Alabama Medicaid Administrative Costs, Funding and Recoveries

June 9, 2016

STEPHANIE MCGEE AZAR
COMMISSIONER
ALABAMA MEDICAID AGENCY

AGENDA

- Administrative Costs
  - Non-Operating Costs and Major Projects
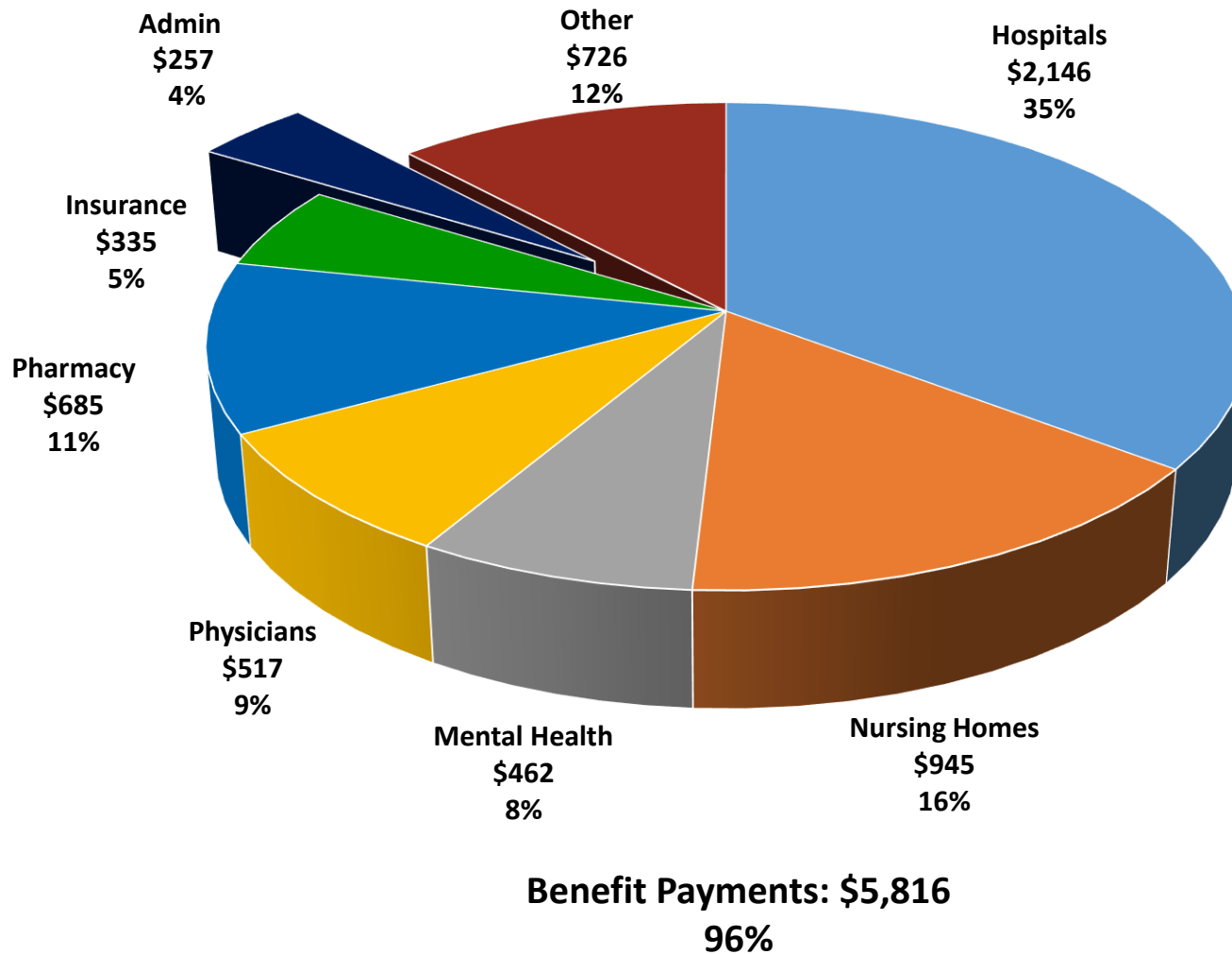 - Agency Operating Costs
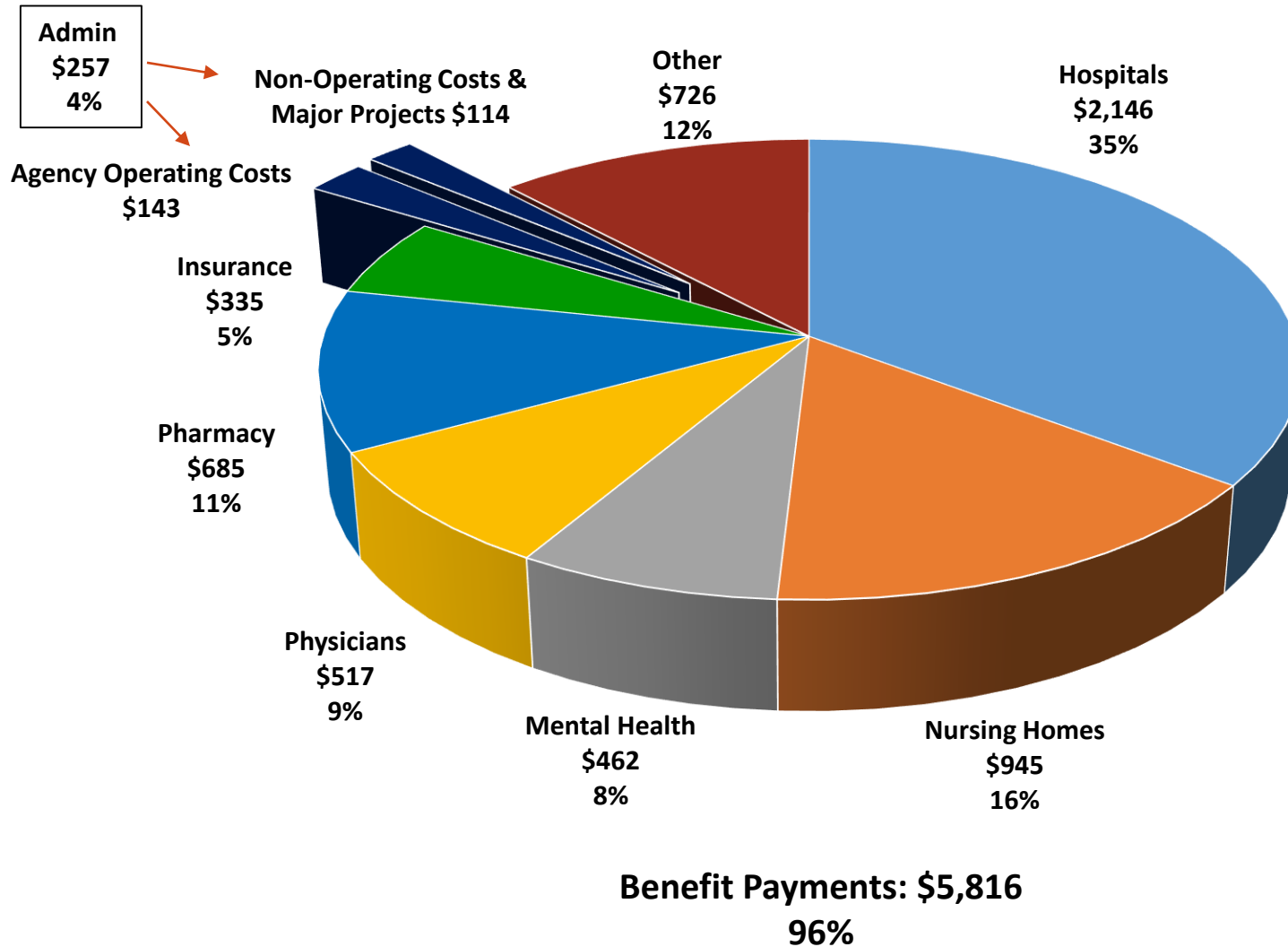- Recovery Activities

