

SJR

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Recd-3-14-05

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SPONSOR STATEMENT

**Senate Joint Resolution 6
Federal Medical Assistance Reduction**

Senate Joint Resolution 6 urges federal action to maintain the current level of federal funding for the state's Medicaid program. The U.S. Department of Health and Human Services recently announced that the federal share of the medical assistance program, known as the Federal Medical Assistance Percentage (FMAP), will be reduced by 7.58% on October 1, 2005.

The reduction in the FMAP will result in an approximately \$53 million loss in federal Medicaid dollars in fiscal year 2006 and \$73 million in fiscal year 2007.

It is imperative that Congress and the federal administration know and understand the reasons behind the high level of health care costs in Alaska. Senate Joint Resolution 6 requests Congress to take action to correct the formula flaw that resulted in the proposed substantial FMAP reduction and to take whatever measures necessary to hold Alaska harmless from the reduction in the Federal Medical Assistance Percentage for Alaska.

Please join me in support of our state Medical program and endorse Senate Joint Resolution 6.

SENATE JOINT RESOLUTION NO. 6
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Introduced: 2/7/05
Referred: Finance

A RESOLUTION

1 Relating to a reduction in the Federal Medical Assistance Percentage for Alaskans, and
2 urging the United States Congress to take action to prevent the reduction.

3 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 WHEREAS, under each state's Medicaid program, the federal government pays a
5 share of medical assistance expenditures, known as the Federal Medical Assistance
6 Percentage; and

7 WHEREAS the Centers for Medicare and Medicaid Services in the United States
8 Department of Health and Human Services have recently announced that the Alaska Federal
9 Medical Assistance Percentage will be reduced by 7.58 percent in the coming years, changing
10 the existing rate of 57.58 percent federal and 42.42 percent state to a rate of 50 percent federal
11 and 50 percent state; and

12 WHEREAS the reduction in the Federal Medical Assistance Percentage will result in
13 a \$53,000,000 loss to Alaskans in fiscal year 2006 and a \$73,000,000 loss to Alaskans in
14 fiscal year 2007; and

15 WHEREAS the high level of health care costs in Alaska reflects the overall high cost
16 of living in Alaska; and

1 WHEREAS the overall high cost of living in Alaska is greatly driven by geographic
2 and demographic factors including that

3 (1) 600,000 people live in Alaska, a state the size of Texas, California, and
4 Montana combined, that extends over 3,000 miles from the Aleutian Islands to Canada;

5 (2) most of Alaska is without roads and transportation is largely accomplished
6 by boat, airplane, and snowmobile;

7 (3) much of the health care provided in Alaska is located outside of local
8 villages and residential areas, necessitating air transportation to larger metropolitan areas such
9 as Anchorage, Alaska, and Seattle, Washington, that are hundreds or thousands of miles
10 away;

11 (4) gasoline prices in much of rural Alaska are close to \$6 a gallon; heating
12 fuel, at a comparably high cost, must be used year-round; and electricity must be locally
13 generated due to the distances between rural electrical grids relying on expensive fossil fuels;

14 (5) much of Alaska food and all manufactured goods must be shipped in from
15 the lower 48 states by barge during the brief summer months and flown in by air during the
16 rest of the year at a high cost;

17 (6) recruitment and retention of qualified health care providers is made
18 difficult by the remoteness of the areas served and the necessity of working long hours
19 without relief, requiring higher salaries;

20 (7) the population of Alaska is scattered across vast distances, rendering the
21 establishment and maintenance of infrastructure support for medical testing and surgical
22 procedures impossible and necessitating air transportation of patients and lab specimens
23 outside of Alaska at great expense; and

24 (8) the prevalence of chronic disease, such as diabetes, is increasing faster in
25 Alaska than in other states, cancer is the leading cause of death in Alaska, tuberculosis is still
26 a public health problem in the state, and each translates into higher health care costs in
27 Alaska; and

28 WHEREAS, while the federal government recognizes the high cost of living in
29 Alaska by adding a 25 percent cost-of-living allowance to federal employees working in
30 Alaska, the federal government does not recognize the high cost of living in Alaska in other
31 federal payments or programs; and

