

January 23, 2015

Alaska State Legislature
120 4th Street
Juneau, AK 99801

Dear Senators and Representatives,

I thank you for your service to our great state, especially during this time of fiscal uncertainty. As you grapple with tough decisions affecting Alaska's economic future, please consider these thoughts on Medicaid expansion under the Affordable Care Act (ACA). Physicians will be directly impacted by any changes to Medicaid so I respectfully ask that you oppose the expansion, and instead focus on honestly bringing down the cost curve by enacting real, substantive reforms.

The rising cost of Medicaid services in the state is alarming and unsustainable. From 2002-2009, Medicaid spending by the state and the federal government combined, hovered at or below \$1 billion. Yet, since that time, costs have rapidly climbed upward and are now projected to surpass \$6 billion by 2032 with the state paying \$2.8 billion that year.¹ This cost projection is without taking the expansion into account. And while the Lewin Group study estimated the expansion would cost the state \$198-305 million through 2020², the true cost of the expansion to the state will be much higher in the years to come. One new cost to the state is paying for the treatment of over 2,000 existing Medicaid patients with hepatitis C estimated to cost \$300,000 per patient; this needs to be budgeted for before expansion is considered.

As you know, the federal reimbursement share to providers for Medicaid expansion beneficiaries will settle at 90 percent via the ACA. However, keep in mind this year Medicaid reimbursement rates revert to pre-ACA levels, which the Urban Institute estimates will be a staggering 42 percent drop in rates across the country.³ While Alaska is not affected by this, the volatility in reimbursement rates is worth noting. I am not confident that the 90 percent match will endure for long.

The waste, fraud, and abuse in the current system is rampant. From patients trying to take advantage of the system (5400 tickets with no associated appointments – MRAG meetings 2014) to frequent over users who are a drain on the program. There are numerous examples. One patient cost \$1.2 million for medevacs while another patient had 250 therapy appointments in one year. While these might be extreme examples, the case for reform is clear. Reforming the existing system should take place well before consideration is given to expansion. Reforming the system applies to Xerox as well. While many of the 800 defects in the system have been fixed, many providers have still not been paid. These administrative problems must be ironed out so providers are paid in an acceptable timeframe and costs are not increased by more audits, pre-authorizations and burdensome regulations.

¹ http://dhss.alaska.gov/Commissioner/Documents/mrag/MESA_2012-32.pdf (p.23)

² http://dhss.alaska.gov/Documents/Lewin_Final_Report.pdf (p.2)

³ <http://www.forbes.com/sites/merrillmatthews/2015/01/05/doctors-face-a-huge-medicare-and-medicaid-pay-cut-in-2015/>

If tens of thousands are added to the Medicaid rolls, the problem of patient priority will become an issue. Many disabled patients who are currently on Medicaid are waiting to receive services. By adding healthy, working-age, childless adults into the system, the very individuals that Medicaid was intended to serve, could get lost in the shuffle.

The final issue to highlight is of particular importance as it directly impacts our livelihoods. Large medical facilities receive significantly higher Medicaid reimbursement payments compared to private practice doctors. For instance, Alaska Native Medical Center receives a reimbursement per patient per visit as much as 10 times higher than what private practice receives. Adding more individuals into Medicaid will further compound this inequity where private practice doctors lose money and large facilities are subsidized.

I thank you for your time and attention to this important matter. Please oppose the Medicaid expansion and focus on cutting back on the abuse in the current system, and budget coverage for those already in the Medicaid system. If you expand Medicaid under the ACA, the state will incur huge unsustainable budget increases, private practices will be decimated, and many cuts will be made to the system which will adversely impact the medical care for those that truly need care, the children and the disabled. Please do not expand Medicaid, as this will be devastating for future generations of Alaskans and Americans who will be forced to pay for this costly, unsustainable government program.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Ilona Farr', with a stylized flourish at the end.

Ilona Farr M.D.

Alaska Family Medical Care

Medicaid Reform Advisory Group Member

Alaska Family Medical Care, LLC
4045 Lake Otis 201
Anchorage, Alaska 99508
907 562 4045

Alaska State Legislature
120 4th Street
Juneau, Alaska 99801

March 24, 2015

Dear Senators and Representatives,

Please vote against HB 148, and do not expand Medicaid, as this is an unsustainable, costly program (\$6.2 billion by 2032 without expansion) that will soon consume the entire budget, drive providers out of business, and eventually bankrupt us as a state.

We now have about 160,000 patients on Medicaid. It is estimated that the expansion population is approximately 40,000; 27,000 of these people are already covered via IHS, and 29% are already covered under other insurance programs. Other states that have expanded Medicaid have greatly underestimated the enrollment, having triple or quadruple more enrollees resulting in dramatic tax increases or deficit spending to cover these unexpected costs. HSA accounts linked to insurance are a much better option for these uncovered low income single adults and would not indebt us further as a state.

HB148 places undue regulatory burdens, more audits, a change in reimbursement and now a special tax on providers that are only being paid to see Medicaid patients at or below their cost. Over 1000 providers have stopped providing care to Medicaid patients from 2010 to 2014 and this will rapidly accelerate in the future if this bill is passed. You will see many providers go out of business, and many more close their doors to Medicaid in a desperate attempt to stay solvent.

There are problems with providers getting paid now via the new system and this will only increase as more people are added. The state now pays the federal government \$80 million a year just to keep Medicaid patients enrolled during the month of October so they can get their PFDs with the dramatic increase in numbers of enrollees this number will increase. It costs about \$900/year per enrollee in administrative costs, it is \$7500 approximately for a young person per year on Medicaid and costs \$65,000/year for older more sickly patients. However there are 2000 Hepatitis C patients to be treated at \$300,000/per person that has not yet been budgeted for in the new budget that I can find. Where will all these funds come from?

There is much fraud and abuse in the current system that needs to be fixed to make this program sustainable for future generations including 5400 plane tickets with no provider visit, \$1.2 million in medevacs for one person, 250 therapy visits for one patient in a year, etc. Please vote no on HB148 or any other bill to expand Medicaid and instead focus on meaningful reform that does not result in increased costs, taxes, or audits to those of us that are actually caring for these patients.



Ilona Farr MD, Family Medicine, WWAMI 1979,
Member of MRAG (Medicaid Reform Advisory Group)

Alaska Family Medical Care, LLC
4045 Lake Otis 201
Anchorage, Alaska 99508
907 562 4045

Alaska State Legislature
120 4th Street
Juneau, Alaska 99801

March 24, 2015

Dear Senators and Representatives,

I am writing in support of the WWAMI medical program and respectfully request that the intent to get rid of this program by 2020 wording be removed from the current house budget bill. There will have to be cuts in funding and in programs, and this program may have to raise tuition and use other modalities to become more self supporting in the future, however this decision needs to be made at the more local university level after public comment.

