

STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION
**Medicaid Technical Assistance – Health Care Authority
Feasibility Study**

Webinar: September 11, 2017

Overview

The Pacific Health Policy Group (PHPG) was retained by the Department of Administration to provide input regarding Medicaid-specific considerations for the development of a Health Care Authority (Authority)

Organization of PHPG's Report

1. Medicaid Program Requirements and Funding
2. Alaska Medicaid Program
3. Overview of States' Approaches to Administration of Public Payer Health Care Programs
4. Considerations for Alaska's Medicaid Program
5. Summary of Key Decision Considerations and Provisional Model

Medicaid Program Requirements and Funding

Medicaid: Program Administration & Regulatory Structure

- ▶ Established in 1965 under Title XIX of Social Security Act
- ▶ Entitlement program that provides medical and health-related services for the nation's low-income populations
- ▶ Administered and financed jointly by the federal government and states
- ▶ As a public program, Medicaid is subject to federal and state legislative direction and funding

Medicaid Program Requirements and Funding (cont'd)

Medicaid: Program Administration & Regulatory Structure

- ▶ Medicaid is a partnership between states and the federal government
 - ▶ Each state designates a “Single State Agency” responsible for administration of the Medicaid program and develops a “State Plan”
 - ▶ The State Plan defines eligibility, covered benefits, rate methodologies, provider qualifications and other program requirements
 - ▶ The Single State Agency is responsible for provider enrollment, rate setting, claims processing, monitoring access and quality, reporting, utilization management and other administrative functions
 - ▶ U.S. Department of Health and Human Services (HHS), Centers for Medicare and Medicaid Services (CMS)
 - ▶ CMS develops and issues regulations and guidance; reviews and approves State Plans and waivers; and oversees states’ Medicaid program implementation and operations

Medicaid Program Requirements and Funding (cont'd)

Medicaid: Program Administration & Regulatory Structure

- ▶ Federal law requires each state to establish a Medical Care Advisory Committee (MCAC) to advise on health and medical services.
- ▶ Federal law and regulations, as well as guidance issued by CMS, require state Tribal consultation processes to be followed. States must obtain advice and input on a regular and ongoing basis prior to submission of any State Plan Amendments, waiver requests or demonstration project proposals that have a direct impact on American Indians/Alaska Natives and tribal health care providers

Medicaid Program Requirements and Funding (cont'd)

Medicaid: Funding

- ▶ Medicaid is funded with a combination of federal and state dollars
- ▶ The federal government provides matching funds (Federal Financial Participation or FFP) to states based on the Federal Medical Assistance Percentage (FMAP) for program expenditures
 - ▶ FMAP varies by state and is determined by a formula set in federal statute; 2017 rates range from 50% to 74.63%
 - ▶ As an example, Alaska's regular match rate is 50%; if the Medicaid program pays \$100 for a doctor's visit, \$50 is funded by the federal government and \$50 by state and local funds
- ▶ Administrative costs are subject to a 50% match rate
- ▶ Numerous exceptions to the regular match rate is defined in federal statute and regulations (e.g., Enhanced FMAP, 90/10 IT funding)

Medicaid Program Requirements and Funding (cont'd)

Medicaid: Eligibility Groups

- ▶ Federal law defines mandatory and optional Medicaid eligibility groups
- ▶ Eligibility rules are complex
- ▶ Traditional Medicaid eligibility groups include low-income children, parents/caregiver relatives, pregnant women and individuals who are living with a disability
- ▶ Examples of optional groups include individuals in need of home and community based services and the Children's Health Insurance Program (CHIP)

Medicaid Program Requirements and Funding (cont'd)

Medicaid: Covered Services

- ▶ Like eligibility groups, federal law defines both mandatory and optional covered services
- ▶ Traditional covered services include hospital, physician and home health services
- ▶ Examples of optional covered services include personal care services and pharmacy
- ▶ Early and Periodic Screening, Diagnostic and Treatment (EPSDT) services are mandatory for children under age 21
- ▶ Federal law gave states some flexibility regarding benefits for the expansion adult population; however, most states elected to offer the traditional Medicaid benefits package

Medicaid Program Requirements and Funding (cont'd)

