ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS
March 3, 2022
11:34 a.m.

MEMBERS PRESENT

Representative Ivy Spohnholz, Chair
Representative Andy Josephson
Representative Calvin Schrage
Representative Andi Story
Representative Mike Prax

MEMBERS ABSENT

Representative Adam Wool, Vice Chair
Representative David Eastman

COMMITTEE CALENDAR

PRESENTATION(S): LONG-TERM FORECAST OF MEDICAID ENROLLMENT AND SPENDING IN ALASKA

- HEARD

PRESENTATION(S): ALASKA CARES TRENDS AND FORECAST

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

TED HELVOIGHT, PhD, Vice President
Evergreen Economics
Eugene, Oregon
POSITION STATEMENT: Provided a PowerPoint presentation, titled "Long-Term Forecast of Medicaid Enrollment and Spending in Alaska."

ALBERT WALL, Deputy Commissioner
Office of the Commissioner
Department of Health and Social Services
Juneau, Alaska

POSITION STATEMENT: Answered questions during the presentation on the Long-term Forecast of Medicaid Enrollment and Spending in Alaska.

RENEE GAYHART, Director
Division of Health Care Services
Department of Health and Social Services
Juneau, Alaska
POSITION STATEMENT: Answered questions during the presentation about the Long-Term Forecast of Medicaid Enrollment and Spending in Alaska.

EMILY RICCI, Chief Health Administrator
Division of Retirement and Benefits
Department of Administration
Juneau, Alaska
POSITION STATEMENT: Provided a PowerPoint presentation on Alaska CARES Trends and Forecast.

ACTION NARRATIVE

11:34:12 AM

CHAIR IVY SPOHNHOLZ called the House Special Committee on Ways and Means meeting to order at 11:34 a.m. Representatives Story, Josephson, Schrage, and Spohnholz were present at the call to order. Representative Prax arrived as the meeting was in progress.

PRESENTATION(S): Long-term Forecast of Medicaid Enrollment and Spending in Alaska

11:35:31 AM

CHAIR SPOHNHOLZ announced that the first order of business would be the Long-term Forecast of Medicaid Enrollment and Spending in Alaska presentation.

11:36:21 AM

TED HELVOIGHT, PhD, Vice President, Evergreen Economics, provided a PowerPoint presentation, titled "Long-Term Forecast of Medicaid Enrollment and Spending in Alaska" [hard copy included in the committee packet]. The first long-term forecast started in 2005 and was completed in 2006 directed by the Alaska state legislature due to concerns about fast-rising expenses in Medicaid spending. The 20-year projection looks at trends in

enrollment, utilization of Medicaid services, and spending. The highly structured modeling program called the MESA modeling approach includes long term demographic projections based on the Department of Labor population forecast. Enrollment in Medicaid, utilization of Medicaid services, intensity of Medicaid use, and spending on Medicaid are all steps that are considered to build the forecast of Medicaid enrollment and spending. Different demographics influence Medicaid usage expectations.

11:43:41 AM

MR. HELVOIGHT showed a graph on slide 5 which shows the significant changes in Medicaid in the last decade with substantial growth beginning in fiscal year 2016 (FY 16). He identified the colors on the fiscal model and their corresponding definitions. The state portion of spending has remained flat since FY 21. Federal Medicaid expansion has demonstrated an increase in spending for federal funds. Medicaid enrollment grew by 61 percent; recipients of Medicaid services grew by 42 percent; federal spending increased by 95 percent; and Alaska General Fund spending on Medicaid decreased by nearly 12 percent. At the same time, roughly 65,000 more Alaskans receive care through Medicaid compared with earlier in the decade. Dependent on the eligibility of the individual on Medicaid, federal participation varies.

11:51:03 AM

ALBERT WALL, Deputy Commissioner of Medicaid and Healthcare Services, Office of the Commissioner, Department of Health and Social Services (DHSS), described that Medicaid as a program is like a contract with the federal government. If an individual applies, they will receive a federal match that is dependent on their eligibility criteria. He offered to provide a breakdown of eligibility groups. The state is responsible for the remaining balance dependent on the eligibility group that isn't covered by the federal government.

11:53:07 AM

CHAIR SPOHNHOLZ noted that if the state opted out of Medicaid, then it wouldn't be on the hook for paying; however, a large percentage of Alaskans wouldn't receive coverage. Alaska Native people are fully covered by the federal government.

11:55:01 AM

MR. HELVOIGHT said that the rate of growth in Alaska's population has slowed considerably in recent decades. The Department of Labor (DOL) projects slow growth to continue. The senior population will experience relatively strong growth through the 20-year projection period. Population growth will be slowest for children. The last population forecast was published in April 2020. In 1999, there were fewer than 100,000 enrollees. Today, there are about 267,000 enrollees, and by 2042, there will be more than 300,000.