There are over 200 physicians that are practicing in Alaska now that attended the WWAMI program over the last 44 years. It has been a well established top ranked program in the US for training primary care MDs. Alaska has had difficulty retaining and recruiting MDs for decades and this program has helped train Alaskans who wanted to practice here at home. I was raised in rural Alaska, graduated from East High, and attended the WWAMI program in Fairbanks starting in 1979. After residency, I returned home and have spent the last 29 years providing care to thousands of Alaskans in Seward, Kotzebue, Barrow, and Anchorage in family medicine. Without the WWAMI program many current providers, including myself, could not have afforded to become MDs. Once closed this program could take decades to be reestablished if it even could be done.

Tuition is very steep for medical school \$95,000/year now at some private universities. It is also very difficult to get into medical school if you do not reside in the state where the school is located. There are currently over 300 job listing online for physicians in Alaska. Closing the WWAMI program will result in a more significant shortage of physicians in Alaska in the near future, difficulty in recruiting new physicians to Alaska who are \$400 to 500,000 dollars in debt after medical school, and have a dramatically negative impact on the healthcare of all future Alaskans.

Please remove the intent to get rid of the WWAMI program by 2020 from the budget language, and include support language for this valuable medical school program.

A handwritten signature in black ink that reads "Ilona Farr MD". The signature is fluid and cursive, with the letters "Ilona" and "Farr" being more prominent than "MD".

Ilona Farr MD
WWAMI 1979
Family Medicine

Documents included with Dr. Farr's Testimony on HB 148

Long-term Forecast of Medicaid Enrollment and Spending in Alaska: *Supplement 2012-2032*. Sean Parnell, William Streur. [Available online through DHSS [here](#)]

Medicaid Provider Taxes. *Alison Mitchell, Analyst in Health Care Financing*. Congressional Research Service. March 15, 2012. [Available online [here](#)]

An Analysis of the Impact of Medicaid Expansion in Alaska- The Lewin Group. April 12, 2013 [Available on the DHSS website [here](#) and also previously shared with members]

Key Performance Indicators: Department of Health and Social Services FY15 [Available through the Office of Management and Budget [here](#)]



