

SENATE FINANCE COMMITTEE  
February 27, 2023  
9:01 a.m.

9:01:57 AM

CALL TO ORDER

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

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Donny Olson, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Click Bishop  
Senator Jesse Kiehl  
Senator Kelly Merrick  
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Adam Crum, Commissioner, Department of Revenue; Ted Helvoigt, Vice President, Evergreen Economics

SUMMARY

CONFIRMATION OF GOVERNOR'S APPOINTEE

ADAM CRUM, COMMISSIONER-DESIGNEE, DEPARTMENT OF REVENUE

MEDICAID ENROLLMENT AND SPENDING FORECAST (FY 23 - FY 43)

^CONFIRMATION OF GOVERNOR'S APPOINTEE: ADAM CRUM, COMMISSIONER-DESIGNEE, DEPARTMENT OF REVENUE

9:03:20 AM

ADAM CRUM, COMMISSIONER, DEPARTMENT OF REVENUE, discussed his work and education history.

Co-Chair Olson felt that there was a major difference in the commissioner of the Department of Health and Social Services (DHSS) and the Department of Revenue (DOR). He wondered why he would be the best person for the position of DOR commissioner.

Commissioner Crum replied that he wanted Alaska to be in the best position to succeed over time.

Co-Chair Olson queried the five-year vision for the Permanent Fund.

Commissioner Crum stressed that the focus was on the health of the fund over time.

Co-Chair Olson wondered whether Commissioner Crum was in favor of the constitutionalizing of the Permanent Fund Dividend (PFD).

Commissioner Crum replied in the affirmative.

[9:15:15 AM](#)

Senator Kiehl wondered whether the goals for the investment funds could be considered appropriate.

Commissioner Crum replied that a process had been memorialized about the asset allocations and fund sources.

Senator Kiehl wondered whether Commissioner Crum had a position on changing the risk profile.

Commissioner Crum replied that he did not want to change the current risk profile.

Co-Chair Hoffman remarked that the proposal to monetize carbon would not be enacted until after the fiscal year. He noted that there was nearly \$500 million in deficits. He wondered how the state could move forward while maintaining services to Alaska.

Commissioner Crum replied that there were different concerns for different regions for the state. He remarked that there was a discussion around an appropriate fiscal plan for stability and credit rating.

[9:20:35 AM](#)

Co-Chair Hoffman believed that the access to CBR could not happen in the current legislature. He asked about additional funding.

Commissioner Crum agreed about the CBR. He understood that it was a complex question because any program may not cover the revenue to cover the debt.

Co-Chair Hoffman wondered whether there was support for additional revenue measures to balance the budget.

Commissioner Crum replied that it was part of a long-term fiscal plan.

Senator Bishop wondered about the top ideas to grow the economy.

Commissioner Crum replied that there needed to be economic opportunity and affordable housing. He noted that childcare and education needed stability.

[9:25:29 AM](#)

Senator Kiehl asked why he was qualified for the position.

Commissioner Crum replied that he had history in immediate and urgent matters.

Co-Chair Stedman queried the opinion on the state's cash balance to ensure its ability to function and meet payroll.

Commissioner Crum replied that the cash balance was extremely important to DOR.

[9:31:49 AM](#)

Co-Chair Olson FORWARDED the appointment of Adam Crum for consideration in accordance with Alaska Statute. He relayed that this did not reflect an intent by any member of the Senate Finance Committee to vote for or against the confirmation of the individuals during any further sessions. There being NO OBJECTION, it was so ordered.

[^MEDICAID ENROLLMENT AND SPENDING FORECAST \(FY 23 - FY 43\)](#)

[9:33:23 AM](#)

TED HELVOIGT, VICE PRESIDENT, EVERGREEN ECONOMICS, discussed the presentation, " Long-Term Forecast of Medicaid Enrollment and Spending in Alaska, Prepared for Senate Finance, February 27, 2023" (copy on file). He looked at slide 2, "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 addressed slide 3, "Medicaid Enrollment and Spending in Alaska":

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

[9:36:36 AM](#)

Mr. Helvoigt pointed to slide 4, "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 looked at slide 5, "Many More Alaskans Receiving Medicaid Services":

- Actual recipient counts closely tracked the 2006 projection until Medicaid expansion in FY2016
- Recipient counts likely also impacted by Alaska recession

Mr. Helvoigt addressed slide 6, "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.

[9:40:14 AM](#)

Mr. Helvoigt pointed to slide 8, "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 discussed slide 9, "Spending is Back to Trend":

Spending on Medicaid services is growing faster than the preCOVID trend, but will likely moderate in the next few years

Mr. Helvoigt looked at slide 10, "Comparative Impact of COVID-19":

- In comparison to peer states,\* Alaska experienced..
  - 28 percent fewer (3,329) hospitalizations than peer states
  - 22 percent 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

[9:45:23 AM](#)

Mr. Helvoigt displayed slide 11, "Medicaid Enrollment, Recipients, and Spending":

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

Senator Wilson wondered whether they were normal dollars or adjusted for inflation.

Mr. Helvoigt replied that they were nominal dollars.

