



# MESA FY2023 – FY2043

## Long-Term Forecast of Medicaid Enrollment and Spending in Alaska

*Prepared for Senate Finance  
February 27, 2023*



# Long-Term Medicaid Forecast ('MESA')

- Requested by the Alaska Legislature in 2005
- First forecast completed in 2006
- 20-year projection updated annually
- Assumes current Medicaid structure remains in place
- Provides a baseline for analysis of proposed initiatives
- Provides a benchmark for DOH efforts to “*bend the Medicaid cost curve*”
- Provides insights into trends in Medicaid enrollment, utilization, and spending



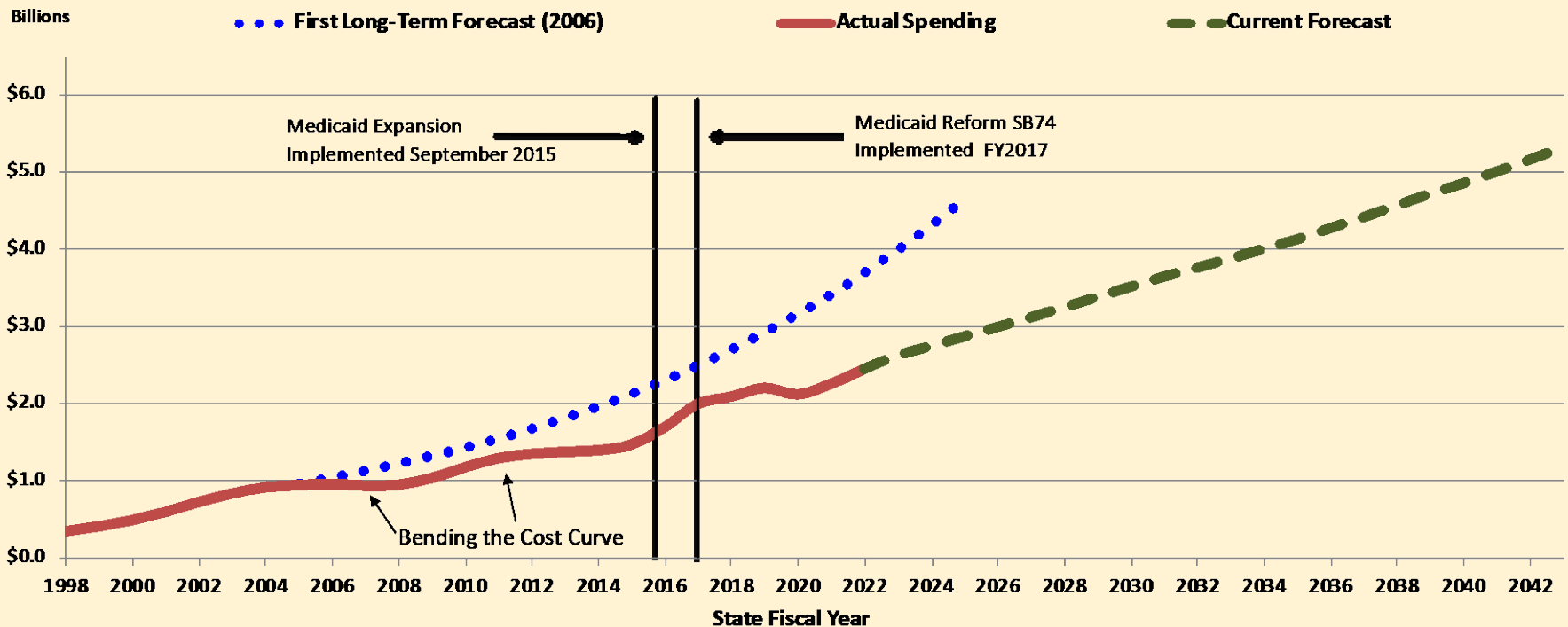
# Medicaid Enrollment and Spending in Alaska

- ① **Bending the Medicaid cost curve**
- ② Recent trends & events
- ③ FY2023-FY2043 projection
- ④ Chronic conditions & Medicaid
- ⑤ Healthy Alaskans 2030

# Bending the Cost Curve

- Cost containment efforts have worked
- Spending has been much lower than was projected in 2006
- Projected spending growth is lower than earlier forecasts

