

HOUSE FINANCE COMMITTEE

March 8, 2023

1:34 p.m.

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CALL TO ORDER

Co-Chair Johnson called the House Finance Committee meeting to order at 1:34 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair
Representative Neal Foster, Co-Chair
Representative DeLena Johnson, Co-Chair
Representative Julie Coulombe
Representative Mike Cronk
Representative Alyse Galvin
Representative Sara Hannan
Representative Andy Josephson
Representative Dan Ortiz
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Julie Sande, Commissioner, Department of Commerce, Community and Economic Development; Micaela Fowler, Deputy Commissioner, Department of Commerce, Community and Economic Development, Office of Management and Budget; Hannah Lager, Administrative Services Director, Department of Commerce, Community and Economic Development; Robert Schmidt, Director Division of Banking and Securities; Ted Helvoigt, Vice President, Evergreen Economics, Medicaid Consultants.

SUMMARY

HB 39 APPROP: OPERATING BUDGET/LOANS/FUND; SUPP

HB 39 was HEARD and HELD in committee for further consideration.

HB 41 APPROP: MENTAL HEALTH BUDGET

HB 39 was HEARD and HELD in committee for further consideration.

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

OVERVIEW: FY 2024 BUDGET BY DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

Co-Chair Johnson reviewed the meeting agenda.

#hb39

#hb41

HOUSE BILL NO. 39

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making reappropriations; making supplemental appropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

HOUSE BILL NO. 41

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

^PRESENTATION: LONG-TERM FORECAST OF MEDICAID ENROLLMENT AND SPENDING IN ALASKA

^OVERVIEW: FY 2024 BUDGET BY DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

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Co-Chair Johnson noted the shortened period of time for the meeting.

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JULIE SANDE, COMMISSIONER, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, introduced herself and her staff. She abbreviated her discussion of the slides.

Commissioner Sande introduced the PowerPoint presentation, "FY2024 Department Overview," dated March 8, 2023 (copy on file).

Commissioner Sande began on slide 2 titled "Mission and Organization:"

Mission: Promote a healthy economy, strong communities, and protect consumers in Alaska. AS 44.33.020.

Commissioner Sande remarked on her pride in the work of the Department of Commerce, Community and Economic Development (DCCED) and felt it offered a "remarkable spectrum of services" across hundreds of communities. She reported that the department was comprised of 7 core divisions and 8 corporate agencies administered by its executive team. She advanced to slide 3 titled "How Do We achieve Our Mission?" The slide portrayed the various ways in which the mission of a healthy economy, strong communities, and consumer protection was accomplished. She cited the Division of Banking and Securities and pointed out that its Financial Institution Examinations, ANCSA Elections Proxies, and Cryptocurrency Multistate Oversight was one example of how the division impacted the department's mission.

Commissioner Sande continued to slide 4 titled "Department Structure." The slide's graphic offered a high-level overview of the structure of the department. She pointed out that The Alaska Broadband Office was a new division created in the last year. Ms. Sande concluded her portion of the presentation.

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HANNAH LAGER, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, continued the presentation on slide 5 titled "FY 2024 Governor Amended Budget," which contained charts and graphs portraying the departments overall budget. She pointed to the bar graph on the right and recounted that DCCED received special appropriations over the last fiscal year that made the budget actuals difficult to determine. The

large gray area in the FY 2023 bar depicted over \$185 million in American Rescue Plan Act (ARPA) funding as local pass through grants. She moved to the pie chart on the right of the slide showing the budget by fund source. She indicated that DCCED was primarily funded through Designated General Funds (DGF) [\$108,668.0, 53 percent] through programmatic fees e.g., licensing and banking fees. The large gray area represented Other Funds [\$53,740.7, 26 percent] that was mostly comprised of interagency receipts. The blue sliver portrayed General Funds (GF), which was a minor amount by contrast [\$19,641.9 10 percent].

Ms. Lager continued on slide 6 titled "Department Budget Lookback" that contained a bar graph depicting the historical data of the department's budget from 2015. The slide illustrated the reduction in GF appropriations to the department. She advanced to slide 7 titled "FY 2024 Operating UGF by Department (Governor's Budget)," which showed the operating Undesignated General Funds (UGF) by department. She noted that the department accomplished its multi-tasked mission with the smallest departmental GF expenditure.

Ms. Lager moved to slide 8 titled "DCCED Executive Team" containing a graphic listing the executive team's responsibility for overseeing the Alaska Broadband Office, Legislative Relations, Special Projects, Office of International Trade, Economic Development, and Boards and Commissions. She moved to slide 9 titled "Commissioner's Office" and highlighted the changes in its budget. She explained that federal receipt authority for future grant opportunities was added to the budget to pursue and accept new federal grants. In addition, two positions were added for executive administrative support. Ms. Lager continued to slide 10 titled "Administrative Services." She relayed that the administrative budget did not contain any major changes, only salary and health insurance adjustments. She advanced quickly to slide 11 titled "Major Sources of Department Revenue Generation." She pointed out that a portion of the revenue generated by DCCED contributed to GF and in FY 2022 the amount totaled \$100.2 million largely through insurance premium taxes.