Senator Kiehl queried the reason for the divergence between enrollees and recipients.

Mr. Helvoigt replied that the Division of Public Assistance could address that question.

[9:50:05 AM](#)

Co-Chair Stedman asked about the percentage of the population that were enrolled as participants.

Mr. Helvoigt replied there was churn in the program, but 37 percent of Alaskans were enrolled in Medicaid some time in in FY 22.

Senator Wilson commented that the lack of access could point to the divergence in the number.

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

- Population growth has slowed precipitously and will continue to slow
- Number of children in Alaska is expected to decrease
- Growth in the adult 20 - 64 population will be modest
- Growth in the senior population will be relatively robust

Co-Chair Stedman wondered whether the growth was about 0.8 percent per year.

Mr. Helvoigt replied in the affirmative.

Mr. Helvoigt discussed slide 14, "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

[9:56:33 AM](#)

Senator Wilson asked how the other peer states had seen growth.

Mr. Helvoigt did not know, and agreed to provide that information.

Senator Wilson wondered whether there was a comparison with other states about the cost of care.

Mr. Helvoigt stated that the cost of care in Alaska was much more expensive.

Senator Wilson wondered how medical tourism would be affected in the inflation and reimbursement rates.

Mr. Helvoigt replied that it was embedded into the cost of the Medicaid reimbursement rate.

[10:00:22 AM](#)

Mr. Helvoigt pointed to slide 15, "Growth in Medicaid Reimbursement Rates":

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

Mr. Helvoigt looked at slide 16, "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.

Senator Wilson wondered why the states would put COVID money into their base funding.

Mr. Helvoigt replied that the states assumed it would be considered a funding source.

Senator Kiehl queried the point of few providers as the costs increase.

Mr. Helvoigt replied that he had not examined that issue, but agreed that it would be worthwhile to contribute to that examination.

Mr. Helvoigt pointed to slide 17, "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.

[10:07:56 AM](#)

Mr. Helvoigt looked at slide 19, "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, include
  - Lifestyle, e.g., drug and alcohol abuse, obesity, tobacco use
  - Environmental, e.g., certain cancers, asthma
  - Congenital disorders, e.g., cystic fibrosis, Down syndrome
  - Risk factors affecting chronic conditions can be categorized as modifiable and nonmodifiable

Mr. Helvoigt addressed slide 20, "Chronic Conditions and Age, FY2022":

- 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

Mr. Helvoigt looked at slide 21, "Age and Chronic Conditions":

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

[10:13:30 AM](#)

Senator Wilson wondered whether the assumption that it was new beneficiaries.

Mr. Helvoigt replied that it was exactly the number of individuals at the time.

Senator Wilson wondered whether there were services that could be reduced in the system with the age 24 and older group.

Mr. Helvoigt replied that he would address that in the later part of the presentation.

[10:17:01 AM](#)

Senator Wilson wondered whether there had been an examination of peer states with managed care organizations with Medicaid.

Mr. Helvoigt replied that other states did not examine the data well.

Mr. Helvoigt addressed slide 22, "Incremental Cost of Chronic Conditions":

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

[10:20:40 AM](#)

Mr. Helvoigt looked at slide 23, "Chronic Conditions Drive Medicaid Spending":

Today 77 percent of Medicaid spending is on beneficiaries diagnosed with one or more chronic conditions; this will grow to 82 percent by 2043

Mr. Helvoigt pointed to slide 25, "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 and 23 - Reduce alcohol-induced and drug-induced mortality
- Objectives 26 and 27 - Reduce tobacco use among adolescents and adults

Senator Wilson remarked that the national trends showed that fees had increased, and wondered why there was a display of an decrease.

Mr. Helvoigt stressed that it was not the trend, but rather the objective.

Mr. Helvoigt discussed slide 26, "Healthy Alaskans 2030":

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 percent per year]
2. Obesity [prevalence decreases by 0.44 percent per year]
3. Mental health conditions [prevalence decreasing by 0.46 percent per year]
4. Drug and alcohol dependency [prevalence decreases by 0.90 percent per year]
5. Tobacco use [prevalence decreasing by 0.68 percent per year]

Mr. Helvoigt highlighted slide 27, "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.

[10:27:00 AM](#)

Senator Wilson remarked that the state had pushed the idea of healthy Alaskans, but wondered whether the state would fund the initiatives.

Co-Chair Stedman felt that it would be a policy call about adding to the increasing deficit.

Senator Kiehl queried whether the savings were put across categories, or whether there was an extrapolation of specific needs within the categories.

Mr. Helvoigt replied that he focused only on those that would be considered a chronic condition.

Senator Kiehl wondered whether the spending reductions were the result of fewer people with chronic conditions, or lower acuity.

Mr. Helvoigt replied that it would be through reductions in the prevalence of the number of individuals diagnosed with a chronic condition.

[10:31:18 AM](#)

Senator Wilson stressed that regulations still were not written years after the passage of bills.

Co-Chair Stedman discussed the following day's schedule.

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ADJOURNMENT

[10:32:55 AM](#)

The meeting was adjourned at 10:32 a.m.