

SENATE FINANCE COMMITTEE
February 18, 2020
9:01 a.m.

[9:01:32 AM](#)

CALL TO ORDER

Co-Chair von Imhof called the Senate Finance Committee meeting to order at 9:01 a.m.

MEMBERS PRESENT

Senator Natasha von Imhof, Co-Chair
Senator Click Bishop
Senator Lyman Hoffman
Senator Donny Olson
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

Senator Bert Stedman, Co-Chair

ALSO PRESENT

Adam Crum, Commissioner, Department of Health and Social Services; Ted Helvoigt, Economist, Evergreen Economics; Senator Cathy Giessel.

SUMMARY

^MEDICAID ENROLLMENT and SPENDING, LONG-TERM FORECAST

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Co-Chair von Imhof discussed the subject of the day's meeting:

Continuing out theme of examining cost drivers, today we will hear from the Department of Health and Social Services (DHSS) on their latest long-term projection for Medicaid enrollment and spending.

I believe it is critical that we examine these costs - not only in the short term, as in the next budget year - but over the next decade. As a committee we are

considering weighty fiscal topics, including a spending cap, and we must understand how our largest cost pressures are trending.

We have a lot to cover today and a short time to do so, so I ask that members keep their questions focused to the long-term forecast and trends. We could fill up weeks of meeting on the topic of Medicaid, and if it is the will of the committee we will hold further hearings on issues such as benefits and eligibility.

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ADAM CRUM, COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, introduced himself. He also introduced Mr. Helvoigt.

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TED HELVOIGT, ECONOMIST, EVERGREEN ECONOMICS, discussed, "MESA FY 2020 - FY 2040; Long-Term Forecast of Medicaid Enrollment and Spending in Alaska" (copy on file). He looked at slide 2, "MESA: Medicaid Enrollment and Spending in Alaska":

1. Background
2. Modeling approach
3. Recent historical trends
4. FY2020-FY2040 projection
5. Chronic conditions and Medicaid

Mr. Helvoigt highlighted slide 3, "MESA: Background":

- First forecast developed in 2005
- 20-year projection updated annually
- Assumes current Medicaid structure remains in place
- Provides benchmark for future initiatives
- Provides insight into how individual factors affect spending
 - o Population growth and demographic change
 - o Changes in the rate of Medicaid enrollment
 - o Changes in the rate of utilization of Medicaid services
 - o Changes in the intensity of use of Medicaid services
 - o Growth in healthcare price inflation

Mr. Helvoigt pointed to slide 4, "Key Terms Used in Long-Term Forecast":

- Recipient: A Medicaid enrollee who receives one or more Medicaid services during a fiscal year.
- Utilization: Annual unduplicated count of Medicaid recipients who received a specific type of Medicaid service during a fiscal year.
- Intensity of Use: Amount of the Medicaid service a recipient receives during a fiscal year.
- Healthcare price inflation: Measure of annual growth in the costs for healthcare services.
- Date of Service: Forecast is based on the date in which services were received.

Mr. Helvoigt looked at slide 5, "MESA Modeling Approach":

MESA relies on published data and statistical modeling to "build" the forecast in consecutive steps.

5. Spending on Medicaid
4. Intensity of Medicaid Use
3. Utilization of Medicaid Services
2. Enrollment in the Medicaid Program
1. Long-term Population Projections

Co-Chair von Imhof wondered whether there was data available from the Department of Health and Social Services (DHSS) Medicaid program.

Mr. Helvoigt replied in the affirmative.

Co-Chair von Imhof surmised that it was not public information, but made into compliance with individual characteristics.

Mr. Helvoigt replied in the affirmative.

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Mr. Helvoigt addressed slide 6, "MESA: Medicaid Enrollment and Spending in Alaska":

Recent historical trends

Mr. Helvoigt pointed to slide 7, "Substantial Growth Beginning in FY2016":

Between FY2015 and FY2019...

- Medicaid Enrollment grew by 51 percent (Recipients grew by 49 percent)
- Federal spending grew by 93 percent
- GF spending grew by 6 percent.

Mr. Helvoigt discussed slide 8, "Per-Enrollee/Recipient Spending Is Flat":

Over this same period, per-capita healthcare spending in Alaska experienced rapid growth.

Mr. Helvoigt highlighted slide 9, "Healthcare's Share of Economy Has Grown":

Medicaid expansion coinciding with Alaska's recession has increased the relative importance of the healthcare sector

Co-Chair von Imhof requested information about the reason for the increase in Medicaid enrollment.