## Comparing Projected Spending from Current Forecast and First Long-Term Medicaid Forecast

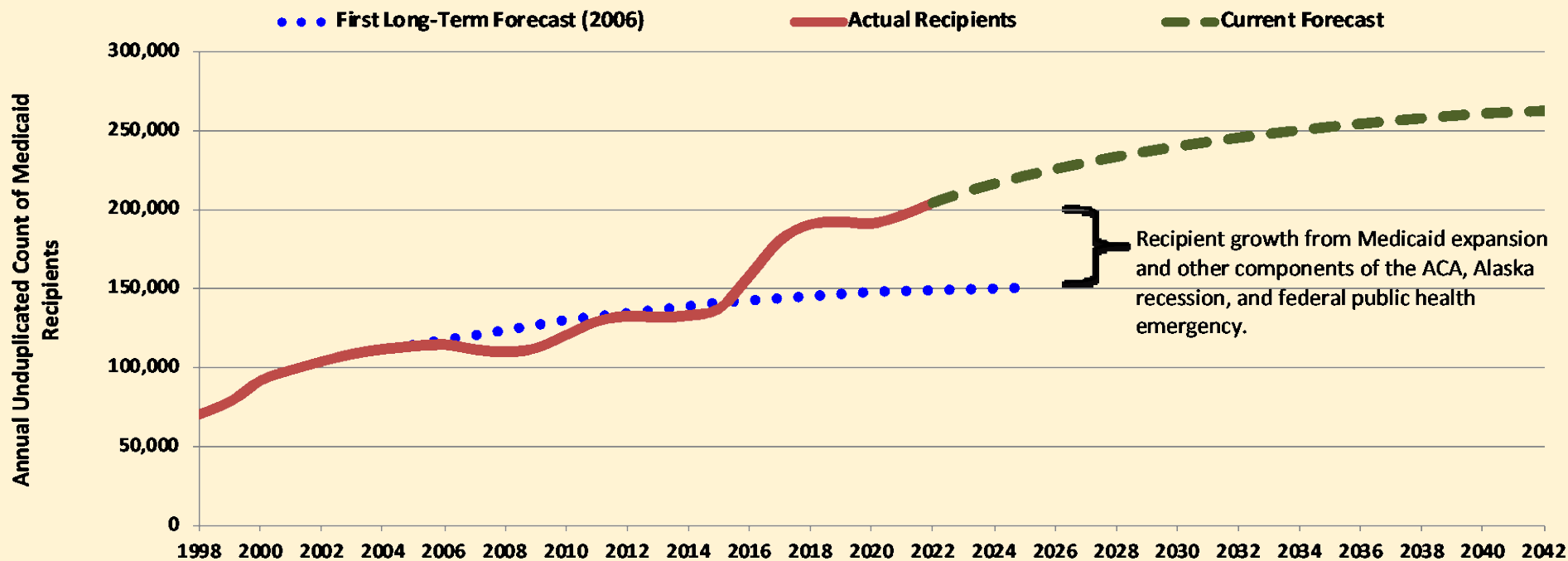




# Many More Alaskans Receiving Medicaid Services

- Actual recipient counts closely tracked the 2006 projection until Medicaid expansion in FY2016
- Recipient counts likely also impacted by Alaska recession

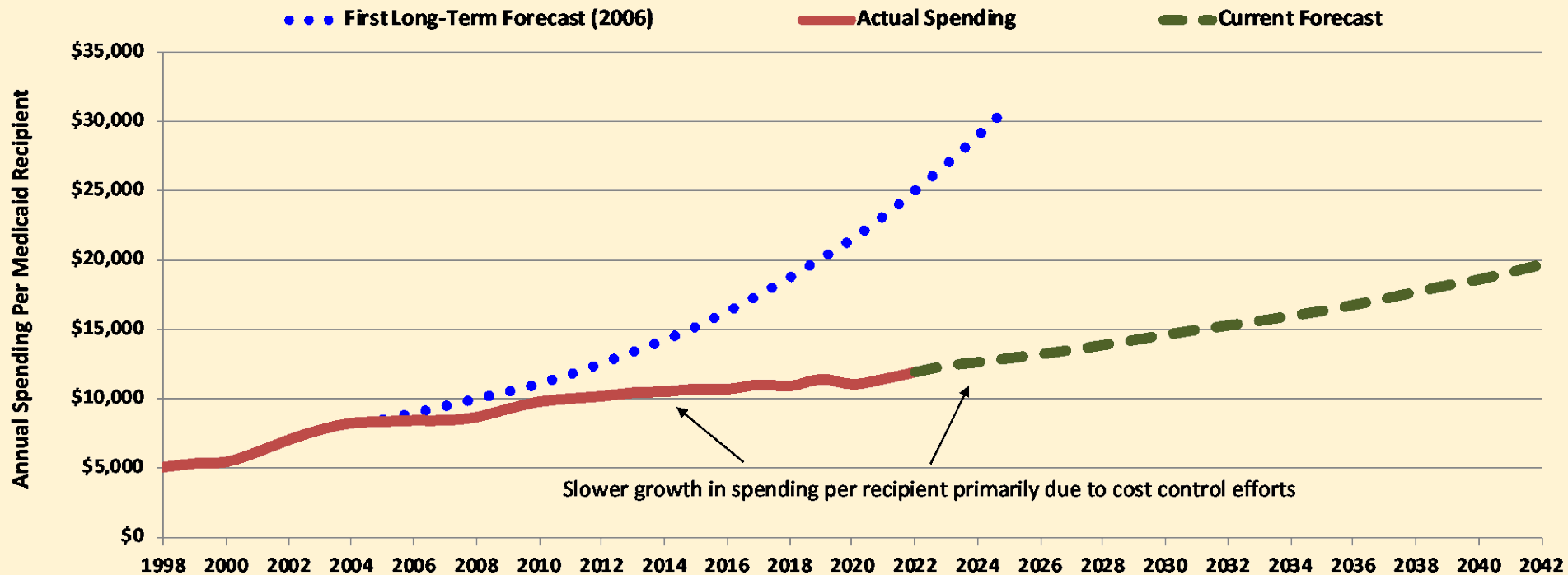
## Comparing Projected Recipients from Current Forecast and First Long-Term Medicaid Forecast



# Spending Per Recipient Has Grown Slowly

- Spending per recipient is much lower today than projected in 2006.
- Cost containment initiative by DOH will likely continue to suppress growth in spending.