Ms. Lager advanced to slide 12 titled "Alaska Broadband Office." She focused attention on the Alaska Broadband Office (ABO) and reported that it was working on meeting all the federal requirements to access as much federal

funding as possible. Currently, the ABO's Tribal Liaison position was funded in the FY 24 budget. The department was also staffing grants administrators for broadband grant management support within the Division of Community and Regional Affairs. She expected that the large influx of federal dollars would be included in the FY 2025 budget. Some language was also added for statutory designated program receipts to allow for non-state and non-federal financial participation in broadband as well as federal receipt authority language.

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Ms. Lager highlighted slides 13 and 14 titled "Banking and Securities." She offered that the budget included funding for increased legal costs and a Financial Examiner IV position due to the significant growth in the financial sector. She continued on slide 15 titled "Community and Regional Affairs." She noted that the division's grant portfolio continued to grow and was almost \$1 billion, encompassing 870 new grants with a staff of 8 individuals. The budget leveraged federal receipt authority, which enabled the addition of two positions to the FY 2024 budget to help support the grant workload. Ms. Lager advanced to slides 16 and 17 titled "Community and Regional Affairs," which showed items of popular interest contained in the base budget. She moved to slide 17 and pointed to the chart listing the "Grants to Named Recipients Included in the Governor's FY 2024 Operating Budget:"

- Alaska Legal Services Corporation
- Alaska Marine Safety Education Association
- Life Alaska Donor Services
- Native Village of Napaimute for the Kuskokwim Ice Road

Ms. Lager moved to slides 18 and 19 titled "Corporations, Business, and Professional Licensing." She related that the division had over 300,000 licensees with professional licensing alone, which grew 64 percent in the last 10 years. She discussed the division's FY 2024 budget changes listed on slide 19. She explained that in prior years GF had been used to offset revenue collections for professions in deficit positions. The budget proposed to stabilize volatile licensing fees by offsetting investigative costs with GF instead of revenue. The division observed a destabilizing fee setting effect on small license programs when burdened with large investigative costs. Furthermore,

the budget included restoring computer refresh funding replacing one-time Coronavirus Aid, Relief, and Economic Security Act (CARES Act) monies. Finally, staff and receipt authority were added to address the significant increases in the professional licensing workload and to improve licensing timeliness.

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Ms. Lager continued to slides 20 and 21 titled "Division of Insurance:"

The Division of Insurance (DOI) is responsible for the licensing and compliance of insurers and insurance products in Alaska.

The Centers for Medicare and Medicaid Services approved DOI's application to extend The Alaska Reinsurance Program for another five years (through 2027). This allows DOI to leverage federal dollars to reduce the cost of healthcare to individual Alaskans purchasing insurance on the federal marketplace.

DOI deposited nearly \$65 million into the general fund in FY 2022.

Ms. Lager elaborated that \$1 million was added to the existing receipt authority for insurance actuarial costs. The department was actively recruiting to hire additional actuaries but until enough were hired, the division relied on contract services which was more expensive. She moved to slide 22 titled "Division of Investments" that had no changes, and emphasized its important role in promoting economic development through direct state lending for those that did not qualify for traditional borrowing opportunities.

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Co-Chair Johnson invited questions.

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Representative Hannan referred to the addition of increased investigations and a financial examiner position totaling \$481 thousand on slide 14. She asked for a breakdown of the personal services costs. Ms. Lager expounded that \$275

thousand was for increased legal costs due to the added investigatory burden from the growth in the financial sector. The remainder was for personal services. Representative Hannan asked if there was someone already in the department that could move into the position or was the department going to engage in recruitment. Ms. Lager answered that there were promotional opportunities within the division.

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Representative Tomaszewski requested more information regarding cryptocurrency and multi-state investment [slide 3].

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MICAELA FOWLER, DEPUTY COMMISSIONER, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, OFFICE OF MANAGEMENT AND BUDGET interjected that the division director was available to answer the question.

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Robert Schmidt, Director Division of Banking and Securities, Anchorage, responded that in 2022 the country experienced a "spectacular series of cryptocurrency bankruptcies" that impacted thousands of Alaskans for tens of millions of dollars. Currently, division staff were monitoring the bankruptcies and trying to ensure that the successor entities would do a better job in running their businesses. He noted that the division had engaged in 1000 staff hours of monitoring activities.

Representative Tomaszewski asked if Mr. Schmidt had collaborated with the Alaska Permanent Fund Corporation (APFC) regarding its handling of cryptocurrency. Mr. Schmidt replied in the negative.

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Representative Ortiz returned to slide 20. He noted the star graphic on the slide and read the following, "Nearly \$400 million of federal funds collected 2016-2023." He inquired about the mechanics of how the Division of Insurance generated revenue for deposit into GF. Ms. Lager replied that the division generated money in two ways. She

pointed out that the star graphic information related to the Alaska Reinsurance Program that offset the cost of private health insurance in the state. The \$65 million deposit into GF was generated by insurance premium taxes. She relayed that a small tax ranging from 2.5 percent to 2.7 percent was added to all tax insurance premiums paid in the state.