Medicaid Expansion: Lessons from Other States

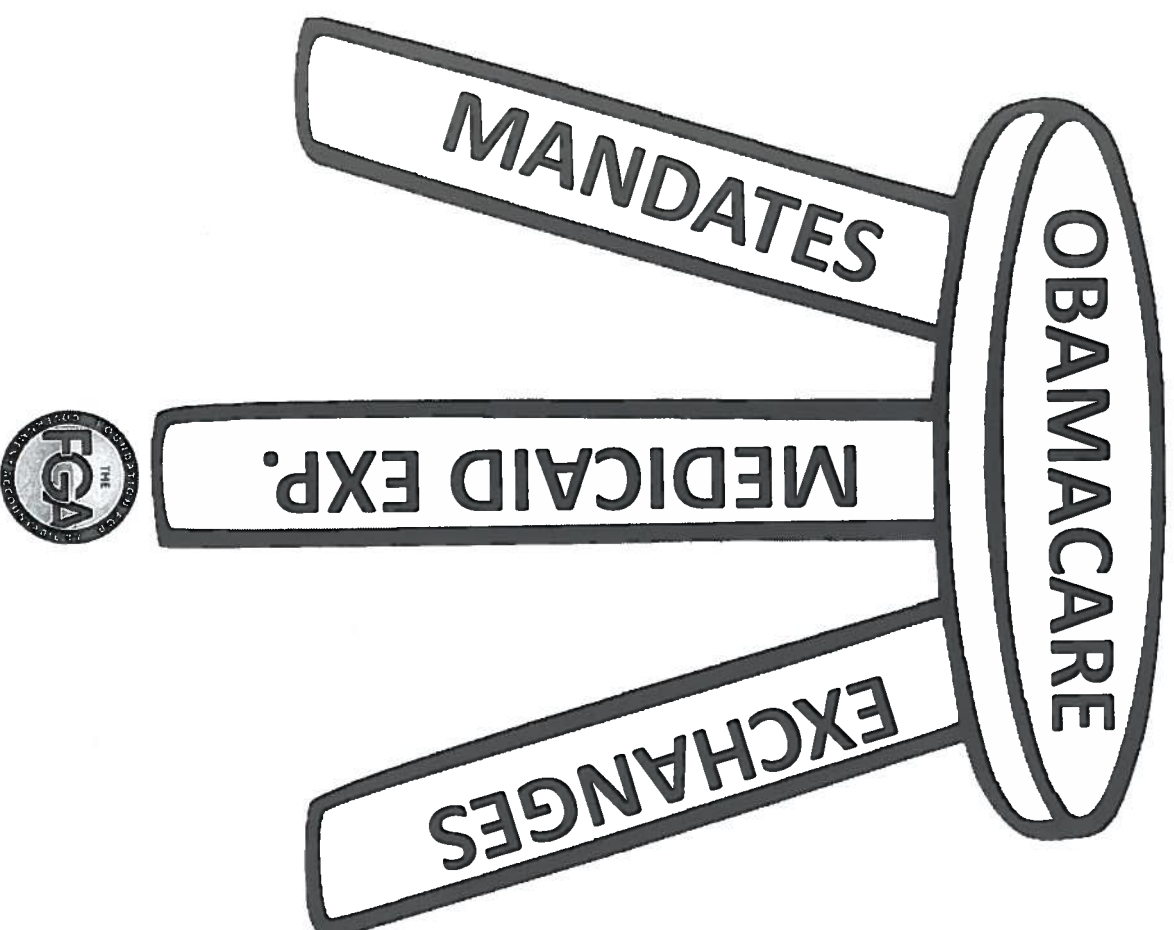
Christie Herrera, Senior Fellow

Foundation for Government Accountability

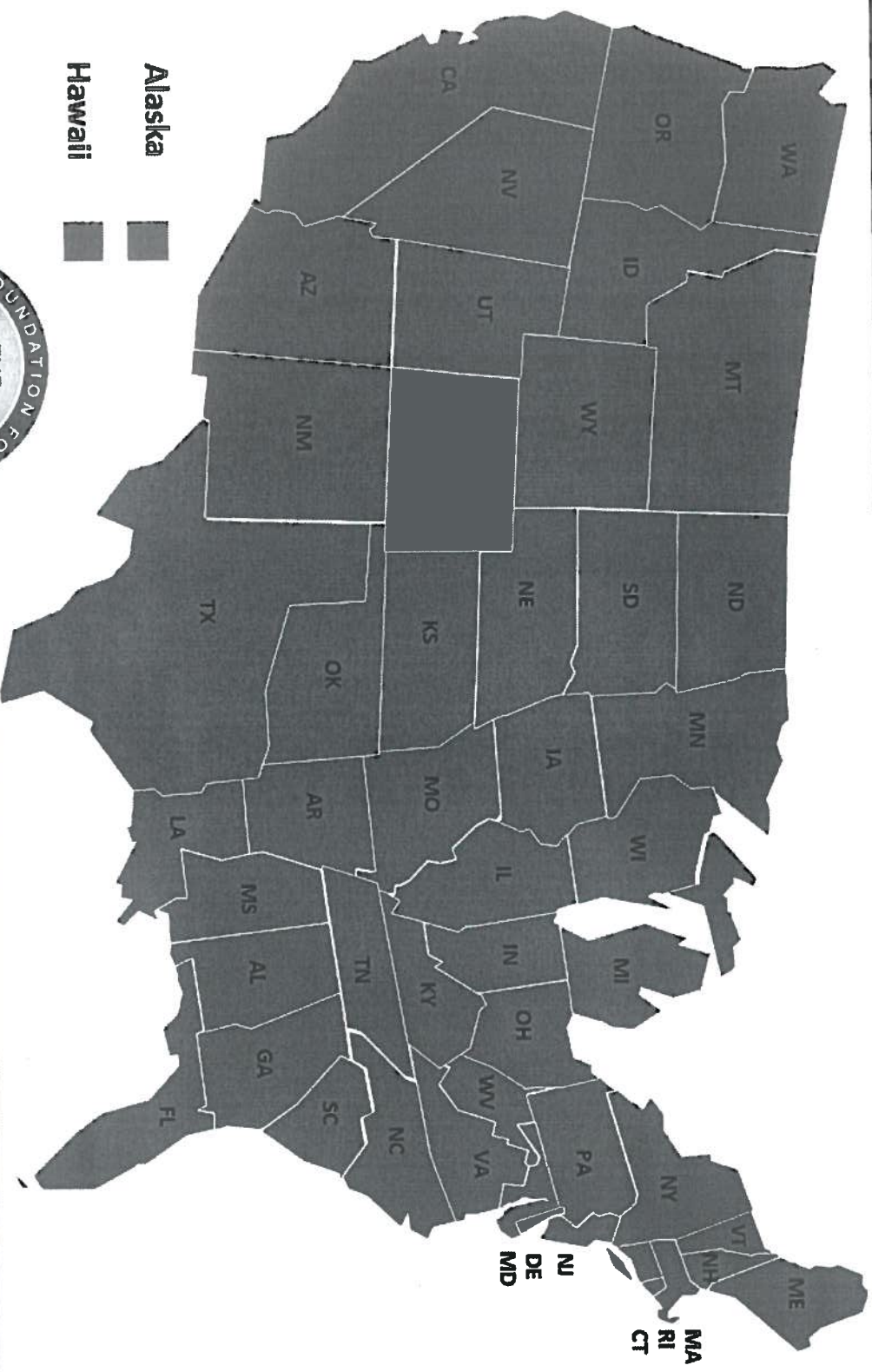
Alaska Legislative Briefing

March 4, 2015

Expansion Is Part of ObamaCare



What States Have Expanded Medicaid?

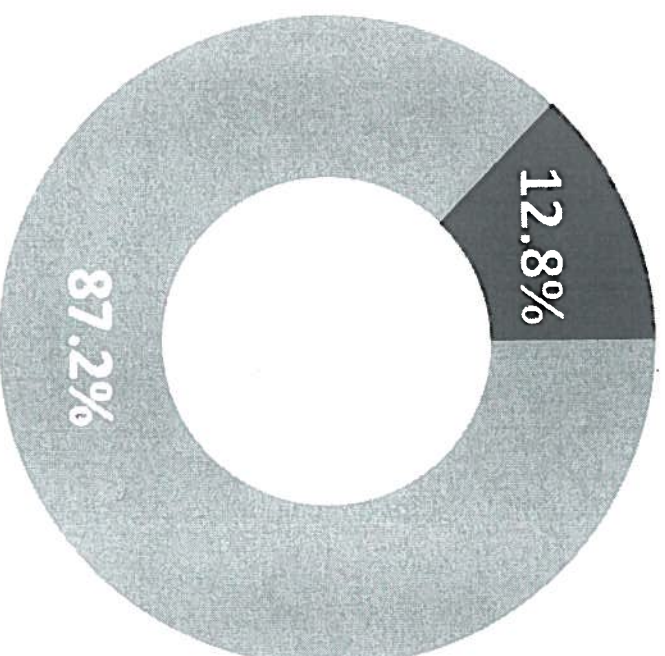


Not Implementing PPACA's Medicaid Expansion (23)
Implementing PPACA's Medicaid Expansion (27)

Alaska's Expansion Population

Nearly 9 in 10 Potential Enrollees Are Able-Bodied, Childless Adults

Alaska's Medicaid Expansion Population by Parental Status



■ Childless Adults

■ Low-Income Parents

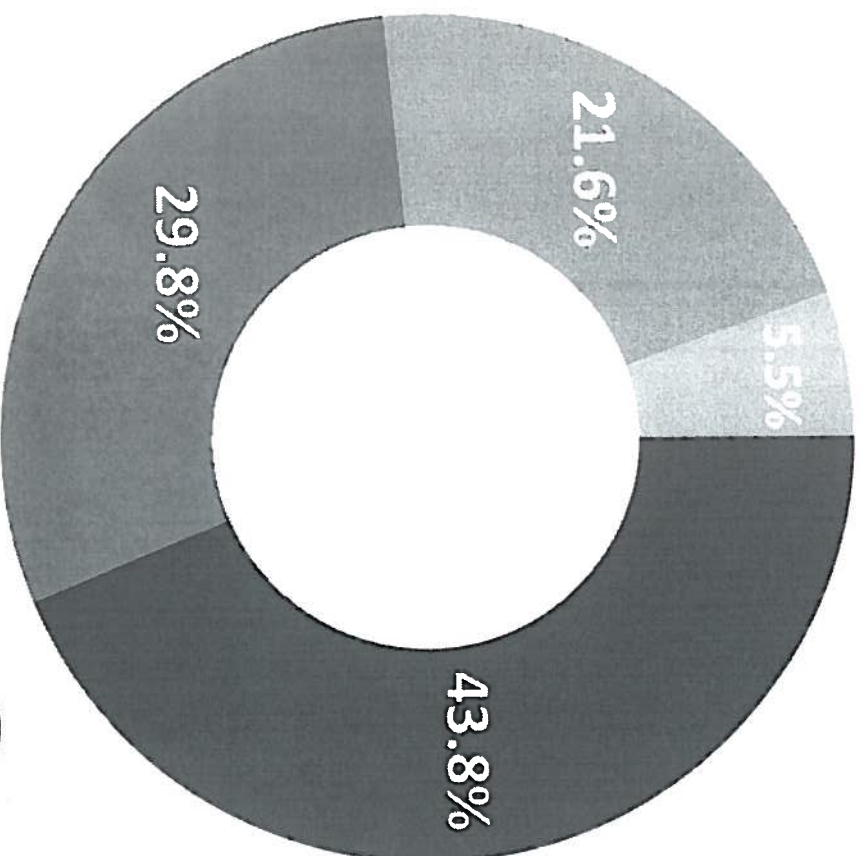


Source: Urban Institute

Alaska's Expansion Population

More Than Half of Potential Enrollees Don't Work At All

Alaska's Medicaid Expansion Population by Employment Status



■ Employed

■ Unemployed

■ "Not in Labor Force"