## Comparing Projected Spending per Recipient from Current Forecast and First Long-Term Medicaid Forecast





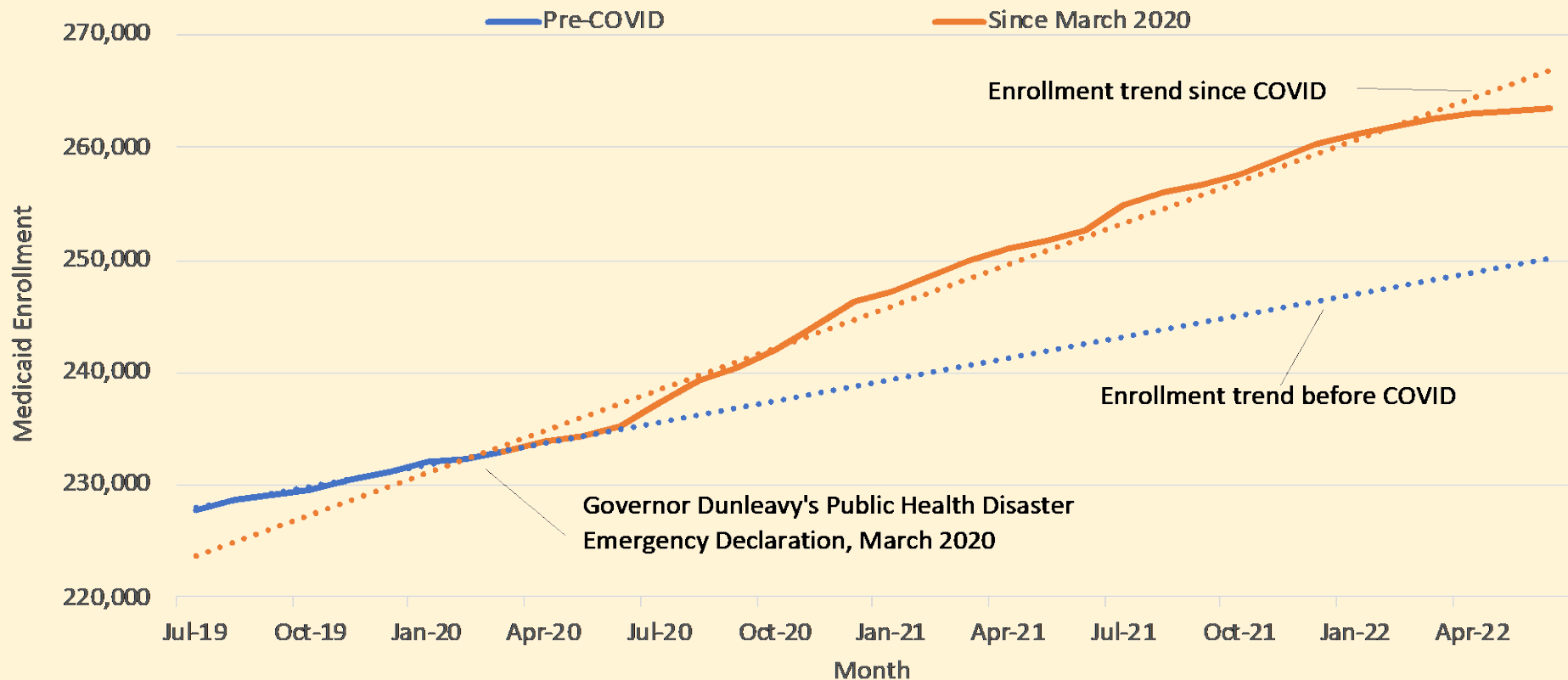
# Medicaid Enrollment and Spending in Alaska

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# Impact of Continuous Enrollment Requirement

Medicaid enrollment will likely revert to trend over the next couple of years with the unwinding of the Federal health emergency and the end of the continuous enrollment requirement,



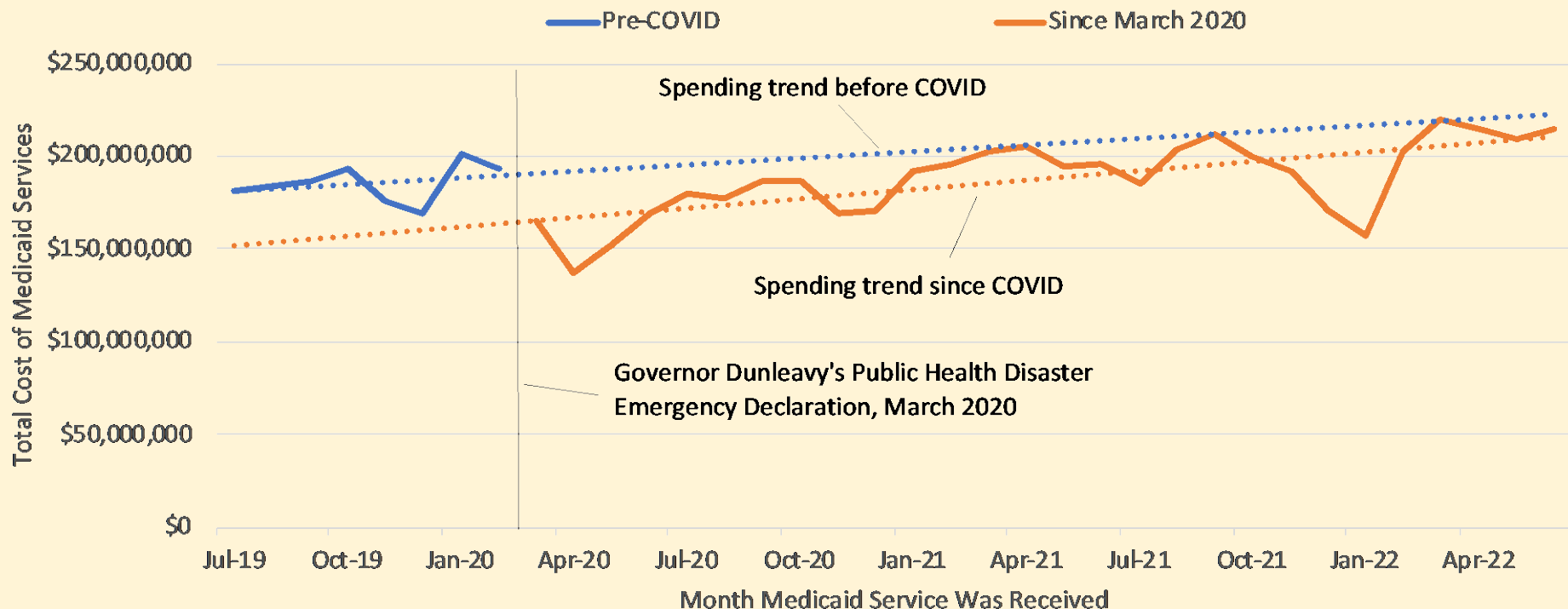




# Spending is Back to Trend

Spending on Medicaid services is growing faster than the pre-COVID trend, but will likely moderate in the next few years

