

Bradners' Alaska Economic Report

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Big Beautiful: The pain and the gain

Medicaid cuts could hike health costs, but boost for oil revenue, activity

President Trump's new "Big Beautiful," now signed into law, promises gains for Alaskans but also pain. Changes to Medicaid are the pain part. They could destabilize health care for many and challenge medical providers, mainly in primary care, who already struggle with low reimbursements by insurers. The changes will also impose new costs on a state budget already under stress. The gain part is in an acceleration of oil, gas and minerals exploration activity with the easing of regulations and new requirements for oil and gas leasing. There will be new oil revenues to the state.

Not surprisingly, it will take time for a lot of this to play out. The Medicaid cuts will be felt starting in 2027. New oil and gas revenues won't be seen until 2034 and there are complications with that (see page 3). The overall benefits and costs are

highly uncertain a lot of the gains won't be seen until beyond the end of the Trump presidency. That creates concerns for a "snap-back" of policy if the new president comes in with different priorities, particularly in natural resources.

This uncertainty is already being felt. Despite the new optimism in the petroleum industry many oil and gas explorers say they are having difficulty raising funds because of past whiplash in Alaska policies. Those left several companies burned, and there are worries that it could happen again. *It will take time to rebuild confidence and convince investors of the staying power of new policies.*

On Medicaid, Alaska will benefit from a rural hospital fund in the new federal law, but there are questions even here. The rural hospital fund will

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AIDEA applies for West Susitna road permit; first test of new policy

The state's Alaska Industrial Development and Export Authority, or AIDEA, has applied for a U.S. Army Corps of Engineers permit to build the West Susitna Access Project, a 78.5-mile industrial-use road planned to be built from existing roads in the Matanuska-Susitna Borough into large areas of the western part of the borough that lack surface

access. Companies are exploring gold and anti-mony discoveries near the western terminus of the planned road.

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New rural hospital fund will help state, but unclear when it comes and to whom

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last only until 2030, and while it's reported that Alaska will get \$200 million a year under this it's unclear how much of this will be really available, when it would come, and who it would go to. Under the law the state Department of Health, which is understaffed, has a deadline to develop a plan for using half of that money, or \$100 million. It must get federal approval. Getting the health department adequately staffed to develop the plan will be a real challenge given the current state budget outlook. The other \$100 million will be come in grants from the federal government outside the part distributed by the state. The grants will be made on a range of criteria that should favor Alaska, but federal officials will have the final say on this.

Meanwhile, the cuts to Medicaid, which will begin in 2027, will come mainly in people losing health coverage because of new administrative requirements such as twice-yearly re-enrollment. It is now done once a year. That's a challenge because many Medicaid recipients, who are in low- to moderate-income ranges, find it challenging to keep up with their paperwork and the state agency administering Medicaid, again the Department of Health, will have a new burden loaded atop the department's problems in verifying eligibility for other programs like food stamps where there are also problems because of under-staffing and inadequate information technology.

Medicaid reductions will trickle through, destabilizing health care system

The reductions in Medicaid coverage will trickle through the medical care delivery system in a number of ways. People without coverage will delay care, which exacerbates problems until they go to hospital emergency rooms which cannot deny care. Hospitals will provide care but they still seek payment, which adds to consumer debt. Hospitals' uncompensated care must be covered. That is called cost shifting, and the losses are mostly added to bills paid by patients who can pay, particularly those under private employer plans. This adds to rising health costs for businesses.

Another problem is that this will cut into the availability of care offered by private medical practices, particularly in primary care and for senior citizens under Medicare. Many medical practices accept a percentage of Medicare, which pays rock-bottom for many procedures, and Medicaid, which is somewhat better at least in Alaska (this varies among states). Practitioners balance these lower-paying patients with better compensation under government and private health plans. If one of these is reduced, in this case Medicaid, clinics must cover lost revenue by increasing charges, if they can, for private and government payers, and by further reducing the number of Medicare patients. Also, insurance companies are putting tremendous pressure on health care providers, cutting reimbursements in an effort to contain rising health costs. Alaska Natives and tribal health providers are not affected by the Medicaid reductions; however, tribal facilities that treat non-Natives in many communities are under Medicaid. Losses in this income will impair the tribal health providers.