Mr. Helvoigt replied that there were various drivers for both traditional and expanded Medicaid.

Co-Chair von Imhof wondered whether that data was in the presentation.

Mr. Helvoigt replied that it was not included in the presentation.

Co-Chair von Imhof felt that the data could be provided to the committee at a later date. She wanted to know the drivers behind the increase, and how much was due to the expansion and the recession.

Mr. Helvoigt agreed to provide that information.

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Mr. Helvoigt pointed to slide 10, "Healthcare Costs Have Risen Fast":

- Healthcare price inflation is rising faster in Alaska than in U.S. as a whole
- General price inflation is rising at roughly the same rate

Senator Bishop felt that the slide should be "handicapped" for Alaska's population.

Mr. Helvoigt stated that it was an increase in prices.

Senator Bishop felt that there was a direct correlation between prices and the number of patients.

Mr. Helvoigt replied that it was a change in index that began at the same point, so it was independent of demographic or population change.

Co-Chair von Imhof asked for an explanation of why the Alaska prices were so high.

Senator Wielechowski queried the percentage of working people on Medicaid.

Mr. Helvoigt replied that the data might be available through public assistance.

Co-Chair von Imhof requested that information through the Department of Health and Social Services (DHSS)

Senator Wielechowski queried the impact on Medicaid with a \$15 per hour minimum wage.

Co-Chair von Imhof queried the reason for the increase in health care costs.

Mr. Helvoigt replied that it was due to a combination of Anchorage being a smaller and spatially isolated market with increased consolidation of health care providers. He stated that it was an environment where providers had power, so they were dictating prices without insurance pushing back on those prices.

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Co-Chair von Imhof asked for any comment on the 80th percentile regulation.

Mr. Helvoigt replied that he understood the intent of an 80 percent. He also saw the incentives set up for providers with respect to billing. He felt that it might have unintended consequences.

Co-Chair von Imhof remarked that some states had tried to solve that with balanced billing legislation.

Mr. Helvoigt addressed slide 11, "MESA: Medicaid Enrollment and Spending in Alaska":

FY 2020 - FY 2040 Projection

Mr. Helvoigt looked at slide 12, "Population: Past, Present, Future":

The rate of growth in Alaska's population has slowed considerably in recent decades, and slower growth is expected to continue.

Mr. Helvoigt discussed slide 13, "Alaska's Population Is Aging":

Even while overall population growth will remain slow, the senior population will experience strong growth through the 20-year projection period.

Mr. Helvoigt pointed to slide 14, "ACA No longer Impacting Enrollment Growth":

- Growth in enrollment will slow over the projection period.
- Enrollment of seniors will outpace children and younger adults.
- Nevertheless, seniors will remain less than 10 percent of enrollees
- Medicaid now covers more adults than children
- In FY2000, median age of Medicaid enrollee was 14
 - Today it is 23
 - By FY2040, it will be 25

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Co-Chair von Imhof noted that the median age of an enrollee was 23-years-old. He felt that it illustrated the importance of state's creating job opportunities with a

focus on infrastructure with good paying jobs in construction services to allow adults the opportunity to earn out of Medicaid and gain insurance through an employer.

Mr. Helvoigt displayed slide 15, "Medicaid Enrollment -the Long View":

- In 1999, there were fewer than 100,000 enrollees.
- Today, there are about 250,000.
- By 2040, there will be more than 300,000.

Mr. Helvoigt looked at slide 16, "Spending to Slow, But Keep Growing":

Between FY2020 and FY2040, we project spending on Medicaid services will increase on average by 4.6 percent per year.

Co-Chair von Imhof wondered whether it was full spending for both state and federal funds.

Mr. Helvoigt replied in the affirmative.

Co-Chair von Imhof stressed that there was a hope that federal funds would increase, because if state funds had to make up half of the price there must be new revenue or "crowd out" other spending.

Mr. Helvoigt agreed and stated that goal was to be wrong on the assumptions.

Co-Chair von Imhof wanted to know how to bend the curve downward.

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Mr. Helvoigt pointed to slide 17, "Healthcare Spending Increases with Age":

On a per-enrollee basis, spending on Medicaid services for children will continue to be much lower than for adults.