Medicaid: Covered Services

Mandatory	Optional
<ul style="list-style-type: none"> • Inpatient and outpatient hospital services • Early and Periodic Screening, Diagnostic and Treatment (EPSDT) services for children under age 21 • Nursing facility services • Home health services • Physician services and, when licensed or otherwise recognized by the state, midwife and certified nurse practitioner services • Rural health clinic/federally qualified health center (FQHC) services • Laboratory and x-ray services • Family planning services and supplies • Freestanding birth center services (when licensed or otherwise recognized by the state) • Transportation to medical care • Tobacco cessation counseling for pregnant women 	<ul style="list-style-type: none"> • Prescription drugs • Clinic services • Physical therapy, occupational therapy and speech, hearing and language disorder services • Respiratory care services • Other diagnostic, screening, preventive and rehabilitative services • Chiropractic services • Podiatry services • Optometry/vision services, including eyeglasses • Dental services • Prosthetics and dentures • Other practitioner services • Private duty nursing services • Personal care • Hospice • Case management • Services for individuals age 65 and older in an institution for mental disease (IMD) • Services in an intermediate care facility for individuals with intellectual disability (ICF/ID) • State Plan home and community based services, self-directed personal care assistance services, community first choice option and health homes for enrollees with chronic conditions • Inpatient psychiatric services for individuals under age 21 • Other services approved by the HHS Secretary

Medicaid Program Requirements and Funding (cont'd)

