

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**February 16, 2006**  
**9:13 a.m.**

**CALL TO ORDER**

Co-Chair Lyda Green convened the meeting at approximately [9:13:27 AM](#).

**PRESENT**

Senator Lyda Green, Co-Chair  
Senator Gary Wilken, Co-Chair  
Senator Con Bunde, Vice-Chair  
Senator Bert Stedman  
Senator Donny Olson

**Also Attending:** JANET CLARKE, Assistant Commissioner, Finance and Management Services, Department of Health and Social Services; JOHN SHEILS, Vice President, The Lewin Group; TED HELVOIGT, Economist, ECONorthwest

**Attending via Teleconference:** There were no teleconference participants.

**SUMMARY INFORMATION**

Presentation  
By the Lewin Group  
ECONorthwest  
Long Term Forecast of Medicaid Enrollment and Spending in Alaska  
2005-2025

JANET CLARKE, Assistant Commissioner, Finance and Management Services, Department of Health and Social Services, testified that the forthcoming presentation is based on a study commissioned by the Department to examine the future of the Medicaid program in Alaska. The full report contains detailed information on the items covered in the overview [copy on file].

[9:14:31 AM](#)

Ms. Clarke introduced Ted Helvoigt and John Sheils to present the

findings of the study.

[9:15:07 AM](#)

JOHN SHEILS, Vice President, The Lewin Group, testified that the Group is committed to performing nonpartisan studies and analyses.

[9:15:53 AM](#)

Mr. Sheils informed that Alaska is the only state projecting 20 years to the future. Other states have projected five years; however, the most dramatic impacts to the Medicaid system occur after ten years.

Mr. Sheils assured that this effort is timely. In his recent State of the Union address, President George W. Bush indicated the federal government would undertake a long-term study of the national system. Alaska would benefit from obtaining this information in advance.

[9:17:05 AM](#)

TED HELVOIGT, Economist, ECONorthwest, gave a presentation titled, "Long Term Forecast of Medicaid Enrollment and Spending in Alaska 2005-2025" [copy on file].

Slide 1

The Lewin Group  
ECONorthwest

Long Term Forecast of Medicaid Enrollment and Spending in  
Alaska: 2005 - 2025

Prepared for: Alaska Department of Health and Social Services  
February 15, 2006

[9:17:57 AM](#)

Slide 2

Who, What, and Why...

In March 2005, DHSS contracted with the Lewin Group and ECONorthwest to build a model that would allow DHSS staff to project long-term trends in Medicaid spending.

Mr. Helvoigt explained the intent to "provide a tool" to allow the

State to determine the future of the Medicaid program.

[9:18:36 AM](#)

Slide 3

Who, What, and Why (cont.)...

This model will allow DHSS staff to update long-term spending projections as additional data become available.

Mr. Helvoigt noted that updated population estimates and other information could be factored into the model.

[9:18:54 AM](#)

Slide 4

Who, What, and Why (cont.)...

In addition, we were asked to prepare a report that describes the forecasting model and presents the finding of the "baseline" analysis.

Mr. Helvoigt indicated he would explain the baseline later in the presentation.

[9:19:23 AM](#)

Slide 5

Who, What, and Why (cont.)...

This presentation presents key findings from that analysis.

Mr. Helvoigt read this to the Committee.

[9:19:36 AM](#)

Slide 6

Presentation Outline

- "Steps" of the analysis
- Findings
  - Population
  - Enrollment
  - Utilization

- o Total Spending
- o State matching fund spending
- Going Forward

Mr. Helvoigt clarified that the findings are forecasts.

[9:20:13 AM](#)

Slide 7

Each Model Component Builds on the Others

[Illustration showing a staircase of Components of the Long Term Medicaid Forecasting Model leading to a door labeled Long Term Medicaid Forecast 2005-2025. The stair steps are labeled from bottom to top as follows:

Alaska Population  
Medicaid Enrollment  
Utilization of Services  
Total Spending on Claims  
State Funds Spending  
Other Payments & Offsets]

Mr. Helvoigt stated this illustration is a representation of the methodology followed. Each step becomes the basis for the next part of the analysis.

