



NOVEMBER 2025

Alaska Department of Health Behavioral Health Rate Evaluation

DOH and Guidehouse

outwit complexity™

This deliverable was prepared by Guidehouse Inc. for the sole use and benefit of, and pursuant to a client relationship exclusively with the Alaska Department of Health ("Client"). The work presented in this deliverable represents Guidehouse's professional judgement based on the information available at the time this report was prepared. The information in this deliverable may not be relied upon by anyone other than Client. Accordingly, Guidehouse disclaims any contractual or other responsibility to others based on their access to or use of the deliverable.

Agenda

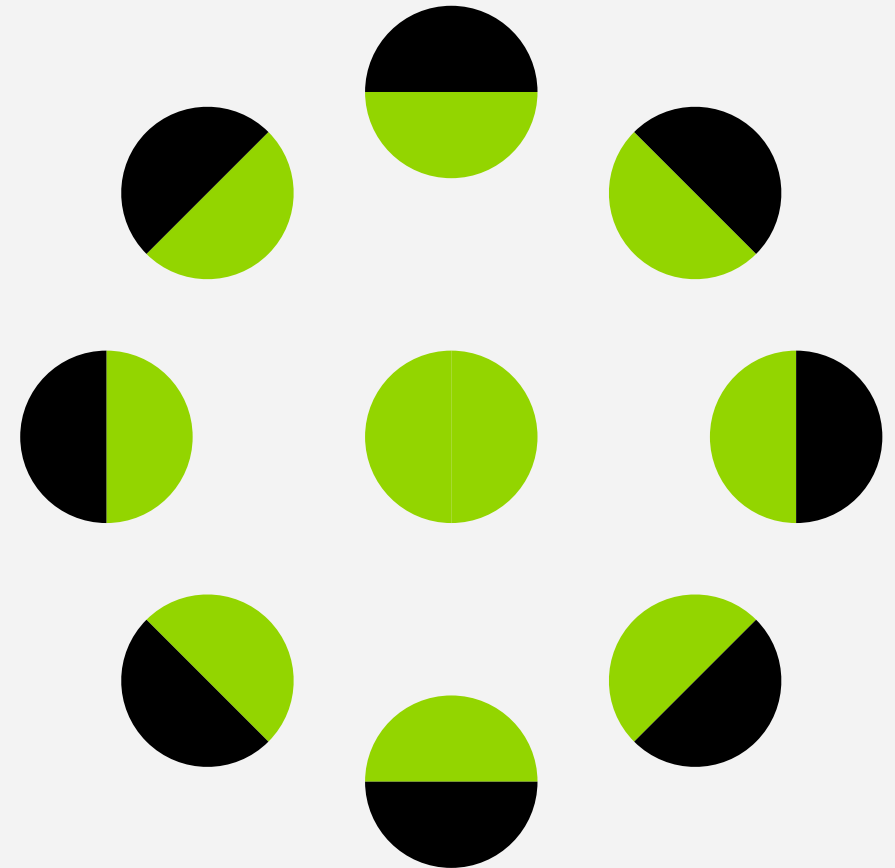
Project Overview

Rate Evaluation Approach

Rate Assumptions Overview

Service Mix and Fiscal Impact

Findings and Recommendations



Who Was Involved?

The rate evaluation was a collaborative efforts among multiple stakeholder groups.



Guidehouse

Served as the facilitator and analytic consultant to analyze financials, stakeholder input and public data sources.



Alaska Department of Health

Intermediary between contractor and providers that also provided insights and support.



Alaska Providers

Providers participated in providing data and thoughtful service delivery feedback throughout the process

What is a Rate Evaluation?

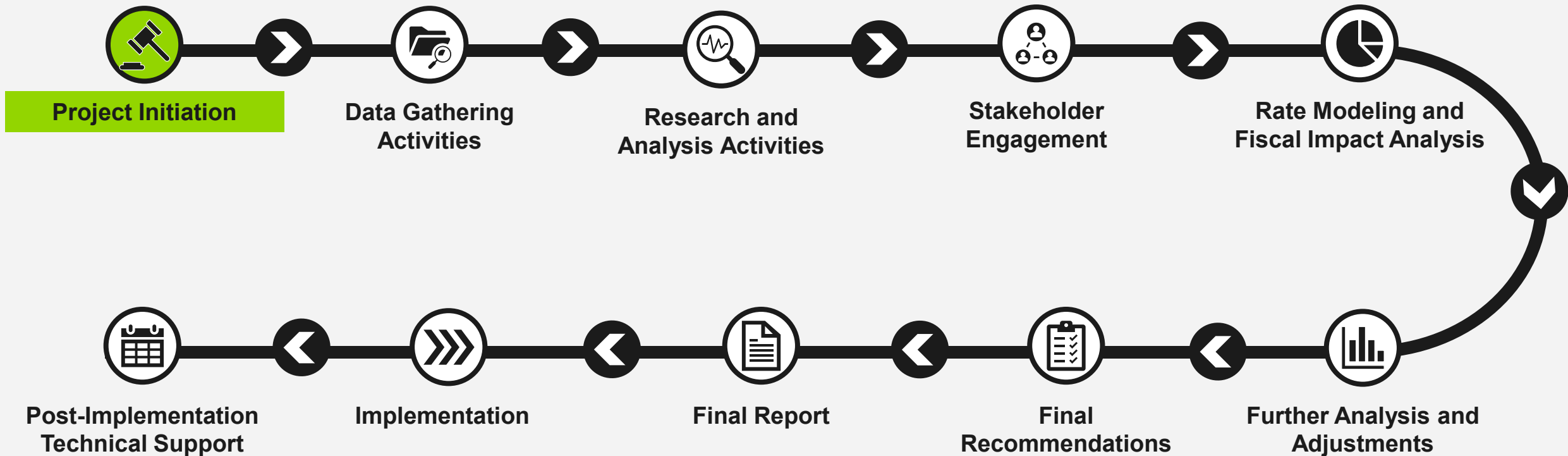
Overview: A rate evaluation is an in depth review of the costs and service delivery mechanics associated with individual services.

Purpose: The study equips DOH and Alaska's leaderships with information needed to **develop a sound payment and rate-setting methodology**, informed by analysis of the reasonable and necessary costs incurred by providers who offer behavioral health services.

Impact: Provide DOH and Alaska leadership with the tools to be able to apply data driven decisions in where to direct Medicaid dollars.

Why Now: DOH is looking to be responsive to cost pressures that have been communicated to DOH and Alaska leadership.

How: Guidehouse Approach



Engagement Scope and Phase 1 Service Categories

Overview: A comprehensive evaluation of Alaska Medicaid payment methodologies and for ongoing maintenance and ad hoc consultation for a period after the evaluation to support post implementation of any changes to the methodologies resulting from this contract. The payment methodology evaluation’s intent is to conduct a client-centric assessment that is focused on promoting access to care for all Alaskans, including those with complex needs, in a fee-for-service Medicaid environment.