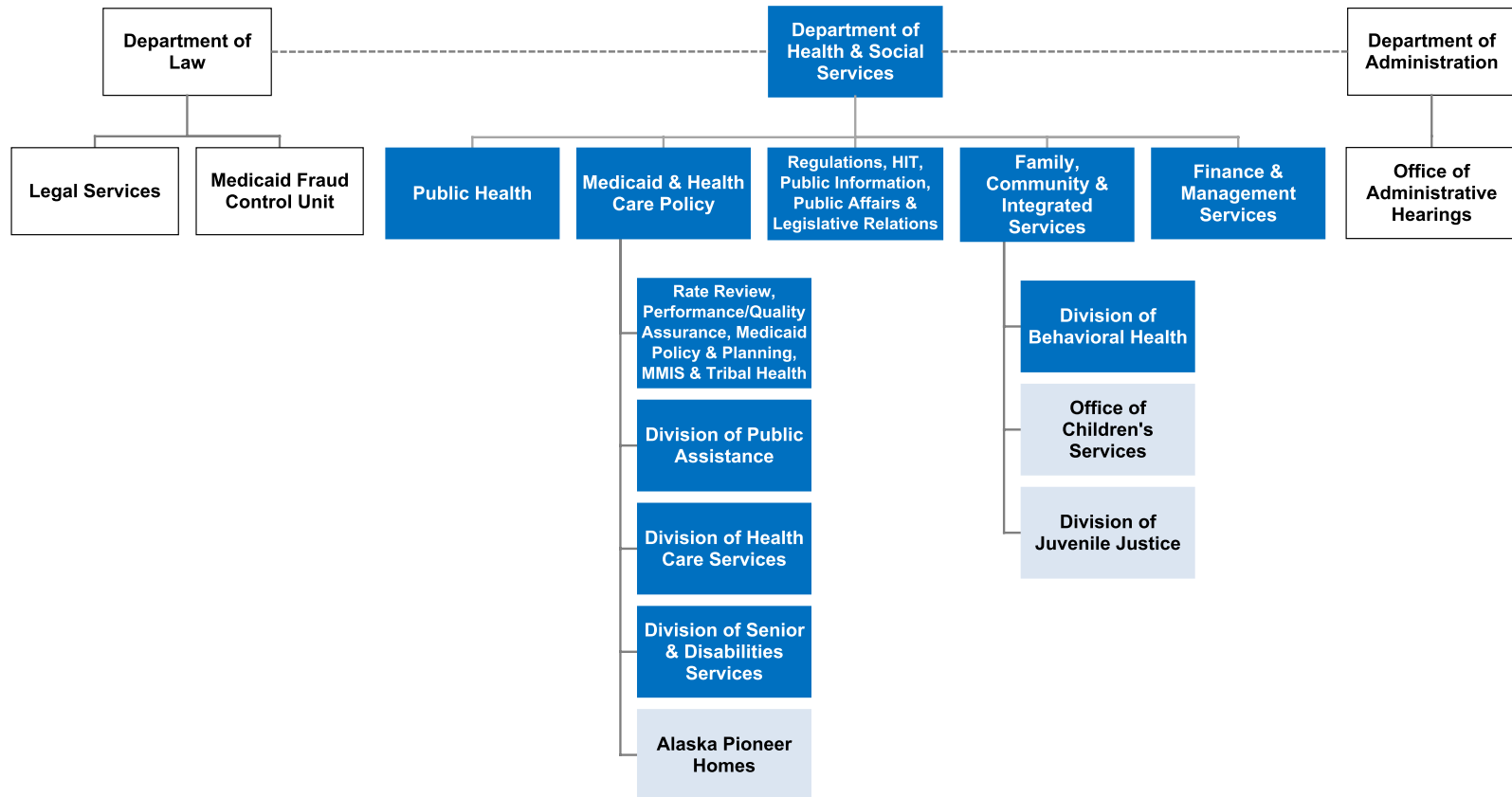
Medicaid: National Trends

- ▶ CMS and states have taken different approaches to move away from reliance on traditional fee-for-service reimbursement (i.e., providers paid based on number of services delivered)
- ▶ Examples of approaches include:
 - ▶ Managed Care (e.g., managed care organization (MCO), prepaid health plan (PHP), managed long term services and supports (MLTSS) and primary care case management (PCCM))
 - ▶ Accountable Care Organizations (ACOs)
 - ▶ Patient Centered Medical Homes and Health Homes
 - ▶ Value-Based Purchasing

Alaska Medicaid Program

Alaska Medicaid: Organizational Structure

- ▶ The Department of Health and Social Services (DHSS) is Alaska's Single State Agency and works with various State of Alaska partner agencies and vendors to administer Medicaid



Alaska Medicaid Program (cont'd)

Alaska Medicaid: Covered Populations and Enrollment

- ▶ Today, Medicaid covers nearly one in four Alaskans
- ▶ As of May 2017, Alaska has 185,139 individuals enrolled in Medicaid and CHIP
 - ▶ Approximately half of those enrolled are children
- ▶ Between May 2016 and May 2017, Medicaid enrollment has grown by 23%
 - ▶ While half of the growth is attributed to coverage of the expansion adult population, a driver has been the recession which began in 2015
 - ▶ Alaska's current unemployment rate is 7% (nationally it is about 4%)

Alaska Medicaid Program (cont'd)

