THE STATE of ALASKA
GOVERNOR BILL WALKER

Department of
Health and Social Services

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MEMORANDUM

DATE: May 14, 2015

TO: The Honorable Representative Steve Thompson, Co-Chair
House Finance Committee

FROM: Jon Sherwood, Deputy Commissioner
Department of Health & Social Services

SUBJECT: Response to Additional House Finance Questions Received May 11

Following are answers to the additional questions submitted to the Department by House Finance on May 11. Please note that this supplemental list has been renumbered to follow the original list of 41 questions.

42. How much will Medicaid expansion savings be each year through 2022?

The annual state general fund savings that will result from Medicaid expansion as projected in the fiscal notes for the current version of HB 148/H are summarized in the following table. The savings from offsets will result from reductions made to the following state-funded services that will be covered by Medicaid: the Chronic and Acute Medical Assistance program, in-patient care for Department of Corrections inmates, and behavioral health grant services.

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
GF Spending for Services	0.0	3,837.7	9,857.7	12,126.6	16,311.9	19,532.7	**61,666.6**
GF Spending for Admin	0.0	1,050.9	531.0	527.2	593.0	589.2	**3,291.3**
GF Savings from Off-Sets	(6,583.6)	(13,300.0)	(17,400.0)	(21,471.0)	(24,471.0)	(24,471.0)	**(107,696.6)**
TOTAL GF SAVINGS	**(6,583.6)**	**(8,411.4)**	**(7,011.3)**	**(8,817.2)**	**(7,566.1)**	**(4,349.1)**	**(42,738.7)**

43. Same question on savings with expansion and those reforms that we need a statute for in the current house bill?

The annual state general fund savings that will result from both expansion and the reforms included in the current version of HB 148/H, as projected in the current fiscal notes, are summarized in the following table. The savings reflected are reduced for administrative costs.

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Expansion GF Savings	(6,583.6)	(8,411.4)	(7,011.3)	(8,817.2)	(7,566.1)	(4,349.1)	**(42,738.7)**
Primary Care Case Management GF Savings	(3,124.1)	(3,408.1)	(3,408.1)	(3,408.1)	(3,408.1)	(3,408.1)	**(20,164.6)**
1115 Waiver for Tribal Partnerships GF Savings	61.6	(6,437.8)	(25,937.8)	(56,437.8)	(56,437)	(86,937.8)	**(232,127.4)**
Home & Community-Based Services 1915(i) & 1915(k) Options GF Savings	169.9	282.5	(14,661.5)	(14,886.5)	(14,531.1)	(14,528.3)	**(58,155.0)**
TOTAL GF SAVINGS	**(9,476.2)**	**(17,974.8)**	**(51,018.7)**	**(83,549.6)**	**(81,943.1)**	**(109,223.3)**	**(353,185.7)**

44. Same question w expansion and all reforms in current house bill?

Please see the answer above to question #43, and please clarify if additional information is required.

45. How many jobs will be created?

Northern Economics, in their report released February 1, 2013 titled *Fiscal and Economic Impacts of Medicaid Expansion in Alaska*, estimated that approximately 4,000 jobs will be created as the result of Medicaid expansion. The report can be found at http://www.anthctoday.org/news/Final%20Report-Fiscal%20and%20Economic%20Impacts%20of%20Medicaid%20ExpansioninAlaska.pdf

The 4,000 jobs are expected to be generated over six years, not all at once. The jobs will be a combination of health care and other associated sectors. The new jobs will be spread all around the state. We anticipate they will be in a similar geographic proportion as the expansion group itself. By regions, that would be:

Northern: 12%
Interior: 14%
Southwest: 3%
Gulf Coast: 14%
Anchorage/Mat-Su: 51%
Southeast: 6%

46. Why is the latest department commissioned study more accurate than prior state studies? Were the user demographics more accurate?

Two reports have been commissioned by the State of Alaska. The Lewin Group report was completed in April 2013. A second report conducted by Evergreen Economics, a firm that has analyzed Alaska's Medicaid program data for a decade, was released in February 2015. Several data comparisons are listed below.

Estimates for the Number of Newly Eligible Alaskans:
Evergreen Economics estimates are based on the most recent data available from Alaskan sources. Evergreen's estimates were based on information Alaskan households reported to Alaskan researchers. Evergreen developed estimates of the newly eligible population based on 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 Department of Labor.

The Lewin Group 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 project the number of people who would become newly eligible for Medicaid through expansion.

Estimates for the Cost Per Enrollee:
For estimates of annual Medicaid cost per newly eligible enrollee, Evergreen 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. With the exception of having dependent children, these enrollees are a good proxy for the expansion population.

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 who are disabled or pregnant.

Release of Reports:
The report by Evergreen was release in February 2015, 13 months after the first states expanded Medicaid under the Affordable Care Act (ACA). This allowed Evergreen to consider data not available to the Lewin Group such as the **"woodwork effect."** The woodwork effect associated with the ACA occurs regardless of whether or not Alaska expands Medicaid. Alaska has already experienced a substantial woodwork effect occurs when individuals express interest in a program because they learn about it through public information and media efforts. In the case of ACA, the following are contributing to the woodwork effect (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 and most or all of their collective effect has already been realized.

