

**ALASKA STATE LEGISLATURE
HOUSE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE**

March 21, 2013

3:04 p.m.

MEMBERS PRESENT

Representative Pete Higgins, Chair
Representative Wes Keller, Vice Chair
Representative Lance Pruitt
Representative Lora Reinbold
Representative Paul Seaton
Representative Geran Tarr

MEMBERS ABSENT

Representative Benjamin Nageak

OTHER LEGISLATORS PRESENT

Representative Andy Josephson

COMMITTEE CALENDAR

PRESENTATION: KENAI PENINSULA BOROUGH - MEDICAID EXPANSION

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

MIKE NAVARRE, Mayor
Kenai Peninsula Borough
Kenai, Alaska

POSITION STATEMENT: Presented a PowerPoint title "Medicaid Expansion."

ACTION NARRATIVE

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CHAIR PETE HIGGINS called the House Health and Social Services Standing Committee meeting to order at 3:04 p.m.

Representatives Higgins, Keller, Tarr, and Seaton were present at the call to order. Representatives Pruitt and Reinbold arrived as the meeting was in progress. Also in attendance was Representative Josephson.

Presentation: Kenai Peninsula Borough - Medicaid Expansion

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CHAIR HIGGINS announced that the only order of business would be a presentation by the Kenai Peninsula Borough on Medicaid Expansion.

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MIKE NAVARRE, Mayor, Kenai Peninsula Borough, shared that his background also included 12 years as a state legislator. He presented a PowerPoint titled "Presentation to the Health & Social Services Committee." He directed attention to slide 2, "Medicaid Expansion," and shared that states had the option to participate in the Medicaid Expansion, and established that the eligibility expanded to 138 percent of the Federal Poverty Level (FPL). He offered his belief that, in Alaska, this should be 200 percent of the FPL, as the cost of health care in Alaska was "more than twice as much as other states around the country." He noted that this expansion would also include all adults under this FPL, would have a higher federal matching rate for this expansion group, and would establish modified adjusted gross income as a means for determining eligibility.

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MAYOR NAVARRE moved on to slide 3, "Enhanced Federal Medicaid Match Rate for New Eligibility Group," which listed the match rates of federal share and state share over the next 10 years. He noted that, as this was a "promise from the federal government, I think there's good reason to be skeptical of it." He shared an anecdote of his time in the Alaska State Legislature. He opined that this match rate would make economic sense for Alaska, if the federal match rate continued as planned, and he suggested that Alaska move forward with the Medicaid expansion.

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MAYOR NAVARRE pointed to slide 4, "Medicaid Expansion in Alaska: Enrollment and Spending," which showed the growth of enrollment

and spending for Medicaid in Alaska, from 2014 to 2020, and he stated that Medicaid expansion "makes good sense."

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MAYOR NAVARRE explained that slide 5 was the same information as slide 4, only in graph form. He reported that slide 6, "Potential Budget offsets," had estimates for savings with expansion of Medicaid. He noted that the Department of Corrections should have significant offsets to spending.

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MAYOR NAVARRE moved on to slide 7, "Net Impact on State Budget," which reflected the impact if there were the potential offsets. He reflected that the cost to the state would only be about \$23.3 million, cumulative, through 2020. He pointed to a net savings for the state through 2018.

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MAYOR NAVARRE reflected on slide 8, "Return on Investment," which graphed the return on the investment of both state funds and federal funds in Alaska.

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MAYOR NAVARRE noted that slide 9, "Substantial Job Growth," slide 10, "Increased Wages," and slide 11, "Regional Impact," reflected the accumulated economic impacts through 2020 from the Medicaid expansion.

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REPRESENTATIVE SEATON asked about the participation levels as described on slide 10.

MAYOR NAVARRE explained that this tracked the low, mid, and high participation rates of cumulative enrollment into the Medicaid expansion.

REPRESENTATIVE SEATON asked to clarify that some eligible participants may still not apply.

MAYOR NAVARRE said that it reflected that eligible participants would either not apply or not enroll all at the same time.

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CHAIR HIGGINS mused that one state, which he could not remember, was investigating the enrollment of all of its Medicaid recipients into the Medicaid expansion, declaring that it was "a novel idea."

MAYOR NAVARRE presented slide 12, "Summary," which reflected Medicaid coverage for an additional 40,000 Alaskans. This would increase the federal revenue to Alaska by \$1.1 billion, would potentially create 4,000 new jobs, and would increase salaries and wages to Alaskans by \$1.2 billion. He declared that this \$2.4 billion in increased economic activity throughout Alaska would cost the state \$90 million without offsets, or \$23.6 million with the offsets. He stated that the offset numbers could be higher or lower, and that the impact could be a bit different as some people were already covered through bad debt, charity care, discounts, or cost shifting. He opined that Alaska would benefit from the investments in the state, but not necessarily feel all of the impacts, as there was the possibility of a different fund source for these services.

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MAYOR NAVARRE offered slide 13, "Who Pays the Hospital Bill?" He announced that Medicaid and Medicare paid a large share of hospital care in Alaska, and that the combined State of Alaska, local government, and commercial insurance programs was also a large share.

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MAYOR NAVARRE furnished slide 14, "Hospitals Must Serve All Who Need Care," and stated that the cost for uncompensated care in Alaska during 2011 was \$217 million, with an additional \$200 million in loss from underpayments.

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MAYOR NAVARRE moved on to slide 15, "Cost Shift Hydraulic," which depicted the underpayments and uncompensated care. He pointed out that those unpaid amounts were shifted to the private payers, through increased premiums. He reported that insurance plans were now requesting discounts from hospitals, as procedures had gotten very expensive in Alaska. He emphasized: "That is a scary thing if we don't get that piece fixed in terms of the cost of health care."