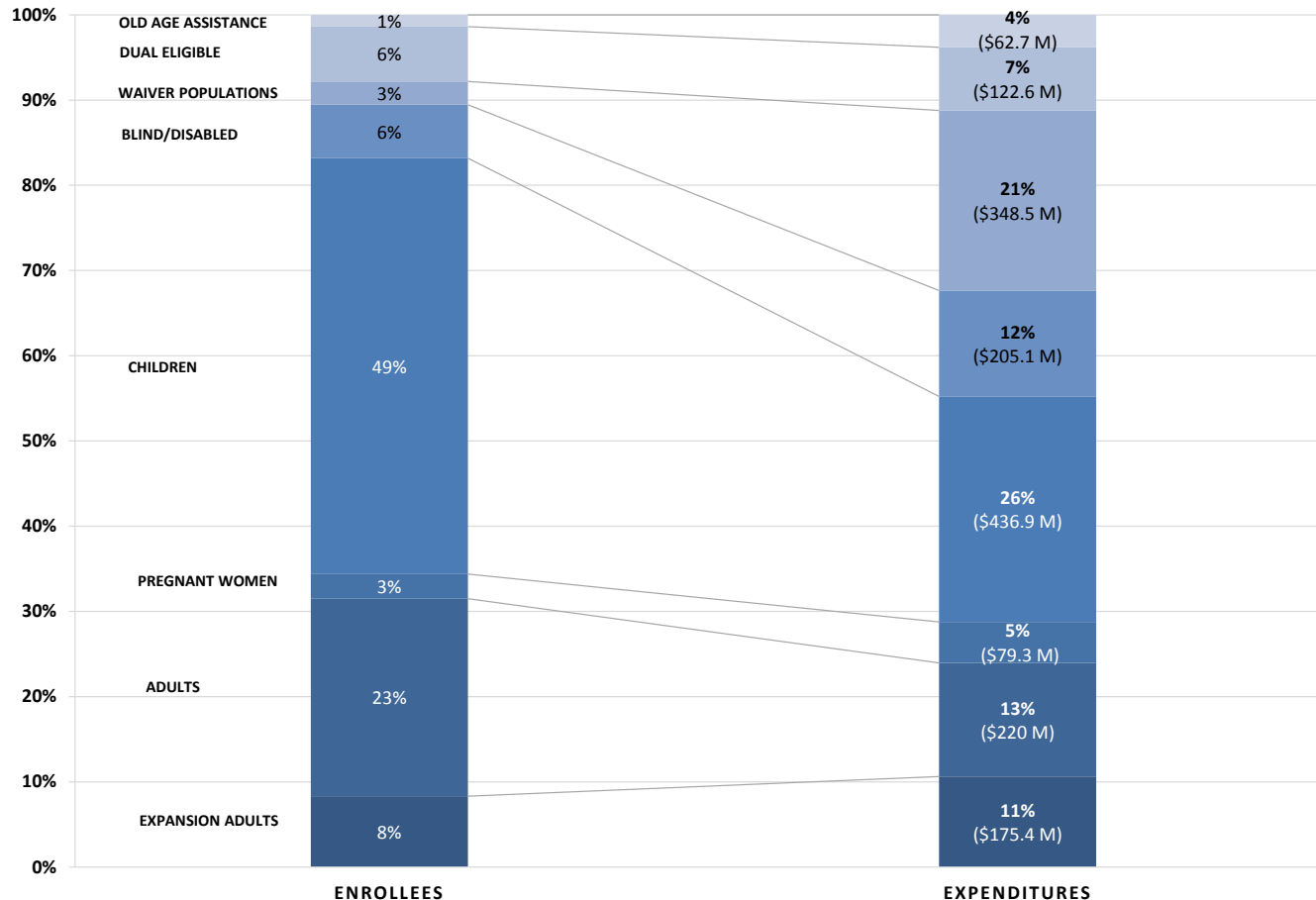
Alaska Medicaid: Expenditures

- ▶ Medicaid paid more than \$1.65 billion during SFY 2016
- ▶ Alaska's Medicaid program expenditures per enrollee are among the highest in the U.S.
- ▶ Several factors may contribute to the high cost, such as:
 - ▶ Unique rural and remote geography of the State
 - ▶ High cost of living
 - ▶ Limited competition among providers
 - ▶ Health care workforce shortages
 - ▶ Reliance on fee-for-service reimbursement

Alaska Medicaid Program (cont'd)

Alaska Medicaid: Expenditures

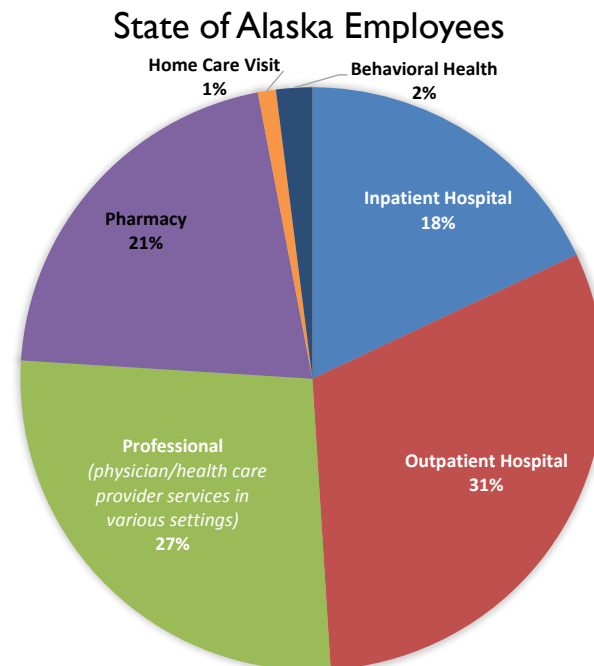
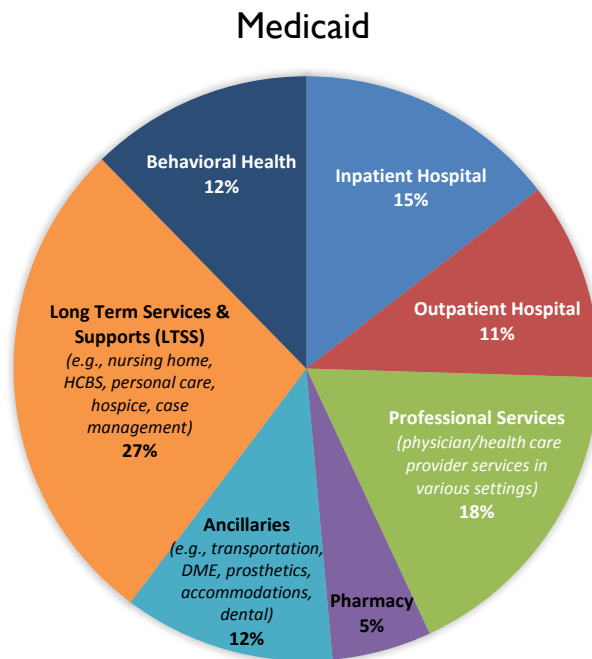
- ▶ Enrollment and expenditures vary by population group