Administrative Costs

FY 2015 Medicaid Expenditures Analysis
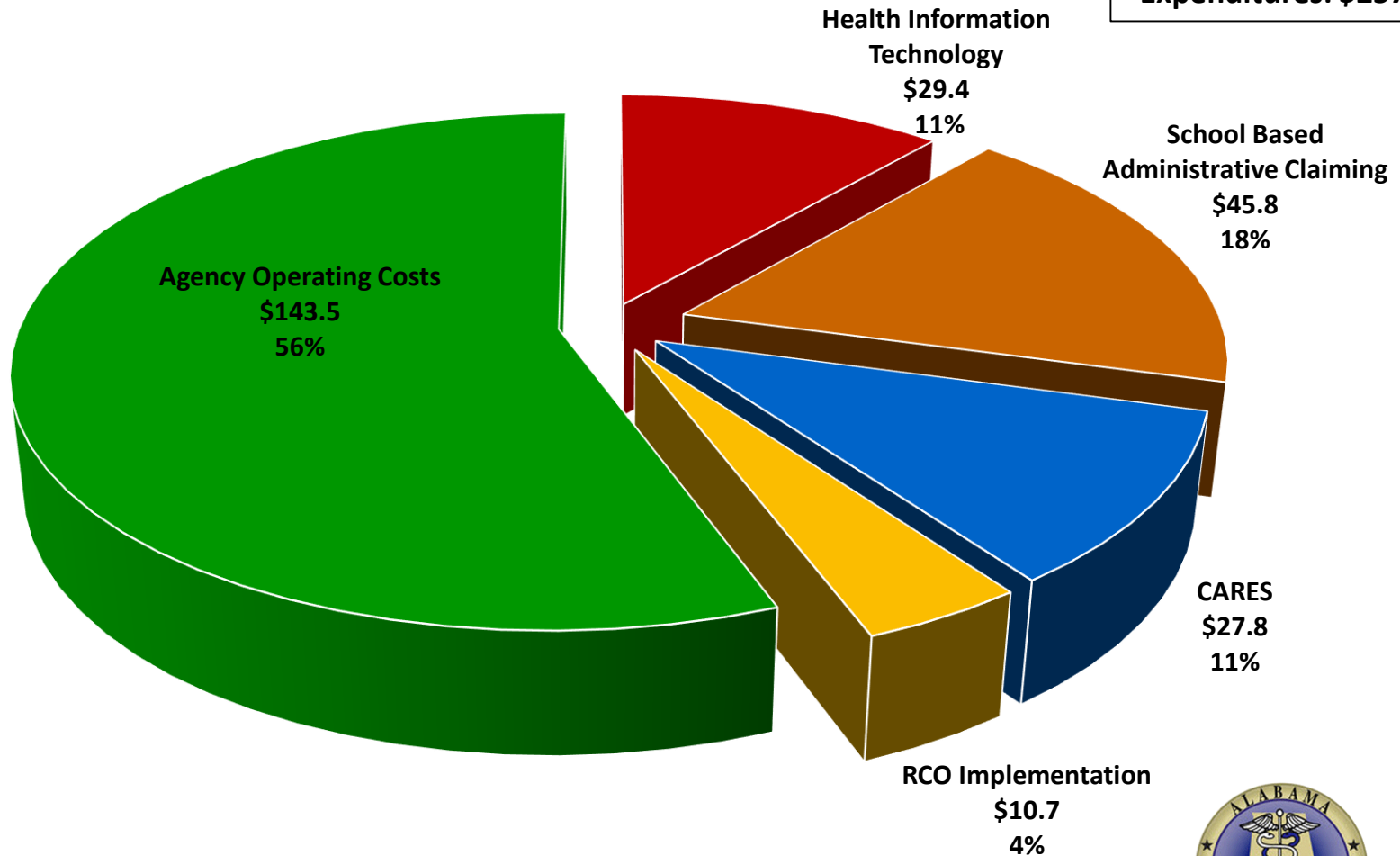## Benefit Payments and Administrative Costs (in millions)

Admin
$257
4%

Other
$726
12%

Hospitals
$2,146
35%

Insurance
$335
5%

Pharmacy
$685
11%

Physicians
$517
9%

Mental Health
$462
8%

Nursing Homes
$945
16%

Benefit Payments: $5,816
96%

FY 2015 Medicaid Expenditures Analysis
Benefit Payments and Administrative Costs (in millions)

Admin
$257
4%

Non-Operating Costs &
Major Projects $114

Other
$726
12%

Hospitals
$2,146
35%

Agency Operating Costs
$143

Insurance
$335
5%

Pharmacy
$685
11%

Physicians
$517
9%

Mental Health
$462
8%

Nursing Homes
$945
16%

Benefit Payments: $5,816
96%

FY 2015 Medicaid Expenditure Analysis – Administrative Expenses by Major Functional Areas (in millions)

Total Administrative Expenditures: $257.2 M

Health Information Technology
$29.4
11%

School Based Administrative Claiming
$45.8
18%

Agency Operating Costs
$143.5
56%

CARES
$27.8
11%

RCO Implementation
$10.7
4%

Non-Operating Costs and Major Projects

Health Information Technology (HIT)

Two divisions of Health Information Technology:

- Health Information Exchange (One Health Record)
- Meaningful Use
- FY 2015 Expenditures $29.4 million

Health Information Technology – Health Information Exchange (HIE)

Health Information Exchange (One Health Record) provides the infrastructure and support for authorized health care professionals to access and exchange patients' health care information

- HIE Operation – 83/17 blended federal match; Program Administration – 90/10 federal match
- Current staffing – 1 employee; 6 contracted staff
- Major contract(s): Technology and Core Infrastructure platform that facilitates safe and secure query and exchange of patient Protected Health Information (Cognosante)
- Administrative expenditures for FY 2015 $2.1 Million

Health Information Technology – Meaningful Use

The goal of the Meaningful Use program is to expand the use of electronic health records and the exchange of patient care information to improve the quality of care and health outcomes.

Meaningful Use incentive payments to physicians and hospitals totaled $24.2 million for FY 2015 at 100% federal match.