## Monthly Spending of Medicaid Services, FY2020 - FY2022





# Comparative Impact of COVID-19

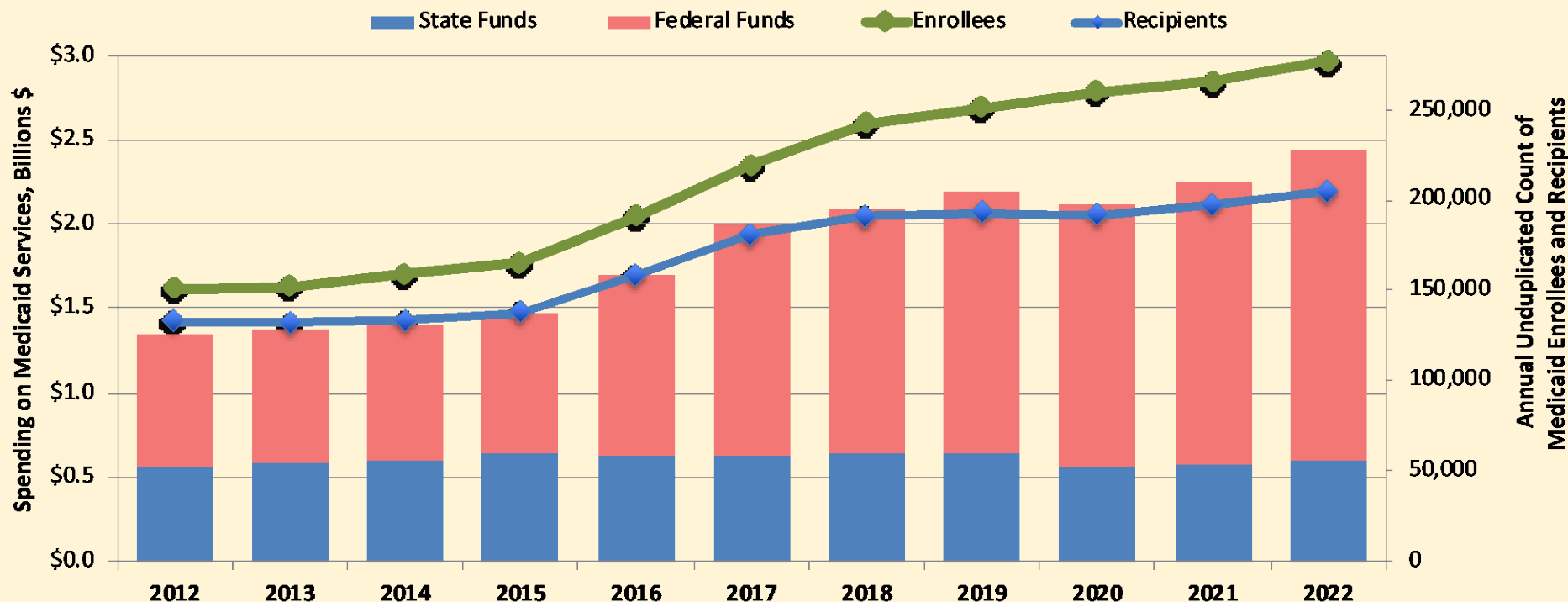
- In comparison to peer states,\* Alaska experienced...
  - 28% fewer (3,329) hospitalizations than peer states
  - 22% fewer (393) deaths
- Alaska's success in protecting vulnerable persons has resulted in savings to the Medicaid program of \$30.7 million (\$5.6 million GF)
- Through January 2023, the Medicaid program has spent \$4.6 million (\$841,000 GF) treating 1,549 beneficiaries diagnosed with post-COVID conditions

\*Peer states: Idaho, Montana, New Mexico, North Dakota, South Dakota, Wyoming

# Medicaid Enrollment, Recipients, & Spending

- Spending growth driven by enhanced federal participation
- Enrollment growth due to expansion, recession, & continuous enrollment
- Enrollment and recipient counts have diverged

**Spending on Medicaid Services, Enrollment in the Medicaid Program, and Recipients of Medicaid Services, By Date of Service, FY2012 – FY2022**





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# Alaska's Population Is Aging

- Population growth has slowed precipitously & will continue to slow
- Number of children in Alaska is expected to decrease
- Growth in the adult 20 – 64 population will be modest
- Growth in the senior population will be relatively robust

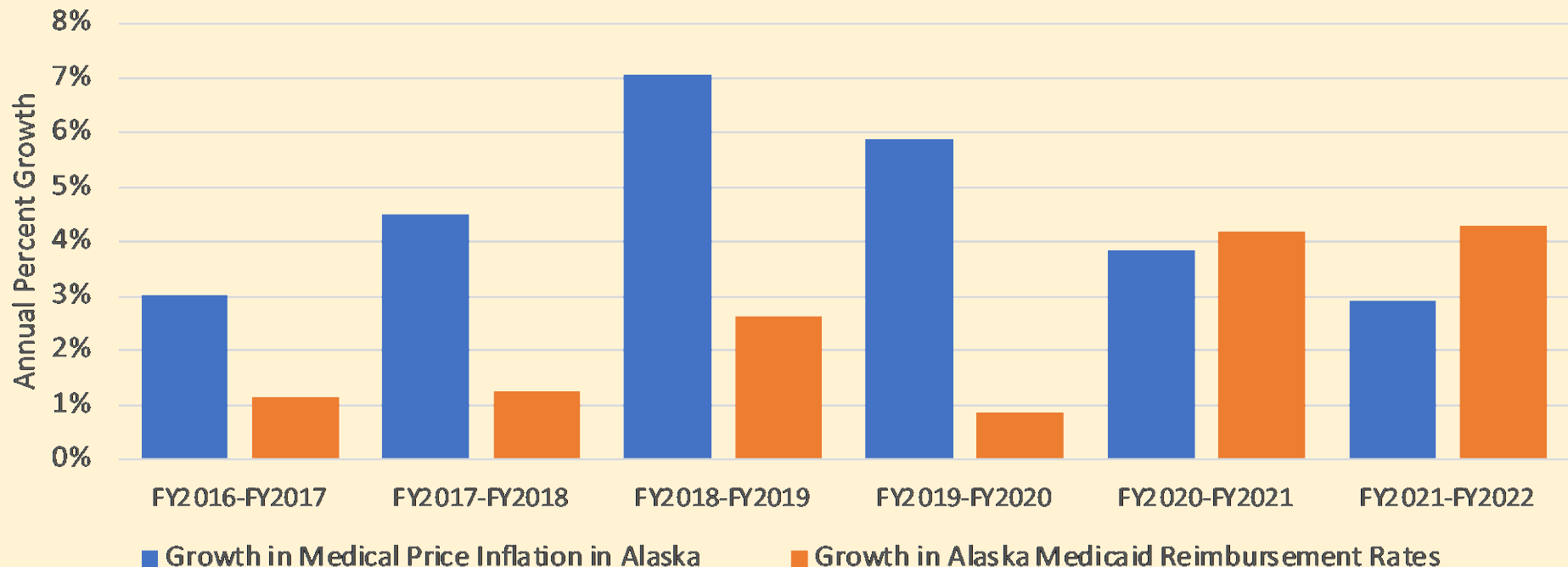
## Alaska's Population by Age Cohort for Selected Years, 2022-2042

