

To: Rep. Paul Seaton

Subject: Using Vouchers under Expanded Medicaid Coverage

To the Honorable Paul Seaton,:

Thank you for giving me the opportunity to address the House Health and Social Services Committee Saturday, March 21, 2015 on the important topic of expanded Medicaid coverage in Alaska.

As I highlighted in my brief remarks, the state can realize significant savings, and also many other desirable outcomes, by introducing a voucher program with the expanded Medicaid coverage. In brief, the proposal would entail the following:

- Since the expanded Medicaid coverage would nearly eliminate uncompensated coverage provided by the myriad of grant-funded institutions in Alaska, the state could realize substantial savings by eliminating the grant-funding altogether. At a minimum, such a savings would include state granting, but it's entirely possible that the state could convince the federal HHS to direct those federal grant dollars to cover other areas of state health expenditures;
- We estimate that combined state and federal grant-funding savings would total at least \$10 million annually;
- In addition, the state should provide newly-eligible Medicaid beneficiaries with vouchers with which to purchase health coverage. Although purchases initially would be directed to existing health institutions, over time these dollars would be used to purchase health services from new competitors, including tele-health providers.
- As such, the voucher program would introduce a level of competition that simply doesn't exist in the Alaska's health care system, where many health centers enjoy a monopoly on services locally and thus have absolutely no incentive to ensure efficiency or effectiveness.
- The savings from such a program are difficult to quantify, but unquestionably these savings would grow year by year as consumers adopt to new technologies (e.g. tele-health) and purchase services from more efficient competitors.
- Moreover, under a voucher program, the state would have to re-think other longstanding, outdated restraint-of-trade policies -- such as current Certificate of Need requirements -- which may no longer be necessary in a more dynamic, technologically-enabled environment.

Please know these points cover the topic only at the most general conceptual level.

However, we believe the state has an opportunity with Medicaid expansion to fundamentally re-think its current healthcare delivery system by introducing a level of competition and flexibility which currently does not exist. Indeed, in the end such a program could likely constitute the greatest-single offset to what is the fastest growing portion of the state budget.

I would be happy to answer any follow-up questions you may have on this topic. My work number is: [907 790 1249](tel:9077901249).

Sincerely,

John Hughes
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