Behavioral Health (State Plan and 1115 waiver services)

Community Behavioral
Health

Applied Behavior Analysis
(Autism)

Crisis Services

Adult and Children’s
Residential

Long Term Services and Supports

1915(c) Home and Community-Based
waiver services

1905(a) Personal Care Services

1915(k) Community First Choice services

LTSS Targeted Case Management

The Tax Equity and Fiscal Responsibility
Act of 1982 (TEFRA) Program

Intermediate Care Facilities for Individuals
with Intellectual Disabilities (ICF/IID)

Federally Qualified Heath Centers (FQHC)

Prospective Payment
System (PPS) rate

Alternative Payment
Methodology

Transportation

Ground and Air Ambulance

Taxi

Paratransit Services

Accommodation Services

Behavioral Health Services in Scope

1115 Waiver: SUD Provider Services

- American Society of Addiction Medicine (ASAM) Services (1.0 - 4.0)
- Community Recovery Supports
- SUD Care Coordination
- Intensive Case Management
- Peer-Based Crisis
- Crisis (Mobile Crisis, Mobile Crisis Follow Up, 23 Hour Crisis Observation and Stabilization and Crisis Residential Stabilization)
- Treatment Plan Development

1115 Waiver: Behavioral Health Provider Services

- Home-Based Family Treatment Services
- Therapeutic Treatment Homes
- Children's Residential Treatment
- Intensive Case Management
- Community Recovery Supports
- Assertive Community Treatment
- Intensive Outpatient
- Partial Hospitalization
- Adult Mental Health Residential Services
- Peer-Based Crisis
- Crisis (Mobile Crisis, Mobile Crisis Follow Up, 23 Hour Crisis Observation and Stabilization and Crisis Residential Stabilization)
- Treatment Plan Development or Review

State Plan: Community Behavioral Health*

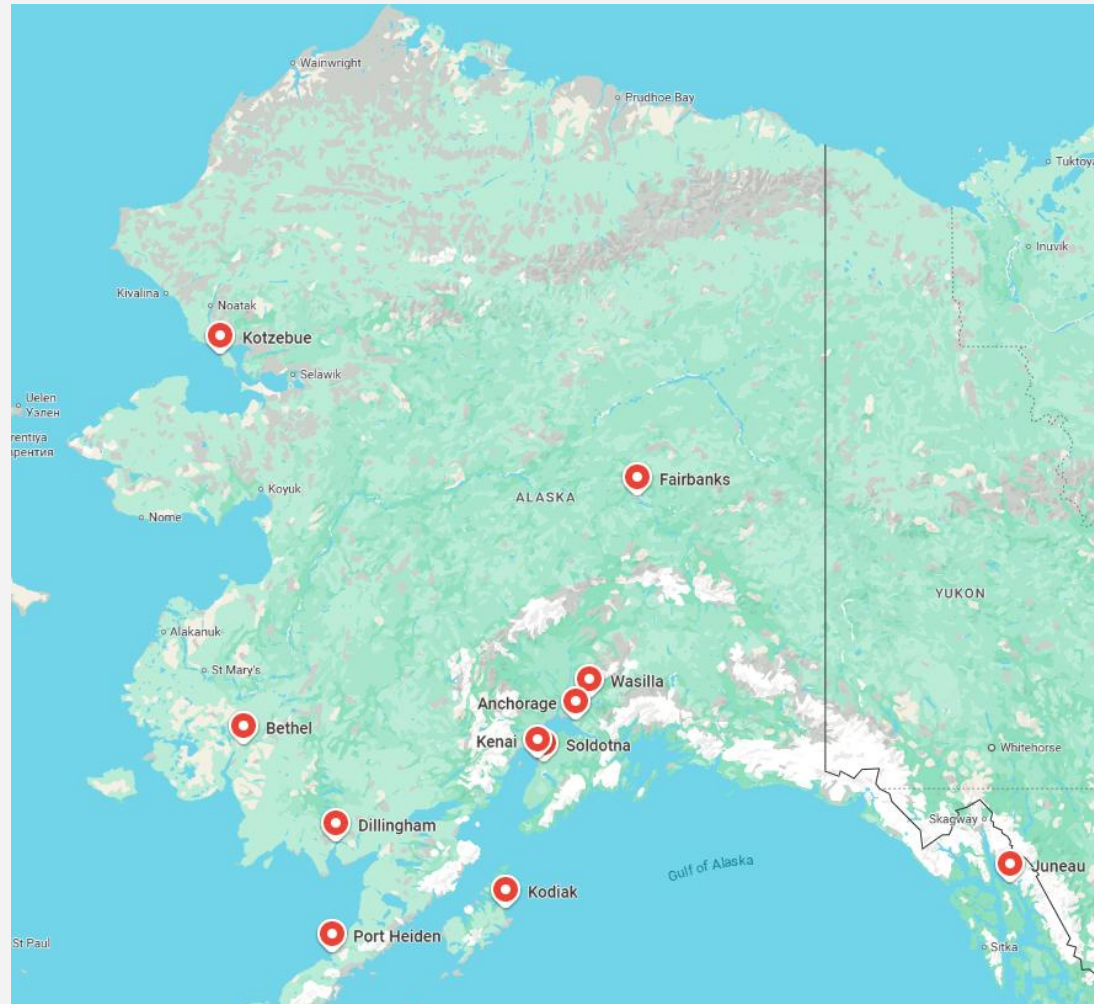
- Behavioral Health Screen
- Alcohol and/or Drug Assessment
- Case Management
- Therapeutic BH Services- Peer Support Services
- Day Treatment for Children
- Treatment Plan Review
- Oral Medication Administration
- Methadone Administration
- Ambulatory Detoxification
- Clinically Managed Detoxification
- Medically Managed Detoxification
- Medical Evaluation
- Residential SUD Treatment
- Screening, Brief Intervention, and Referral for Treatment (SBIRT)

Autism Services (ABA)

- Adaptive Behavior Treatment (Individual, Family and Group)
- Behavioral Identification Assessment

*Clinic services subject to the Upper Payment Limit were excluded from final fiscal impact due to UPL constraints.
Guidehouse recommendations address potential alternatives

Where Have We Been?