12:00:31 PM

RENEE GAYHART, Director, Division of Health Care Services, Department of Health and Social Services, responded to Representative Story and said she would follow up with information about the adult population from ages 20-64 who have a disability.

12:02:08 PM

MR. HELVOIGHT responded to Representative Prax and clarified that Medicaid expansion opened an eligibility category for those that were previously not eligible for Medicaid services. Medicaid for life is not assumed. Medicaid is expected to grow slowly according to the forecast but may experience a slight dip after the national public health emergency is removed.

12:07:11 PM

MR. WALL explained that the expansion population is predicted to continue growing. Redeterminations of eligibility were not completed due to the COVID-19 pandemic public health emergency. An additional 6.2 percent pay increase was given through Medicaid to keep recipients stable during the COVID-19 pandemic public health emergency. After the emergency expires, redeterminations will occur on a month-to-month basis.

12:12:02 PM

MR. HELVOIGHT said that the red line on slide 9 represents historical data for growth in Medicaid reimbursement rates and the dotted line represents the forecast. The blue line represents growth in reimbursement rates for Medicaid services. Medicaid reimbursement rates will continue to grow at a slower rate than overall healthcare price inflation in Alaska. The consumer price index (CPI) has a 4-5 percent per year increase,

which by historical standards is above the general price inflation and may not remain consistent. Medical health care cost inflation may be slower in coming years due to a reversion to the mean.

12:17:47 PM

MR. HELVOIGHT detailed that healthcare spending increases with age. Spending per-recipient on Medicaid services will continue to be much greater for seniors than for children or adults under 65. The bar graph on slide 10 represents average spending per recipient not per enrollee. He emphasized that many who are enrolled in Medicaid do not utilize any health services and are not included in the calculation. Differences in growth rates are due to the anticipated ending of the federal financial partnership (FFP) enhancement that is part of the federal COVID-19 pandemic public health emergency. The forecast assumes no other future changes to the federal medical assistance percentage (FMAP) except for the previously mentioned 6.2 percent per the health emergency stipulations which will be removed.

12:21:02 PM

MR. HELVOIGHT highlighted slide 12, which shows how price inflation will drive spending growth. He defined the colors on the fiscal model and noted that the red growth line is compared to medical price inflation. Population, enrollment, utilization, and intensity of use will have a relatively low impact on spending growth.

12:25:02 PM

MR. HELVOIGHT mentioned that this forecast puts an emphasis on chronic conditions. Most Medicaid recipients do not have a diagnosed chronic condition. Prevalence of a diagnosed chronic condition increases with age. Medical spending on a child without a chronic condition compared to a senior without a chronic condition are about the same. Today, 80 percent of all spending is on beneficiaries diagnosed with one or more chronic conditions. This rate is expected to grow to 84 percent by 2042.

12:28:33 PM

MR. HELVOIGHT detailed that the red line on slides 15-17 represents actual spending. The blue dots represent the

forecast presented to the legislature back in 2006. The dashes represent the current forecast. Cost containment efforts put forth by the legislature worked to reduce spending. Spending has been much lower than was projected in 2006. Projected spending growth is lower than earlier forecasts. On slide 16 the actual recipient count closely tracked the 2006 projection until the Medicaid expansion in FY 16. Recipient counts likely were impacted by the Alaska recession. Slide 17 shows that spending per recipient is much lower today than what was projected in 2006. Cost containment initiatives by DHSS will likely continue to suppress growth in spending. Recipients that do not have one or more diagnosed chronic conditions spend on average $3,500 per year across all age groups.

CHAIR SPOHNHOLZ recalled a figure that the 50,000 people who represent 20 percent of Medicaid recipients are responsible for 80 percent of spending due to chronic conditions.

PRESENTATION(S): Alaska CARES Trends and Forecast

12:35:50 PM

CHAIR SPOHNHOLZ announced that the final order of business would be the Alaska CARES Trends and Forecast presentation.

12:36:10 PM

EMILY RICCI, Chief Health Administrator, Division of Retirement and Benefits, Department of Administration, provided a PowerPoint, titled "AlaskaCare Trends." She introduced AlaskaCare as an umbrella term for the State of Alaska self-insured health plans. The entity sponsoring a self-insured health plan assumes the risk for the claims occurred by members. These plans are managed by the Division of Retirement and Benefits. Across the self-insured health plans the state paid nearly $800 million in FY 21 and covered over 90,000 lives.

12:38:39 PM

MS. RICCI said the AlaskaCare employee plan covers 16,000 members including dependents. Inclusion of different categories of employees depends on bargaining units. The impact of the COVID-19 pandemic was significant on the AlaskaCare plan with an increase of inpatient facility and pharmacy costs. Employee plan demographics have seen a slight decrease in the number of employees and a decrease in average age.