Meaningful Use Administration - facilitates incentive payments to expand the use of health information technology in the health care field.
- 90/10 federal match
- Current staffing – 8 employees; 5 contracted staff
- Major contracts:
  - Technical Assistance and Health IT Outreach (Management and Medical Consulting Services)
  - Technology platform for the State Level Registry for Meaningful Use Electronic Health Record (Xerox State Healthcare)
  - Support and data reporting capabilities for Meaningful Use (Department of Public Health)
- Administrative expenditures for FY 2015 $ 3.1 million

School Based Administrative Claiming

Medicaid claims federal matching dollars for costs that schools incur when performing allowable Medicaid administrative activities.

- Includes identifying, referring, and linking Medicaid eligible students to appropriate health resources both in the schools and the communities
- No full time Medicaid staff assigned to this program
- State share paid by Local Education Agencies
- Total expenditures for FY 2015 $45.8 Million

Centralized Alabama Recipient Eligibility System (CARES)

- The CARES project was initiated to design and implement a multi-agency eligibility and enrollment system

- Executive Order 44 created a Joint Eligibility Enrollment Committee that is chaired by the Office of Information Technology

- The system will streamline both the citizen application process and the agency support and management of these benefits

- Agencies that will benefit from this system are: Medicaid Agency, Department of Public Health, Department of Human Resources, Department of Mental Health, and Department of Senior Services

- Current staffing - 1 employee; 100 contracted staff

- Major contracts: Independent Verification and Validation Services (Public Consulting Group)

- FY 2015 Expenditures: $27.8 million; 90/10 federal match rate

Regional Care Organization (RCO) Administrative Costs

- An integrated delivery system under a capitated payment providing case management, provider payments, and quality incentives
- Numerous staff work on implementation
    - New classifications created with State Personnel in the areas of managed care analytics, RCO managers and managed care financial analysts. This created 15 new positions, of which, only 2 are currently filled.
- Major contracts
    - Design and Implementation (Navigant)
    - Actuarial Services (Optumas)
    - Attorneys (Capell & Howard)
    - Enrollment Broker (Automated Health Systems)
    - External Quality Review Organization (To be determined)
    - Recipient Satisfaction Survey – State and Federally required (UAB)
    - Fiscal Agent changes (Hewlett Packard Enterprise)
- Expenditures during FY 2015: $10.7 Million

Expenditures Categorized in Non-Operating Costs and Major Projects
(in millions)

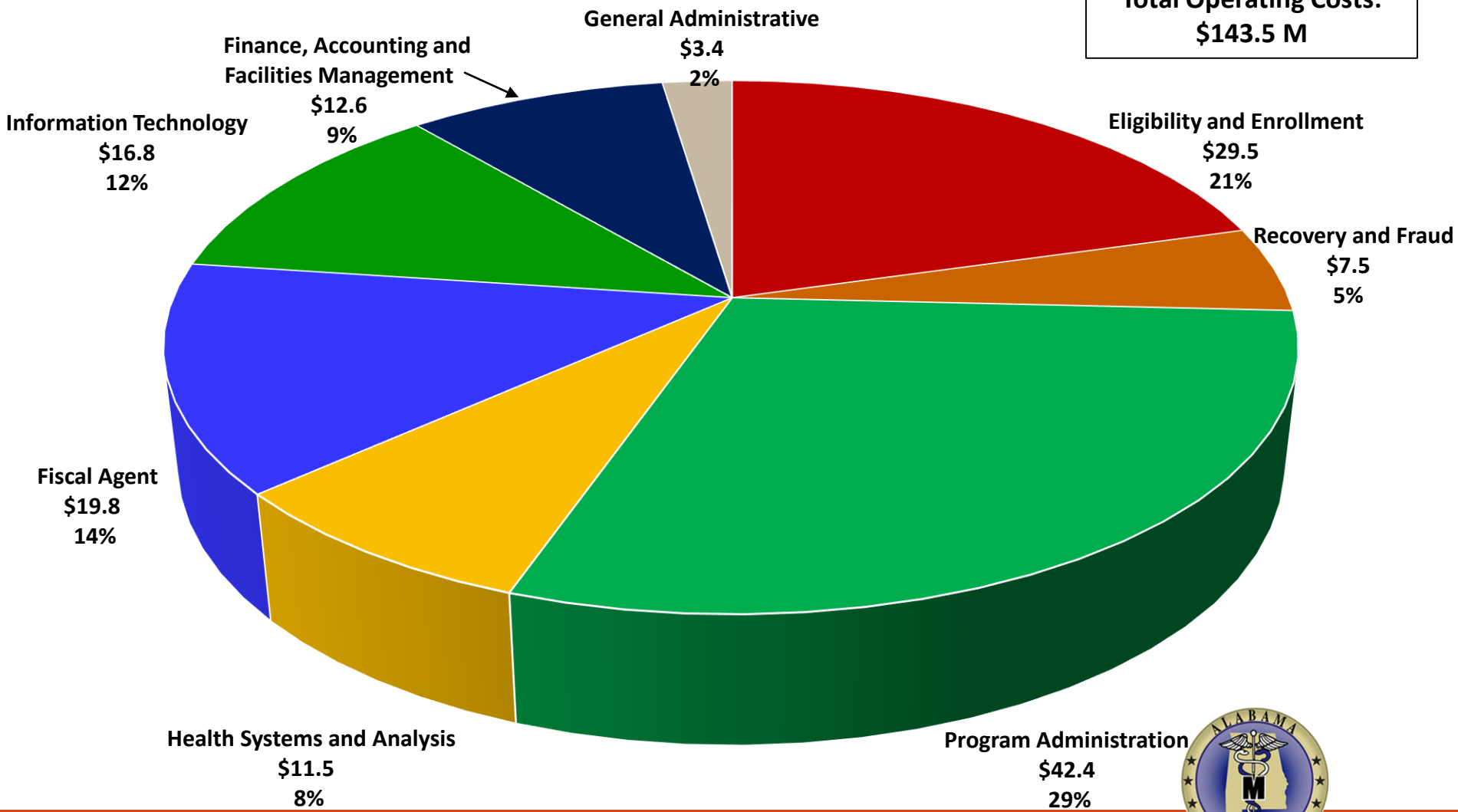|	FY 2015	FY 2016	FY 2017
Health Information Technology	$29.4	$36.2	$37.5
School Based Administrative Claiming	$45.8	$47.3	$47.3
CARES	$27.8	$12.0	$12.0
RCO Administration Costs	$10.7	$27.9	$22.8
	$113.7	**$123.4**	**$119.6**

Agency Operating Costs

FY 2015 Medicaid Expenditure Analysis – Agency Operating Costs (in millions)

Total Operating Costs:
$143.5 M

General Administrative
$3.4
2%

Finance, Accounting and
Facilities Management
$12.6
9%

Information Technology
$16.8
12%

Eligibility and Enrollment
$29.5
21%

Recovery and Fraud
$7.5
5%

Fiscal Agent
$19.8
14%

Health Systems and Analysis
$11.5
8%

Program Administration
$42.4
29%

Eligibility and Enrollment

Staff are responsible for all eligibility and enrollment activities, and are located in Central office, 11 district offices, and out-stationed worker sites in ADPH, FQHCs and hospitals that provide office space and operating costs for workers

Deputy Commissioner – 1 employee; 1 contracted staff (Central Office)