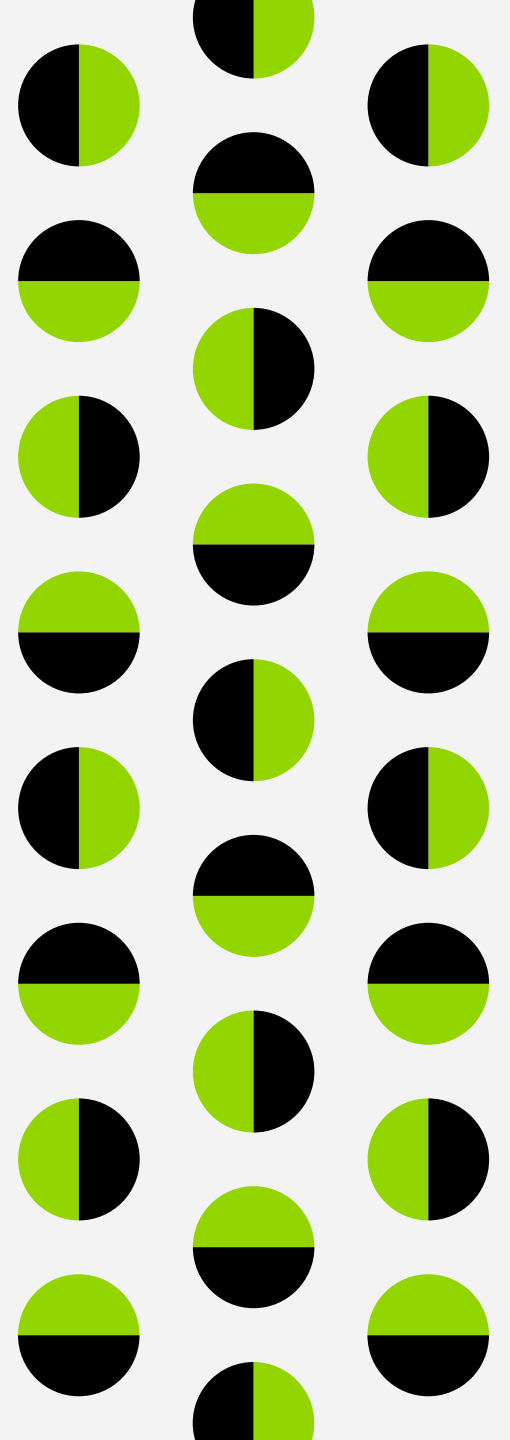


Stakeholder Engagement Efforts

Workgroup Meetings	Provider Interviews and Individual Provider Meetings	Association Meetings	Additional Meetings/Contacts
BH: 5 Meetings + 1 Survey Training Session - LTSS: 6 Meetings + 2 Survey Training Sessions + 6 Technical Assistance Sessions - Transportation: 4 Meetings + 2 Survey Training Sessions - FQHC: 2 Meetings	BH On-Sites: 16 Meetings BH Focus Groups: 5 Meetings, 4 Individual - LTSS On-Sites: 14 Meetings - LTSS Focus Groups: 2 Meetings - Transportation: 19 Meetings - FQHC On-Site: 1 Meeting	Alaska Mental Health Trust Alaska Behavioral Health Association - Alaska Hospital and Healthcare Association - Alaska Native Health Board - Alaska Primary Care Association - Alaska Association on Developmental Disabilities (AADD) - Alaska Association for Personal Care Supports - Governor's Council on Disabilities and Special Education (GDCSE) - Alaska Commission on Aging (ACoA) Leadership	- LTSS Listening Sessions: 2 Sessions - SEIU 775 / Union for Personal Caregiver Listening Session: 1 Meeting - Travel Management Organizations: 5 Meetings - FQHC Additional Communication: 115 emails/calls
Total: 28 Meetings	Total: 61 Meetings	Total: 11 Meetings	Total: 123 Meetings/Contacts

Total Outreach: 223

Rate Evaluation Approach



Guidehouse Approach to Rate-Building Across Programs/Services

Employs assumptions of:

- Wages
- Types of employees
- Staffing ratios
- Employee benefits
- Other provider costs



Recognizes the costs of services with service-specific variations

Analysis requires multiple components

Independent Model Approach – An approach using state-specific data sources to develop the estimates for each cost component for each service.

Consideration of participant's specific needs (team dynamics, staffing ratios)



Assumptions can be derived from state, national or industry standard data

Common Data Sources

To build independent rates for each program consistent with the concept on the previous slide, we will use a variety of sources to inform our assumptions

Provider cost and wage survey data from Alaska providers.

Bureau of Labor Statistics (BLS) wage and employee-related expenses (ERE) data specific to Alaska.

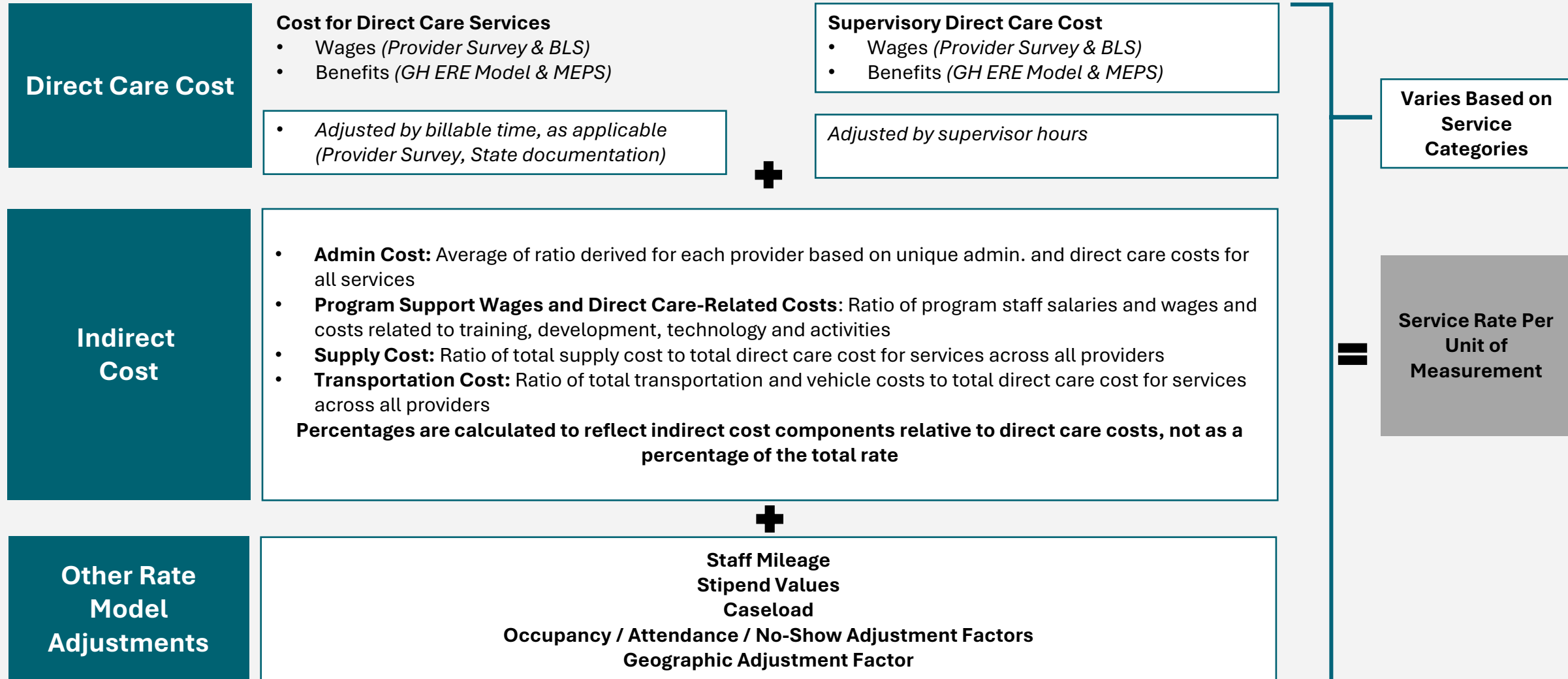
Medical Expenditure Panel Survey – Insurance Component (MEPS-IC) state-specific data regarding health insurance

Inflation factors, both historic and forward-looking.

MMIS Claims data.