Mr. Helvoigt noted the category of Utilization was divided between males and females because the two genders have different uses of the services. Men do not bear children, and women tend to live longer. Separate calculations were made for Native and non-Native Alaskans because the amount of federal matching funds is different for the two subsets. Native utilization of services is reimbursed 100 percent.

Mr. Helvoigt remarked that 220 subpopulations were established in the model and forecasted to the future.

Mr. Helvoigt described the subsequent stair steps.

[9:24:24 AM](#)

Slide 8

Some factors are within your control...

- Eligibility requirements
- Reimbursement rates
- Services provided

Mr. Helvoigt overviewed this slide

[9:24:41 AM](#)

Slide 9

And some factors are outside of your control...

- Population growth
- Demographic changes
- Changes in medical technology

Mr. Helvoigt commented that advances in medical technology could increase costs.

[9:25:27 AM](#)

Slide 10

Assumptions Regarding Baseline Analysis

- Assumes status quo as of FY 2004
- Does not anticipate policy changes, such as these 2005 & 2006 measures
  - Cost containment
  - Bring the Kids Home initiative
  - Personal Care Attendant regulation changes
  - Medicare Part D drug benefit

Mr. Helvoigt explained that the policies in effect for FY 04 were utilized as assumptions for the full forecast.

Mr. Helvoigt understood that policy changes would be made year to year; however, this forecast provides a model in which changes could be factored into the calculations.

[9:27:10 AM](#)

Slide 11

Alaska Population

Mr. Helvoigt noted this is the first stair step indicated in Slide 7.

[9:27:18 AM](#)

Slide 12

## Alaska Population

The 65 and older population is projected to grow rapidly, almost tripling from 43,000 to 124,000 between 2005 and 2025.

Mr. Helvoigt identified the aging of the population as the most important factor influencing the future of the Medicaid program.

[9:27:51 AM](#)

Slide 13

## Alaska Population

- The rate of growth in the state's population will slow over the next 20 years from just over 1.0% currently to less than 0.6% by 2025
- Population growth will be concentrated in the Anchorage/Mat-Su Region
- We project the Southeast will lose population through 2025
- The Native population will grow faster than the non-Native population (1.7% vs. 0.7%)

Mr. Helvoigt gave the reason for the population increases in the Anchorage and Matanuska-Susitna areas, as this region is the economic center and location where most services are located.

Mr. Helvoigt clarified that the population decline experienced in Southeast Alaska would be slight.

[9:28:56 AM](#)

Slide 14

## Alaska Population

Alaska's population growth will be driven by the elderly

[Bar graph showing the population of Alaskans aged 0-19, 20-34, 35-64, and 65+ for the years 2005, 2010, 2015, 2020 and 2025.]

Mr. Helvoigt pointed out the slight population growth anticipated for the 0 to 19 and 20 to 34 age groups. The age 65 and older age group would experience the greatest increase.

[9:29:35 AM](#)

Senator Stedman noted the total population shown for 2005 is approximately 650,000. The number of Permanent Fund Dividend payments issued for the same year was approximately 620,000. Most Alaskan residents are "aggressive" in applying for the dividend program and he therefore questioned the accuracy of the total population estimate.

[9:30:35 AM](#)

Co-Chair Green pointed out that some residents chose to not apply for the annual payments and others are counted as Alaskan residents but do not qualify for the dividends for various reasons.

[9:30:51 AM](#)

Mr. Sheils remarked that some of the census data must be "taken with a grain of salt" in a place such as Alaska because much of the state "is a frontier population".

[9:31:19 AM](#)

Mr. Helvoigt informed that the 2005 population figures were provided by the State demographer.

[9:31:43 AM](#)

Slide 15

Medicaid Enrollment

Mr. Helvoigt directed attention to the next stair step illustrated on Slide 7.

[9:32:09 AM](#)

Slide 16

Medicaid Enrollment

- We project Medicaid Enrollment will grow faster than the state's population (1.4% vs. 0.85%).
- Enrollment will grow from 132,000 in 2005 to 175,000 by 2025

Mr. Helvoigt attributed the increased enrollment to the aging

population.