Alaska Medicaid Program (cont'd)

Alaska Medicaid: Expenditures by Service Category

- ▶ Expenditures for long term services and supports (LTSS) and behavioral health represent nearly 40% of Medicaid; inpatient and outpatient hospital services represent 26% of total program expenditures
- ▶ In contrast to Medicaid, 49% of State of Alaska Employees health care expenditures are for inpatient and outpatient hospital services; pharmacy accounts for 21% of expenditures



Alaska Medicaid Program (cont'd)

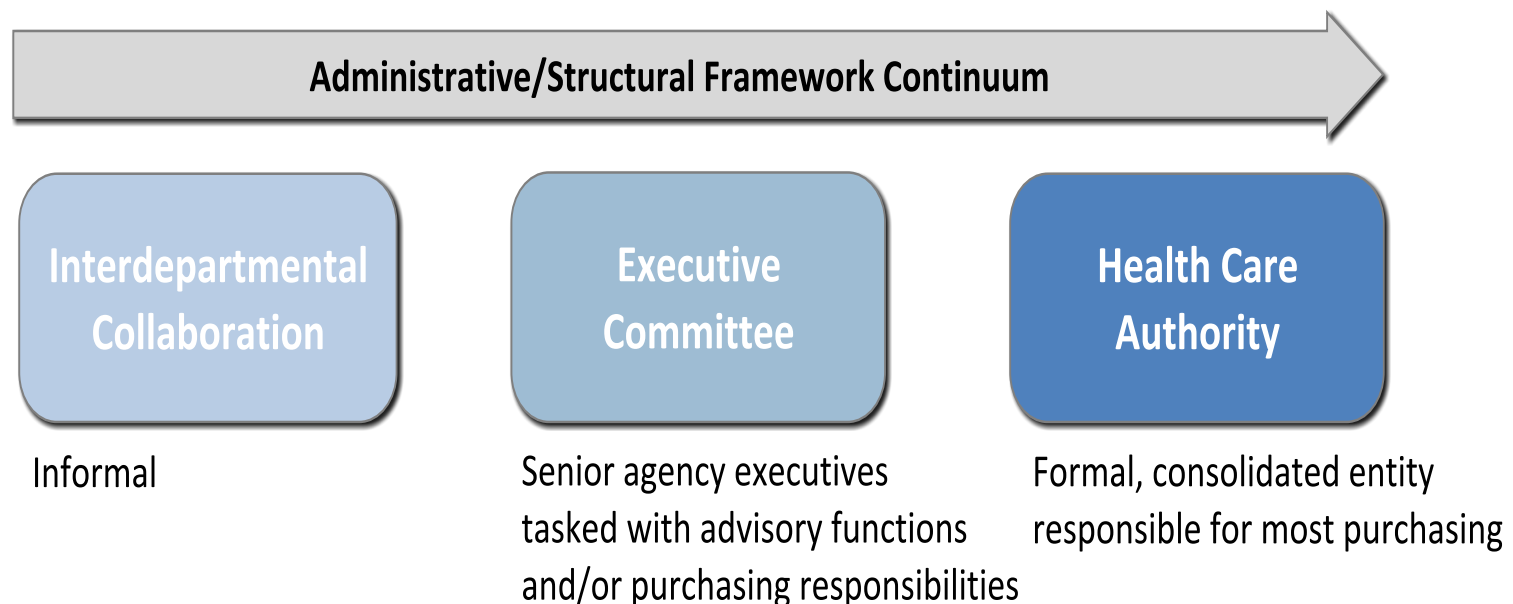
Alaska Medicaid: Current Reform Initiatives

- ▶ Senate Bill (SB) 74 was passed by the Alaska Legislature in April 2016 and signed into law June 2016
- ▶ SB 74 focuses on improved efficiency and outcomes in Medicaid usage, billing and delivery
- ▶ Directs DHSS to undertake a series of Medicaid reforms intended to improve quality, increase value and control spending while building upon initiatives already underway

States' Approaches to Administration of Public Payer Health Care Programs

Public Payer Coordination and Integration Approaches

- ▶ Different approaches have been taken to reorganizing administrative/structural frameworks to support coordination of purchasing efforts



States' Approaches to Administration of Public Payer Health Care Programs (cont'd)