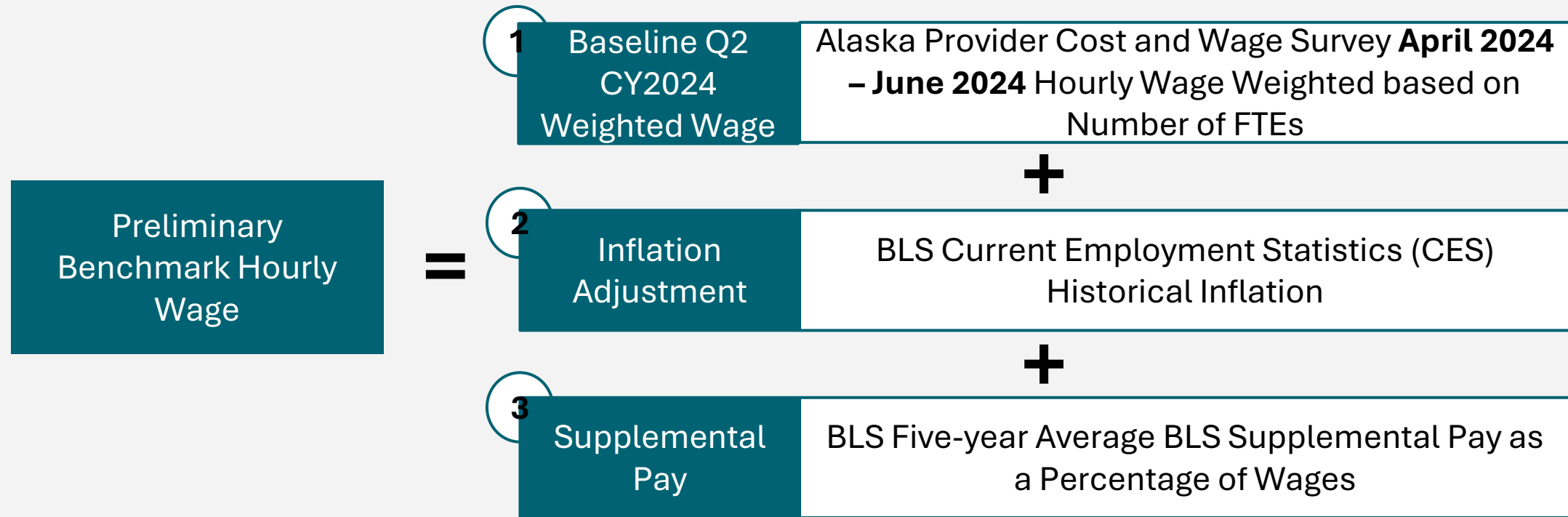
Other state and national benchmarks.

Rate Build Up Overview

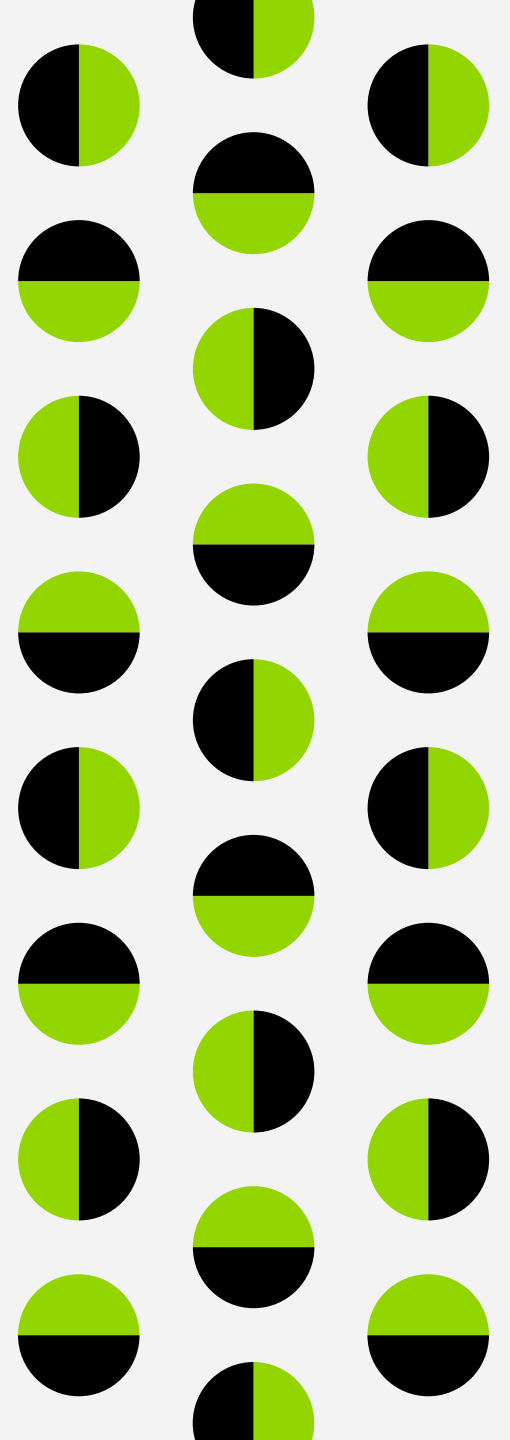


Wage Adjustment Factors

The benchmark wages used to identify the cost of delivering services will be calculated by FTE weighting using the survey reported average wages for each job type. This value can then be adjusted by an additional inflation factor and include supplemental pay.



Rate Assumptions Overview



Rate Components Overall Assumptions

- **Wages:** FTE weighted based on survey results.
- **Wage Inflation Percentage: 2.1%** (CES – Outpatient Mental Health and Substance Abuse Centers)
- **Supplemental Pay: 3.87%** (BLS data)
- ★ **Productivity:** Averages were created across service groupings with similar rate characteristics and delivery mechanisms. Group services were then adjusted down by 5% to account for additional note keeping and documentation required. Productivity ranged on the low end with group autism services at 58% with all other services ranging from mid-60's to mid 70's.
- ★ **Indirect Cost Percentages:** (No substantial differences observed based on location or service)

Program Support Cost	Supplies Cost	Transportation Cost	Building and Equipment Cost	Total Program Support	Total Administrative Cost	Total Indirect
11.1%	4.0%	2.1%	8.6%	25.8%	43.8%	69.6%

Rate Components Overall Assumptions

- ★ **Staffing Ratios (Group):** 1:3
- ★ **Staffing Considerations:** Appropriate staffing considerations were taken into place for all services when deciding the primary staff delivering the service, such as using licensed staff where required and appropriate. Primarily leveraged the top reported staff type from provider cost & wage survey responses.
 - **Length of Service:** Based on the average time estimate indicated within the provider cost & wage survey.
 - **Residential Services:** Staffing ratios incorporated based on provider feedback and acuity of the population.
- ★ **No Show Adjustment:** 10% - 25% (Based on service type)
- ★ **Occupancy for Residential Services:** 80%-85%
 - **Rate Inflation Percentage:** 3.2% (PPI- Psychiatric and Substance Abuse Hospitals)

Employee-Related Expenses (ERE)