Age Group	2023	2028	2033	2038	2043	Avg. Annual Change
Children (0-19)	198,785	195,042	189,480	186,858	186,809	-0.31%
Adults (20-64)	429,969	425,983	432,244	440,469	445,596	0.18%
Seniors (65+)	107,695	123,918	130,873	129,775	126,591	0.81%
<b>Total Population</b>	<b>736,449</b>	<b>744,943</b>	<b>752,597</b>	<b>757,102</b>	<b>758,996</b>	<b>0.15%</b>



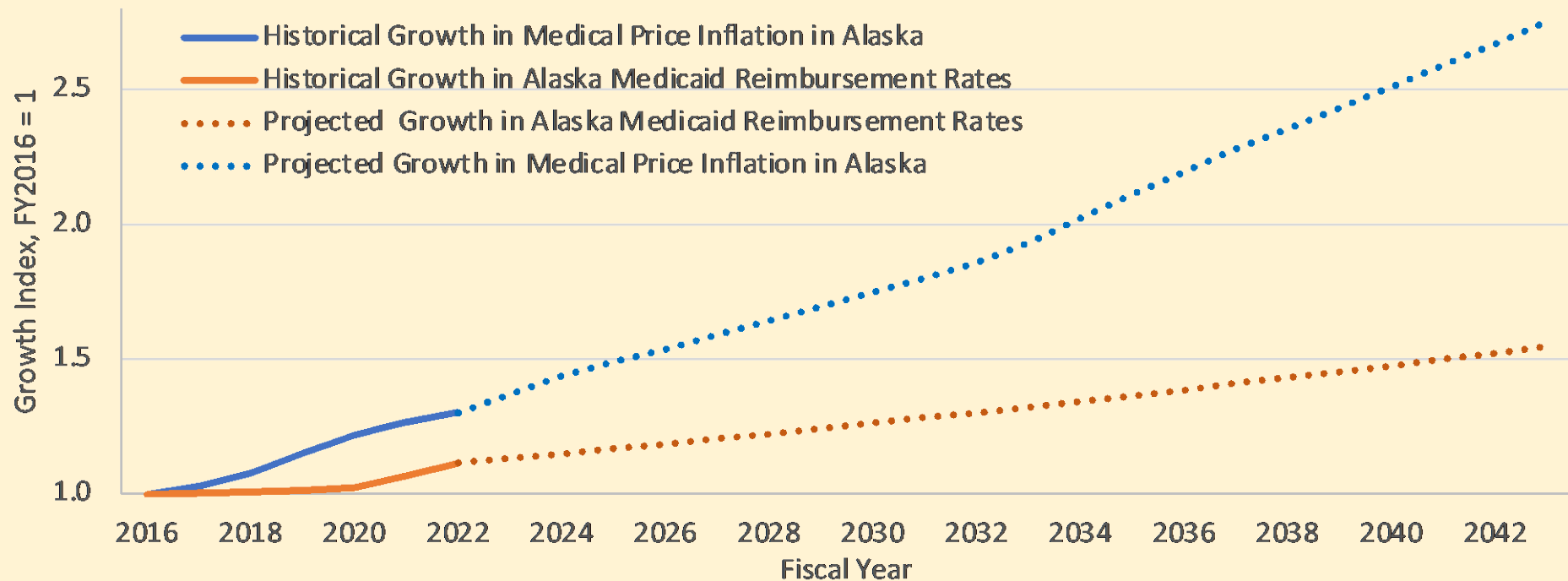
# Medicaid Reimbursement Rates Have Mostly Trailed Medical Price Inflation

- Between FY2016 and FY2020, medical price inflation in Alaska outpaced Medicaid reimbursement rates by about 3.6 percentage points per year
- Between FY2020 and FY2022, Medicaid Reimbursement rates slightly outpaced medical price inflation



# Growth in Medicaid Reimbursement Rates

Medicaid reimbursement rates will continue to grow at a *slower rate* than overall healthcare price inflation





# GF Spending Will Grow Faster than Federal

- Difference in growth rates is due to unwinding of enhanced FFP
  - Impact will affect FY2023 and FY2024
  - All states will be impacted by the unwinding of enhanced FFP
- Assumes no other future changes to FFPs beyond unwinding of federal health emergency response to the COVID-19 pandemic

## Projected State and Federal Spending on Medicaid Services, FY2023 - FY2043 (Millions \$)

Fund Source	2023	2028	2033	2038	2043	Annual Growth
State GF and Other Matching Funds	\$615.7	\$853.0	\$1,026.5	\$1,224.2	\$1,412.7	4.2%
Federal	\$2,011.5	\$2,410.4	\$2,846.4	\$3,359.2	\$3,871.7	3.3%
<b>Total Spending*</b>	<b>\$2,627.1</b>	<b>\$3,263.5</b>	<b>\$3,872.9</b>	<b>\$4,583.3</b>	<b>\$5,284.3</b>	<b>3.6%</b>

\* Due to rounding, some totals may not precisely match the sum of components shown in table.