Types of Coordinated Purchasing

- ▶ Examples include:
 - ▶ Coordinated care and payment reform (e.g., Maryland, Vermont)
 - ▶ Common provider management requirements such as network adequacy and program integrity for managed care (e.g., New York)
 - ▶ Designated directors or chief medical officers across agencies to facilitate coordination of quality initiatives (e.g., Oregon, Washington)
 - ▶ Consolidated or coordinated provider contracts and related activities (e.g., Georgia)

States' Approaches to Administration of Public Payer Health Care Programs (cont'd)

Summary of Other States' Coordination Efforts

- ▶ To date, there are a limited number of successful coordinated initiatives across public payers

- ▶ Successful coordination is dependent on:
 - ▶ Structural framework
 - ▶ Sufficient resources
 - ▶ Sustained leadership/direction
 - ▶ Shared vision and values

States' Approaches to Administration of Public Payer Health Care Programs (cont'd)

Health Care Authorities

- ▶ Currently, Oregon and Washington have consolidated and integrated multiple health agencies, including state employee health coverage and Medicaid, under an Authority
- ▶ Other states have established Authorities but may have limited role
 - ▶ For example:
 - ▶ The Oklahoma Health Care Authority is responsible for Medicaid only
 - ▶ The Hawaii Health Authority is responsible for health planning
- ▶ States also have established independent agencies and boards that oversee specific health care programs or administrative functions
 - ▶ For example:
 - ▶ The Maryland Health Services Cost Review Commission oversees hospital rates
 - ▶ The Vermont Green Mountain Care Board oversees the All Payer Model and statewide health care expenditures

States' Approaches to Administration of Public Payer Health Care Programs (cont'd)

Governance Models in Alaska

- ▶ Alaska has extensive experience with quasi-governmental boards and commissions
 - ▶ Alaska Permanent Fund
 - ▶ Alaska Mental Health Trust Authority
 - ▶ Alaska Housing Finance Corporation
 - ▶ Alaska Gasline Development Corporation
 - ▶ Alaska Energy Authority & Alaska Industrial Development and Export Authority
 - ▶ Regulatory Commission of Alaska
 - ▶ North Pacific Fisheries Management Council

Considerations for Alaska's Medicaid Program

- ▶ Currently, Alaska uses State dollars to purchase and administer health benefits across several state and local governmental agencies. The current approach enables each responsible agency to structure its program that takes the following into consideration:
 - ▶ The health needs and coverage preferences of the enrolled population
 - ▶ Each agency's need to manage competing priorities for resources
 - ▶ Federal and state regulatory requirements
 - ▶ Opportunities to coordinate health benefits with other benefits and services
 - ▶ The mission, values and culture of each agency

Considerations for Alaska's Medicaid Program (cont'd)

- ▶ The report presents the following three approaches that are intended to facilitate discussion and help the State identify areas for further evaluation:
 1. Coordinate and/or integrate purchasing efforts with Medicaid
 2. Develop a common benefit design across public payer programs and Medicaid
 3. Integrate Medicaid as part of an Authority

Considerations for Alaska's Medicaid Program (cont'd)

Coordinated/Integrated Program Administration and Purchasing

- ▶ Administrative functions have the potential to be coordinated across state agencies responsible for administration of benefits for:
 - ▶ State employees
 - ▶ State retirees
 - ▶ University employees
 - ▶ School district employees
 - ▶ Individuals enrolled in Medicaid

Considerations for Alaska's Medicaid Program (cont'd)

Coordinated/Integrated Program Administration and Purchasing

- ▶ Examples of potential opportunities include:
 - ▶ Integrated Utilization Management (UM) – common/uniform prior authorization policies and procedures and single Medical Director
 - ▶ Quality/Provider Oversight – development of uniform clinical best practices, common performance measures and uniform provider reporting
 - ▶ Population Health/Wellness Initiatives – development of statewide education and outreach programs
 - ▶ Data Warehouse and Analytics – access to data and analytic tools to support program management
 - ▶ Other Areas – contracting for specific health services (e.g., pharmacy) or coordinated service providers (e.g., managed care or provider-sponsored initiatives) and contracting for administrative services (e.g., call center, actuarial services)

Considerations for Alaska's Medicaid Program (cont'd)

Coordinated/Integrated Program Administration and Purchasing

- ▶ The following factors should be considered for coordinated/integrated administration initiatives that include Medicaid:
 1. Differences in Program Requirements
 - ▶ Medicaid has specialized program requirements and obligations related to federal compliance
 2. Cost Allocation Plan
 - ▶ Risk of reduced federal match funds for certain administrative functions
 3. Current Reform Initiatives
 - ▶ DHSS is engaged in several Medicaid reform initiatives such as evaluating options for coordinated care, value-based purchasing and provider payment, and unlike other programs, State Plan Amendments/waiver authorities would be required for Medicaid