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Representative Stapp asked for clarification regarding the \$400 million collected from the Alaska Reinsurance Program. Ms. Lager clarified that the money was not deposited into the general fund but was collected by the state and issued out of the grant to the Alaska Comprehensive Health Insurance Association, which administered the reinsurance program. Representative Stapp asked for confirmation that the money lowered individuals' insurance premiums through the healthcare marketplace. Ms. Lager responded in the affirmative.

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Representative Coulombe cited slide 18 and related that she had received numerous complaints regarding the amount of time it takes to obtain a license in the state. She wondered what the division was doing to resolve the delay issues.

Commissioner Sande responded that she had heard from most legislators on the issue, and everyone agreed that the Division of Corporations, Business, and Professional Licensing (CBPL) was taking too long to issue licenses. She shared that she had investigated the issue and discovered that the 65 percent growth in professional licensing was not anticipated and DCCED did not respond adequately by increasing staff to meet the increased workload, which, over time left the staff "fragmented and frustrated." She responded to the problem by determining short-term and long-term fixes and she appreciated the commitment of the legislature and administration for supporting what was

needed. She indicated that when she became commissioner DCCED had a 22 percent vacancy rate that was currently 12 percent. She believed that things were moving in the right direction to resolve the issue. She offered that when things were going well, constituents typically were not calling, and she requested that the legislature take note when the complaints stop.

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Representative Coulombe asked if the increased staff was impacting the problem and what the current timeline was to issue licenses.

Ms. Fowler answered that each licensing program had its own delayed timelines. She exemplified the nursing program that took about eight weeks for the initial review of a new license. She highlighted four things that the department was doing to address the delays in CBPL:

- Increasing staffing; the governor's budget added 12 new positions.
- Classification study: employment retention with the opportunity for career advancement was an important factor.
- Board liaison position within the commissioner's office to ensure the boards were working effectively.
- Universal Temporary Licensure: the governor introduced legislation allowing a professional to work temporarily under a similar state licensure until the Alaska license was issued.

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Representative Cronk cited slide 4 and referenced the Alaska Seafood Marketing Institute (ASMI) and the Alaska Gasline Development Corporation (ACDC) and asked for information regarding their roles.

Ms. Sande responded that Jeremy Woodrow, Executive Director, ASMI was available. She shared that she was a member of the board along with members of the industry and was impressed at how they impacted marketing seafood in the state as well as marketing the state itself. She mentioned

the international and domestic contacts the board developed to dynamically move the industry forward in seafood marketing and promoting the state.

Ms. Fowler interjected that Frank Richards, President, AGDC was available to discuss the purpose of AGDC.

Representative Cronk indicated that he did not need further discussion.

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Representative Josephson referred to the \$6 million in receipts from the Alaska Industrial Development and Export Authority (AIDEA) and wondered why the number was much lower than in the past. Ms. Lager answered that the \$6 million dividend in FY 2022 went directly to the general fund. Representative Josephson remembered substantially higher dividend amounts from AIDEA in the past. He asked for confirmation. Ms. Lager responded in the affirmative and noted that the dividends had varied in size. The statutory range for the dividend was between 25 percent to 50 percent of the statutory net earnings of the prior year.

Representative Josephson asked about the 64 percent increase in professional licenses. He guessed that the increase was due to new professions, and he wondered what they were. Ms. Lager responded that there had been a few new programs and she would find out what they were. However, they experienced much of the growth in established programs.

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Ms. Lager continued on slide 23 titled "Corporate Agencies." The slide graphically depicted the 8 state agencies: Alaska Energy Authority (AEA), Alaska Industrial Development and Export Authority (AIDEA), AGDC, ASMI, Alaska Oil and Gas Conservation Commission (AOGCC), Alcohol and Marijuana Control Office (AMCO), Regulatory Commission of Alaska (RCA), and Alaska Railroad Corporation (ARC). She noted that the Alaska Railroad Corporation was not subject to the Executive Budget Act and DCCED only played an administrative role. She turned to slide 24 titled "Budget Highlights of Corporate Agencies." She delineated that receipt authority was added for AEA to pay for 5 positions in AIDEA to support capital projects funded

through the Infrastructure Investment and Jobs Act (IIJA). In addition, DGF from the Power Cost Equalization Endowment was appropriated for PCE technicians. Currently, AGDC was wholly supported by the Alaska Liquefied Natural Gas Fund (AK LNG), as the fund was expected to be fully depleted in FY 2023, over \$3 million in additional GF was necessary to fund items like travel, leases, personal services, etc.

Ms. Lager advanced to slide 25 that highlighted the \$5 million request for marketing support for ASMI. She examined slide 26 titled "DCCED Vacancy History." The graph portrayed the vacancy rates from 2017 to 2023. She highlighted that the vacancy rate, depicted by the light blue, had grown throughout the pandemic and impacted each division in different ways. She exemplified DBPCL vacancies that rose as high as 33.3 percent in occupational licensing examiners, which contributed to significant delays. The vacancy rate was currently 9 percent. She relayed that DCCED was "hyper-focused" on filling vacancies throughout the department.

