

# ALASKA STATE LEGISLATURE

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REPRESENTATIVE LIZ VAZQUEZ

District 22 – Jewel Lake, Sand Lake, Dimond & Kincaid

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## MEMORANDUM

Date: Tuesday, March 17, 2015

To: Members of the 29<sup>th</sup> Legislature

From: Representative Liz Vazquez

Re: Medicaid expansion savings eclipsed by dramatic cost discrepancies

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Attached please find a table developed by my staff based on estimates of costs and savings for the proposed Medicaid expansion. The table draws on forecasts from the Lewin Group and Evergreen Economics, two studies commissioned and paid for by the Alaska Department of Health & Social Services (DHSS).

As the attached table demonstrates, there are dramatic differences in projected costs for Medicaid expansion. For example, the Lewin Group report predicts that the cumulative cost of Medicaid expansion from 2016 through 2020 will be approximately \$210 million, while Evergreen Economics predicts it will be approximately \$48 million.

DHSS claims that the proposed Medicaid expansion will result in net savings to the state.<sup>1</sup> Accordingly, the attached table also includes a forecast of net savings forecasted by DHSS.

As the attached table shows, when the Evergreen/DHSS cost figures are compared to the Lewin Group's cost estimations, the differences are large and far exceed any cost savings suggested by DHSS.

These materials are provided for your information. Please contact me or my staff Anita Halterman with any questions at 465-3892.

Attachments:

1. "The Bottom Line: Discrepancies in Projections for Medicaid Expansion". Table prepared by the Office of Representative Liz Vazquez.

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<sup>1</sup> These forecasts of savings were presented by DHSS Commissioner Valerie Davidson before the House Health & Social Services Committee on March 5, 2015.

# THE BOTTOM LINE: DISCREPANCIES IN PROJECTIONS FOR MEDICAID EXPANSION

| Comparisons of Projected Total Costs (State Share) and Savings |               |               |               |               |               |                                |
|--|---------------|---------------|---------------|---------------|---------------|--------------------------------|
| <u>State Share of Costs</u>                                    | <u>2016</u>   | <u>2017</u>   | <u>2018</u>   | <u>2019</u>   | <u>2020</u>   | <u>Cumulative through 2020</u> |
| Lewin Group <sup>1</sup>                                       | \$ 11,153,760 | \$ 32,590,262 | \$ 43,912,881 | \$ 51,686,719 | \$ 70,662,545 | \$ 210,006,167                 |
| Evergreen Economics/DHSS <sup>2</sup>                          | \$ -          | \$ 5,196,000  | \$ 11,332,000 | \$ 13,563,000 | \$ 17,946,000 | \$ 48,037,000                  |
| DHSS Projected State Savings <sup>3</sup>                      | \$ 6,600,000  | \$ 8,104,000  | \$ 6,068,000  | \$ 7,937,000  | \$ 6,554,000  | \$ 35,263,000                  |

<sup>1</sup> Lewin Group forecasts provided in Lewin Group report, Figure B-6, page 56.

<sup>2</sup> DHSS provides their own calculations of the state's share of administrative costs (see Table 3). DHSS then adds these to Evergreen Economics' forecasts of state health care costs (see Table 2) to calculate the figures given here. Refer to DHSS March 5<sup>th</sup> presentation before House Health & Social Service, slide 14.

<sup>3</sup> DHSS forecasts presented before House Health & Social Services Committee, March 5<sup>th</sup> 2015. Forecasts made by DHSS based on DHSS forecasts of cost offsets net of Evergreen Economics' cost share forecasts and DHSS forecasts of administrative costs. Refer to DHSS presentation, slide 14.