Considerations for Alaska's Medicaid Program (cont'd)

Coordinated/Integrated Program Administration and Purchasing

▶ Consideration Factors (cont'd)

4. Consultation and Coordination with Tribal Health

- ▶ Nearly 40% of Alaska's Medicaid participants are American Indian/Alaska Native (AI/AN), and the Tribal Health System is a vital part of Alaska's health care delivery system
- ▶ SB 74 requires DHSS to fully implement changes in federal policy that authorizes 100% federal funding for services provided to AI/AN individuals eligible for Medicaid
- ▶ Changes to the Medicaid program should be analyzed to ensure DHSS's ability to optimize savings from this policy is not negatively impacted

5. Clinical/Quality

- ▶ Collaboration may foster development of a uniform set of evidence-based strategies to reduce costs and improve outcomes for common high-utilization services

Considerations for Alaska's Medicaid Program (cont'd)

Coordinated/Integrated Program Administration and Purchasing

▶ Consideration Factors (cont'd)

6. Information Technology

- ▶ Any changes to IT-related projects would require federal approval in order to secure federal match

7. Administrative Burden for Providers

- ▶ Creation of common utilization management criteria and processes, reporting requirements and provider monitoring activities potentially reduces providers' administrative burden and therefore reduces health system costs

Considerations for Alaska's Medicaid Program (cont'd)

Common Benefit Package Design Elements

- ▶ Envisions centralized administration of a basic benefit package made available to all individuals receiving state-funded health care (but potentially includes only a subset of the Medicaid population)
- ▶ Authority could be responsible for establishing and administering common benefit package
- ▶ Pooling covered lives and coordinated purchasing could enable Alaska to leverage its purchasing power to increase competition and secure/negotiate more favorable rates among providers
- ▶ Potential for creating single funding stream/appropriation

Considerations for Alaska's Medicaid Program (cont'd)

Common Benefit Package Design Elements and Options for Inclusion of Medicaid

- ▶ Could be made available to some Medicaid populations such as expansion adults
- ▶ Other Medicaid populations, such as non-disabled adults, pregnant women or children, could be considered for transition
- ▶ Federal Medicaid requirements for administering benefits for these groups may create additional challenges and result in duplicative functions across Authority and DHSS
- ▶ Transition of Medicaid expansion adult population contemplates offering a benefit package that more closely resembles a commercial benefit, rather than what is offered under Medicaid

Considerations for Alaska's Medicaid Program (cont'd)

Common Benefit Package Design Elements and Options for Inclusion of Medicaid

- ▶ Considerations for this approach include:
 - ▶ Federal government has indicated that states have latitude in designing programs for this population
 - ▶ Provider reimbursement rates above current Medicaid rates would increase provider revenues for this population and better align payment rates for providers
 - ▶ Inclusion of the expansion adult group under the common benefit model could create an opportunity for an Authority to develop alternative coordination approaches (e.g., risk-based managed care)
 - ▶ Absent transitioning Medicaid to an Authority, Medicaid program administration effectively is split across two departments
 - ▶ Common benefit model may increase medical expenditures for the expansion adult group, and a basic benefit package may not fully address the needs of this population
 - ▶ Cost sharing obligations for program participants need to be considered (i.e., federal waiver authority, feasibility of health savings account approach)

Considerations for Alaska's Medicaid Program (cont'd)

Health Care Authority Design Elements

- ▶ An Authority would have the following responsibilities
 - ▶ Strong analytic capacity to support objective analysis and capability to access health care data
 - ▶ Fiscal management and administration of health benefits for publicly-funded health programs
 - ▶ Integration and coordination of certain administrative functions
 - ▶ Development of approaches that ensure access to care
 - ▶ Monitoring and enhancement of the Alaska health care delivery system
- ▶ An Authority's responsibilities, including its role as it relates to Medicaid, requires additional evaluation

Considerations for Alaska's Medicaid Program (cont'd)