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Ms. Sande continued on slide 27 titled "Roadblocks to Economic Growth." She expounded that through the department's outreach, a "resounding theme" emerged quickly that there was difficulty with housing, workforce, and childcare as impediments to economic development. It became clear that as the department tried to address economic development the state needed to address the challenging issues she listed along with the high cost of energy.

Ms. Sande discussed slide 28 [untitled]. She related that through discussions with the governor, he appropriated \$5 million to tackle the problems. She remarked that the department was proud of being good stewards of state funding. She shared her personal experience of her beginnings as commissioner presenting the executive team challenges to save state funding through consolidating space. She believed that the staff performed remarkably well. Space was made available to the Department of Education and Early Development (DEED), and she enjoyed the busy atmosphere it created. She related that she approached every situation by asking how DCCED could be good stewards of state dollars. She developed an economic development strategy using the department's own receipts and not growing state government. She established an economic

development subcabinet that met each week. She realized that professional expertise was necessary and engaged a public relations firm to help. She wanted a targeted and strategic approach to economic development and planned to use benchmarking to measure progress. She was engaging in stakeholder engagement with the deputy commissioner. She believed that the final element was telling Alaska's story.

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Co-Chair Johnson invited questions.

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Co-Chair Johnson introduced the next presentation.

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TED HELVOIGT, VICE PRESIDENT, EVERGREEN ECONOMICS, MEDICAID CONSULTANTS, introduced a PowerPoint presentation, "Long-Term Forecast of Medicaid Enrollment and Spending in Alaska," dated March 2, 2023 (copy on file).

Mr. Helvoigt began on slide 2 titled "Long-term Medicaid Forecast (MESA):"

- Requested by the Alaska Legislature in 2005
- First forecast completed in 2006
- 20-year projection updated annually
- Assumes current Medicaid structure remains in place
- Provides a baseline for analysis of proposed initiatives
- Provides a benchmark for DOH efforts to "bend the Medicaid cost curve"
- Provides insights into trends in Medicaid enrollment, utilization, and spending

Mr. Helvoigt explained that the purpose of MESA was to provide insights on Medicaid spending into the future.

Mr. Helvoigt continued on slide 3 titled "Medicaid Enrollment and Spending in Alaska:"

Bending the Medicaid cost curve
Recent trends & events
FY2023-FY2043 projection
Chronic conditions & Medicaid
Healthy Alaskans 2030

Mr. Helvoigt discussed slide 4 titled "Bending the Cost Curve:"

- Cost containment efforts have worked.
- Spending has been much lower than was projected in 2006.
- Projected spending growth is lower than earlier forecasts.

Mr. Helvoigt explained that the graph compared projected spending from the current forecast to the first long-term Medicaid forecast and depicted Medicaid spending from 1993 projecting into the future to 2043, represented by a red line into a green dashed line (current projections) and a blue dotted line (forecast from 2006). He pointed out that through FY 2022 actual Medicaid spending was \$1 billion lower than originally forecasted, which he termed "bending the cost curve."

Mr. Helvoigt advanced to slide 5 titled "Many More Alaskans Receiving Medicaid Services:"

- Actual recipient counts closely tracked the 2006 projection until Medicaid expansion in FY 2016.
- Recipient counts likely also impacted by Alaska recession.

Mr. Helvoigt detailed that the graph compared projected recipients from the current forecast to the first long-term Medicaid forecast and spoke to the difference between the idea of being enrolled in Medicaid and recipients of Medicaid. The distinction was recipients used the services and it was a more important measure to employ. The blue dotted line represented recipient growth from Medicaid expansion that lasted through the recession and the public

health emergency. The number of recipients grew by approximately 50 thousand from 2006.

Mr. Helvoigt continued to slide 6 titled "Spending Per Recipient Has Grown Slowly:"

- Spending per recipient is much lower today than projected in 2006.
- Cost containment initiative by DOH will likely continue to suppress growth in spending.

Mr. Helvoigt delineated that the slide compared projected spending per recipient from the current forecast to the first long-term Medicaid forecast. The blue dotted line showed the original 2006 forecast. The red line showed actual spending at \$12 thousand per recipient on average that had been projected at \$25 thousand in the original forecast.

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Representative Ortiz asked about the factors that caused the expenditure per recipient to be lower than expected. Mr. Helvoigt replied that from FY 1998 to FY 2004, total spending increased by 18 percent a year and recipient spending increased by 9 percent per year, from 2006 through 2022 it dropped to 2.2 percent per year and from 2012 through 2022, it decreased to 1.6 percent per year. He indicated that many of the factors that decreased costs were initiated by the Department of Health and Social Services [currently the Department of Health (DOH)]. He surmised that the largest impacts came from increased regulation of Personal Care Assistants (PCA) and strong efforts by the department to decrease Medicaid reimbursement rates. He pointed out that decreasing reimbursement rates brought both beneficial and negative consequences that he would expound on in later slides. Representative Ortiz asked about the term spending and asked who was doing the spending. Mr. Helvoigt answered that the Medicaid program was doing the spending, utilizing GF and Medicaid reimbursement funds. He would provide further detail in future slides.