District Offices and Outstationed Workers – 297 employees; No contracted staff

- District offices in Birmingham, Decatur, Dothan, Florence, Gadsden, Huntsville, Mobile, Montgomery, Opelika, Selma, Tuscaloosa and outstationed workers in surrounding counties
- District offices and out-stationed workers provide in person customer assistance and support and determine eligibility for Medicaid's major eligibility groups

Technical Support Division – 19 employees; No contracted staff (Central Office)

- Processes smaller Medicaid eligibility Programs
- Provides Technical Support for outstation staff and coordinate with other agencies such as DHR, DYS, ADPH, and SSA for eligibility information and determinations

Policy and Training Division – 5 employees; No contracted staff (Central Office)

- Provides eligibility policy and training and ensure compliance with federal rules
- Monitors activities of the Alabama Application Assister Program which helps clients with the application process

Eligibility staff tasks

In addition to eligibility intake and interviews; verification and validation; data entry, data reconciliation; eligibility determinations and renewals for individuals in major Medicaid groups, Medicaid eligibility staff also have the following responsibilities:

- Process ALL Kids applications, applications from the federal Marketplace, and over 15 other smaller eligibility programs
- Provide eligibility information about recipients certified through SSI and DHR
- Assist clients with voter registration (mandatory federal requirement)
- Provide information and refer clients for WIC and Family Planning
- Assist providers by verifying eligibility and providing eligibility printouts
- Provide denial letters for clients applying for medical and pharmacy assistance programs
- Provide referrals to SSA, Council on Aging, 2-1-1, DHR, FQHCs, Community Action, and other resources
- Work at community health fairs to assist with Medicaid applications
- Provide training to nursing homes, other state agencies and community organizations
- Work with Children's Policy councils

General Administration

- **Commissioner's Office** – oversees administration of Alabama Medicaid Agency
  - 3 employees; No contracted staff
  - Major contract(s): Single Audit (Examiners of Public Accounts)
- **Communications** – communications and outreach activities on behalf of the Agency
  - 5 employees; No contracted staff
- **Human Resources** – oversees personnel actions of the Agency
  - 4 employees; No contracted staff
  - Major contract(s): Alabama Department of Personnel
- **Office of General Counsel** – provides legal support to the Agency
  - 12 employees; No contracted staff
  - Major contract(s): Litigation support (Hooper, Lundy and Bookman)
- **Governmental Affairs** – provides responses to constituent inquiries and handles all legislative matters for the Agency
  - 6 employees; No contracted staff

Information Technology

- **Deputy Commissioner/Chief Information Technology Officer**
  - 1 employee; No contracted staff
- **Application Development & Support** – Research, development and implementation of new solutions and the associated ongoing support
  - 18 employees; 24 contracted staff
- **Operations, Security, and Infrastructure Support** – Mainframe operations, distributed systems and databases as well as Help Desk and Security
  - 22 employees; 11 contracted staff
  - Major contract(s): Data processing, infrastructure (Department of Finance)

Finance, Accounting, and Facilities Management

- **Chief Financial Officer** – 2 employees; No contracted staff
- **Administrative Services** – Provides administrative support to the Agency including lease negotiations, records management functions, mailing service and printing coordination, motor pool functions, mail and supply room services, property inventory functions, warehouse activities, and risk management coordination
  - 11 employees; No contracted staff
  - Major contract(s): Mailing Service (Action in Mailing)
- **Financial Operations, Budget and Forecasting** - Accounts payable and receivables, cash flow management, CMS reporting, financial budgets and forecasting
  - 13 employees; No contracted staff
  - Major contract(s):
    - Accounting System (Alabama Department of Finance)
    - DSH Audit preparation and CMS reporting (Myers & Stauffer)

Recovery and Fraud

- **Provider Audit/Reimbursement** – nursing home rate development and auditing
  - 17 employees; No contracted staff
  - Major contract(s): Disproportionate Share Hospital (DSH) Audit (Carr, Riggs, and Ingram)
- **Third Party Liability** – will be covered in more detail later; ensures Medicaid is the payer of last resort and seeks the recovery of Medicaid funds that should be covered by another liable entity
  - 24 employees; No contracted staff
  - Major contract(s): Third Party Recovery and cost avoidance (Health Management Systems)
- **Program Integrity** – will be covered in more detail later; identifies fraud, waste, and abuse in the Medicaid program
  - 28 employees; No contracted staff
  - Major contract(s): Recovery Audit Contractor (Goold Health Systems)

Health Systems and Analysis

- **Chief Medical Officer**
  - 2 employees; No contracted staff
  - Major contract(s): Evidence-based Medicaid collaborative (MED)
- **Long Term Care Transformation** – Integrated Care Network and Gateway to Community Living
  - 3 employees; 1 contracted staff
  - Major contract(s):
    - Implementation (Navigant)
    - Transition Coordination (University of Alabama)
- **Managed Care** – Patient 1st, Health Home, Maternity Care Program, and PACE
  - 13 employees; No contracted staff
  - Major contract(s):
    - Actuary Services (Optumas)
    - OB/GYN consultant

Health Systems and Analysis continued

- **Analytics Unit – Healthcare Quality/Metrics and Business Analytics**

  - 2 employees; 7 contracted staff

  - Major contract(s):

    - Academic support and risk scoring (University of Alabama)
    - Research and feasibility studies (UAB)
    - Mapping (Alabama Geographic Information Office)

- **Medical Services – oversees all acute care programs like hospital, physicians, etc.**

  - 12 employees; No contracted staff

  - Major contract(s):

    - Dental consultant
    - Prior Authorization for radiology and cardiology services (EviCore)
    - Inpatient Quality Assurance (Qualis Health)

Fiscal Agent

- **Hewlett Packard Enterprise (HPE)**
  - Medicaid claims processing and payment agent
    - Process 55 million claims a year for Medicaid
    - 98.5% of claims processed in less than 2 days
  - Operates the Agency's Recipient and Provider Call Centers
    - 45,000 calls per month
  - Enrolls Medicaid providers for the Agency
    - Ensures providers meet federal and state requirements to be a Medicaid Provider
    - Enrolls and re-enrolls providers
    - Responsible for outreach and education for all Medicaid providers
- **Fiscal Agent Policy Unit** – Monitoring the fiscal agent to ensure all contract requirements related to claims processing, provider enrollment, federal reporting, and call center operations are met
  - 6 employees; No contracted staff

Program Administration

- **Deputy Commissioner**
  - 2 employees; No contracted staff
  - Major Contract(s): Actuarial Services (Optumas)

- **Clinical Services and Support** – oversees Pharmacy, Durable Medical Equipment and Prior Authorization
  - 9 employees; No contracted staff
  - Major contract(s):
    - Pharmacy Prior Authorizations and Drug Utilization Reviews (Health Information Designs)
    - Prior Authorizations for DME and other medical services (Qualis Health)
    - Drug pricing/Average Acquisition Cost (Myers and Stauffer)
    - Pharmacy and Therapeutics Committee support (University of Massachusetts Medical Services)

Program Administration continued

- **Long Term Care (LTC)** – oversees policy development of LTC programs and waivers. Majority of administrative functions are performed by other agencies that pay the state share through Inter-Governmental Transfers
  - 11 employees; No contracted staff