■ "Unable to Work"

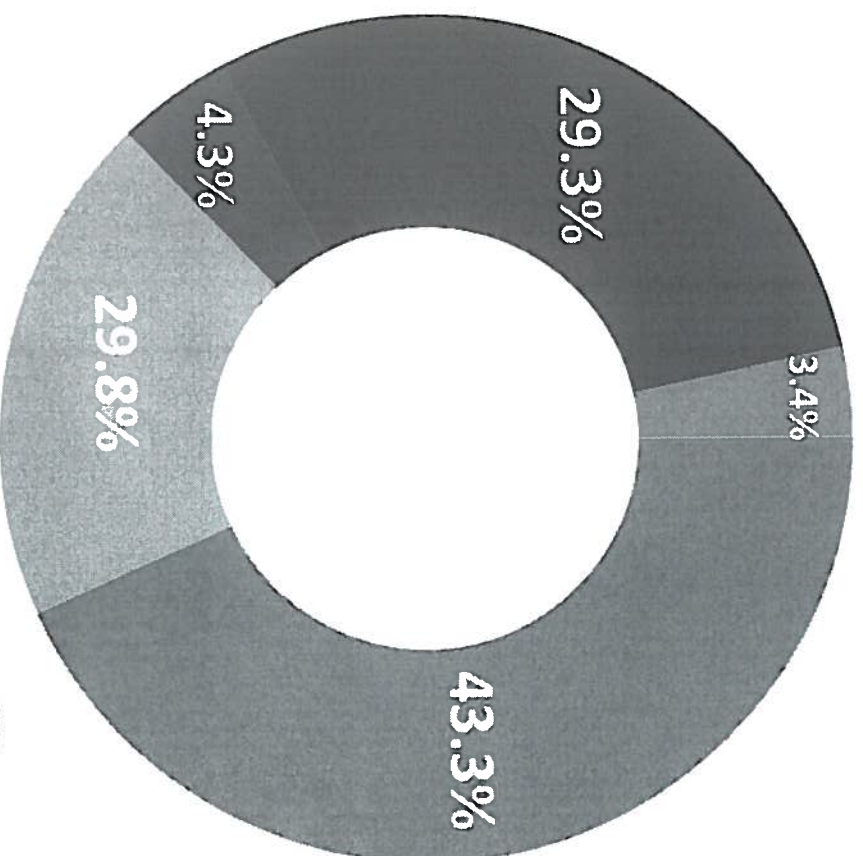


Source: Evergreen Economics

Alaska's Expansion Population

More Than Half of Potential Enrollees Already Have Coverage

Alaska's Medicaid Expansion Population by Insurance Status



■ Uninsured

■ Employer Coverage

■ Individual Coverage

■ Other Coverage (Military, Tricare, IHS)