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Representative Josephson asked about PCA costs increasing in the earlier part of this century. He noted that the

costs could be money well spent because it was keeping recipients out of institutions.

Mr. Helvoigt agreed with the statement. He deduced that it was not the service but the "overspending" on the services provided that increased costs. Representative Josephson asked about keeping down reimbursement rates and deduced that it had an immediate benefit to the treasury but had a mal effect on providers by dropping out and reducing access. He asked whether he was correct. Mr. Helvoigt answered that it seemed correct in theory and offered to research the answer. He agreed that as the cost of services were held down and if the costs to the providers were greater than the reimbursement, providers would decrease.

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Representative Hannan inquired about spending per recipient costs of \$12 thousand. She wondered whether the amount equated to \$12 thousand of medical care that covered all the recipients' medical needs. Mr. Helvoigt answered in the affirmative. He offered that it would likely cost more in the private sector.

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Representative Stapp cited reimbursement rates. He inquired whether it was true that Alaska had the highest Medicaid reimbursement rates in the country. Mr. Helvoigt replied that Alaska had one of the highest rates but was uncertain how it ranked among other states. Representative Stapp asked how many states had higher Medicare reimbursement rates than Medicaid. Mr. Helvoigt answered that very few states had higher Medicare reimbursement rates than Medicaid. Representative Stapp informed the committee that Alaska was one of two states that had the highest Medicaid reimbursement rates. He asked for Mr. Helvoigt's confirmation. Mr. Helvoigt agreed to follow up.

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Mr. Helvoigt moved on to the next section of his PowerPoint displayed on slide 7, "Recent Trends and Events." He quickly advanced to slide 8 titled "Impact of Continuous Enrollment Requirement:"

Medicaid enrollment will likely revert to trend over the next couple of years with the unwinding of the Federal Health Emergency and the end of the continuous enrollment requirement.

Mr. Helvoigt pointed out that the slide related to COVID-19 effects. He delineated that the graph showed monthly enrollment in Medicaid from FY 2020 to the end of FY 2022. The blue line represented the pre-COVID timeline, the orange line represented the time covering the Federal Health Emergency declared in March 2020, the blue dotted line represented the enrollment trend before COVID-19, and the orange dotted lines depicted the trend under the emergency. He summarized that Medicaid enrollment increased quickly under the emergency orders.

Mr. Helvoigt moved to slide 9 titled "Spending is Back to Trend:"

Spending on Medicaid services is growing faster than the pre-COVID trend, but will likely moderate in the next few years.

Mr. Helvoigt explained that the slide showed the monthly spending on the Medicaid program from FY 2020 to FY 2022. The blue lines represented pre-COVID, and the orange line represented the time under the health emergency. He indicated that spending initially decreased under the emergency and had reverted to but did not exceed the pre-COVID trend. While enrollment had significantly increased under the emergency, spending had returned to the pre-COVID trend.

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Co-Chair Johnson asked if he knew whether there were similar Medicaid trends in other states. Mr. Helvoigt responded that every state was impacted by the pandemic and enrollment had increased for all states by 20 million. He was unaware of the spending impacts in other states.

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Representative Stapp asked if the graph represented the total spend or state spend. Mr. Helvoigt replied that it showed the total spend. Representative Stapp asked if the graph incorporated the Federal Medical Assistance

Percentage (FMAP). Mr. Helvoigt responded in the affirmative and added that the blue and orange lines depicted total spending, however, the overall mix of spending was not included on the slide but would be discussed in a future slide.

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Mr. Helvoigt continued on slide 10 titled "Comparative Impact of COVID-19:"

- In comparison to peer states,* Alaska experienced...
 - 28% fewer (3,329) hospitalizations than peer states
 - 22% fewer (393) deaths
 - Alaska's success in protecting vulnerable persons has resulted in savings to the Medicaid program of \$30.7 million (\$5.6 million GF)
 - Through January 2023, the Medicaid program has spent \$4.6 million (\$841,000 GF) treating 1,549 beneficiaries diagnosed with post-COVID conditions.
- *Peer states: Idaho, Montana, New Mexico, North Dakota, South Dakota, Wyoming

Mr. Helvoigt communicated that in the attempt to show how Alaska compared to peer states, he chose the peer states that were geographically large with small populations. He identified the second bullet point that was a comparison to the country and noted very similar results and ascertained that Alaska performed exceptionally well.

Mr. Helvoigt advanced to slide 11 titled "Medicaid Enrollment, Recipients, & Spending:"

- Spending growth driven by enhanced federal participation.
- Enrollment growth due to expansion, recession, & continuous enrollment.
- Enrollment and recipient counts have diverged.