- **Non-Emergency Transportation (NET) Services** – schedule transportation and process vouchers for NET
  - 21 employees; No contracted staff
  - Major Contract(s): Process EBT cards and payments (Xerox)

Agency Personnel

|	Filled Positions	Vacant Positions	Contract Staff
Eligibility and Enrollment	322	20	1
General Administration	30	7	0
Information Technology	41	4	35
Finance, Accounting, and Facilities Mgmt	26	6	0
Recovery and Fraud	69	4	0
Health Systems and Analysis	32	3	8
Fiscal Agent	6	3	0
Program Administration	43	4	0
	569	**51**	**44**
CARES	1	0	100
HIT (includes HIE and Meaningful Use)	9	0	11
RCO	2	15	0
TOTAL	**581**	**66**	**155**

Numbers as of April 2016

Medicaid Staffing by Race and Gender

Race
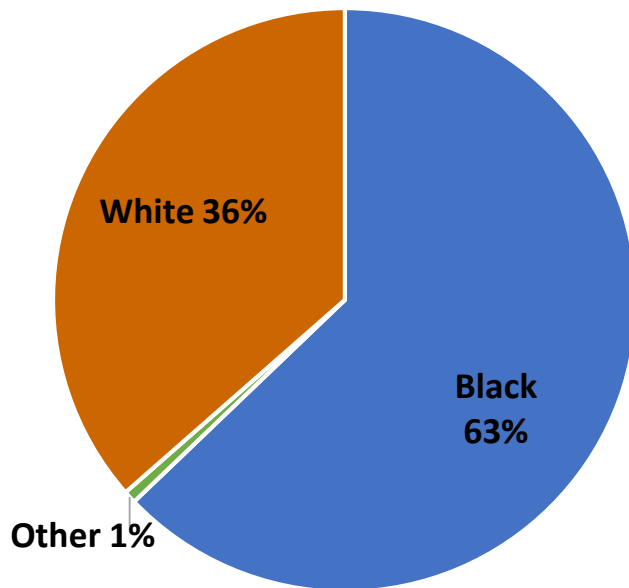
Gender
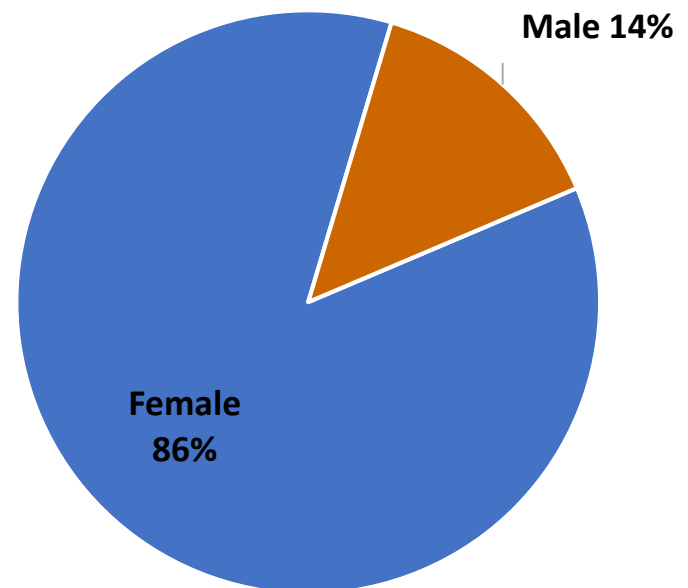
Personnel Federal Match Rates

As of April 2016, 70% of Medicaid employees are matched at 75% or better. All contracted staff are matched at 75% or better.

Medicaid gets a 100% federal match for:
- Special grant funded programs
- 3 employees and 1 contracted staff

Medicaid gets a 90% federal match for:
- Employees working with MMIS development projects
  - CARES, HIT, and Meaningful Use
- Family planning program staff
- 14 employees and 112 contracted staff

Medicaid gets a 75% federal match for:
- Eligibility and Enrollment – temporary, enhanced match related to CARES (usual match 50%)
- Health professionals (physicians, pharmacists and nurses)
- Employees working with MMIS
- 389 employees and 42 contracted staff

Remaining staff at 50% federal match:
- General admin, finance, audit and recovery
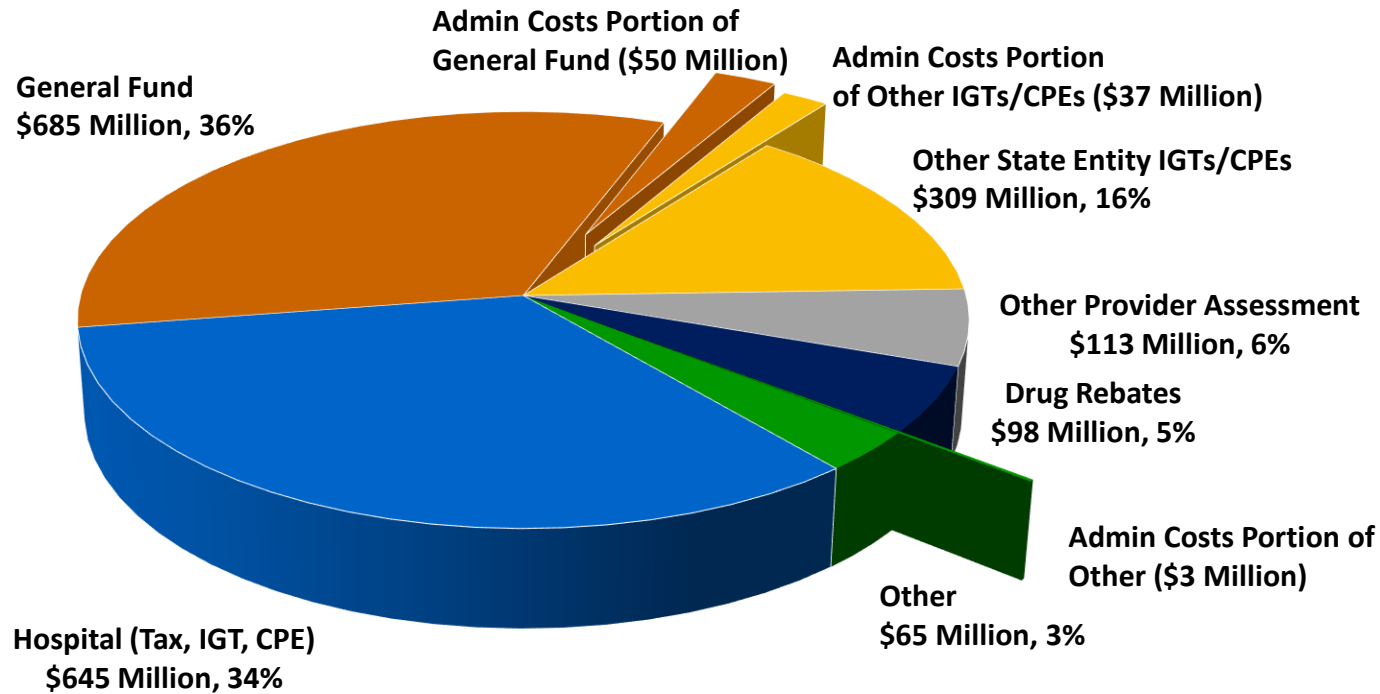- 175 employees and no contracted staff

