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MEMORANDUM

March 31, 2015

To: Valerie Davidson, Commissioner, Alaska Department of Health and Social Services

Re: Response to Representative Vazquez Memorandum *Medicaid expansion cost and savings estimates vary dramatically*, March 30, 2015

The purpose of this memorandum is to explain the differences between the Lewin Group report "An Analysis of the Impact of Medicaid Expansion in Alaska" and the Evergreen Economics memorandum "Projected Population, Enrollment, Service Costs and Demographics of Medicaid Expansion Beginning in FY2016." In order to more easily explain the differences, it is first necessary to compare findings from the two reports on an "apples-to-apples" basis.

Making an Apples-to-Apples Comparison

1. **Comparison of costs from the two studies must be based on the same start date.** The Lewin study presents the results based on Medicaid expansion beginning in either January 2014, January 2015, or January 2016. The most logical start date to consider is January 2016. For the Lewin study, the estimates of costs based on a January 2016 start date are found in Figure B-6. For the Evergreen study, which was presented with a July 2015 start date (beginning of FY2016), it is a simple matter to move to a January 2016 start date.
2. **Comparison of costs from the two studies must be based on the same year.** The Evergreen study was presented on a fiscal year basis; however, because the Lewin study presents results based on calendar year, I will compare the two studies on the same basis.
3. **Comparison of costs from the two studies must be based only on the cost of Medicaid expansion.** As I explained in the Legislative Lunch and Learn on March 19, 2015, the "woodwork" or "welcome mat" effect associated with the Affordable Care Act (ACA) occurs regardless of whether Alaska expands Medicaid or does not expand Medicaid. In fact, Alaska has already experienced a substantial welcome mat effect. The welcome mat effect is based on (1) the insurance mandate, (2) the "no-wrong-door" interface associated with the federal exchange, and (3) the modified adjusted gross income (MAGI) standard. Alaska, just like every other state, has been subject to these three issues since January 2014. Alaska has been experiencing increased Medicaid enrollment due to the three issues since January 2014; most or all of their collective effect has already been realized.

Comparing the Lewin and Evergreen Results for CY2016–CY2020

Table 1 summarizes the key results from the Lewin and Evergreen studies with respect to the size of the newly eligible population, enrollment by those who are newly eligible, spending per newly eligible enrollee, and total and state costs of providing Medicaid Services to newly eligible enrollees. The results shown in Table 1 are directly comparable because both the Lewin and Evergreen projections are on a calendar year basis, both begin in January 2016, and only costs associated with expansion are included.

Table 1: Enrollment in and Spending on Medicaid Expansion Services by Calendar Year

Study	Component	2016	2017	2018	2019	2020
Lewin Group	Newly Eligible Adults	65,619	66,571	67,496	68,560	69,684
	Newly Eligible Enrollees	31,572	36,929	42,401	43,029	43,687
	Cost Per Enrollee	\$9,708	\$10,208	\$10,730	\$11,272	\$11,839
	Total Cost	\$306,500,976	\$376,971,232	\$454,962,730	\$485,022,888	\$517,210,393
	State Cost	\$0	\$18,848,562	\$27,297,764	\$33,951,602	\$51,721,039
Evergreen Economics	Newly Eligible Adults	41,945	42,015	42,085	42,155	42,225
	Newly Eligible Enrollees	20,083	23,293	26,514	26,558	26,602
	Cost Per Enrollee	\$7,372	\$7,624	\$7,885	\$8,155	\$8,363
	Total Cost	\$148,051,876	\$177,585,832	\$209,062,890	\$216,580,490	\$222,472,526
	State Cost	\$0	\$8,879,292	\$12,543,773	\$15,160,634	\$22,247,253

Source: Analysis by Evergreen Economics of data from various sources

To compare the results from the two studies, one needs to consider three issues:

1. The size of the newly eligible population and growth in this population over time;
2. How many of those newly eligible for Medicaid actually enroll (i.e., the take-up rate); and
3. Average annual spending on Medicaid services for the newly eligible enrollees.

The Expansion Population

Lewin Group

In the Lewin study, the authors utilized the Health Benefits Simulation Model (HBSM), a proprietary model of the Lewin Group, and data from the Current Population Survey (CPS) for the years 2008-2010 to simulate the number of people who would become newly eligible for Medicaid through Medicaid expansion in Alaska.