[9:33:00 AM](#)

Slide 17

Medicaid Enrollment

- Medicaid enrollment will grow much faster for the elderly than for the entire population (6.0% vs. 1.4%)
- Elderly enrollment will grow from approximately 10,000 in 2005 to 33,000 by 2025

Mr. Helvoigt cited these figures.

[9:33:36 AM](#)

Slide 18

Medicaid Enrollment

Most of the projected growth in Medicaid enrollment will be in the elderly age cohort

[Bar graph showing the number of Medicaid FTE Enrollees divided into Children, Working Age Adults, and Elderly (65+) for the years 2005, 2010, 2015, 2020 and 2025.]

Mr. Helvoigt pointed to the slight enrollment decline projected for children, the little change in the number of working age adults and the substantial growth of elderly-aged enrollment.

[9:34:35 AM](#)

Slide 19

Utilization of Services

Mr. Helvoigt explained that the forecasts for all 220 subpopulations had been established and the next step, as illustrated on Slide 7, is to determine the utilization of services of each group.

[9:35:09 AM](#)

Slide 20

Utilization of Services

A quick note...

- We define Service Utilization as the annual unduplicated count of persons who used a particular Medicaid Service during the fiscal year.

Mr. Helvoigt clarified the distinction between utilization of services versus intensity of services. With few exceptions, a person eligible for Medicaid could utilize any of the services offered.

[9:36:34 AM](#)

Slide 21

#### Utilization of Services

Growth in utilization will differ greatly among Service categories

- Some will grow very rapidly
  - Personal Care: 9.7%
  - HCB Waiver: 9.0%
  - Residential Psychiatric: 7.3%
- Some will grow slowly or even decline
  - Inpatient Hospital: 0.6%
  - Lab/X-ray: -0.1%
  - Inpatient Psychiatric: -0.3%

Mr. Helvoigt hoped the increase in the utilization of the personal care assistance service would be less than projected as a result of recent changes to the program. If so, the Home Community Based (HCB) Waiver services would likely experience the highest growth.

Mr. Helvoigt pointed out that compared to other services, the growth of inpatient hospital care would be negligible.

[9:38:09 AM](#)

Slide 22

#### Utilization of Services

Across all Medicaid Service categories, we rely upon the CMS' national forecast of growth in utilization of 2.2% to guide growth in Alaska's Medicaid utilization.

Mr. Helvoigt defined the Centers for Medicare/Medicaid Services

(CMS) as the only source for estimates of utilization growth. This is difficult to forecast. The model attempts to subsequently account for Alaska's unique situation.

[9:39:27 AM](#)

Slide 23

Utilization of Services

Partially offsetting the projected growth in HCB Waiver is relatively slow projected growth in the Nursing Home Service category (4.2% through 2025).

Mr. Helvoigt overviewed this information.

[9:39:52 AM](#)

Co-Chair Wilken, returning to Slide 22, asked if the CMS data is a federal entity.

[9:40:12 AM](#)

Mr. Helvoigt affirmed.

[9:40:19 AM](#)

Co-Chair Wilken asked if the CMS forecast is to the nationwide trend or specifically to regional areas. He asked if the growth rate of 2.2 percent was expected to occur in Alaska as well as all other states.

[9:40:35 AM](#)

Mr. Helvoigt replied that the data is calculated nationwide, and that the growth rates may vary between states. The CMS forecast estimates the overall growth of the entire system.

[9:41:02 AM](#)

Mr. Sheils furthered that such an assumption allows for "the unique patterns of growth in utilization by service type for the state of Alaska. All of that is state specific." CMS has factored in medical technology, has been undertaking these forecasts for many years and has obtained refined estimates. This study incorporates the CMS data but also makes allowances for the unique utilization patterns of Alaska.

[9:42:00 AM](#)

Co-Chair Wilken asked if utilization in all states would increase 2.2 percent annually.

[9:42:07 AM](#)

Mr. Helvoigt responded that based on this projection they would.

[9:42:16 AM](#)

Co-Chair Wilken stressed that this assumption is a significant portion of the model created in this study.