Expenditures Categorized in Agency Operations (in millions)

	FY 2015	FY 2016	FY 2017
Eligibility and Enrollment	$29.5	$30.7	$30.9
General Administration	$3.4	$3.6	$4.0
Information Technology	$16.8	$17.6	$25.8
Finance, Accounting, and Facilities Management	$12.6	$13.4	$12.9
Recovery and Fraud	$7.5	$8.6	$8.6
Health Systems and Analysis	$11.5	$14.4	$10.3
Fiscal Agent	$19.8	$19.9	$20.4
Program Administration	$42.4	$36.6	$34.4
	$143.5	**$144.8**	**$147.3**
Agency Operating Costs as a % of Total Expenditures	**2.4%**	**2.5%**	**2.5%**
Administrative Costs as a % of Total Expenditures	**4.2%**	**4.3%**	**4.1%**

FY 2015 State Share Sources Administrative Costs

Admin Costs Portion of General Fund ($50 Million)

Admin Costs Portion of Other IGTs/CPEs ($37 Million)

General Fund $685 Million, 36%

Other State Entity IGTs/CPEs $309 Million, 16%

Other Provider Assessment $113 Million, 6%

Drug Rebates $98 Million, 5%

Admin Costs Portion of Other ($3 Million)

Other $65 Million, 3%

Hospital (Tax, IGT, CPE) $645 Million, 34%

Total State Share Approximately $1.915 Billion
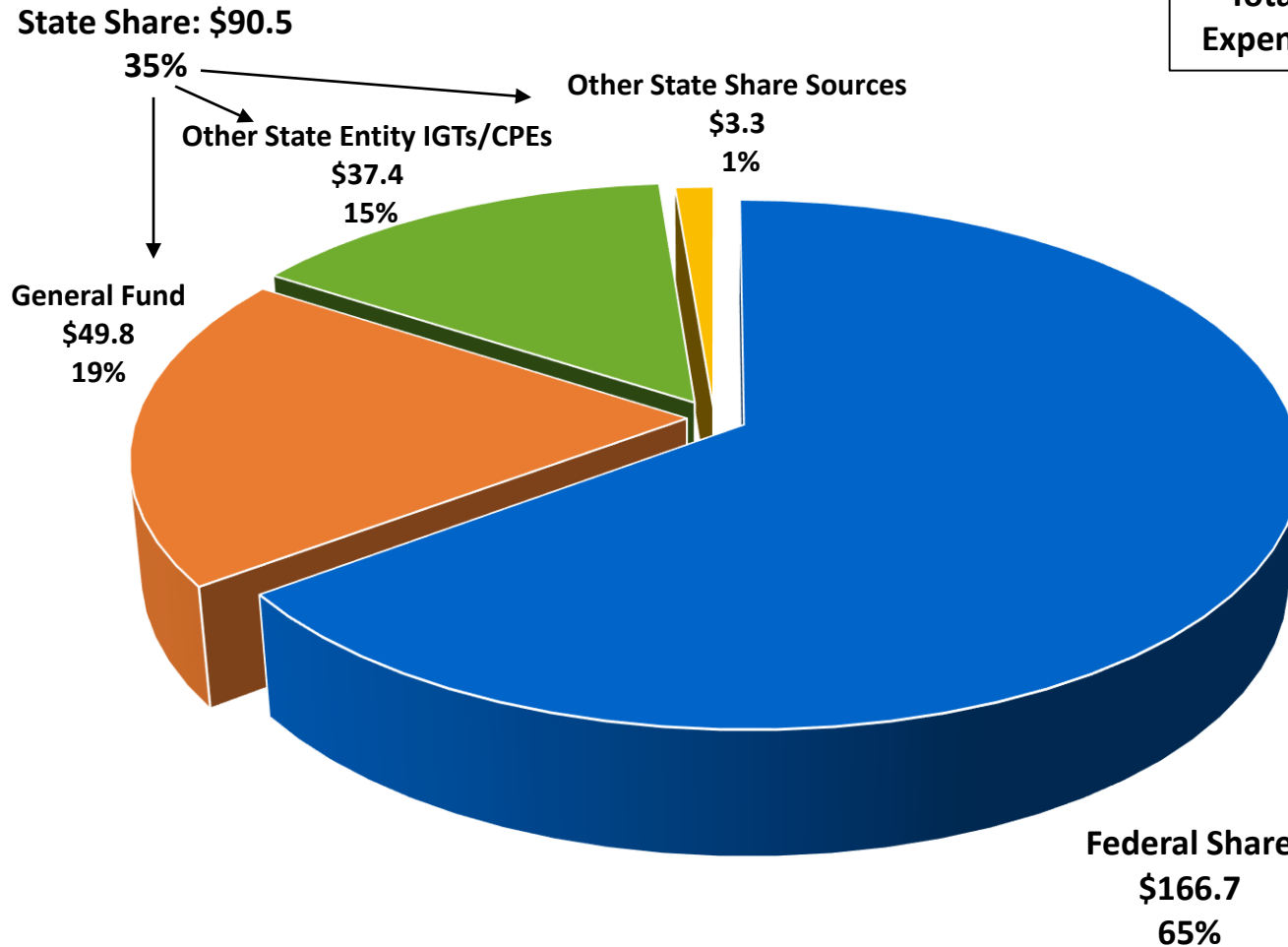
FY 2015 Medicaid Funding Analysis Administrative Costs (in millions)

Total Administrative Expenditures: $257.2 M

State Share: $90.5
35%

Other State Entity IGTs/CPEs
$37.4
15%

Other State Share Sources
$3.3
1%

General Fund
$49.8
19%

Federal Share
$166.7
65%

Recovery Activities

Third Party Liability (TPL)

Key Functions of TPL

- Ensures that Medicaid is the payer of last resort, in accordance with federal guidelines
- Maintains databases of Medicare and commercial insurance coverages that are utilized by Medicaid's claims processing system to ensure the proper coordination of benefits (COB)
- Seeks to recover claims that Medicaid has initially paid, but has later identified another liable entity
- Seeks the recovery of Medicaid payments resulting from recipient provided eligibility information that is either fraudulent or inaccurate
- Seeks recovery through federal estate recovery provisions
- Manages the lien recovery program
- Manages the payment of Medicare premiums

TPL Statistics

- 20% of Medicaid recipients also have Medicare coverage
- 7% of Medicaid recipients also have commercial insurance
- In FY15, 5,679 subrogation cases were identified for case tracking and potential recovery
- Medicaid has 3,036 liens that are due to the Agency now because the recipient is deceased. Medicaid has billed the recipient's sponsor for these amounts.
  - Limitations on collections include superior liens, property value, occupancy of the property, cost to sell, etc.
  - Initiating a pilot program through the RFP process to more aggressively collect on liens