■ Don't Know/Refused

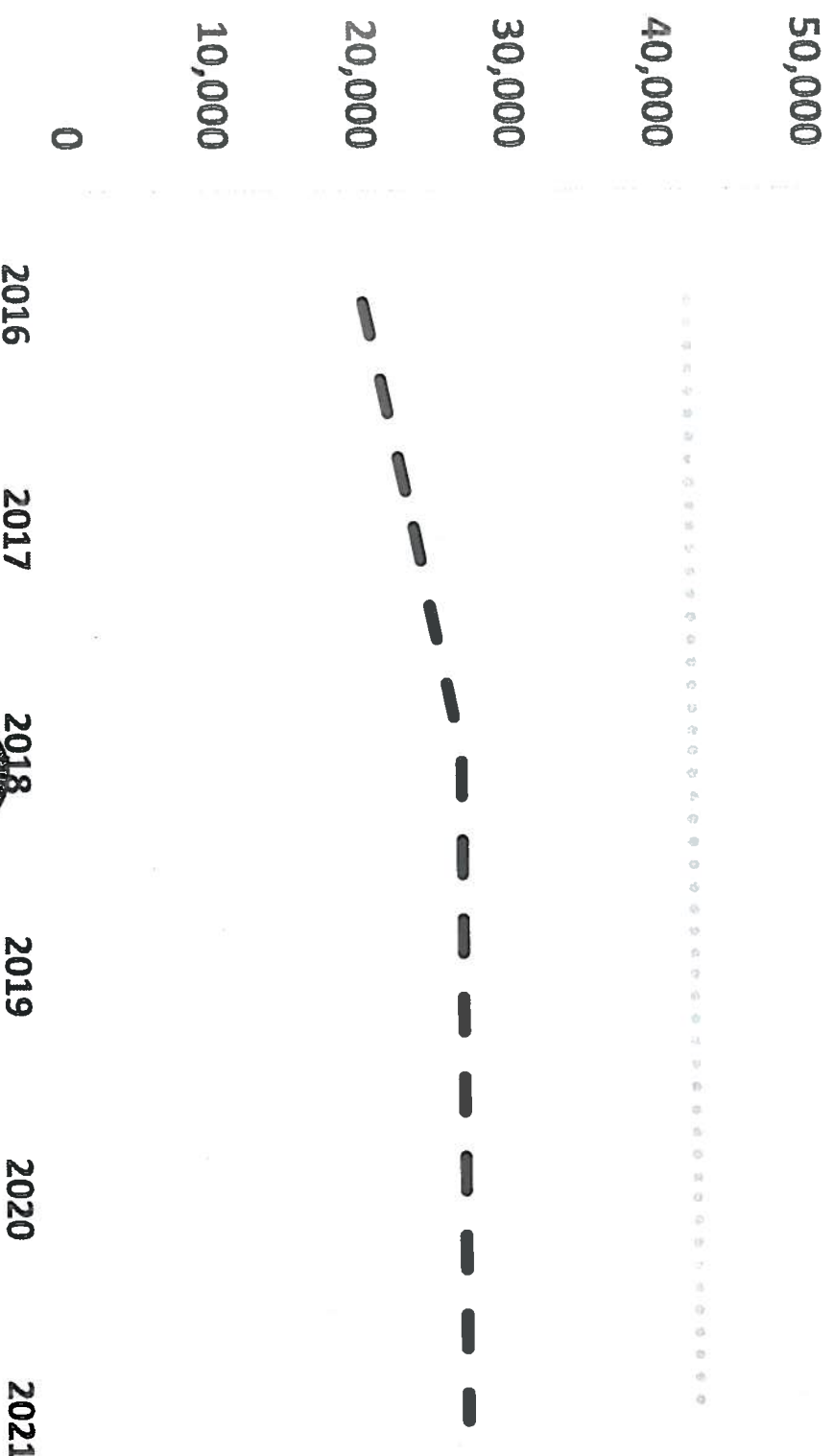


Source: Evergreen Economics

Alaska Expansion Prediction

No More Than 63% of Eligible Alaskans Expected to Enroll

Alaska's Projected Medicaid Enrollment: 2016-2021

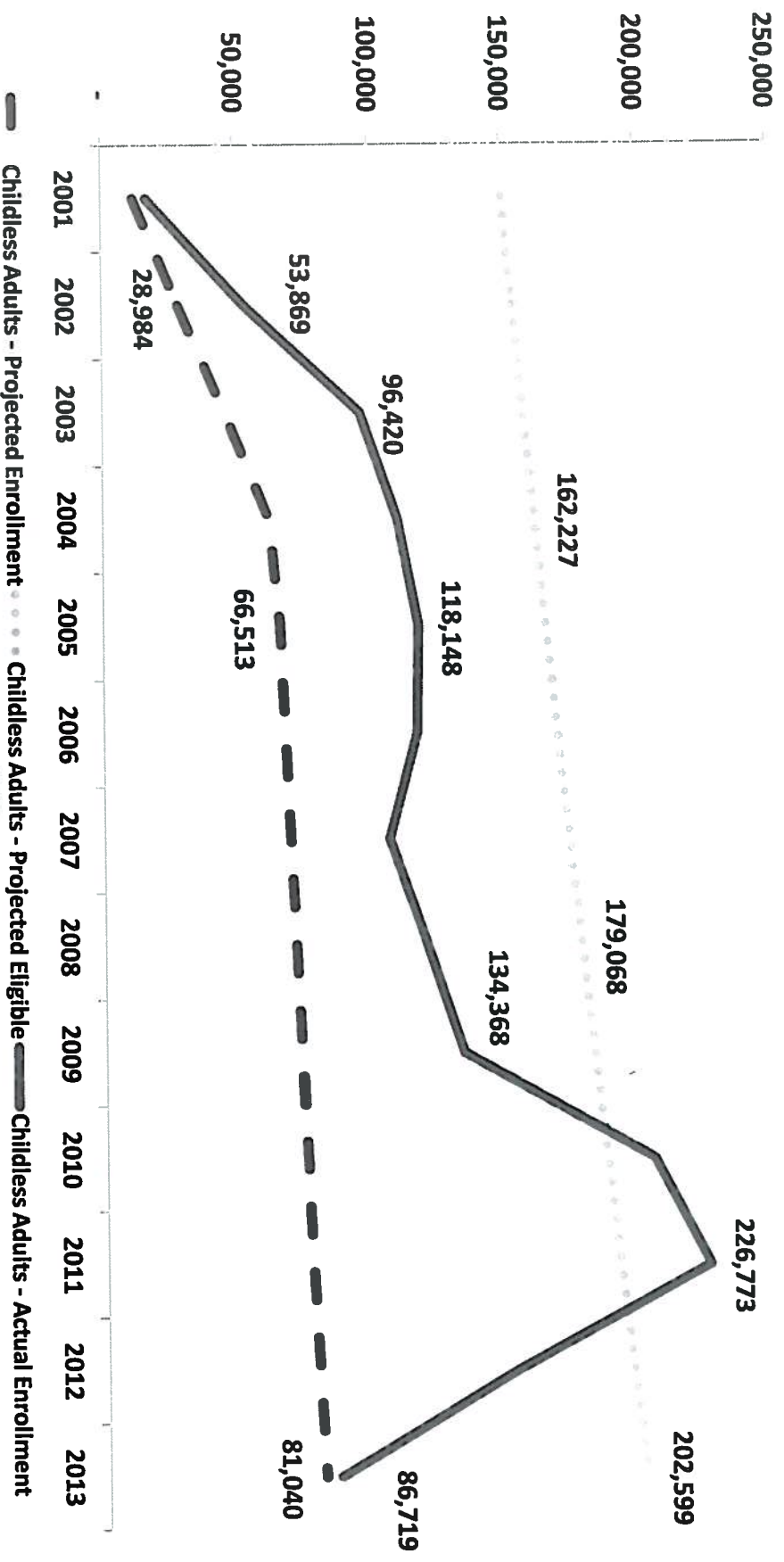


Source: Evergreen Economics

The Arizona Experience

Arizona Enrolled Three Times As Many Childless Adults Than Projected

Arizona's Optional 2000 Medicaid Expansion Enrollment: Projected vs. Actual

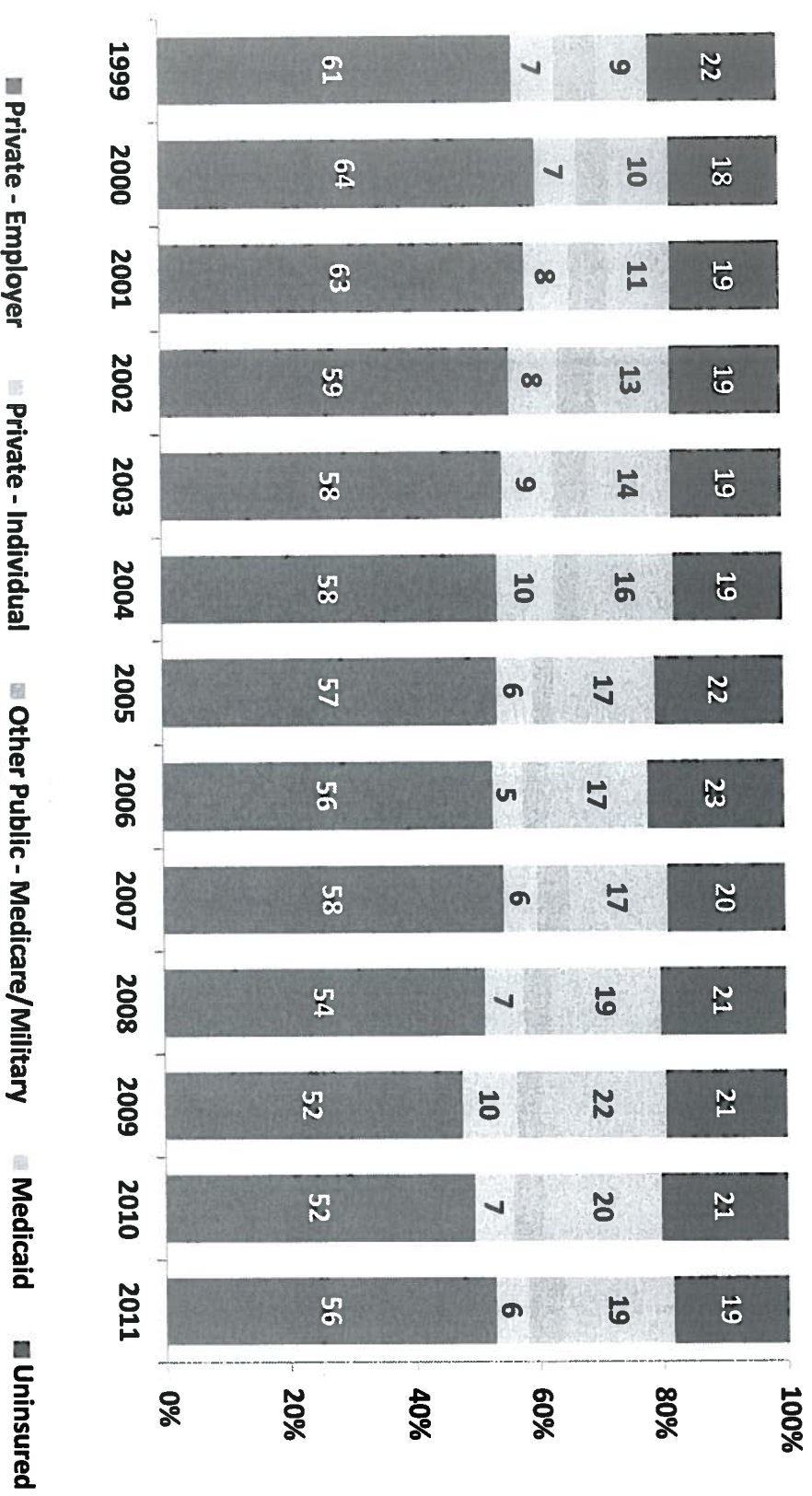


Source: Arizona Legislature's Joint Legislative Budget Committee (2001 actual and 2001-2013 projected) and Arizona Health Care Cost Containment System (2001-2013 actual, based on January enrollment).

