4	20,211.6

Health Care Services
Summary of RDU Budget Changes by Component
From FY2021 Management Plan to FY2022 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>
FY2021 Management Plan	7,961.9	1,958.2	641.7	9,885.5	20,447.3
One-time items:					
-Health Facilities Licensing & Ce	-9.6	0.0	0.0	-9.6	-19.2
Adjustments which continue current level of service:					
-Health Facilities Licensing & Ce	-443.8	446.9	0.0	8.0	11.1
-Residential Licensing	-377.8	386.5	0.0	6.0	14.7
-Medical Assistance Admin.	21.5	0.0	0.0	28.8	50.3
Proposed budget decreases:					
-Medical Assistance Admin.	-146.3	0.0	0.0	-146.3	-292.6
FY2022 Governor	7,005.9	2,791.6	641.7	9,772.4	20,211.6