Cost-Avoidance Savings

By maintaining a TPL resource file of other insurance and Medicare, Medicaid is able to ensure proper Coordination of Benefits (COB) and save money through cost-avoidance.
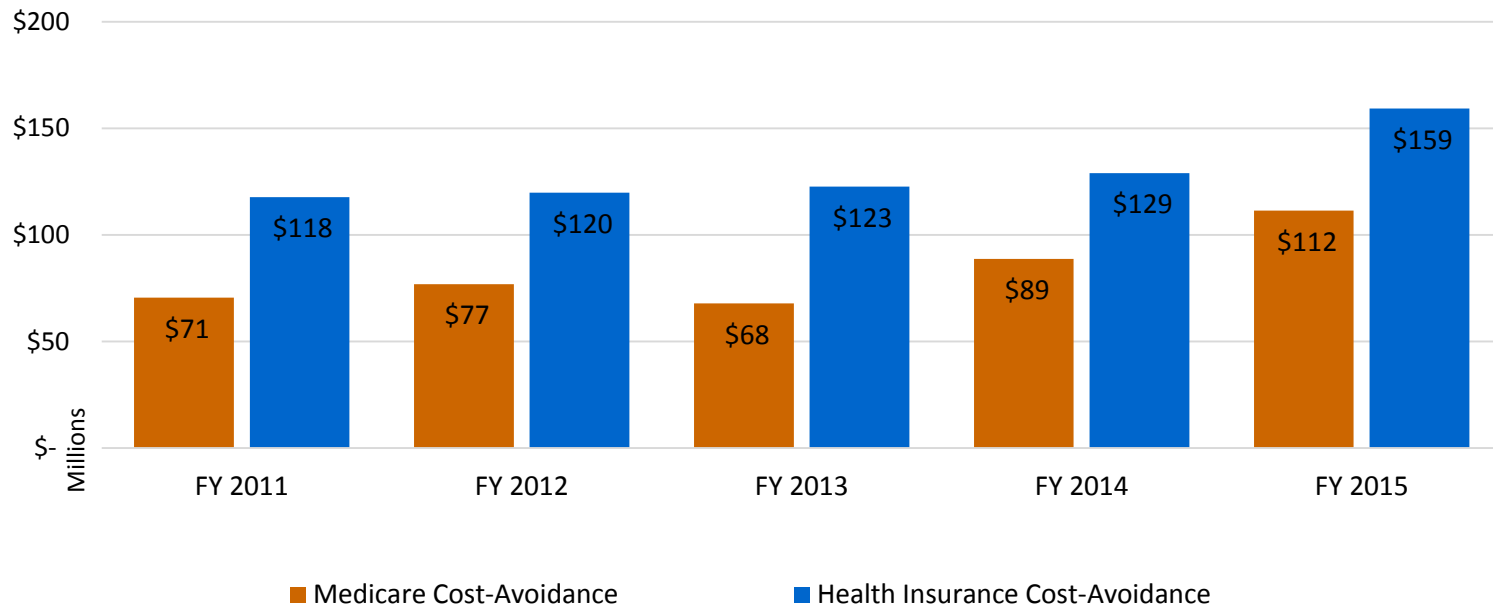
Cost-avoidance savings include claims denied by Medicaid and returned to the provider to file with the other payer. The amount cost-avoided is based on a calculation of the Medicaid allowed amount. The above savings do not include paid claims where Medicare paid as primary.

TPL Recoveries
(in millions)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Health Insurance	$13.4	$18.9	$17.5	$12.3	$12.9
Medicare Recoupments	6.6	4.8	4.4	2.3	3.2
Casualty/Tort Collections	3.1	3.2	4.0	3.6	4.3
Recipient Collections	1.3	1.2	1.3	1.3	1.0
Liens	4.2	4.7	5.4	5.3	6.1
Estate Recovery	2.4	1.9	3.6	2.6	4.8
Credit Balance Audits	.4	1.0	1.4	1.1	1.1
	$31.4	$35.7	$37.6	$28.5	$33.4

Includes federal share

Program Integrity Division

Program Integrity Division

- Ensures that medical services are appropriate and rendered as billed, provided by qualified providers to eligible recipients, and all funds identified for collection are pursued
- Identifies fraud, waste, and abuse in the Medicaid Program by reviewing paid claims history and conducting desk and field audits and investigations
- Makes referrals to the state's Attorney General Office for credible allegations of provider fraud and recipient fraud to local district attorneys.
Fraud hotline number 1-866-452-4930.
- Aids in program management and system improvement by identifying policy deficiencies, suggesting policy changes, and recommending changes and additions to system edits and audits
- FY 2015, collected $3.5 million

Program Integrity Division

- **Enrollment and Sanction Unit –** Ensures compliance with provider enrollment credentialing guidelines and provider/recipient suspension programs

- **Provider Review Unit –** Conducts post-payment audits using medical records and claims data, works with investigators and/or Attorney General's office on open cases, and coordinates with program staff to identify opportunities to correct or improve billing policies and system problems to avoid misspent dollars

- **Recipient Review Unit –** Manages "Lock-In" program that restricts recipients to one doctor and/or one pharmacy

- **Quality Control Unit –** Audits eligibility determinations for correctness

- **Investigations Unit –** Conducts preliminary investigations of providers and completes fraud investigations of recipients