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MAYOR NAVARRE explained slide 16, "Cost Shifting to Private Payers," and said that the impact of cost shifting for uncompensated care had resulted in an increase to annual insurance premiums of \$257 per insured person per year in 2009, with an additional annual increase to insurance premiums of \$628 as a result of underpayment.

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MAYOR NAVARRE supplied slides 17 & 18, "Central Peninsula Hospital," and "South Peninsula Hospital," noting that both hospitals were in his borough, and stated that these slides portrayed the growth in charity care and bad debt. He declared that health care continued to increase beyond the increase to cost of living, which was an unsustainable rate.

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CHAIR HIGGINS asked for an explanation of "bad debt."

MAYOR NAVARRE, in response, said that charity care was recognized for an individual in the application process, in order to receive debt relief for unpaid hospital bills. He explained that "bad debt" was simply when individuals were unable to or did not pay for hospital bills. He commented that this was a significant amount of money.

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MAYOR NAVARRE provided slide 19, "Medicaid Eligible in AK," which estimated the potential number of additional enrollees for Medicaid to be about 40,000 statewide.

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MAYOR NAVARRE indicated that slide 20, "Medicaid Eligible in AK," showed the unanticipated impact of the U.S. Supreme Court decision for changing the expansion of Medicaid from mandatory to optional. He declared that, without the expansion, there would be a gap in coverage for some Alaska residents. He pointed out that the Patient Protection and Affordable Care Act was designed to offer care for lower income people, and he opined that this gap would be resolved with a mandate.

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MAYOR NAVARRE offered his belief that the Medicaid Expansion "makes sense for Alaska, but I also understand the concerns about future impacts, especially with federal funding and promises of funding, and whether or not we'll actually see that level of funding given the situation that our nation finds itself in." He declared that the Patient Protection and Affordable Care Act was only a part of the coming changes to the health care system, although it was not possible to predict those changes. He announced that the current health care system was "overly complicated, inefficient, over utilized, and unsustainable, particularly in Alaska, where the costs are higher than other states." He deliberated that negotiation for cheaper care was necessary, or people would go out of state for care, which would change the economy of scale for local hospitals. He voiced the need for a long term plan for the future of health care in Alaska. He referred to an Institute for Social and Economic Research (ISER) study which indicated that there was more than \$10 billion spent annually on health care for Alaskans. He stated the necessity to define a plan and a direction to move forward in order to provide lower cost health care and expanded service to residents of Alaska.

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REPRESENTATIVE TARR, referring to slide 7, asked about the projected savings for Alaska. She asked if the early years of savings could be used to pay for the costs in later years.

MAYOR NAVARRE speculated that each state was working for additional data to make those decisions within the existing budget. He suggested that a lot more information would need to be gathered to recognize all the budget impacts.

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CHAIR HIGGINS asked about the data. He directed attention to a handout from the Heritage Foundation, which he distributed to the committee and Mayor Navarre. He reported that this Heritage Foundation data reflected that, after 2016, there would be more money spent than collected. He commented that different data reflected different projections.

MAYOR NAVARRE expressed his agreement that there was a lot of data, and he opined that the use of data in context could bring forward different conclusions. He indicated that it was

incumbent for Department of Health and Social Services to collect the best data in order to base its public policy.

CHAIR HIGGINS established that it was necessary "to tread lightly on this whole subject, because it's new to everybody." He suggested looking at it closely and making good choices.

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REPRESENTATIVE SEATON asked for a definition to underpayment.

MAYOR NAVARRE replied that Medicare and Medicaid were defined as under payers, because these programs did not reimburse to the full value of usual and customary service. He said that this underpayment would result in a cost shift, if the cost was what was being charged. He declared that he was searching for a health care model to better determine the costs, as the current system of billings, discounts, and cost shifting made it "very nearly impossible to determine where things are at, but it's too expensive."

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REPRESENTATIVE REINBOLD asked for more information about the \$10 billion in health care expenses.

MAYOR NAVARRE referred to the 2010 ISER study which had reported \$7.5 billion on health care spending in Alaska, and he extrapolated that the current cost increases brought the spending over \$10 billion, especially if the money spent on health care outside of Alaska was also included.

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REPRESENTATIVE REINBOLD asked if this included insurance premiums.

MAYOR NAVARRE replied that it did.

REPRESENTATIVE REINBOLD expressed her concern with giving health care to everyone, because "it's hard to take it back." She agreed that health care was important, but that she had concerns that the federal government was making promises while there was a \$16 trillion debt.

MAYOR NAVARRE, in response to Representative Reinbold, said that he shared her concern. He offered his belief that Medicaid

expansion was the conservative approach, as the health care system was currently unsustainable. He reported that negotiations with the public employee unions focused on health care, as the increases to health care were "off the charts," and had caused an increase in the unfunded liability. He noted that the calculations for the increase in health care costs had not been accurately predicted. He pointed out that the Medicaid expansion offered a lower cost than the current system.

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REPRESENTATIVE REINBOLD asked if it was possible for all the bargaining units to enroll in the same health care system, in order to save money.

MAYOR NAVARRE acknowledged that the aforementioned would result in a huge savings to the public employee union, but stressed that those savings would shift elsewhere and "somebody else ends up paying more." He decried that this had been happening for many years in health care service.

REPRESENTATIVE REINBOLD repeated that it would save money if everyone bargained together.

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ADJOURNMENT

There being no further business before the committee, the House Health and Social Services Standing Committee meeting was adjourned at 3:36 p.m.