Yet the Uninsured ... Stays the Same

No Change in Uninsured; More Medicaid; Less Private Coverage

Non-Elderly Arizonans' Insurance Coverage, 1999-2011

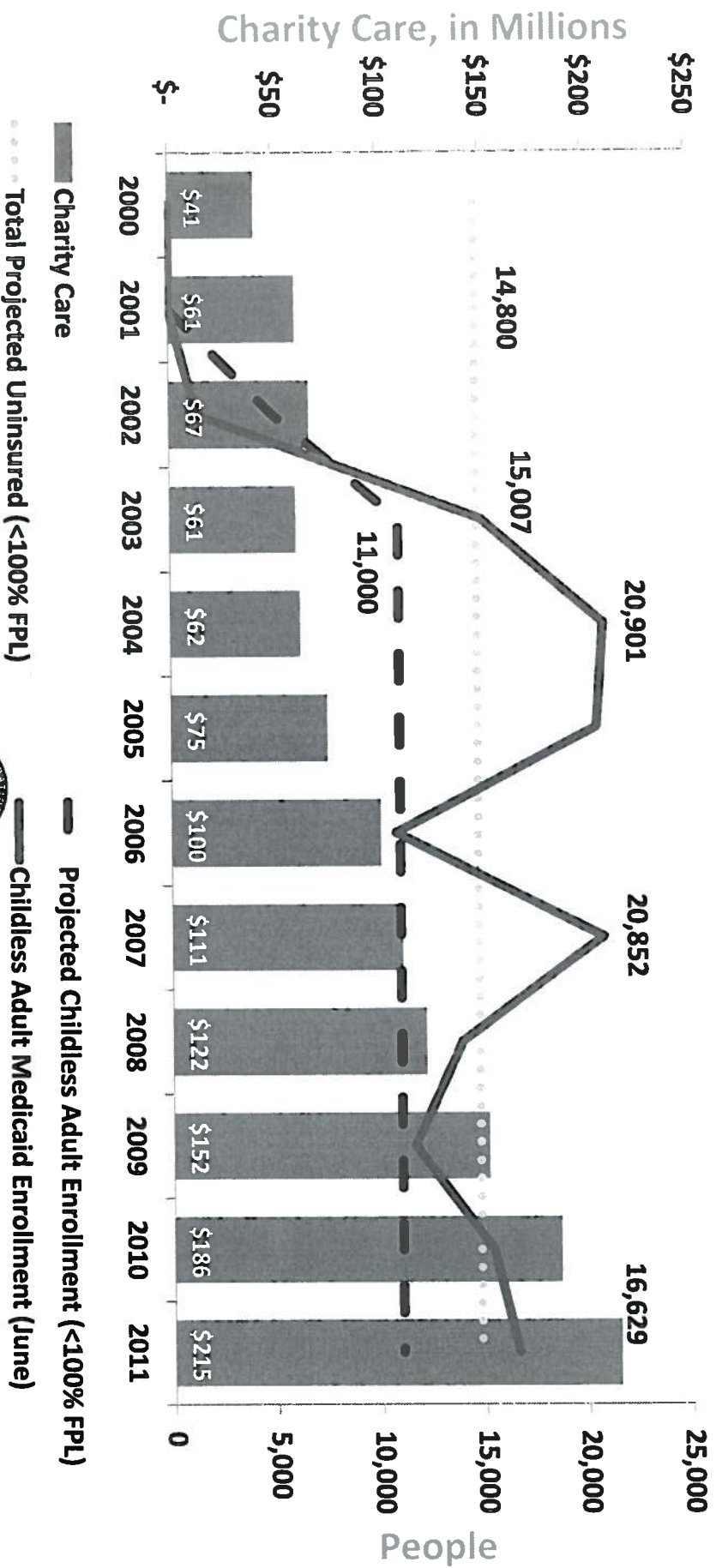


Source: U.S. Census Bureau

The Maine Experience

Skyrocketing Enrollment and Charity Care

Maine's Optional 2002 Medicaid Expansion

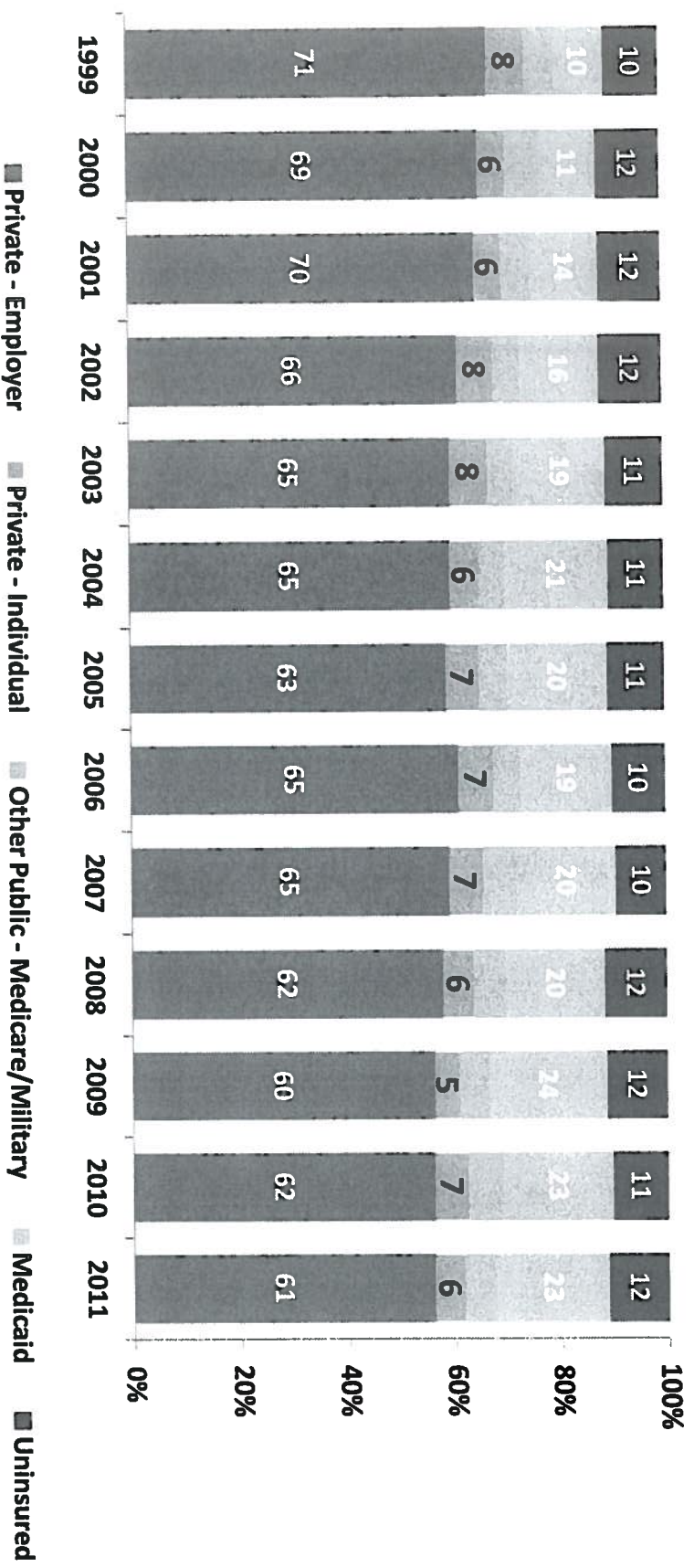


Source: Maine Legislature's Fiscal Office (projections, enrollment);
Maine Hospital Association (charity care)

Yet the Uninsured ... Stays the Same

No Change in Uninsured; More Medicaid; Less Private Coverage

Non-Elderly Mainers' Insurance Coverage, 1999-2011



Source: U.S. Census Bureau

Enrollment Always Exceeds Projections

STATE	# OF EXPANSION ENROLLEES PROJECTED	# OF PEOPLE ACTUALLY ENROLLED
Nevada	78,000	182,000
Michigan	323,000	481,863
W. Virginia	91,000	145,000
Arkansas	161,000	224,000
Ohio	366,000	450,000
Kentucky	137,634	317,000
Illinois	199,000	561,000



Source: Foundation for Government Accountability

The New Medicaid Math

STATE	CUTS NEEDED TO SAVE \$1: ELDERLY, DISABLED, KIDS (2015)	CUTS NEEDED TO SAVE \$1: EXPANSION POPULATION (2017)