Cost Avoidance

- Stringent provider enrollment procedures

- Review and recommend policy and system edits

- Locking recipients into one doctor and/or pharmacy

- Ensuring eligibility is determined correctly

Medical Claims Payment Error Rate Measurement 2013

Alabama's PERM rate is well below the national average error rate

**Alabama's Error Rate** Relative to Other States
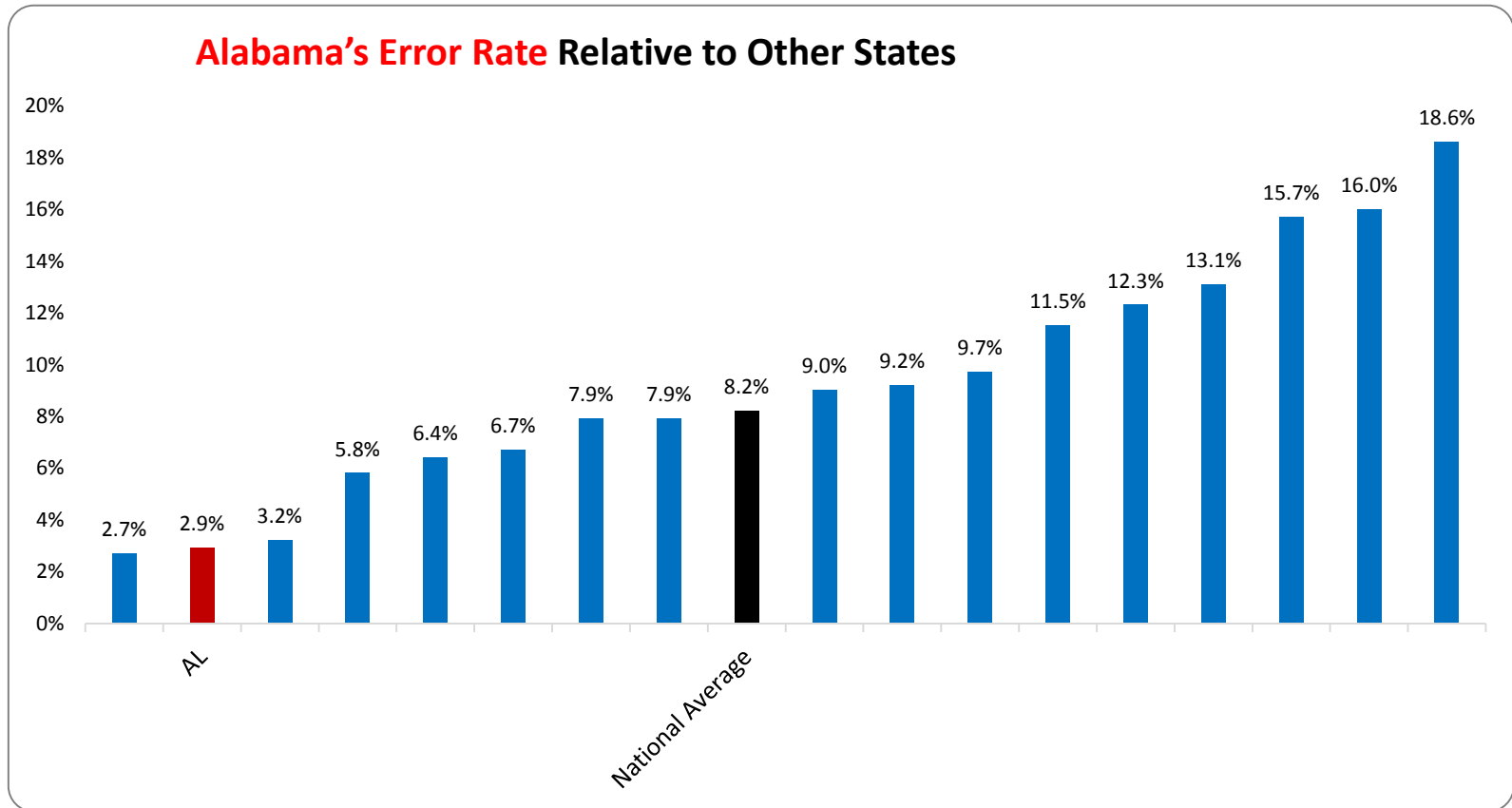
Data from: CMS FY 2013 Alabama Medicaid Payment Error Rate Measurement (PERM) Cycle 2 Summary Report

Recovery Audit Contractor (RAC)

- Affordable Care Act requires the agency to select and provide oversight for a Medicaid RAC to perform provider audits.

- **Goold Health Systems (GHS)** is Medicaid's RAC which supplements the state's provider overpayment identification and recovery efforts through a contingency contract

- GHS staff include full time medical directors, pharmacists, certified professional coders, and experienced clinicians

- Medicaid staff approve all work plans as well as draft and final audit results prior to notifying providers of findings

- **$1,380,412** collected in FY2015

FY 2015 Recovery and Fraud Return on Investment (ROI)
(in millions)

Cost vs. Recovery

- Cost: $7.5
- Recovery: $37.0
- Avoidance: $274.2
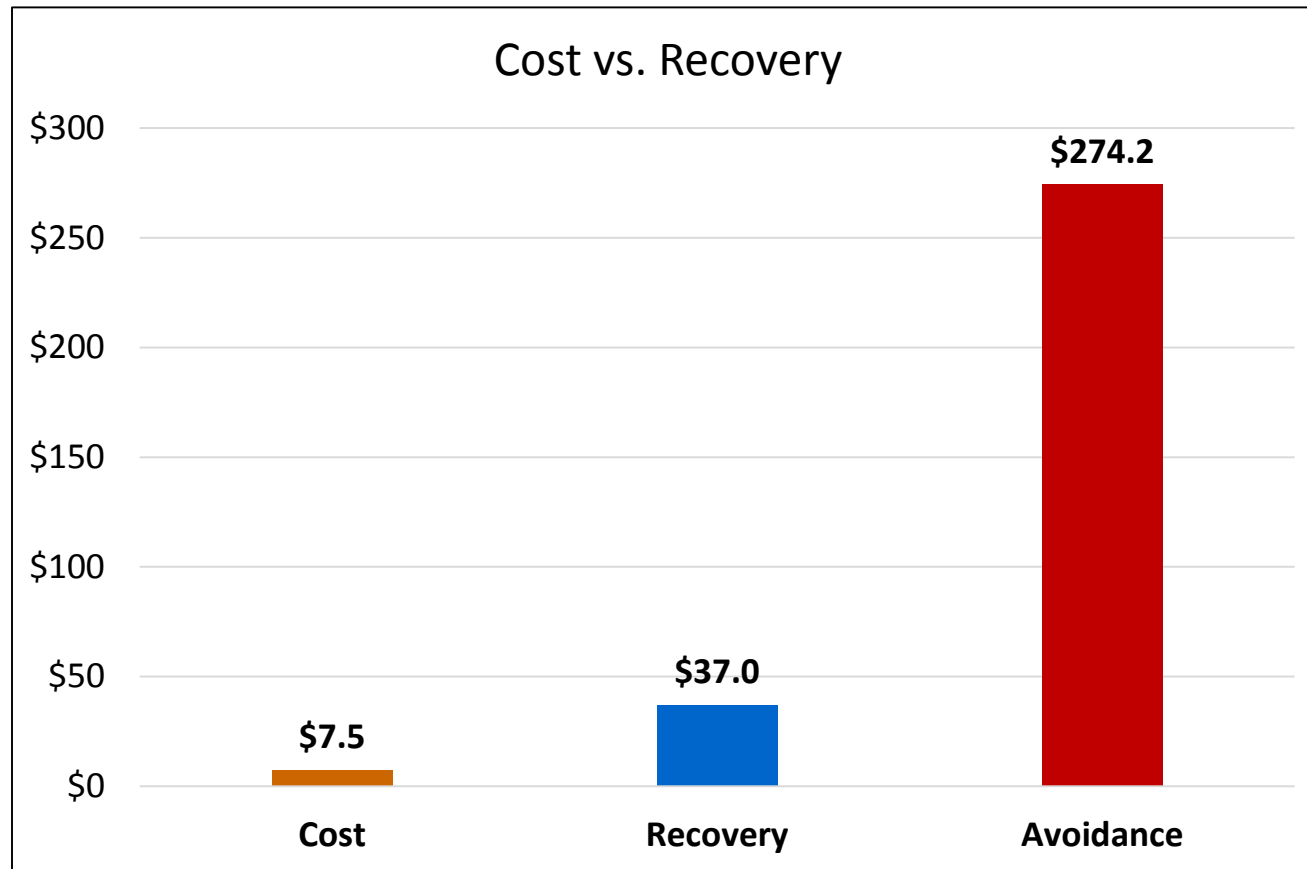
Summary

- The Agency's operating cost was 2.4% of the total expenditures for Fiscal Year 2015

- Of the $257 million for administrative costs, approximately $50 million is provided by the Medicaid General Fund appropriation

- Due to favorable federal match rates for Medicaid employees, cuts in this area have little fiscal impact

- Opportunities to reduce general fund contributions for administrative costs are limited due to favorable federal matching rates

- Effective cost avoidance and recovery activities reduce expenditures by preventing fraud, abuse and misuse of funds

- Medicaid is vital to the health care system of Alabama