47. Will state savings continue after the Feds stop paying 100%?

Yes, please see the summary of savings provided in the answers to questions #42 and #43

48. If we don't pass Medicaid expansion this year how many years of 100% state coverage will we have missed? When will we miss the last year of 100% coverage?

The federal match rate for the newly eligible expansion population is 100% for calendar years 2014, 2015, and 2016. The federal match transitions to 95% in 2017, 94% in 2018, 93% in 2019 and 90% in 2020 and beyond.

As of May 14, the state lost 499 days of 100% coverage from the federal government. 42,000 Alaskans have gone without the opportunity for health care coverage and Alaska has gone without the economic benefit of nearly $200 Million by delaying the expansion of Medicaid.

49. What is economist Neal Fried's, or the best latest projection of Alaska private and public sector job losses for coming year and are those offset by Medicaid expansion created jobs?

The most recent DOLWD employment forecast is for calendar year 2015, which projects no overall job growth or loss, though 200 new health care jobs are projected for this year. The forecast was published in Trends: http://labor.alaska.gov/trends/jan15.pdf. A video of Mr. Fried discussing the economic benefits the state could expect with Medicaid expansion can be viewed here: http://dhss.alaska.gov/HealthyAlaska/Pages/default.aspx

50. How will the donut hole of people who don't get insurance subsidies be fixed by accepting expansion?

Alaskans with incomes below 100% of the federal poverty level ($14,720 for a single person; $19,920 for a married couple) are not eligible to receive federal tax credits for subsidized insurance coverage under the Affordable Care Act (ACA). Those subsidies are only available to individuals with incomes between 100% - 400% of the federal poverty level. Those below 100% were left out because the ACA as enacted would have covered these individuals with Medicaid in all states. When the U.S. Supreme Court upheld the constitutionality of the Act, they also held Medicaid expansion as optional for states. Accepting Medicaid expansion will provide these lowest income Alaskans in this insurance gap with health care coverage through the state's Medicaid program.

According to Evergreen Economics, of the 41,910 Alaskans who would be newly eligible for Medicaid, 23,344 have incomes less than 100% of the federal poverty level and do not meet the eligibility requirements of the current Medicaid program.

51. How will accepting expansion affect private insurance rates and medical costs.

Hospitals operating in states that expanded Medicaid in 2014 experienced reductions in uncompensated care of as much as 30% within 6 months of expansion. We are not able to project the direct impact on private insurance rates and the underlying medical costs, but expect the reduction in uncompensated care to moderate health care price inflation.

The number of uninsured patients is financially straining Alaska's hospitals and clinics. Alaska hospitals provided more than $100 million in uncompensated care in 2014. These losses threaten providers' viability.

Without expansion, Alaska's hospitals not only face the burden of providing uncompensated care, but other changes as a result of the ACA will result in additional funding reductions. These cuts to Alaska hospital exceed $591 million over fifteen years. Hospitals agreed to payment reductions based on the assumption that expanding Medicaid would be mandatory for all states and would make up for losses.

For more information, please visit http://d2vx0b949pmiku.cloudfront.net/wp-content/uploads/2012/11/Uncompensated-care-Talking-Points-Revised-3-20-15.pdf

52. Will Alaska Regionals plan to divert people to a low cost medical clinic if bill passes likely be replicated elsewhere?

The Department did research to identify areas of super utilizers of services across the state. One area that stood out was the Mt. View area in Anchorage. The Department worked cooperatively with Alaska Regional Hospital to establish that there was a need in the Mt. View area. The super-utilizer project found other hotspots around the State. It is conceivable that diverting people to low cost medical clinics may be replicated in areas such as Mat-Su and Fairbanks.

53. How many lives could be saved with the expanded coverage?

With Medicaid expansion Alaska's statewide mortality would drop – approximately 30 Alaskan lives will be saved annually.

This estimate is based on a recent analysis of the impacts of health insurance coverage conducted by health economists at Harvard University comparing mortality rates for adults in Massachusetts for the five years prior to and five years following the date health reform took effect in that state, versus a control group with similar demographics and economic conditions. The analysis found that for every 830 adults who gained health insurance, one death per year was prevented. The study was published in the Annals of Internal Medicine this past year.

54. Where do the economic benefits go geographically?

Please refer to #45 for the regional breakout.

55. What are the total savings to the state from expansion and reform over the next six years? How do you account for these savings? What have other states similarly saved/spent?

Offsets to the state general fund identified as a result of expansion are projected to cumulatively total $107 million over the first six years. The offsets are a result of shifting services currently fully funded with state general funds to Medicaid coverage. The offsets identified include reductions in the Catastrophic and Acute Medical Assistance program, in-patient care provided to Department of Corrections inmates, and reductions in behavioral health grants.

After the first six years, when Alaska's match has transitioned to 10%, the cumulative savings to the state general fund exceed the state's cost to cover the expansion population. The result is a cumulative net savings to the State of more than $42 million. Please see the answers to questions #42 and #43 for additional information.

States that have expanded Medicaid are already demonstrating significant savings. A copy of a recent State Health Reform Assistance Network issue brief summarizing savings from two states that expanded Medicaid in 2014 was provided with the response to the initial 41 questions.