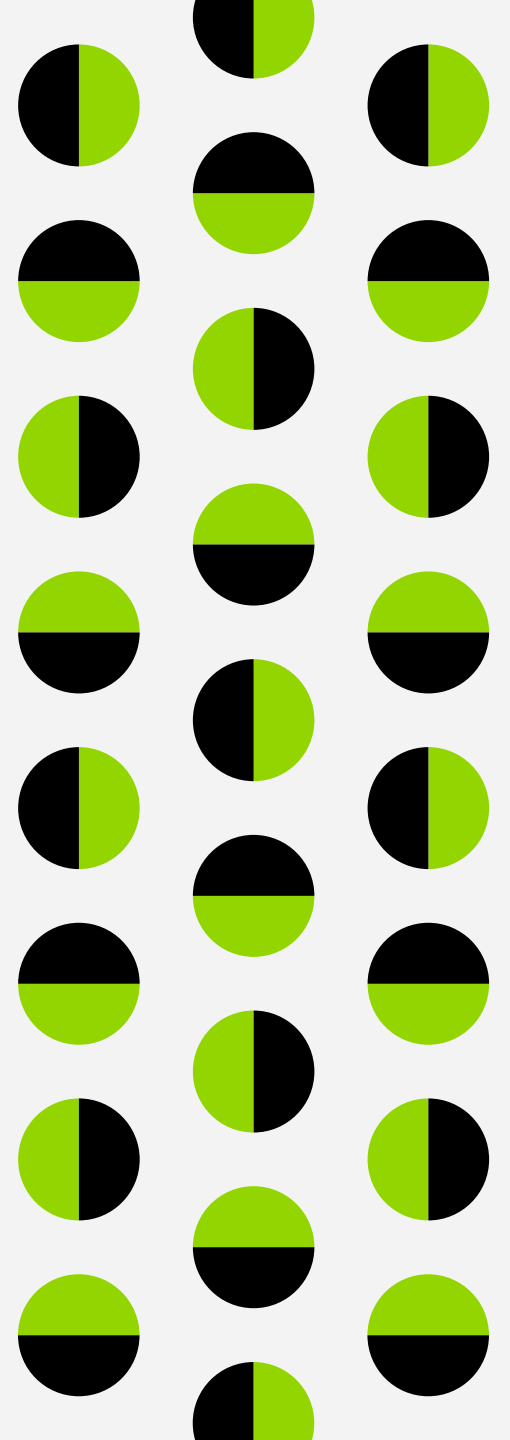
ERE is calculated as a percentage of wages, and the three components of ERE (Legally Required Benefits, Paid Time Off Benefits, Retirement Plans, Health, Dental and Vision Insurance, and Other Benefits) are added together to determine total ERE.

Metric	Residential Worker	Behavioral Health Aide	Licensed Addiction Counselor	Registered Nurse (RN)/Nurse
Hourly Wage	\$20.96	\$21.23	\$29.84	\$48.68
Annual Wage	\$43,591	\$44,161	\$62,067	\$101,260
Legally Required Benefits	\$4,643 (10.65%)	\$4,703 (10.65%)	\$6,407 (10.32%)	\$9,956 (9.83%)
Paid Time Off Benefits	\$4,174 (9.58%)	\$4,229 (9.58%)	\$5,943 (9.58%)	\$9,696 (9.58%)
Retirement Plan	\$1,507 (3.46%)	\$1,527 (3.46%)	\$2,146 (3.46%)	\$3,502 (3.46%)
Health Insurance	\$7,308 (16.77%)	\$7,308 (16.55%)	\$7,308 (11.77%)	\$7,308 (7.22%)
Dental Insurance	\$242 (0.56%)	\$242 (0.55%)	\$242 (0.39%)	\$242 (0.24%)
Vision Insurance	\$119 (0.27%)	\$119 (0.27%)	\$119 (0.19%)	\$119 (0.12%)
Other Benefits	\$429 (0.98%)	\$429 (0.97%)	\$429 (0.69%)	\$429 (0.42%)
Total ERE per Staff	\$18,423 (42.26%)	\$18,557 (42.02%)	\$22,595 (36.41%)	\$31,252 (30.86%)
Hourly Wage with ERE	\$29.81	\$30.15	\$40.70	\$63.71

BH Model Example: CRSS Individual and Group Rate

Description	Community Recovery Support Services (CRSS) - Individual	Community Recovery Support Services (CRSS) - Group
Total Hourly Wages - <i>Behavioral Specialist/Technician</i>	\$27.32	\$27.32
ERE (% of Wages)	38.67%	38.67%
Direct Care Hourly Compensation	\$37.88	\$37.88
Billable Time % (Billable Adjust. Factor)	68.59% (1.46)	63.59% (1.57)
Hourly Comp. after Adjust.	\$55.23	\$59.57
Hourly Supervisor Wage - <i>Clinical Supervisor</i>	\$49.49	\$49.49
Supervisor ERE	28.78%	28.78%
Hourly Supervisor Compensation	\$63.73	\$63.73
Supervision Hours per Week	4.50	4.50
Supervisor Span of Control	1:6	1:6
Hourly Cost after Supervisor Adjust.	\$56.53	\$60.87
No Show Adjustment	10.0%	10.0%
Hourly Cost after No Show Adjust.	\$62.18	\$66.96
Number of Clients per Staff	1:1	1:3
Hourly Cost after Staffing Ratio Adjust.	\$62.18	\$22.32
Indirect Cost % (Admin. & Program Sup.)	69.6%	69.6%
Indirect Cost Hourly Factor	\$43.24	\$15.52
Proposed Rate (7/1/2025)	\$26.36	\$9.46
Current Rate	\$23.44	\$6.14
Percentage Change	12.4%	54.1%