[9:42:24 AM](#)

Mr. Helvoigt replied that it is. Within the 20 service categories of the Alaska Medicaid program, the study maintains the historic variability as well as the rate of utilization throughout the forecast. The study assumes that Alaska's utilization growth rate would be no higher than the CMS rate of 2.2 percent. Although Alaska could be unique, medical technology defuses across the nation rather quickly. Utilization of services is not significantly varied throughout the country.

[9:43:36 AM](#)

Mr. Sheils stressed the difficulty to project utilization 20 years into the future, based on data collected over the past ten years, the length of time the Lewin Group and ECONorthwest have been in operation. CMS has a dedicated staff and is able to discern more information.

Mr. Sheils assured that the 2.2 percent utilization growth estimate is the only nationwide assumption factored into this study. He understood the concern, but stated that a judgment call was required and the decision was made to incorporate CMS projection.

[9:45:01 AM](#)

Mr. Helvoigt informed that the model could easily be adjusted by a percentage point to accommodate actual growth rates.

[9:45:28 AM](#)

Co-Chair Wilken asked if this study makes such adjustments.

[9:45:35 AM](#)

Mr. Helvoigt replied that adjustments are not made to the original model, but could be incorporated as additional information is garnered.

[9:45:39 AM](#)

Slide 24

Total Spending

Mr. Helvoigt explained this stair step illustrated on Slide 7 includes combined federal and state spending on Medicaid claims. This incorporates the 220 subpopulations, population forecasts, enrollment forecasts and utilization forecasts of those populations. This also incorporates the utilization of the population groups of the 20 service categories. This has all been calculated, although the impact of the whole is more informative than that of each subpopulation.

[9:47:07 AM](#)

Slide 25

Total Spending

Of primary importance are our findings related to the direction and approximate magnitude of changes in spending on the Medicaid Program

Mr. Helvoigt reiterated this.

[9:47:36 AM](#)

Slide 26

Total Spending

- Total spending on Medicaid Services is forecasted to be \$1.0 billion in CY2005.
- By CY2025
  - In actual terms, we project total spending to grow by 7.6% per year to \$4.8 billion.
  - In inflation adjusted terms, we project total spending to grow by 3.8% per year to \$2.2 billion.

Mr. Helvoigt defined CY2005 as calendar year 2005.

[9:48:52 AM](#)

Slide 27

Total Spending

Currently (i.e., in 2005)...

- Inpatient Hospital Services is the largest Medicaid Service category, responsible for 15% of total spending.
- Comparatively,
  - o HCB Waivers constitutes approximately 11% of spending
  - o Personal Care constitutes approximately 10 % of spending

Mr. Helvoigt overviewed this information.

[9:49:21 AM](#)

Slide 28

Total Spending

We project that in 2025...

- Inpatient Hospital Services will be only about 5% of total Medicaid Services spending.
- HCB Waivers will be about 22% of total Medicaid Service spending.
- Personal Care will be about 27% of total Medicaid Service spending.

Mr. Helvoigt noted the significant changes. Utilization of inpatient hospital services would grow, although the percentage of total spending for this service would be reduced.

[9:50:14 AM](#)

Slide 29

Total Spending

Spending on Elderly will Surpass Spending on Working-Age Adults by 2015 and Spending on Children by 2018

[Line graph depicting the Percent of Total Spending for the three age groups for the years 2005 through 2025. Total spending for Elderly increases from approximately 22 percent in 2005 to over 45 percent in 2025, total spending for

Working-Age Adults decreases from 35 percent in 2005 to 25 percent in 2025, and total spending for Children decreases from approximately 42 percent in 2005 to approximately 29 percent in 2025.]

Mr. Helvoigt overviewed this graph, pointing out that in 2005, most of the spending is for children. In future years, the percentages would shift and spending for the elderly would surpass the other categories. This would result in a significantly different focus of "Medicaid dollars."

