

# FISCAL NOTE

**STATE OF ALASKA**  
**2008 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: CSSB 160(HES)  
 (S) Publish Date: 2/19/08  
 Dept. Affected: Health & Social Services  
 RDU: Departmental Support Services  
 Component: Commissioner's Office

ID(File name) SB160-DHSS-CO-1-28-08  
 Title: MANDATORY UNIVERSAL HEALTH CARE  
 Sponsor: FRENCH  
 Requester: SENATE (HES)

Component No. 317

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
<b>OPERATING EXPENDITURES</b>								
Personal Services	2,880.5		3,393.0	3,393.0	3,393.0	3,393.0	3,393.0	3,393.0
Travel	433.5		445.0	445.0	445.0	445.0	445.0	445.0
Contractual	2,275.0		1,300.0	1,300.0	1,300.0	1,300.0	1,300.0	1,300.0
Supplies	470.0		520.0	520.0	520.0	520.0	520.0	520.0
Equipment	416.5		62.0	62.0	62.0	62.0	62.0	62.0
Land & Structures								
Grants & Claims	164,111.1		328,222.2	328,222.2	328,222.2	328,222.2	328,222.2	328,222.2
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>170,586.6</b>	<b>0.0</b>	<b>333,942.2</b>	<b>333,942.2</b>	<b>333,942.2</b>	<b>333,942.2</b>	<b>333,942.2</b>	<b>333,942.2</b>
<b>CAPITAL EXPENDITURES</b>								
<b>CHANGE IN REVENUES (0)</b>								

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts	7,825.5		15,625.0	15,625.0	15,625.0	15,625.0	15,625.0
1003 GF Match	7,825.5		15,625.0	15,625.0	15,625.0	15,625.0	15,625.0
1004 GF	5,824.5		4,470.0	4,470.0	4,470.0	4,470.0	4,470.0
1037 GF/Mental Health							
NEW AK Health Care Fund-GF	147,620.0		295,240.0	295,240.0	295,240.0	295,240.0	295,240.0
NEW AK Health Care Fund-RSS	1,491.1		2,982.2	2,982.2	2,982.2	2,982.2	2,982.2
<b>TOTAL</b>	<b>170,586.6</b>	<b>0.0</b>	<b>333,942.2</b>	<b>333,942.2</b>	<b>333,942.2</b>	<b>333,942.2</b>	<b>333,942.2</b>

Estimate of any current year (FY2008) cost: \_\_\_\_\_

**POSITIONS**

Full-time	43		43	43	43	43	43
Part-time							
Temporary							

**ANALYSIS:** (Attach a separate page if necessary)

The purpose of this bill is for all Alaskans to have access to essential health care services. It requires all residents to have health insurance and creates the Alaska health care program. Within the Department of Health and Social Services, the bill establishes the Alaska Health Care Board to oversee the program and the Alaska Health Care Clearinghouse as a division to administer the program, under the direction of the Board. The Board and Clearinghouse are effective immediately and are estimated for a full year for FY2009. The rest of the regulations are not effective before January 1, 2009 and assume 1/2 year for FY2009.

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 Approved by: Karleen Jackson, Commissioner  
 Agency: Department of Health and Social Services

Phone 269-7827  
 Date/Time 01/25/2008  
 Date 01/29/2008

**ANALYSIS CONTINUATION**

The bill lacks the specifics necessary to estimate accurately the fiscal impact. In this fiscal note, we present one scenario assuming a comprehensive health insurance plan similar to the State of Alaska employee plan.

This fiscal note takes a macro look at potential costs for state financial assistance to low-income persons through benefits provided under Medicaid or premium subsidies.

Costs for insurance premiums and the cost to Medicaid are very preliminary until the "essential health care services" are defined. This fiscal note reflects the high-premium scenario using the State of Alaska employee plan as a model and is not broken out by budget component.

**Alaska Health Care Program**

Participation is required for every resident who is not enrolled in a public medical assistance program (i.e. Medicaid) or a private insurance program that provides essential health care services. Persons below 100% of the poverty level would have no cost (presumably the state would pay). Persons between 100%-300% of poverty would pay premiums on a needs-based sliding scale. Coverage cannot be denied and persons with preexisting conditions can purchase additional coverage. Eff. Jan. 2009.

**Assumptions:**

- \*The Fund only pays for the non-Medicaid eligible population. State matching funds for Medicaid do not come from the Fund.
- \*The estimated cost for insurance premiums is \$11,000 per person per year (based on the State of Alaska employee insurance plan).
- \*The cost of premiums to purchase insurance are on a needs-based sliding scale beginning with an individual between 101-125% of poverty paying 10% and increasing until an individual between 275-300% pays 80%. The state share of premiums will be paid from the Fund.
- \*Co-pays and deductibles are not addressed in the bill so we assume none are required by any plan.
- \*The estimated cost for medical benefits is \$3,000 per person per year (based on analysis of Medicaid claim payments). The federal government will reimburse the state approximately 50% of the cost for Medicaid claims.
- \*There are an estimated 109,500 uninsured persons in Alaska (children = 17,200, adults = 91,500, elderly = 800).
- \*Approximately 20% of the uninsured population are Alaska Natives who have access to the tribal health system. Under this bill, they must participate and are included in our estimates.