Mr. Helvoigt offered that the slide depicted spending on Medicaid services, enrollment in the Medicaid program, and recipients of Medicaid services, by date of service, FY

2012 to FY 2022, and the total expenditure separated into federal and state funds. Federal funds were represented in red and state funding in blue. He specified that the spending by the state had barely changed over the time period. He noted that the additional FMAP provided by the federal government had a large impact. Total spending had increased by \$1 billion from 2012 through 2022 and essentially all of it had been federally funded. He submitted that the growth in the Medicaid program had overall been federally funded. He directed attention to the green line showing the annual unduplicated count of enrollees and the blue line showing the annual unduplicated count of recipients. He reiterated that the blue line represented enrolled recipients who actually utilized the services. He elucidated that in 2012, 88 percent (nearly 9 out of 10) of Medicaid enrollees were also recipients. In 2022, 74 percent (3 out of 4) of enrollees were using services.

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Mr. Helvoigt identified the next section of his discussion, "FY 2023-FY 2043 Projection" shown on slide 12. He directed attention to slide 13 titled "Alaska's Population Is Aging:"

- Population growth has slowed precipitously & will continue to slow.
- Number of children in Alaska is expected to decrease.
- Growth in the adult 20 - 64 population will be modest (1.8 percent per year).
- Growth in the senior population will be relatively robust (8.1 percent per year).

Mr. Helvoigt expounded that the state demographer expected the state's population to increase by only 1000 people per year through 2043, which is very slow growth. Within the Medicaid program it was understood that working age adults were more expensive than children, while seniors were more expensive than younger adults, which would impact the program.

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Co-Chair Edgmon commented that he regularly read a publication by the Department of Labor and Workforce

Development (DLWD) called "Alaska Trends." He related that most of the information on the slides concurred with DLWD's data except that he recalled that the population growth for adults aged 20 to 64 years was expected to decrease between 2021 to 2050. Mr. Helvoigt responded that the numbers in the slides were from June 2022 DLWD data.

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Mr. Helvoigt moved to slide 14 titled, "Medicaid Reimbursement Rates Have Mostly Trailed Medical Price Inflation:"

- Between FY2016 and FY2020, medical price inflation in Alaska outpaced Medicaid reimbursement rates by about 3.6 percentage points per year.
- Between FY2020 and FY2022, Medicaid Reimbursement rates slightly outpaced medical price inflation.

Mr. Helvoigt defined medical price inflation as the amount of money paid by consumers for insurance, deductibles, co-pays, any other out-of-pocket costs for medical care and did not include Medicare, Medicaid, or any type of public insurance. The bar chart portrayed rapid growth in medical price inflation from FY 2016 to FY 2020 in Alaska. He underlined that as Medicaid reimbursement rates were held down for cost containment, medical price inflation grew faster due to the provider adjusting for low reimbursements. He emphasized that as reimbursement rates were restricted, it affected private sector medical costs. The rapid growth in medical price inflation was only experienced in Alaska and was partly attributable to low Medicaid reimbursement rates.

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Representative Josephson surmised that a Medicaid provider was providing services for low-income patients, which they could decline to provide. He observed that between FY 2016 through FY 2020 they were not reimbursed as well as they had been relative to inflation. He asked if his assumption was correct. Mr. Helvoigt replied in the affirmative. He clarified that if there was a point in time when both payments were equal it was true that the Medicaid

reimbursement rates were currently much lower than what an individual with a private plan paid.

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Mr. Helvoigt continued on slide 15 titled, "Growth in Medicaid Reimbursement Rates:"

- Medicaid reimbursement rates will continue to grow at a slower rate than overall healthcare price inflation.

Mr. Helvoigt pointed out that the blue line on the graph represented the medical price inflation that was expected to continually increase. The orange reflected a projected slow growth (1.6 percent annually) through 2042 in reimbursement rates. He stressed that the data was based on his assumptions about how the department would act. He noted that a change by one percentage point per year in reimbursement rates greatly increased the spending in the Medicaid program 20 years in the future.

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Representative Josephson determined that Mr. Helvoigt indicated there would be pressure to keep reimbursement rates down. He relayed that rate "rebasement" was the primary way to adjust reimbursement, which the state was supposed to perform every 4 years but neglected to do. He asked if the state would need to perform rate rebasement at some point. Mr. Helvoigt answered in the affirmative. He deduced that as providers costs increased, it would focus attention on the issue.

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Mr. Helvoigt advanced to slide 16 titled, "GF Spending Will Grow Faster than Federal:"

- Difference in growth rates is due to unwinding of enhanced FFP.
 - Impact will affect FY2023 and FY2024
 - All states will be impacted by the unwinding of enhanced FFP.

- Assumes no other future changes to FFPs beyond unwinding of federal health emergency response to the COVID-19 pandemic.

Mr. Helvoigt reported that the chart showed GF and Other matching funds and federal spending. In FY 2023 the total spending was \$2.6 billion and would increase to \$5.3 billion in 2043 (3.6 percent growth rate). The federal spending would increase by 3.6 percent and state spending would increase by 4.2 percent. The state's growth rate was predicated on the elimination of .6.2 percent enhanced FMAP beginning in April 2023 and continuing to zero over the following 3 quarters. He added that the 4.2 percent increase would happen rapidly. He projected that by 2024 spending would increase by \$184 million in total; roughly \$95 million would be incurred by the state.