[9:51:27 AM](#)

Slide 30

Total Spending

Forecasted Spending by Age Cohort, Calendar Years 2005-2025  
[Line graph demonstrating Millions of Dollars spent for the three age categories for the years 2005 through 2025. Spending for Elderly would increase from approximately \$200 million in 2005 to approximately \$2.1 billion in 2025, spending for Working-Age Adults would increase from approximately \$300 million to approximately \$1.1 billion, and spending for Children would increase from approximately \$400 million to approximately \$1.4 billion.]

Mr. Helvoigt noted that the substantial increase in spending for the Elderly age category would be realized in later years. A forecast of five to ten years would not show this dramatic change.

[9:52:13 AM](#)

Senator Stedman asked when the trend of the growing aging population would begin to decrease.

[9:52:23 AM](#)

Mr. Helvoigt suggested a 50-year projection would demonstrate such decline.

Mr. Helvoigt emphasized the two factors: the increasing percentage of the elderly population as well as the increased costs of treating elderly participants.

[9:53:05 AM](#)

Mr. Sheils informed that the federal Office of Social Security

Administration conducts projections of the number of people who would qualify for Medicaid out to the year 2075. The growth of the elderly population would likely level off after 30 to 40 years. However, enrollment is increasing faster than population and therefore this study combined both economic and population trends.

Mr. Sheils stated he would provide the Social Security Administration data.

[9:54:47 AM](#)

Mr. Helvoigt stressed that the percentage of working age adults, those likely to contribute taxes, would not increase.

[9:55:46 AM](#)

Senator Stedman asked if the data on the Elderly population percentage contains a formula error. He estimated that the growth would stop after the year 2025.

[9:56:07 AM](#)

Mr. Helvoigt was unsure when the increases would stop.

[9:56:12 AM](#)

Mr. Sheils responded that 10 to 25 years after the year 2025, the elderly population increases would level off.

[9:56:41 AM](#)

Mr. Helvoigt pointed out that much of the growth in spending for the Medicaid program is related to the number of enrollees. The personal care attendant and nursing home services are expensive categories.

[9:57:37 AM](#)

Mr. Sheils added that long-term care costs are high for the oldest age group of 75 and above. This service category is growing substantially and per capita is "several times that" of people aged 65 to 74. One reason is the increased number of elderly enrollees who have exhausted their resources and require the economic assistance. This group has special needs from both financial and health perspectives. This is consistent with problems of health care across the country.

[9:59:04 AM](#)

Slide 31

Total Spending

DHSS staff can conduct long-term policy scenarios using the long-term Medicaid forecasting model.

Mr. Helvoigt stated that the scenarios could be calculated as more dates become available.

[9:59:35 AM](#)

Slide 32

Total Spending

For example...

What is the effect on total Medicaid spending if the elderly population grows slower than is forecasted by the Alaska Department of Labor and Workforce Development?

Mr. Helvoigt read this example.

[9:59:51 AM](#)

Slide 33

Total Spending

Forecasted Spending by Age Cohort, Calendar Years 2005-2025  
[Line graph identical to that on Slide 30, with a line inserted to demonstrate Total spending on the elderly assuming their population grows by 25% less than forecast. {Illustrative Purposes Only}]

Mr. Helvoigt explained this graph shows that the cost for the Elderly age category would still increase in the long-term.

[10:00:41 AM](#)

Mr. Sheils interjected that this slide shows that in absolute terms the model is sensitive to variations. It also demonstrates that regardless of different assumptions, the outcome would be similar.

[10:01:26 AM](#)

Slide 34

Total Spending

Or...

What is the effect on total Medicaid spending if utilization of Medicaid Services grows slower than is forecasted in the baseline projections?

Mr. Helvoigt posed this question.

[10:01:48 AM](#)

Slide 35

Total Spending

Forecasted total spending assuming slow utilization growth [Bar graph showing the Millions of Dollars for each year 2005 through 2025 with a line superimposed indicating a Revised Average Annual Growth = 7.2% {Illustrative Purposes Only}.]

Mr. Helvoigt explained that this graph demonstrates the actual costs if certain reductions to the program were made. The most significant example is the personal care attendant service.

[10:02:32 AM](#)

Slide 36

Total Spending

Comparison to national trends...