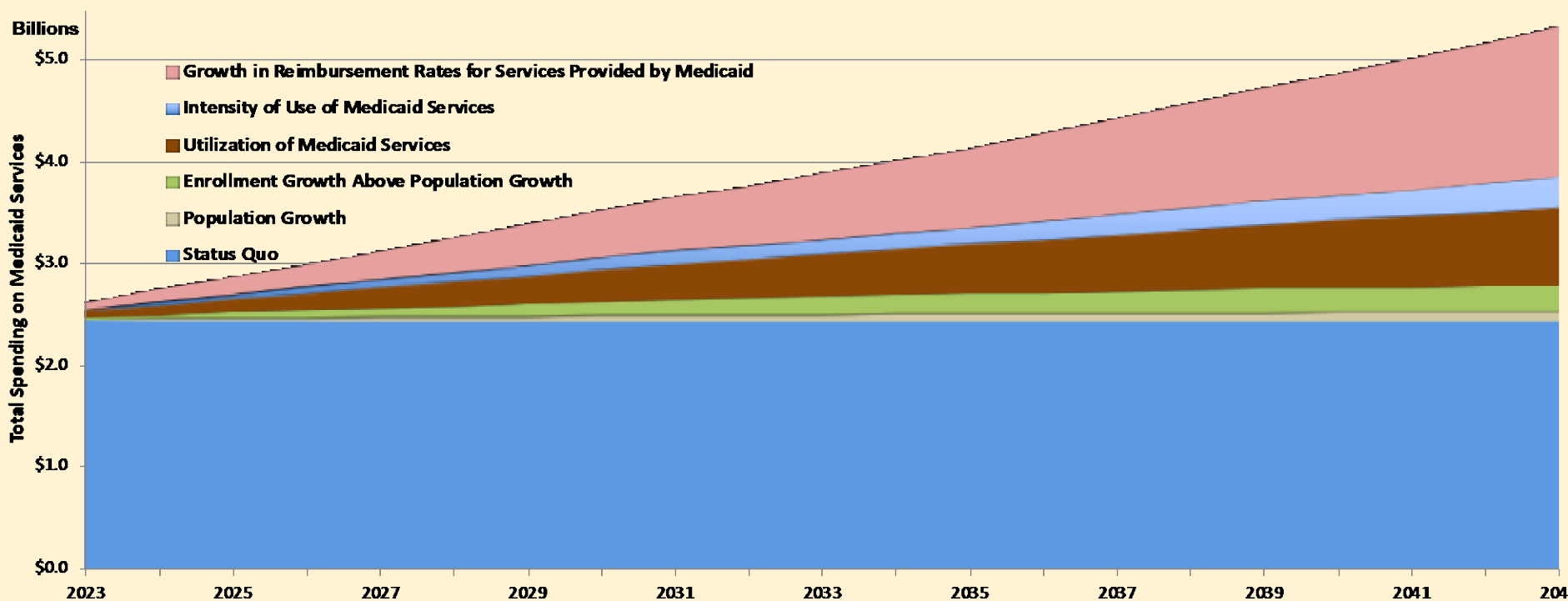




# Growth in Reimbursement Rates Will Drive Spending Growth—but at a relatively slow pace

Growth in population, enrollment, utilization, and intensity of use will have relatively modest impacts on spending growth.

## Projected Spending on Medicaid Services by Component of Growth





# Medicaid Enrollment and Spending in Alaska

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- ④ **Chronic conditions & Medicaid**
- ⑤ Healthy Alaskans 2030



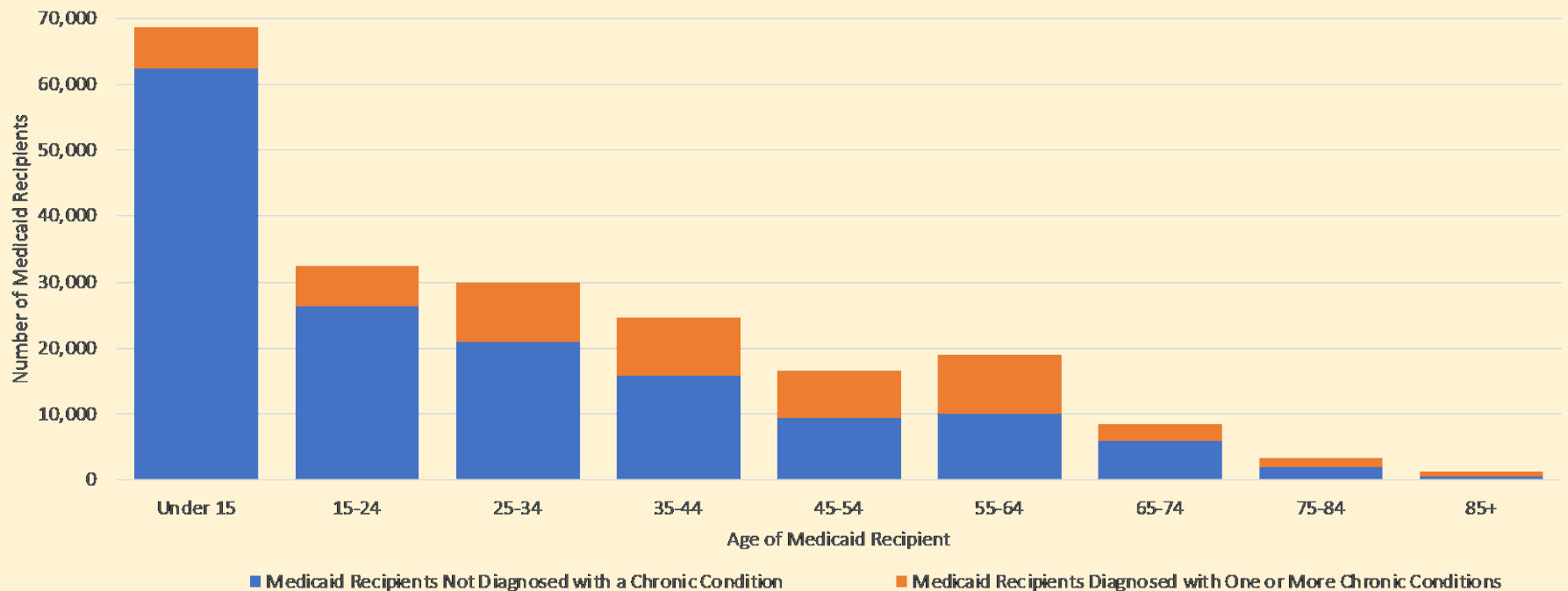
# Acute Vs. Chronic Conditions

- An **acute condition** develops or occurs suddenly and lasts a short time
- **Chronic conditions** *typically* occur gradually and persist for many months or years, factors that directly or indirectly lead to chronic conditions, include
  - **Lifestyle**, e.g., drug and alcohol abuse, obesity, tobacco use
  - **Environmental**, e.g., certain cancers, asthma
  - **Congenital** disorders, e.g., cystic fibrosis, Down syndrome
- Risk factors affecting chronic conditions can be categorized as **modifiable** and **nonmodifiable**