Service Mix and Fiscal Impact

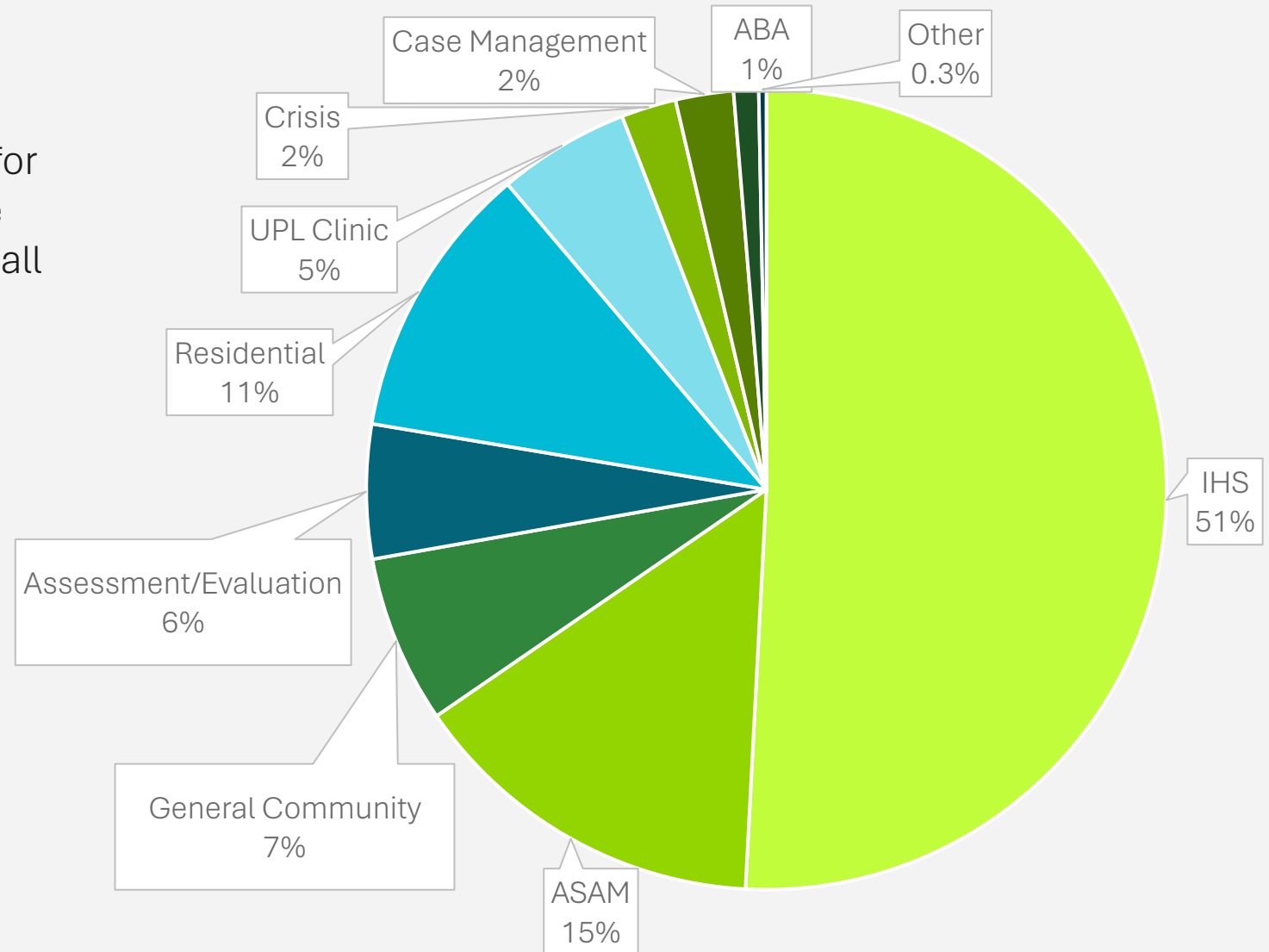


Service Groupings

ASAM (incl PHP and IOP)	Assessment/ Evaluation	General Community	UPL Clinic	Residential	Other
• Outpatient Services- 1.0 • Intensive Outpatient Services (IOP and 2.1) • Ambulatory Withdrawal Management • Partial Hospitalization (2.5 and PHP) • ASAM Residential Levels 3.1-4.0	• Alcohol and/or Drug Assessment • BH Health Screen • Integrated MH & Substance Use Intake • Medical Evaluation • Methadone Administration • Oral Medication Administration • Treatment Plan Development/ Review	• Community Recovery Support Services • Home-Based Family Treatment • Peer Support Services (including Crisis) • SBIRT • Therapeutic BH Services	• Comprehensive Medication Assessment • Mental Health Intake Assessment • Psychiatric Assessment • Psychotherapy (Individual, Family, Group)	• Adult Mental Health Residential • Children's Residential Treatment • Therapeutic Treatment Home	• Assertive Community Treatment • Day Treatment for Children

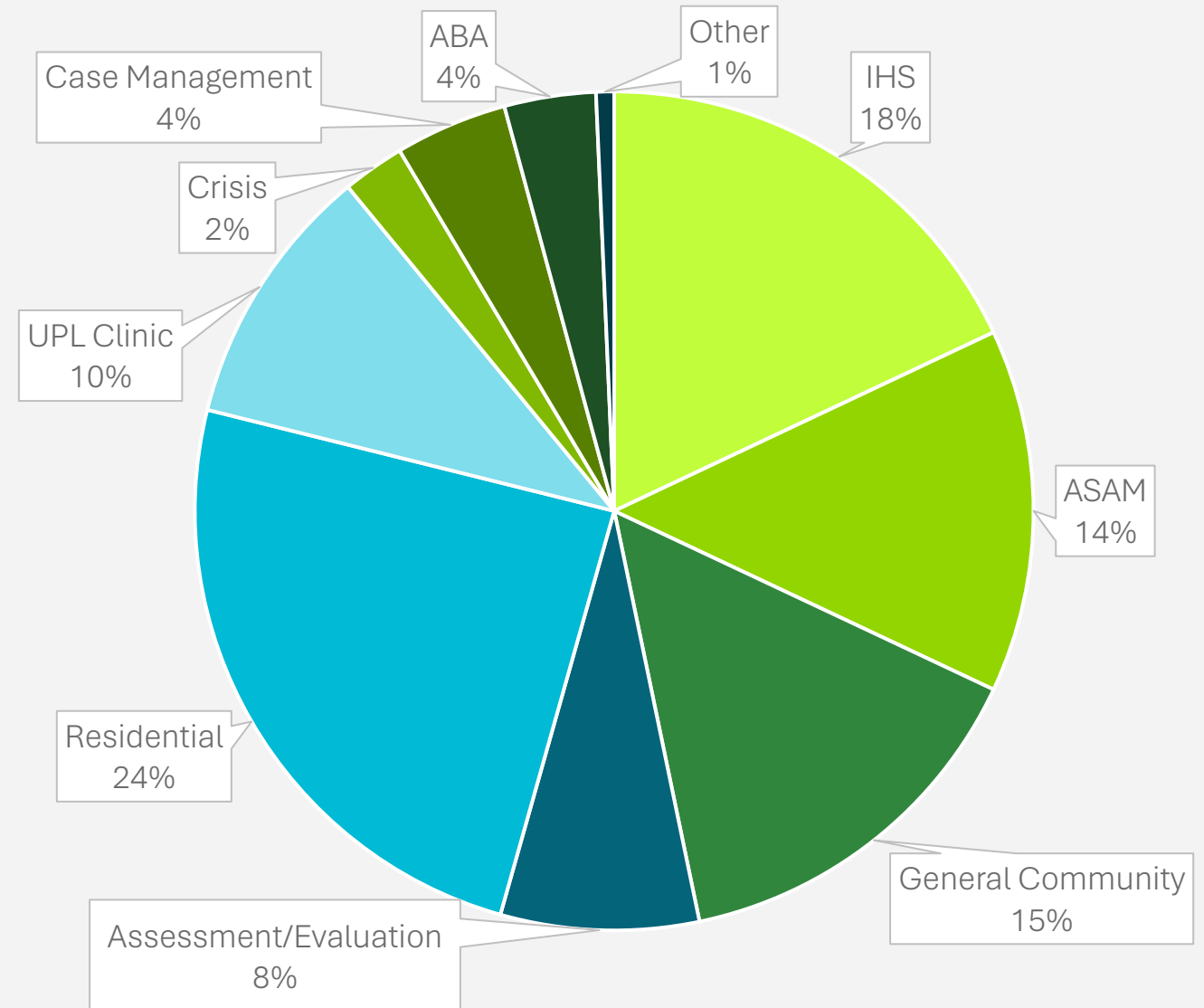
Current Total Service Mix – SFY 2024 Total Allowed Amount

- Indian Health Services (IHS) account for the largest portion of federal and state share allowed amounts. IHS includes all services provided at an IHS provider.
- Total Non-IHS SFY24: **\$158,528,000**
- Total SFY24 IHS: **\$163,907,000**
- Projected SFY24 Non-IHS at Current Rates: **\$183,172,000**



Current State Share Service Mix – SFY 2024 Total Allowed Amount

- Residential services are the largest portion of the state share total allowed amount
- The “IHS” amount of 18% accounts for the state portion of funds for non-IHS members receiving services from an IHS provider, state is responsible for a portion of the encounter rate unlike for IHS Members that has 100% FMAP.
- Total Non-IHS SFY24: **\$55,350,000**
- Total SFY24 IHS: **\$12,147,000**
- Projected SFY24 Non-IHS at Current Rates **\$62,073,000**