Between 2014 and 2020, the Lewin Group projects that the average annual growth rate of the newly eligible population will be about 1.4 percent, far greater than the growth rate of .04

percent projected by the Alaska Department of Labor for the 19-64 year old population over that same period.

Evergreen Economics

The Evergreen estimates of the expansion population are based on recent data and did not require any simulation or modeling. Instead, we directly estimated the number of persons newly eligible for Medicaid expansion, using data collected by the State of Alaska through the Behavioral Risk Factor Surveillance System (BRFSS) survey for 2012 and 2013 and population estimates and projections reported by the Alaska Department of Labor. The BRFSS survey is a statewide household survey that collects detailed demographic, household, and health-related information on Alaskans. In this survey, adult respondents are asked their age, the number of other adults living in the home, the presence and ages of any dependent children living in the home, and household income.

In the Evergreen study, growth in the expansion population is slightly faster than that projected by the Alaska Department of Labor (0.17 percent versus 0.04 percent). We used this slightly faster growth rate to ensure that our projection did not under-predict population growth.

Take-up Rate of Medicaid

Lewin Group

The Lewin Group assumes a 63 percent Medicaid take-up rate by the newly eligible population, which requires a two-year “ramp-up” period.

Evergreen Economics

We believe the take-up rate and the ramp-up rates are reasonable and we adopted them in the Evergreen study.

Average Annual Spending per Newly Eligible Medicaid Enrollee

Lewin Group

The Lewin Group does not state how or where it developed estimates of spending per newly eligible enrollee. The estimates used in the Lewin Group are less than, but fairly close to, the average annual cost of providing Medicaid services for all working-age adults—including those that are disabled or pregnant.

Evergreen Economics

In the Evergreen study, we used working-age adults enrolled through the Family Medicaid eligibility category, which is comprised of non-disabled adults who are eligible for Medicaid

services due to being low income with dependent children.¹ With the exception of having dependent children, we believe these enrollees are a good proxy for the expansion population.²

Based on our analysis of data from the Department's Medicaid Budget Group, between FY2009 and FY2013, average spending per enrollee for adults in Family Medicaid grew on an average annual basis by just 1.0 percent to \$6,560 in FY2013 (see Table 2). Over this same period, average spending per enrollee was little changed for all working-age adults (growing from \$12,282 to \$12,374). The substantial difference in average spending per enrollee is due to the fact that the overall working-age population includes individuals who are disabled or pregnant.

Table 2: Historical Average Per-Enroll Cost of Services

Fiscal Year	Adults in Family Medicaid *	All Working-Age Adults
2009	\$6,359	\$12,282
2010	\$6,708	\$13,079
2011	\$6,934	\$13,301
2012	\$6,593	\$12,684
2013	\$6,560	\$12,374
Annual % Growth	1.0%	0.2%

Source: Analysis by Evergreen Economics of data from Alaska DHSS, Medicaid Budget Group

* Based on Family Medicaid eligibility, ages 19–64

Our estimated annual cost of Medicaid services for the expansion population is weighted by gender and age to account for expected demographic characteristics of the expansion population.

Concluding Remarks

In the end, cost estimates from the Lewin and Evergreen studies are a function of the assumptions made by the researchers. I believe that the most reasonable assumptions are those based on the most recent data from Alaskan sources. For the Evergreen analysis, we developed estimates of the newly eligible population based on information Alaskan households reported to Alaskan researchers. And for the estimates of annual Medicaid cost per newly eligible enrollee, we relied on the most currently available data for Medicaid enrollees most like the newly eligible population.

¹ There are also a small number of disabled adults in the expansion population. We relied on data for Medicaid enrollees 19–64 years of age, enrolled through the SSI/APA, Medicare, and Other Disabled eligibility categories in developing estimates of Medicaid costs for the expansion population.

² We base this conclusion on our comparative analysis of data from the 2012 and 2013 BRFSS surveys on the health status of the expansion population and the current Medicaid-eligible population. Please see the tables in the appendix of this memo to see the comparison in health status between the expansion population, current Medicaid enrollees, and Alaskan adults not in Medicaid and not in the expansion population.