# Chronic Conditions and Age, FY2022

- Most Medicaid recipients do not have a diagnosed chronic condition
- Prevalence of a diagnosed chronic condition increases with age
- Higher Medicaid spending for seniors is due to chronic conditions

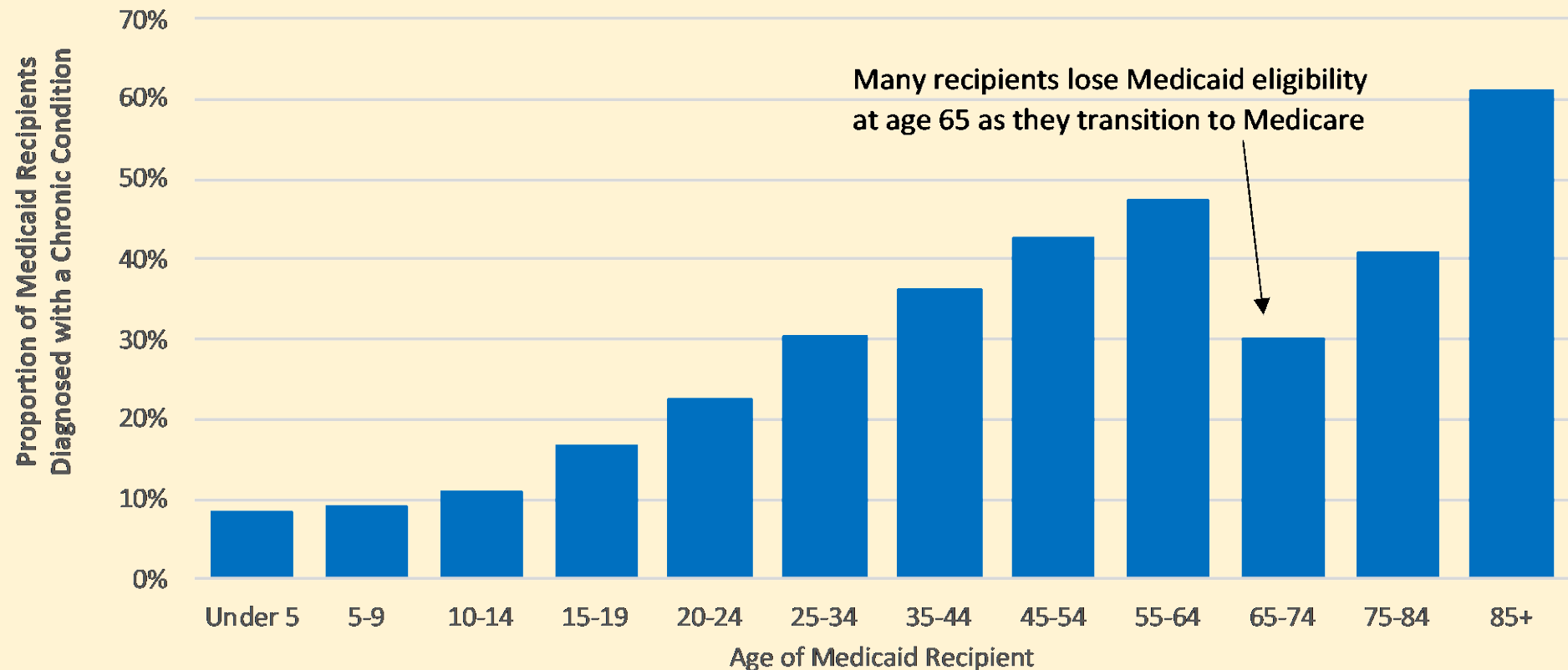
## Medicaid Recipients by Age and Diagnosis of One or More Chronic Conditions, FY2022



# Age and Chronic Conditions

- Prevalence of chronic condition is positively related to age
- Many Medicaid recipients have multiple chronic conditions

## Prevalence of a Chronic Condition Diagnosis



# Incremental Cost of Chronic Conditions

Diagnosis of one or more chronic conditions is a bigger driver of Medicaid spending than is age