Big Beautiful: The gain

While the pain in the president's new "Big Beautiful" law are the Medicaid cuts and possible disruptive effects on Alaska health care, the gain is in more future oil revenue from federal lands on the North Slope and, finally, exploration in ANWR, the Arctic National Wildlife Refuge. Leases bid on and won in a 2021 ANWR lease sale by the state's Alaska Industrial Development and Export Authority, or AIDEA, and then canceled by President Joe Biden held, were restored last spring by a federal court in Anchorage over legal irregularities. Trump's new law requires new ANWR lease sales and stipulates that the sales, and exploration, be done under rules set by his first administration and not Biden's more restrictive rules. For its existing leases AIDEA says it will do seismic exploration this winter, a prelude to drilling. *After decades of political controversy, we'll finally get good information on oil prospects in the refuge.*

Despite all the optimism there are petroleum geologists who are dubious about prospects for big discoveries in ANWR, although medium- and small-sized finds are likely in the western part of refuge's coastal plain. That is near state lands where discoveries have been made. The regional geology is different and less prospective, than areas to the west where the big Prudhoe Bay and Kuparuk River fields were found, these geologists say. It's also thought that much of ANWR's coastal plain may be more conducive to natural gas than oil. In any event, we'll know from within two to three years if drilling gets underway.

Geologists also think that northern parts of the huge National Petroleum Reserve-Alaska, or NPR-A, look very prospective. Trump's new law mandates lease sales and eases regulations there. Discoveries have been made in the NPR-A, like Willow and further west onshore and on state submerged lands at Smith Bay, so industry is now motivated to drill and find new Willows.

There are uncertainties about money to the state from all this

The new federal budget act has a higher royalty share to the state, **70% from 50%?** from ANWR and NPR-A oil but the higher royalty doesn't start until 2034. Until then the state gets the 50% royalty from existing NPR-A production as well as from future oil in ANWR. Under current federal law, for NPR-A the state's existing 50% royalty share, from production goes not to the state treasury but to the North Slope Borough and five villages located in the petroleum reserve. This "pass-through" arrangement from the 1976 National Petroleum Reserve Production Act will end in 2034. But even before then it involves a lot of money. Willow starts production in 2029 and from that year until 2034 the state 50% royalty share will amount to hundreds of millions of dollars yearly. This will mostly be passed through to the North Slope communities, appropriated through the state, under the current system.

There's a lot more in the new "Big Beautiful" law: Lower Cook Inlet drilling; old 1970s Public Land Orders lifted, and new activity in the Tongass National Forest in Southeast Alaska. We'll dwell on these in our next report.

West Susitna road may be first test of Trump's accelerated permit policy

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The West Susitna industrial access road will begin approximately 1.4 miles west of Alexander Creek on the west side of the Susitna River and extend to the Whiskey Bravo airstrip and mineral exploration camp west of Skwentna where NovaMinerals, an Australia-based minerals company, is basing its mineral exploration. In the same region another company, Flatlands Energy, is exploring coal deposits. At the eastern end of AIDEA's road the state Department of Transportation and Public Facilities, or DOTPF, is planning several miles of federally-funded public road from existing Mat-Su roads west to Alexander Creek. The DOTPF project includes a bridge across the Susitna River, also paid for with federal funds.

This may be the first Alaska project where accelerated federal permits come under the new federal budget act passed by Congress and signed by the president. The new law requires federal agencies to complete the Environmental Impact Statement and Record of Decision for an Army Corps' Section 404 permit in one year. Gov. Mike Dunleavy has asked the president to qualify the road under the accelerated EIS and permitting procedure. It is important to remember that no road construction is likely until the minerals companies involved sign contracts to use the road, pledging tolls to pay for construction and operation. While the road is for industrial use the authority has said that public use will also be allowed.

One other resource road project to watch: Ambler Access Project

Another resource road to watch is the Ambler Access Project, a 211-mile industrial road from the Dalton Highway to the Ambler Mining District. This is a big political issue for communities in the region. There was a push in President Trump's Big Beautiful to undo former Interior Secretary Haaland's rejection of permits for the road, but this failed late in the Senate deliberations. We're unclear what comes next. Will AIDEA have to begin the permit process anew? This is not clear. Meanwhile, mining companies South 32 and Trilogy Metals are unlikely to resume significant exploration at Ambler until there's more clarity.

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