Alaska	\$2.00	\$20.00
Louisiana	\$2.64	\$20.00
Missouri	\$2.74	\$20.00
Montana	\$2.93	\$20.00
So. Dakota	\$2.07	\$20.00
Tennessee	\$2.86	\$20.00
Texas	\$2.38	\$20.00
Wyoming	\$2.00	\$20.00



Source: Foundation for Government Accountability

Cuts Have Happened in Some States



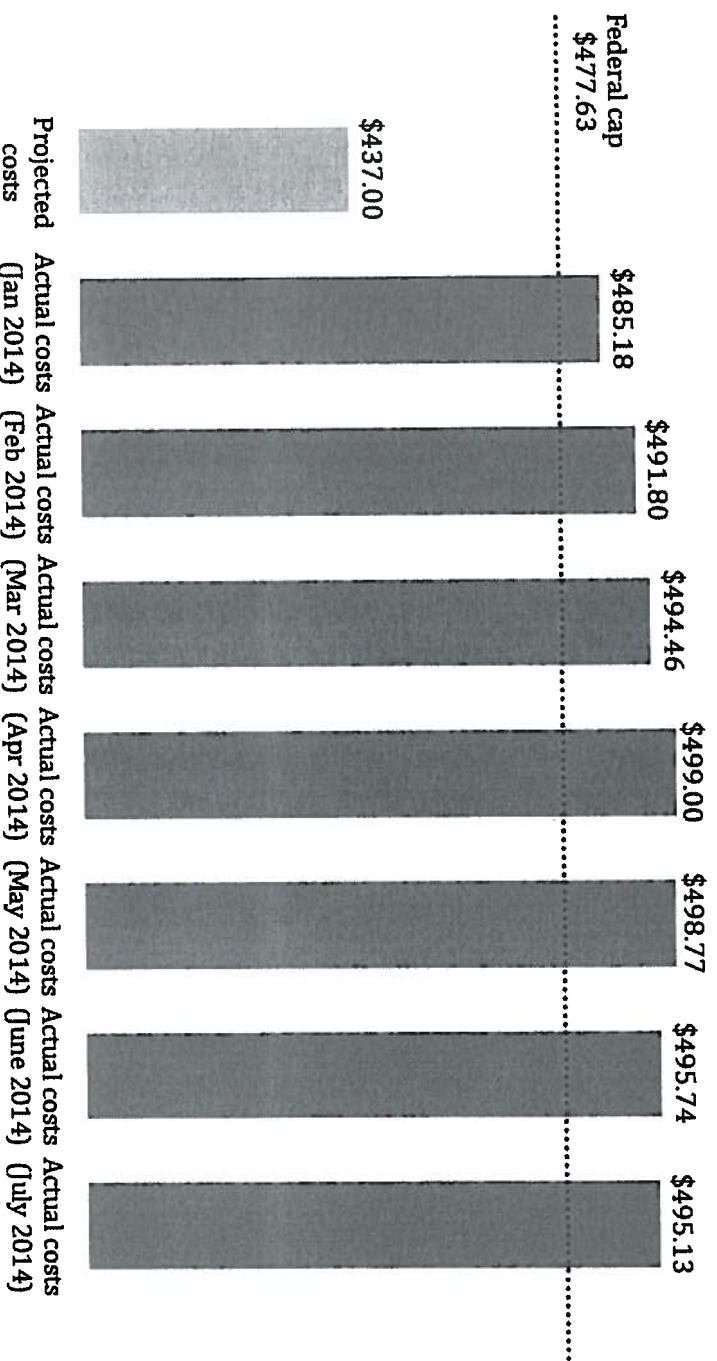
- **Arizona:** Stopped Medicaid coverage for heart, lung, liver, pancreas, and bone marrow transplants
- **Arkansas:** Denied life-saving drugs for cystic fibrosis patients
- **Oregon:** Stopped Medicaid coverage for advanced-stage cancer treatments
- **Maine:** Stopped treating brain injury patients
- **Rhode Island:** Implemented new \$3,000 premium for disabled kids on Medicaid



Arkansas Is Already Over Budget

THE PRIVATE OPTION MEDICAID EXPANSION ALREADY COSTS MORE THAN INITIAL PROJECTIONS

Average monthly per-person costs for the Private Option in 2014



Source: Arkansas Department of Human Services

Note: These totals include projected costs of wraparound benefits as provided by the Arkansas Department of Human Services. Actual wraparound costs have not yet been validated.