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**ANALYSIS CONTINUATION**

**Cost Estimates for Alaska Health Care Program:**

*Below 100% of poverty: \$81,000.0 (7,500.0 fed/7,500.0 GF/66,000.0 Fund):*

\*27,000 persons are below 100% of the poverty level. No cost to the individual.

~ 5,000 are children who would likely be eligible for Medicaid x \$3,000 per capita annual Medicaid benefits = \$15,000.0 (7,500.0 fed/7,500.0 GF).

~ 22,000 would not qualify for Medicaid. We assume these individuals would have their coverage paid by the Fund in the form of medical benefits rather than more costly insurance premiums. 22,000 x 3,000 = \$66,000.0 Fund.

*100-300% of poverty: \$247,222.2 total (7,500.0 fed/7,500.0 GF/232,222.2 Fund)*

\*43,000 have incomes between 100% and 300% of poverty. They would pay premiums on a needs-based sliding scale.

~ 5,000 are children who would likely be eligible for Medicaid x \$3,000 per capita annual Medicaid benefits = \$15,000.0 (7,500.0 fed/7,500.0 GF). No cost to the individual.

~ 38,000 would not qualify for Medicaid. The state and the individual share the cost of premiums. The annual per capita cost to the individual would range from \$1,100 (10%) to \$8,800 (80%) for an average of \$5,000. 38,000 x \$11,000 annual per capita premium = \$232,222.2 State pays from Fund; Individuals pay \$185,777.8.

*Above 300% of poverty: \$0 total. No cost to the State.*

\*39,000 are above 300% of the poverty level and would bear the full cost of the mandatory insurance. 39,000 x \$11,000 premium = \$429,000.0 cost to the individual.

*Totals*

**Total the State pays: \$328,222.2 (15,000.0 fed/15,000 GFM/298,222.2 Fund).**

Total individuals pay: \$614,777.8

Grand total: \$943,000.0

Summary of Costs for Medicaid Program \$30,000.0 per year (\$15,000.0 federal/\$15,000.0 GF match). Eff. Jan. 2009.

Of the 109,500 persons, an estimated 10,000 persons, mostly children below 175% of poverty, could be enrolled in Medicaid/SCHIP without changes to the current eligibility guidelines. The 10,000 additional persons who could enroll in Medicaid are estimated to cost an average of \$3,000 annually for medical benefits per person. Options could be explored to expand Medicaid eligibility to maximize federal funding but it would be a lengthy process and as such are not included in this analysis.

NOTE: Additional costs of approx. \$1,250.0/yr (\$650.0 federal/\$650 GF match) to administer the additional Medicaid caseload are included in this fiscal note including 18 new positions (12 eligibility technicians, 1 supervisor and 3 administrative support).

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**ANALYSIS CONTINUATION****Alaska Health Fund**

This bill establishes the Alaska Health Care Fund as a separate trust fund consisting of state and federal appropriations, employer & individual contributions, premiums, and interest. Individual and employer contributions can be designated to a particular person who receives an Alaska Health Care Voucher in that amount to purchase an insurance plan. Employer contributions also come from employers with 10 or more employees that provide coverage to fewer than 25% of employees or pay less than 33% of the employee premiums. Employers with 10-20 employees contribute 1% of the employer's gross payroll. Employers with more than 20 employees contribute 2%.

\*We assume the Fund will be comprised of 1% employer contributions in the form of receipt supported services (RSS) and 99% general fund. Massachusetts recently implemented a universal health program partially funded by employer contributions. Massachusetts estimated that less than 2% of their revenue would be come from these contributions. Of the \$24 million expected they are now expecting just \$5 million.

**Other Costs**

\*Alaska Health Care Board = \$940.0 GF/yr including four State positions (350.0), travel (200.0), supplies (120.0), contractual (250.0), commodities/equipment (20.0), and one-time costs (67.0). Eff. immediately.

\*Alaska Health Care Clearinghouse = \$3,530.0 GF/yr including 21 positions (2,018.0), travel (220.0), contractual (1,000.0), supplies (250.0), commodities/equipment (42.0), and one-time costs (287.5). Eff. immediately.

\*The contractual costs are for a premium collection system. The department does not currently have a system to handle premium collections. The Medicaid program collects premiums only from a few hundred persons. The estimated cost to develop this system is \$2,000.0. The cost to maintain is \$1,000.0/yr.

\*There is no known database of employers who provide insurance and to what level they provide it to determine if an employer must contribute to the Fund. This fiscal note does not include the cost of creating or maintaining such a database, which most likely would be under the Department of Labor and Workforce Development.

**Alternate Low-Premium Scenario**

An alternate premium scenario was prepared assuming a low premium of \$3,600 annual per capita (if similar to Arizona's plan). The cost for medical benefits remains \$3,000 per person per year. The annual per capita cost to the individual would range from \$400 (10%) to \$2,900 (80%) for an average of \$1,600.

Total the State pays: \$172,000.0 (15,000.0 fed/15,000 GF/142,000.0 Fund).

Total individuals pay: \$201,200.0

Grand total: \$343,200.0