Health Care Authority and Medicaid Considerations

- ▶ A detailed assessment is necessary to determine whether transition of the Alaska Medicaid program to an Authority will be in the best interest of the State and the extent to which current Medicaid administrative functions are performed by an Authority
- ▶ Summary of key factors for consideration include:
 - I. Medicaid operates under a complex regulatory framework
 - ▶ DHSS administers Medicaid within specifically-defined set of federal laws, regulations and policies which address all facets of the program's operations
 - ▶ Federal requirements may make it difficult to centralize administration and purchasing across public programs
 - ▶ Oregon and Washington operate Authorities which oversee Medicaid along with other public payer health programs; both delegate certain functions (e.g., fair hearings, eligibility determinations) or administration of specialized programs (e.g., long term services and supports, behavioral health) to agencies outside an Authority

Considerations for Alaska's Medicaid Program (cont'd)

▶ Summary of Consideration Factors (cont'd)

2. DHSS is organized to address health and social needs

- ▶ DHSS is organized to address both social and health needs and continued integration should be carefully analyzed as well as current reform efforts
- ▶ How DHSS is currently structured to meet the social and health needs of Alaska's vulnerable populations must be factored into the decision process
- ▶ If Medicaid transitions to an Authority, it may be optimal for certain specialized programs to remain with DHSS (e.g., home and community based waiver programs and behavioral health)

3. Impact on current operations

- ▶ Transition of Medicaid to an Authority represents a major reorganization of State government
- ▶ Analysis of staffing and the impact on the Medicaid Cost Allocation Plan is needed to examine whether certain Medicaid functions should remain with DHSS while others transition
- ▶ The breadth of operational change and the need for federal approvals will require a lengthy transition period; transition of Medicaid could occur subsequent to the creation of an Authority

Key Decision Considerations

- ▶ Section 5 of the report presents a detailed summary of the opportunities and challenges as well as areas for further evaluation for:
 1. Coordinate and/or integrate purchasing efforts with Medicaid
 2. Develop a common benefit design across public payer programs and Medicaid
 3. Integrate Medicaid as part of an Authority

- ▶ Additional analyses to evaluate the feasibility of the three approaches are organized within the following objectives:
 1. Impact on administrative costs
 2. Impact on health care expenditures and growth
 3. Impact on quality of care and access to care

Provisional Model

- ▶ The report presents a provisional model for how an Authority could be structured. The provisional model as presented represents one of several approaches that could be adopted
- ▶ The provisional model addresses each of the following:
 - ▶ Governance
 - ▶ Operations
 - ▶ Funding

Provisional Model (cont'd)

Governance

- ▶ Authority would be overseen by a Board consisting of:
 - ▶ One Board Chair appointed by Governor
 - ▶ Two additional members appointed by Governor
 - ▶ One member appointed by Senate President
 - ▶ One member appointed by Speaker of House of Representatives
 - ▶ Two non-voting members who are active heads of principal Alaska State government departments
- ▶ Advisory bodies with broad stakeholder participation and expertise would support the Board

Provisional Model (cont'd)

Operations

- ▶ An Executive Director would head an Authority
- ▶ An Authority would consist of three divisions:
 - ▶ Health Care Transformation – provides policy development, strategic planning and clinical leadership
 - ▶ Operations – administers all facets of operations, such as program integrity/compliance, utilization management, contract oversight, legal services and information technology
 - ▶ Finance – managed budgets, financial transactions and reporting
- ▶ Divisions would be staffed by Alaska State employees and would include the following executive positions:
 - ▶ Health Care Transformation – Health Policy Director
 - ▶ Operations – Chief Operating Officer and a Medical Director
 - ▶ Finance – Chief Financial Officer

Provisional Model (cont'd)

Funding

- ▶ **Legislature could:**
 - ▶ Appropriate funding for all designated programs and services (including management of federal Medicaid funding if Medicaid is transitioned to an Authority)
 - ▶ Commit to fund an Authority at a level that allows for reasonable annual growth
 - ▶ Permit an Authority to carry reserves
 - ▶ Permit an Authority to invest in health care transformation

Provisional Model (cont'd)

- ▶ Development/refinement of the implementation activities presented in Section 5 will need to be further evaluated by detailed analyses and consultations, including but not limited to:
 - ▶ Development of operational budgets
 - ▶ Determination of impact on existing structures and identification of additional cost
 - ▶ Evaluation of fiscal impact (e.g., current health reform initiatives, coordinated functions, federal funding)
 - ▶ Evaluation of opportunities to advance best practices (e.g., systems investment, value based purchasing)
 - ▶ Evaluation and crosswalk of current contracted services to identify opportunities for consolidation or coordination and impact on existing structures
 - ▶ Tribal consultation and stakeholder engagement, including public comment

Discussion

Q&A