- Nationally, CMS projects Medicaid spending will grow by 7.5% per year through 2014
- Over this same period, we project Total Medicaid spending in Alaska will increase by 7.7%

Mr. Helvoigt noted that CMS only performs ten-year projections. The estimates for Alaska are similar to the national average over the same period.

[10:03:13 AM](#)

Slide 37

State Funds Spending

Mr. Helvoigt described that the preceding stair steps have been

accounted to determine this next stair step.

[10:03:44 AM](#)

Slide 38

State Funds Spending

- State matching fund spending on Medicaid Services was approximately \$380 million in CY2005.
- By CY2025...
  - Actual spending will grow to approximately \$2.1 billion.
  - Inflation adjusted spending will grow to approximately \$1.0 billion.

Mr. Helvoigt noted that the inflation adjusted growth rate is greater than the income growth rate projected for Alaska.

[10:04:49 AM](#)

Slide 39

State Funds Spending

State Matching Fund Spending on Medicaid Claims to Grow 8.9% Annually

[Bar graph showing the Billions of Dollars for each year 2005 through 2025.]

Mr. Helvoigt informed that spending by the State would "outgrow" spending by the federal government. The projected federal increase is 6.3 percent annually. This discrepancy is due to the changes in the federal matching assistance program. The match rate for Alaska has increased since 2001 and would continue to increase at least through 2008, when it should reach the highest level. Preferably, the federal match rate would be increased.

[10:07:06 AM](#)

Slide 40

State Funds Spending

Projected per capita state matching fund spending on Medicaid Services will grow substantially.

[Bar graph showing Dollars Per Alaskan of Per Capita Actual (Nominal) State Matching Fund Spending and Per Capita Real

State Matching Fund Spending (in 2004 Dollars) for each year 2005 through 2025.]

Mr. Helvoigt explained that currently, approximately \$500 per Alaskan is spent for the Medicaid program. This amount would increase to over \$2,500 in actual dollars and almost \$1,500 in inflation-adjusted dollars. This increase is greater than the projected increase in personal income growth.

[10:08:08 AM](#)

Mr. Sheils pointed out that much of the increase in the State's share of the costs would occur in the first several years of the projection and then would level off.

[10:08:58 AM](#)

Mr. Helvoigt furthered that this information emphasizes the importance of working towards maintaining as high a federal match as possible.

[10:09:03 AM](#)

Slide 41

Going Forward

Mr. Helvoigt commented that this portion of the presentation does not provide significant answers.

[10:09:09 AM](#)

Slide 42

Going Forward

"The Alaska Medicaid program will fundamentally change over the next 20 years from a program that centers on children to one that is dominated by seniors." Janet Clarke, Assistant Commissioner, DHSS

Mr. Helvoigt noted this would result in a change of what services are provided as well as the structure of the program.

[10:09:48 AM](#)

Slide 43

Going Forward

Some factors are within your control...

- Eligibility requirements
- Reimbursement rates
- Services provided

Mr. Helvoigt clarified that the State has some control over some factors.

[10:10:21 AM](#)

Slide 44

The complete report is available on the Internet at:  
[www.hss.state.ak.us/das](http://www.hss.state.ak.us/das)

Mr. Helvoigt indicated that the members were provided with the complete report [copy on file].

[10:10:40 AM](#)

Co-Chair Green had received this presentation during the Senate Finance Department of Health and Social Services budget subcommittee. She requested solutions.

[10:10:58 AM](#)

Co-Chair Wilken affirmed that assistance in finding solutions is necessary.

[10:11:07 AM](#)

Co-Chair Wilken remarked that although the issue of the future of the Medicaid program has been discussed, the magnitude was unknown. The model would be reviewed in five years to determine its accuracy.

[10:11:46 AM](#)

Senator Stedman appreciated the presentation. The Medicaid program would receive additional attention in the appropriation process and assistance would be required to review the program.

[10:12:15 AM](#)

Co-Chair Green surmised this would be a "daunting task".

**ADJOURNMENT**

Co-Chair Lyda Green adjourned the meeting at [10:12:22 AM](#)