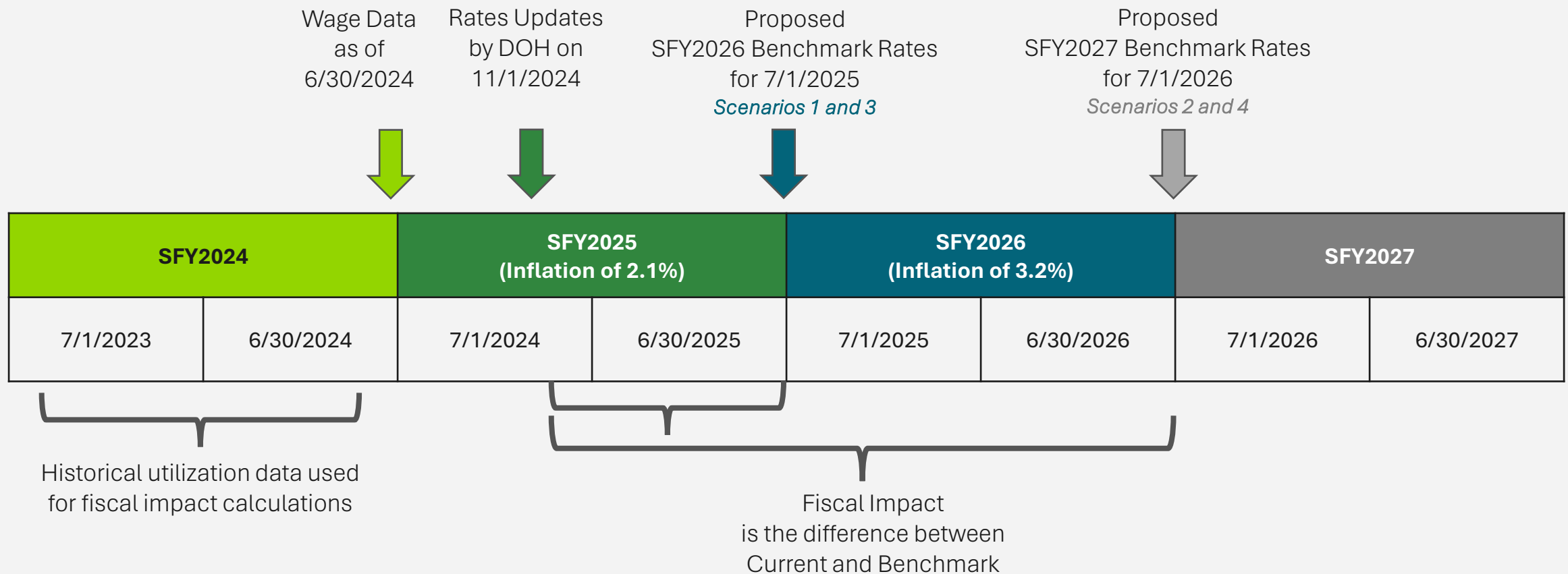


Fiscal Impact Assumptions

- The fiscal impact analysis presented in the following slides is based on **typical service utilization** from the previous **SFY24** fiscal year, projected into the future to estimate differences in state expenditures for services reimbursed at current rates versus rates benchmarked by Guidehouse.
- Current fiscal impact expenditures only reflect Medicaid claim payments excluding IHS providers as their encounter rate cannot be attributed to a specific service.
- Proposed Guidehouse rates resulted in negative and positive values. **Four scenarios** will be displayed that show a combination of a hold harmless approach where negative rates are set to current. In addition two different inflationary metrics are applied to model implementation dates of 7/1/2025 and 7/1/2026.
 - Current Employment Statistics (CES) Wage Inflation: 2.1% (Outpatient Mental Health and Substance Abuse Centers)
 - Producer Price Index (PPI): 3.2% (Psychiatric and Substance Abuse Hospitals)
- These analysis **estimates** show the combined state and federal fiscal impacts for a set of modeled implementation scenarios in the first year of adoption, offering a comparative framework to inform **decision-making**.

Time Period for Fiscal Impact and Benchmark Rates

The visual below includes the key components of fiscal impact estimation



Estimated Fiscal Impact Scenarios

Below are the four scenarios for fiscal impact that are shown in the following slides. Hold Harmless indicates where the Guidehouse benchmark rates resulted in decreases, those decreases were not applied, and rates were set to current. All numbers are estimates. Geographic adjustment application increases fiscal impact by \$1-3million.

Scenario	Description	Total Fiscal Impact (State & Federal Share)	Total Fiscal Impact (State & Federal Share) % Change	Total Fiscal Impact (State Share)	Total Fiscal Impact (State Share) % Change
Scenario 1	Not held harmless with no additional inflation (Rates Eff 7/1/2025)	\$13,143,000	7.2%	\$4,141,000	7.0%
Scenario 2	Not held harmless with 3.2% inflation (Rates Eff 7/1/2026)	\$15,553,000	8.5%	\$5,022,000	8.4%
Scenario 3	Held harmless with no additional inflation (Rates Eff 7/1/2025)	\$17,541,000	9.6%	\$5,714,000	9.6%
Scenario 4	Held harmless with 3.2% inflation (Rates Eff 7/1/2026)	\$20,090,000	11.0%	\$6,645,000	11.2%

Implementation Considerations

Analyses presented represent point in time estimates for a single year of utilization and are intended to offer a comparative framework to inform decision-making.

Inflation adjustments are based on historical factors and applied to move rates forward to a point in the future.

The federal government adjusts the FMAP annually.

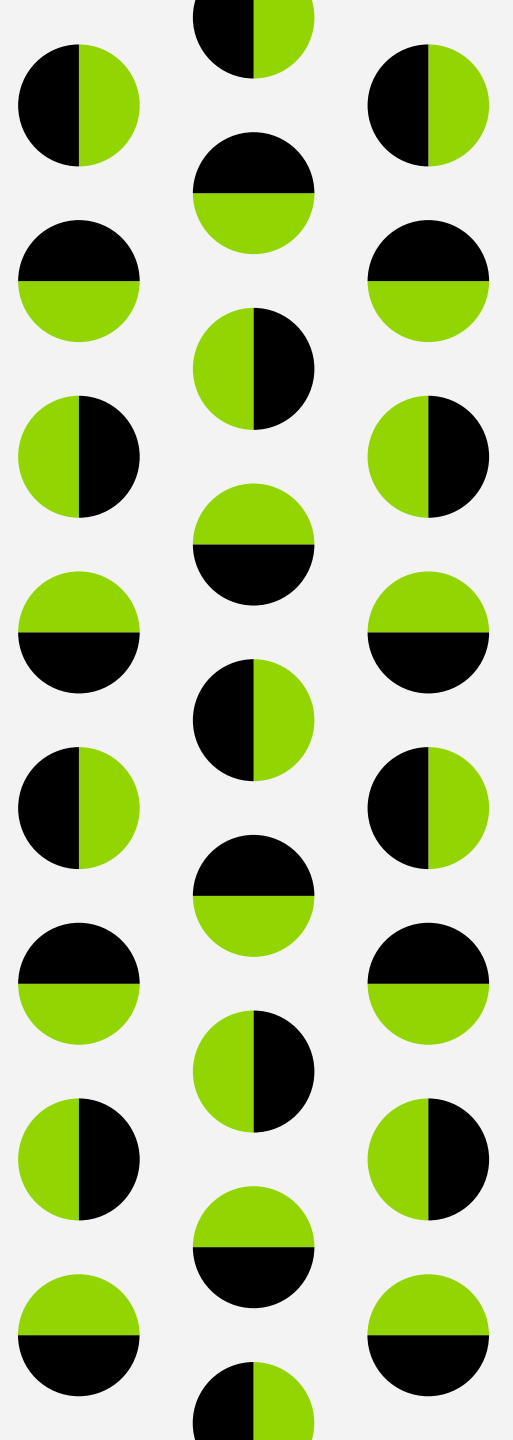
States regularly choose a step-wise approach given available funding and administrative lift.