Mr. Helvoigt moved to slide 17 titled, "Growth in Reimbursement Rates Will Drive Spending Growth—but at a relatively slow pace:"

- Growth in population, enrollment, utilization, and intensity of use will have relatively modest impacts on spending growth.

Mr. Helvoigt indicated that the blue area on the graph was based on the status-quo 2023 recipient population without projecting any changes through 2043. The other colored bars displayed the various components of Medicaid growth. All of the components listed: population growth, enrollment above population growth, utilization of Medicaid services, intensity of use of Medicaid services, and growth in reimbursement rates were all forecast to increase. The mauve color represented the growth in reimbursement rates and had the largest increase, but the forecast would be much higher (by \$2.2 billion in 2043) if it grew as rapidly as medical services inflation.

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Representative Stapp cited the \$42.5 million budget increase in Medicaid in FY 2024. He wondered how accurate the FY 2024 increase was given the factors impacting Medicaid in the current year. Mr. Helvoigt reiterated that overall spending would increase by \$184 million, and the state's share was \$97 million. He estimated that \$55 million represented the actual Medicaid growth and the remainder was the decreased FMAP. Representative Stapp

observed that the Office of Management and Budget (OMB) was only projecting a \$45 million increase in spending.

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Representative Galvin referred to the population of 744 million in the state. She asked how many were currently on Medicaid. Mr. Helvoigt replied that his unduplicated count was 277 thousand or 38 percent of the population. Representative Galvin inquired if the 38 percent might decrease with positive changes in the economy. Mr. Helvoigt answered that the number would shift over the next year or two and would decrease to about 34 percent due to redetermination. He estimated that roughly 84 percent of enrollees would be recipients. He believed that the program should not be divorced from the local or state economy. However, the biggest impact on Medicaid enrollment was federal policy. A strong economy could assist in getting people off Medicaid and also help finance the Medicaid program.

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Mr. Helvoigt identified the next section of his discussion, "Chronic Conditions and Medicaid" on slide 18. He stated that chronic conditions were a significant cost driver to the Medicaid program. He quickly advanced to slide 19, titled "Acute Vs. Chronic Conditions:"

- An acute condition develops or occurs suddenly and lasts a short time.
- Chronic conditions typically occur gradually and persist for many months or years, factors that directly or indirectly lead to chronic conditions
 - Lifestyle, e.g., drug and alcohol abuse, obesity, tobacco use
 - Environmental, e.g., certain cancers, asthma
 - Congenital disorders, e.g., cystic fibrosis, Down syndrome
- o Risk factors affecting chronic conditions can be categorized as modifiable and nonmodifiable.

Mr. Helvoigt advanced to slide 20 titled, "Chronic Conditions and Age, FY 2022:"

- Most Medicaid recipients do not have a diagnosed chronic condition.
- Prevalence of a diagnosed chronic condition increases with age.
- Higher Medicaid spending for seniors is due to chronic conditions.

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Co-Chair Johnson asked if the data was for Alaska specifically. Mr. Helvoigt responded that it was Alaska specific.

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Representative Josephson asked if the increased spend for seniors for chronic conditions was due to non-covered costs associated with Medicare. Mr. Helvoigt answered that at the age of 65, many on Medicaid lose coverage and transition to Medicare. He added that for other eligibilities (dual eligibility), Medicaid pays Medicare premiums and takes the role of primary payer.

Mr. Helvoigt advanced on slide 21 titled, "Age and Chronic Conditions:"

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

Mr. Helvoigt pointed out that less than 10 percent of children under 10 had a diagnosed chronic condition but it continued to increase through age 64 and precipitously dropped between 65 to 74 years of age. The drop was due to the decrease in Medicaid recipients due to Medicaid expansion and those that migrated completely to Medicare. The remainder of recipients that were dually eligible and were diagnosed with chronic conditions were getting reimbursed through Medicare, which reduced Medicaid costs.

He emphasized that the prevalence of chronic conditions increased with age, which was the reason the age factor impacted Medicaid, since chronic conditions were more costly.

Mr. Helvoigt continued on slide 22 titled, "Incremental Cost of Chronic Conditions:"

- Diagnosis of one or more chronic conditions is a bigger driver of Medicaid spending than is age.

Mr. Helvoigt delineated that column a. of the chart reflected recipient age and column b. average recipient spending by age. He attributed \$8 thousand to those under 5 years of age and \$48 thousand to those 85 years of age and older. He cited column c. showing Medicaid spending without a chronic condition that revealed spending did not differ with age. However, column d. demonstrated that the Medicaid expenditure per recipient with a chronic condition increased dramatically regardless of age. He related that out of the estimated 200 thousand Medicaid recipients in FY 2022, 50 thousand had chronic conditions and represented most of the spend in the Medicaid program and noted that it was a significant cost driver.