Mr. Helvoigt addressed slide 18, "Growth in Medicaid Spending Will Slow":

- Federal and GF spending will grow at about the same rate.
- Savings from rebasing offset by decrease in expansion FMAP+
- Assumes no future changes to FMAPs

Co-Chair von Imhof pointed out that the annual growth rate of 4.6 percent. She remarked that the committee was currently considering a spending cap with a significantly lower growth rate. She reiterating that health care costs could "crowd out" other spending.

Senator Wilson wondered whether it was a compounded interest for the spend.

Mr. Helvoigt replied in the affirmative.

Senator Wilson felt it was large.

Mr. Helvoigt agreed, and stated that it was more than double over the period of time.

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Mr. Helvoigt displayed slide 19, "Inflation Will Drive Spending Growth":

Population, enrollment, utilization, and intensity of use will have a relatively low impact on spending growth.

Co-Chair von Imhof queried any recommendations on how to address the pink line.

Mr. Helvoigt replied that he felt the issue was not a uniquely Alaska issue solely related to Medicaid. He noted that there were options of health care reform that could affect Medicaid, but were not strictly focused on Medicaid in their implementation.

Co-Chair von Imhof stressed that the data was based on rational assumptions, and she liked to utilize data to create policy. She hoped that there could be a way to address the growth with something like price transparency or an all payer claims database.

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Mr. Helvoigt highlighted slide 20, "Bending the Cost Curve":

- Cost containment efforts have worked.
- Actual spending on Medicaid has been much lower than was projected in 2006.

Mr. Helvoigt pointed to slide 21, "Many More Alaskans Receiving Medicaid Services":

More recipients than expected in 2006 due to features of the ACA, most notably Medicaid expansion, and the Alaska recession.

Mr. Helvoigt addressed slide 22, "More Recipients and Lower Spending Means...":

- Spending per recipient is about \$9,000 lower today than projected in 2006.
- Cost containment initiative by DHSS will likely continue to suppress growth in spending.

Senator Wielechowski heard that health care costs in the United States were much higher than anywhere else in the world, but the outcomes were similar if not worse than other places in the world. He wondered how other countries kept their health care costs lower with similar outcomes.

Mr. Helvoigt replied that it was not his area of expertise. He stated that he could argue both sides, so he could not opine on the question.

Mr. Helvoigt looked at slide 23, "MESA: Medicaid Enrollment and Spending in Alaska":

Chronic conditions and Medicaid

[9:45:54 AM](#)

Mr. Helvoigt addressed slide 24, "Chronic Conditions and Age, FY2018:

Most Medicaid recipients do not have a diagnosed chronic condition

Mr. Helvoigt highlighted slide 25, "Impact of Age on Chronic Conditions":

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

Co-Chair von Imhof wondered whether there were chronic conditions that could have been prevented with preventative care. She stressed that it was a rhetorical question.

Senator Wielechowski wondered whether there was a list of the prevalence of each chronic condition.

Mr. Helvoigt replied in the affirmative. He agreed to provide that information.

Co-Chair von Imhof stated that she might examine the issue in the DHSS subcommittee.

Mr. Helvoigt noted the diagnosed chronic conditions versus the other chronic conditions.

Mr. Helvoigt looked at slide 26, "Chronic Conditions Drive Spending, FY2018." He explained the different age groups and chronic conditions.

Co-Chair von Imhof compared slide 24 and slide 26, so she inferred that 20 percent of the population was driving 80 percent of the cost.

Mr. Helvoigt agreed.

Senator Bishop felt that there was a possibility for a pilot project by encouraging people to live a healthy lifestyle.

Mr. Helvoigt discussed slide 27, "Incremental Cost of Chronic Conditions, FY2018." He explained the columns, as related to the previous slide.

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Mr. Helvoigt highlighted slide 28, "Cost Impact of Chronic Conditions Will Grow":

Today 73 percent of Medicaid spending is on beneficiaries diagnosed with one or more chronic conditions; This will grow to 78 percent by 2040

Co-Chair von Imhof queried the percentage or number of people out of the total Medicaid population had a chronic condition.

Mr. Helvoigt replied that it was 61,000 out of 210,000, so approximately 30 percent.

Co-Chair von Imhof appreciated the presentation. She hoped that the committee would consider the information from the presentation.

Mr. Helvoigt thanked the committee for their time.

Co-Chair von Imhof wondered how much longer he would be in Juneau.

Mr. Helvoigt replied that he would be leaving Juneau the upcoming Saturday.

Co-Chair von Imhof discussed the following day's agenda.

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ADJOURNMENT

10:00:04 AM

The meeting was adjourned at 10:00 a.m.