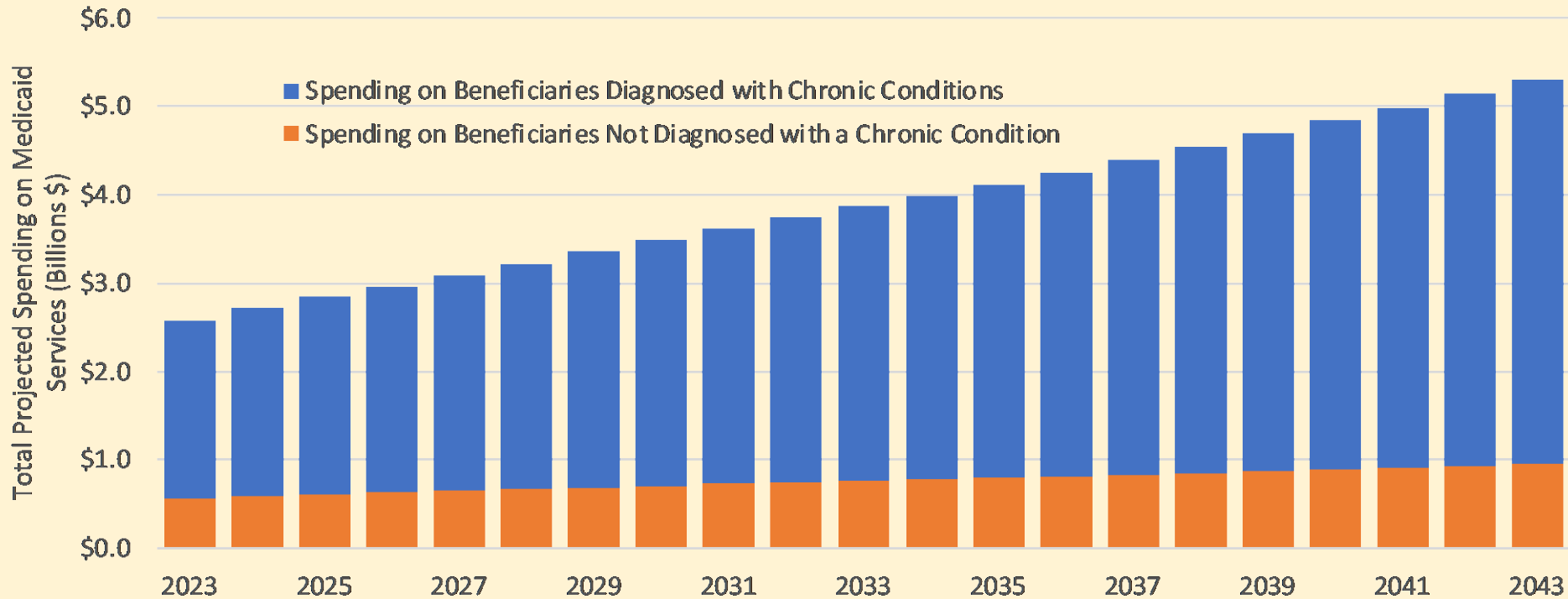
a.	b.	c.	d.	e.
Age of Recipient	Average Spending Per Medicaid Recipient			Incremental Cost of Chronic Condition (d – c)
	All Recipients	Without a Diagnosis for a Chronic Condition	One or More Chronic Condition Diagnoses	
Under 5	\$8,077	\$5,063	\$41,658	\$36,595
05-09	\$4,761	\$2,941	\$23,107	\$20,166
10-14	\$6,581	\$3,065	\$35,082	\$32,017
15-19	\$9,549	\$3,816	\$38,180	\$34,364
20-24	\$9,636	\$3,671	\$30,034	\$26,362
25-34	\$12,304	\$3,919	\$31,669	\$27,750
35-44	\$13,486	\$3,527	\$31,196	\$27,669
45-54	\$15,823	\$3,231	\$32,699	\$29,468
55-64	\$17,744	\$2,870	\$34,287	\$31,417
65-74	\$14,074	\$2,378	\$41,423	\$39,045
75-84	\$25,664	\$3,798	\$57,365	\$53,566
85+	\$48,749	\$10,919	\$73,078	\$62,159
<b>All Recipients*</b>	<b>\$11,377</b>	<b>\$3,617</b>	<b>\$34,496</b>	<b>\$30,878</b>



# Chronic Conditions Drive Medicaid Spending

Today 77% of Medicaid spending is on beneficiaries diagnosed with one or more chronic conditions; This will grow to 82% by 2043

## Projected Spending on Medicaid Services, FY2023 – FY2043





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# Healthy Alaskans 2030

**Alaska's state health improvement plan, *Healthy Alaskans 2030*,**<sup>\*</sup> provides an approach for how the state can improve on the most significant health issues that Alaskans face.

Among the 30 health objectives contained in the HA2030 plan are ones directly related to chronic conditions:

**Objective 1** – Reduce cancer mortality

**Objective 9** – Increase percentage of children who meet health weight criteria

**Objective 14** – Reduce number of days adults report being mentally unhealthy

**Objectives 22 & 23** – Reduce alcohol-induced and drug-induced mortality

**Objectives 26 & 27** – Reduce tobacco use among adolescents and adults

<sup>\*</sup>An equal partnership between the Department of Health and the Alaska Native Tribal Health Consortium (ANTHC)



# Healthy Alaskans 2030

Evergreen Economics estimated potential savings to the Medicaid program under the assumption that the prevalence of the following five chronic conditions decrease at the same rate as targeted by the seven *Healthy Alaskans 2030* objectives shown on the previous slide.

1. **Cancer** [prevalence decreases by 0.88% per year]
2. **Obesity** [prevalence decreases by 0.44% per year]
3. **Mental health conditions** [prevalence decreasing by 0.46% per year]
4. **Drug & alcohol dependency** [prevalence decreases by 0.90% per year]
5. **Tobacco use** [prevalence decreasing by 0.68% per year]



# Potential Savings to Medicaid

Reducing the prevalence of certain chronic conditions directly related to seven of the *Healthy Alaskans 2030* goals could lead to substantial savings to the Medicaid program.

## Potential Reduction in Medicaid Spending Achieved by Meeting Healthy Alaskans 2030

HA2030 Objective	Chronic Condition	Impact FY2028	Impact FY2033	Impact FY2038	Impact FY2043
1	Cancer	\$7,927,231	\$17,406,432	\$27,790,654	\$38,273,174
9	Obesity	\$4,561,705	\$10,155,643	\$16,385,748	\$22,710,106
14	Mental Health	\$44,228,043	\$98,151,528	\$158,680,553	\$220,968,697
22 / 23	Drug & Alcohol	\$21,683,945	\$48,101,393	\$78,117,419	\$110,362,978
26 / 27	Tobacco Use	\$6,892,756	\$15,291,968	\$24,774,557	\$34,782,582
Objectives Combined	Total Savings	\$85,293,680	\$189,106,964	\$305,748,931	\$427,097,537
	General Fund	\$22,128,130	\$50,821,283	\$83,914,703	\$120,497,703



# Alaska Long-Term Medicaid Forecast

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# Medical Price Inflation Vs. Medicaid Reimbursement Rates

- Medical care component of the **Consumer Price Index (MCPI)** includes only those parts of healthcare goods, services, and health insurance premiums paid for by consumers “out of pocket.”
- **Medicaid Reimbursement Rates** are the amounts paid to providers by the Medicaid program for covered medical and related services based on fee schedules, which are reviewed annually, biennially, or triennially, and are periodically updated based on these reviews.