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Mr. Helvoigt continued on slide 23 titled, "Chronic Conditions Drive Medicaid Spending:"

- Today 77% of Medicaid spending is on beneficiaries diagnosed with one or more chronic conditions; This will grow to 82% by 2043.

Mr. Helvoigt referred to the graph and remarked that from 2023 to 2043 Medicaid spending increased from \$2.6 billion to \$5.3 billion, roughly doubled, mostly due to spending on chronic conditions represented in blue, which would increase from 77 percent to 82 percent by 2043. He moved to the last section, "Healthy Alaskans 2030" on slide 24 and disclosed that he was not involved in the plan. He was asked to evaluate the plan and perform scenario analysis to determine if the plan's goals were reachable and what the savings effect was on Medicaid. He discussed slide 25 titled, "Healthy Alaskans 2030:"

Alaska's state health improvement plan, Healthy Alaskans 2030,* provides an approach for how the state can improve on the most significant health issues that Alaskans face.

Among the 30 health objectives contained in the HA2030 plan are ones directly related to chronic conditions:

Objective 1 - Reduce cancer mortality.

Objective 9 - Increase percentage of children who meet health weight criteria.

Objective 14 - Reduce number of days adults report being mentally unhealthy.

Objectives 22 & 23 - Reduce alcohol-induced and drug-induced mortality.

Objectives 26 & 27 - Reduce tobacco use among adolescents and adults.

*An equal partnership between the Department of Health and the Alaska Native Tribal Health Consortium (ANTHC).

Mr. Helvoigt continued with Healthy Alaskans 2030 on slide 26:

Evergreen Economics estimated potential savings to the Medicaid program under the assumption that the prevalence of the following five chronic conditions decrease at the same rate as targeted by the seven Healthy Alaskans 2030 objectives shown on the previous slide.

1. Cancer [prevalence decreases by 0.88% per year]
2. Obesity [prevalence decreases by 0.44% per year]
3. Mental health conditions [prevalence decreasing by 0.46% per year]
4. Drug & alcohol dependency [prevalence decreases by 0.90% per year]
5. Tobacco use [prevalence decreasing by 0.68% per year]

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Mr. Helvoigt advanced to slide 27 titled, "Potential Savings to Medicaid:"

Reducing the prevalence of certain chronic conditions directly related to seven of the Healthy Alaskans 2030 goals could lead to substantial savings to the Medicaid program.

Mr. Helvoigt directed attention to the chart that focused on the five chronic conditions and the potential reduction in Medicaid spending achieved by meeting Healthy Alaskans 2030 goals in FY 2028, FY 2033, FY 2038 and FY 2043. He pointed to total savings of the combined objectives (savings were above his baseline projections) that amounted to \$428 million and over \$120 million in GF, which represented 8 percent in savings.

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Representative Stapp asked how many states augmented their Medicaid program with a Medicaid provider tax. Mr. Helvoigt was aware of the tax but did not know the number of states.

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Co-Chair Edgmon asked where Alaska sat as compared to other states with the percentage of people on Medicaid and was the composition of the age demographic similar to other states. Mr. Helvoigt responded that the proportion of people on Medicaid in Alaska was slightly larger than in other states. He elucidated that the best comparison would be to other states that participated in Medicaid expansion. He deduced that the future average monthly enrollment would be about 32 percent of the population. The year prior to the start of the pandemic approximately 30 percent of the population was on Medicaid; Alaska was a bit higher. Co-Chair Edgmon commented that Alaska was one of the top 9 states in Medicaid utilization. He appreciated the information Mr. Helvoigt provided.

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Representative Josephson understood the need for re-enrollment with the end of the COVID emergency. He deemed that there would be people who were able to be dropped from the rolls and others would postpone treatment or go to an emergency room (ER) and put off payment due to lack of other medical options. He wondered whether that behavior increased costs to the entire system. Mr. Helvoigt responded that 25 percent of enrollees were not using

services, which suggested some people had other options. He agreed that for individuals that lose Medicaid, many went to emergency rooms for care. However, a small cohort of recipients went to the ER for care instead of primary care providers. He was unsure the scenario would increase costs. However, he relayed the conclusion of a peer, who deduced that many hospitals "love the uninsured" because they can charge exorbitant costs, over what they charge for Medicaid or privately insured patients and lacking full repayment, the hospitals were compensated for the remaining balance via the Medicaid Disproportionate Share Hospital (DSH) payments. He believed that there was some truth in the conclusion.

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Representative Tomaszewski asked what amount, if any, people on Medicaid contributed to their care. He wondered whether there were deductibles or co-pays. Mr. Helvoigt answered that there was no payment from the enrollee. Representative Tomaszewski asked why there were no co-pays in the Medicaid program. He wondered if it was prohibited. Mr. Helvoigt was unaware of the answer and thought someone from the department could respond.

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Co-Chair Johnson reviewed the agenda for the following day's meeting.

#

ADJOURNMENT

[3:38:12 PM](#)

The meeting was adjourned at 3:38 p.m.