Iowa: Requested vs. Received

What Iowa Wanted	CMS Decision	What Iowa Got
“Skin in the game” for everyone	DENIED	<ul style="list-style-type: none">• No cost-sharing under 50% FPL• All cost-sharing waived Year 1
Premiums up to 3% of income	DENIED	<ul style="list-style-type: none">• Premiums up to 1% of income
Enforce personal responsibility	DENIED	<ul style="list-style-type: none">• 50-100% FPL can’t be disenrolled• 100-138% FPL can self-attest “hardship”
Exclude NEMT services	DENIED	<ul style="list-style-type: none">• NEMT exclusion only in Years 1-2
Exclude EPSDT services	DENIED	<ul style="list-style-type: none">• EPSDT exclusion rejected by CMS
\$10 ER copay for non-ER care	DENIED	<ul style="list-style-type: none">• \$8 ER copay allowed by CMS
Exclude retroactive eligibility	DENIED	<ul style="list-style-type: none">• Iowa Medicaid pays for retroactive bills up to 30 days



Indiana's Medicaid Expansion

The Washington Times

EDITORIAL: Pence's sellout on Medicaid expansion in Indiana

There's nothing conservative about Hoosier's scheme

By THE WASHINGTON TIMES - - *Tuesday, June 3, 2014*

Mike Pence is a rising star of Republicans, and has been for years. During his 10-year membership in Congress, he held the No. 4 leadership position in the House and topped the 2010 Values Voter Summit presidential preference poll. He became governor of Indiana last year with his conservative bona fides in order.

That's why it's puzzling that Mr. Pence last month announced a scheme to expand Medicaid in Indiana, inflicting a major element of Obamacare on patients and taxpayers. Called "HIP 2.0," the Pence plan co-opts the existing Healthy Indiana Plan — a Medicaid program devised by his predecessor, Mitch Daniels — to make Medicaid larger to satisfy Obamacare requirements.

Mr. Pence wants conservatives to embrace Medicaid expansion as a responsible, limited-government alternative to Obamacare, writing in an editorial essay in *The Wall Street Journal* and in a speech to the American Enterprise Institute. Include us out.



Indiana: Reading Between the Lines

What Indiana Says

We're charging premiums

- Premiums are less than ½ of what Medicaid allows
- 100% of premiums can be paid by someone else

\$25 ER co-pay for non-ER care

- Only for Year #1 and Year #2 of the waiver
- Thousands are exempt from paying it
- You can escape the copay by calling an ER nurse

Enforceable copays and premiums, or "lockout" for nonpayment

- 77% of enrollees are exempt from lockout entirely
- Everyone else can claim one of many exemptions
- Indiana can add further exemptions at any time

No retroactive eligibility

- Only for Year #1 of the waiver
- In exchange, IN grows Medicaid rolls faster with "expanded presumptive eligibility"

No NEMT

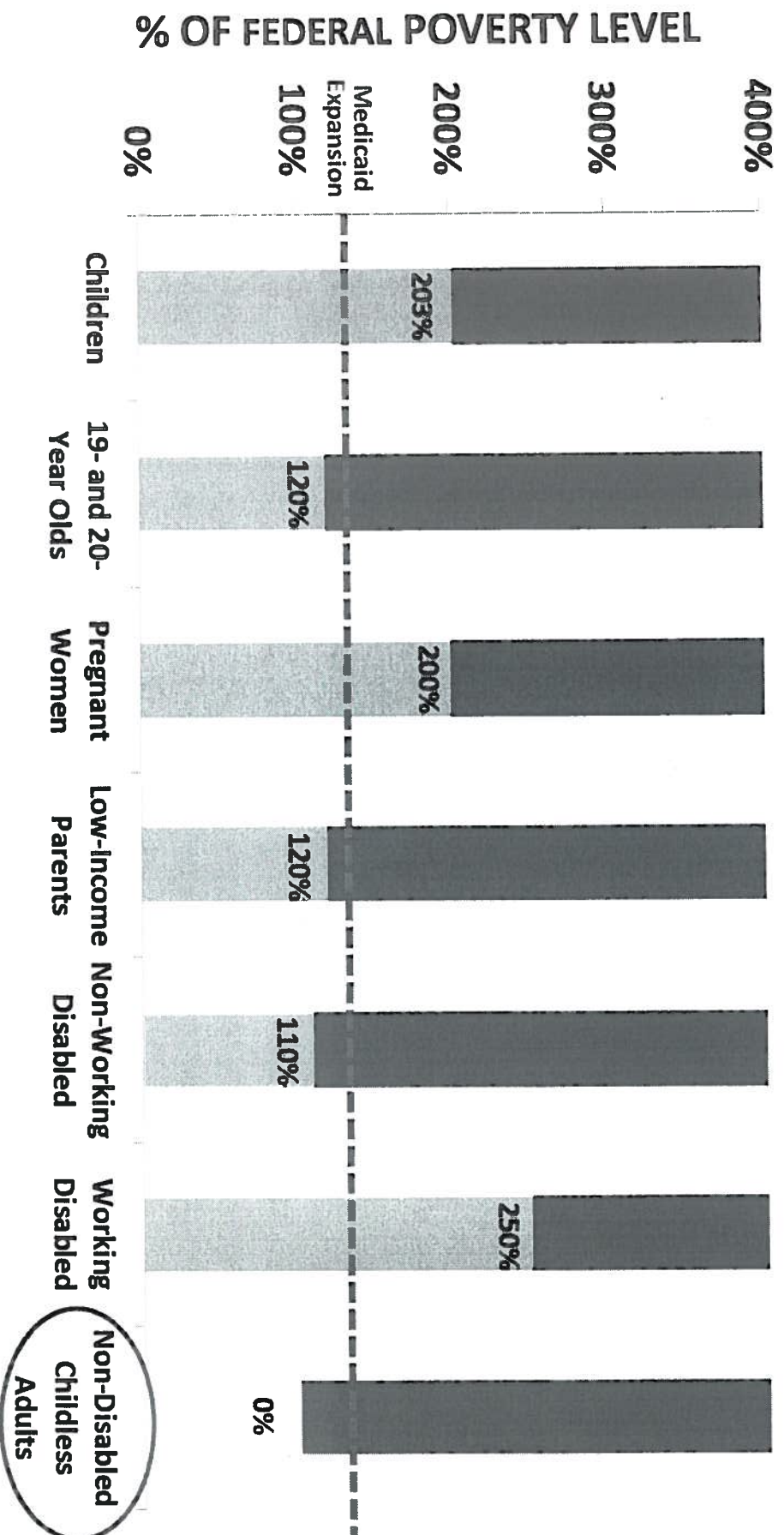
- Only for Year #1 of the waiver

We can exit at any time

- If Indiana terminates the waiver, it must "ensure ongoing coverage for eligible individuals"



How Medicaid & Exchanges Work



Source: U.S. Department of Health and Human Services

Thank You!

Christie Herrera

Senior Fellow

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Follow us on Twitter: @thefga