12:43:58 PM

MS. RICCI showed slide 6, which demonstrates a tremendous increase in the amount paid per member per month in 2020. In 2021, there is a decrease in the amount paid per member per month but there is a sharp increase in the number of services utilized. Slide 7 shows that employee plan members deferred fewer services than other plans and incurred higher claims afterwards. The surge in the employee plan in the summer and fall more than offset the dip in services. Expensive new cellular and gene therapies were used to treat and cure previously untreatable illnesses. She affirmed, in response to Representative Sponholz, that high-cost clients represent a small portion, 5 percent, of enrollees but utilize about 20 percent of the costs.

12:51:14 PM

MS. RICCI discussed challenges that face the health plan, including new gene therapies, which, though they have incredible health benefits, are very expensive. The gene therapy network ensures that if members are receiving gene therapy services, they receive them through a qualified facility that has agreed to network contracting. For example, Zolgensma, which is used for rare gene abnormalities, can cost $2.1-2.7 million per treatment. Inpatient facility cost negotiations are underway to create new contract terms with broader facility access for members. Increasing pharmacy costs are being addressed through negotiated contract terms that implemented prescription drug formulary and established a pharmacy copay program that allows both members and the plan to benefit from drug coupons for specialty medications.

12:55:20 PM

MS. RICCI responded to Representative Josephson and said that health information is private, de-identified, and protected by federal privacy laws. Any insurance plan involves actuaries who annually make predictions for the upcoming year including total cost per plan and how much is needed in reserve if premiums are not sufficient to cover claims and evaluate the employee versus employer contribution rates. Funds are collected on a biweekly basis through personnel and are accumulated into the Group Health and Life fund which is a state account set aside to pay out claims as they come in. Unused funds made it possible to keep employer contributions and employee premiums relatively

flat. A rise in employee contributions is expected going forward.

1:02:00 PM

MS. RICCI detailed the AlaskaCare Retiree plan, which includes the defined benefit health plan in which 75,000 members are covered including retirees and their dependents. Annual claims cost $571 million in 2021. In the retiree plan, due to some unique factors, pharmacy costs were higher than typical because of Medicare. In 2019, the drop in cost was attributed to the implementation of a group Medicare part D plan where federal dollars were leveraged to reduce the cost of pharmacy care for members without impacting their benefits.

1:04:05 PM

MS. RICCI showed slide 13, which gives a trend breakdown for the AlaskaCare Retiree Plan multi-year spend. She highlighted 2019, which saw an overall drop in all categories. The drop is attributed to pharmacy changes and the leveraged federal monies that offset pharmacy cost for members. Demographic trends have an important role for AlaskaCare's retiree plan. The cost for covering individuals who are eligible for Medicare is significantly different from those who are not. The yellow box on slide 14 represents the percentage of the retired population that is eligible for Medicare. From 2017 to 2021 there was a 10 percent change of individuals who became eligible for Medicare. The Medicare fee schedule is substantially lower than what commercial insurance plans can negotiate. Slide 15 shows that as the population ages, members who are eligible for Medicare increases while pre-Medicare members decrease. Before 2019, the Division of Retirement and Benefits (DRB) received pharmacy subsidies through a federal program called the Retiree Drug Subsidy (RDS) Program. In 2019 the DRB implemented an enhanced Medicare Part D employer Group Waiver Plan. This provided additional coverage for members and allowed expansion of certain vaccines to all members of the retirement population. The state also benefited from additional federal subsidies, including almost $50 million dollars in 2019 for pharmacy discounts and rebates. This amount has grown to almost $65 million as of 2021.

MS. RICCI mentioned that there are still challenges associated with specialty medication. Specialty medication represented 37 percent of retiree pharmacy spend, or $110 million in 2020 and represents just 1 percent of total prescriptions. This was an

increase from $89 million, or 24 percent in 2019, driven by an increase in specialty prescriptions and more costly medications. In collaboration with the Retiree Health Plan Advisory Board, the division is working to modernize the plan to improve benefits and manage costs. In 202[2] the division implemented the addition of preventative care services, including colonoscopies and vaccines. They also implemented clinical reviews of specialty medications to address the rising costs.

1:14:50 PM

MS. RICCI, in response to Representative Josephson, said there is a lot of unpredictability in the health plan. She expressed her hope that the state is in a much better situation than it was back in 2006. Federal subsidies created a $1 billion benefit to accrue actuarial liability in one year. If those subsidies were removed, the state would experience significant changes in the cost of the benefits offered. Health insurance will continue to be dynamic, particularly with the retiree plan.

1:15:48 PM

CHAIR SPOHNHOLZ provided closing remarks.

1:16:20 PM

ADJOURNMENT

There being no further business before the committee, the House Ways and Means committee meeting was adjourned at 1:16.