Some recommendations are already being addressed by the department, such as the recommendation for enhanced crisis services.

Proposed benchmark rates are reflective of the costs for services, not policy or programmatic decisions from the state.

Recommendations that require state staff time, investment in technology, operational changes and provider involvement will need to have the necessary runway to be launched successfully.

Findings and Recommendations



Overall Findings Themes

1. Service reimbursement is misaligned with some services having adequate reimbursement while other services seem to be too high or too low.
 - I. As a comparison the current reimbursement for peer support services is higher than autism (ABA) services. While the cost informed proposed benchmark reimbursement for peer supports is lower than the ABA services.
 - II. Residential services for children and adults have different reimbursement despite similarities in the cost structure.
 - III. Specific clinic services are paying at 200% of Medicare while other clinic services are at 75% of Medicare.
2. Indirect costs which represent the overhead costs to deliver services are disproportionately high, even when accounting for Alaska's overall higher cost of living. Representing roughly .40 cents on every dollar.
3. Lack of historical standards (i.e. group sizes, wages and overhead assumptions) built into rate reimbursement has contributed to the misalignment of the system overall and has resulted in relying on historical costs without efficiency expectations.

Recommendations

Rates

Adjust individual rates for the community behavioral health service array using a building block style model for all services, not just the current subset of services. Implement consistent inputs for items such as wages, job types, group sizes and overhead costs. Adjustments may include decreases, minimal increases, large increases, inflationary factors and geographic adjustments.

- Methodology Transition and Rate Recalibration
- Hold Harmless
- Rate Rebalancing

Enhancements

Plan for potential future changes to rates for geographic adjustments, transportation enhancements and adjustments due to the review of service descriptions.

- Geographic Adjustment
- Staff Transportation Add-On
- Service Definition Review
- Updates to Crisis Services

State Operations

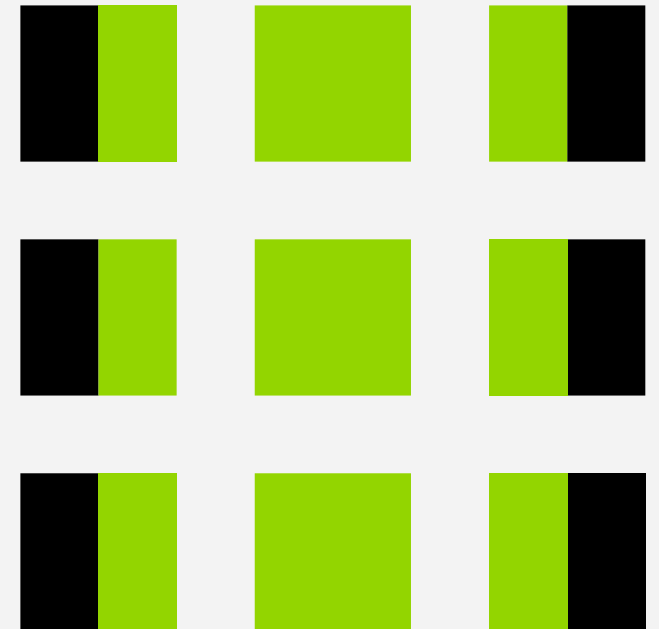
Enhance DOH operations and personnel to explore the possibility of building out a cost reporting capability for consistent monitoring of cost and increasing staff resources to review cost reports and perform annual administrative updates.

- Cost Reporting
- Annual Rate Updates

Overall Recommendations

#	Recommendation	Type of Investment	Projected Min: State	Projected Max: State	Projected Min: Fed & State	Projected Max: Fed & State
BH-R1	Behavioral Health Methodology Transition and Rate Recalibration	Medicaid Service Utilization	\$4,141,000	\$5,022,000	\$13,143,000	\$15,553,000
BH-R2	Behavioral Health Hold Harmless	Medicaid Service Utilization	\$1,573,000	\$1,623,000	\$4,398,000	\$4,537,000
BH-R3	Behavioral Health Geographic Differentials	Medicaid Service Utilization	\$1,315,000	\$1,332,000	\$3,438,000	\$3,480,000
BH-R4	Behavioral Health Cost Reporting	Administrative State Overhead	\$148,000	\$224,000	\$296,000	\$447,000
BH-R5	Behavioral Health Rate Rebalancing*	Medicaid Service Utilization	--	--	--	--
BH-R6	Behavioral Health Crisis Services (Included in BH-R1)	Medicaid Service Utilization	\$282,000	\$286,000	\$1,361,000	\$1,371,000
BH-R7	Behavioral Health Service Definition Review*	Medicaid Service Utilization	--	--	--	--
BH-R8	Behavioral Health Administrative Rate Review	Administrative State Overhead	\$9,000	\$18,000	\$18,000	\$35,000
BH-R9	Behavioral Health Staff Transportation Rate Add-On*	Administrative State Overhead	--	--	--	--
		Total	\$7,186,000	\$8,217,000	\$21,293,000	\$24,052,000

Thank You



Rate Methodology Recommendations



Methodology Transition and Rate Recalibration

This modular approach promotes transparency in components that inform the rates, accounts for service delivery specifications, and allows for ease of reviewing specific components (e.g., wages, benefits, training, etc.). DOH currently uses a similar approach for a few services and may consider adapting across *all* services.



Hold Harmless

Holding rates harmless for BH programs means maintaining the current reimbursement rates for providers, even if the rate evaluation indicates that the benchmark rates are lower.



Geographic Adjustment Framework

Guidehouse is recommending a geographical differential to adjust rates based on provider location, for consistency between BH and LTSS. Geographical differentials are intended to account for increased costs related to cost of living, wages (including retention bonuses), utilities, food costs and transportation.

Rate Methodology Recommendations



Cost Reporting

Implementing a cost reporting program for behavioral health centers delivering clinic services would address several distinct reimbursement challenges faced by Alaska. Likely to establish a higher reimbursement threshold than current ceilings imposed by the federal clinic upper payment limit (UPL) and promoting transparency and ease in monitoring provider financial need.



Rate Rebalancing

Existing rate structures do not employ cost components consistently across behavioral health services. Cost assumptions around productivity, job types, group sizes, staffing ratios, and administrative overhead should be evaluated to build in consistency where appropriate. Alaska Medicaid should consider moving to the nationally recognized Resource Based Relative Value Scale methodology for services subject to the CMS “clinic UPL”.



Updates to Crisis Services

Establish crisis rates that are representative of costs and that mirror service delivery expectations. Long term considerations may be needed for facility size in different geographic regions.

Rate Methodology Recommendations



Service Definition Review

Consider a comprehensive review of service definitions for several key behavioral health interventions to clarify State service delivery expectations and assess whether existing requirements align with current rate assumptions and future policy objectives. Examples: Adult and Children's Residential Treatment settings, Case Management, Assertive Community Treatment, and Treatment Plan Development and Review.



Annual Rate Updates

Consider implementing a process for reviewing rates annually and proposing targeted rate updates based on changing wage and cost benchmarks and their differential impacts across the behavioral health service array.



Staff Transportation Add-On

Further exploration to create a rate add-on to account for the heightened cost of staff travel if service delivery extends beyond a threshold mileage radius. Specific parameters for defining the add-on will depend on additional transportation data collection.