1 WHEREAS the Kaiser Family Foundation's State Health Facts report shows Alaska
2 to have the highest hospital inpatient cost per day and to be in the top ranks of pharmaceutical
3 costs; and

4 WHEREAS the reduction of the Federal Medical Assistance Percentage threatens the
5 availability of continued health care services for seniors, disabled people, and other needy and
6 vulnerable populations in Alaska; and

7 WHEREAS the reduction of the Federal Medical Assistance Percentage threatens the
8 stability and sustainability of the health care infrastructure in Alaska, including hospitals and
9 other primary care facilities, as well as the provision of rural health care in Native health care
10 facilities and community health clinics across the state;

11 BE IT RESOLVED by the Alaska State Legislature that the United States Congress
12 and the federal administration must understand the significant effect on the people of the state
13 by the reduction of the Federal Medical Assistance Percentage in Alaska; and be it

14 FURTHER RESOLVED that the Alaska State Legislature urges federal action to
15 correct the formula that allows for the reduction of the Federal Medical Assistance Percentage
16 in Alaska, to maintain the existing rate for Alaska of 57.58 percent federal and 42.42 percent
17 state, and to take whatever additional actions are necessary to hold Alaska harmless from the
18 proposed reduction in the Federal Medical Assistance Percentage in the state.

19 COPIES of this resolution shall be sent to the Honorable George W. Bush, President
20 of the United States; the Honorable Richard B. Cheney, Vice-President of the United States
21 and President of the U.S. Senate; the Honorable Michael O. Leavitt, United States Secretary
22 of Health and Human Services; the Honorable Ted Stevens and the Honorable Lisa
23 Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of
24 the Alaska delegation in Congress; and to all other members of the 109th United States
25 Congress.

SJR 6

Impact of FMAP Reduction on State Match
Projected Medicaid Expenditures
2005 to 2015
 Funds in Thousands

STATE FISCAL YEAR

| State Fiscal Year | Impact of FMAP Reduction on State Match |
|-------------------|---|
| 2005 | \$0 |
| 2006 | \$52,872,300 |
| 2007 | \$72,853,900 |
| 2008 | \$80,974,800 |
| 2009 | \$86,267,100 |
| 2010 | \$91,200,100 |
| 2011 | \$96,490,400 |
| 2012 | \$101,437,900 |
| 2013 | \$106,115,400 |
| 2014 | \$110,716,900 |
| 2015 | \$115,287,300 |
| Total | \$914,216,100 |

FEDERAL FISCAL YEAR

| Federal Fiscal Year | Impact of FMAP Reduction on State Match |
|---------------------|---|
| 2005 | \$0 |
| 2006 | \$70,223,800 |
| 2007 | \$77,410,800 |
| 2008 | \$82,670,600 |
| 2009 | \$87,473,900 |
| 2010 | \$92,535,500 |
| 2011 | \$97,781,300 |
| 2012 | \$102,608,400 |
| 2013 | \$107,274,400 |
| 2014 | \$111,861,900 |
| 2015 | \$116,421,500 |
| Total | \$946,262,100 |

Announced FMAP *

| Federal Fiscal Year | Title XXI FMAP | Title XIX FMAP |
|---------------------|----------------|----------------|
| 2005 | 70.31% | 57.58% |
| 2006 | 65.11% | 50.16% |
| 2007 | 65.00% | 50.00% |
| 2008 | 65.00% | 50.00% |
| 2009 | 65.00% | 50.00% |
| 2010 | 65.00% | 50.00% |
| 2011 | 65.00% | 50.00% |
| 2012 | 65.00% | 50.00% |
| 2013 | 65.00% | 50.00% |
| 2014 | 65.00% | 50.00% |
| 2015 | 65.00% | 50.00% |

Assumptions:

SFY2005 is from the Operating Budget; SFY2006 is from the Governor's Budget; SFY2007 to SFY2015 are actual quarterly claim payments (Jan. 1998-Dec. 2004) projected using a linear trend.

FFY2005 to FFY2015 are actual quarterly claim payments (Jan. 1998-Dec. 2004) projected using a linear trend.

The announced FMAP for FFY2007 and forward is assumed to be the minimum allowed rate.

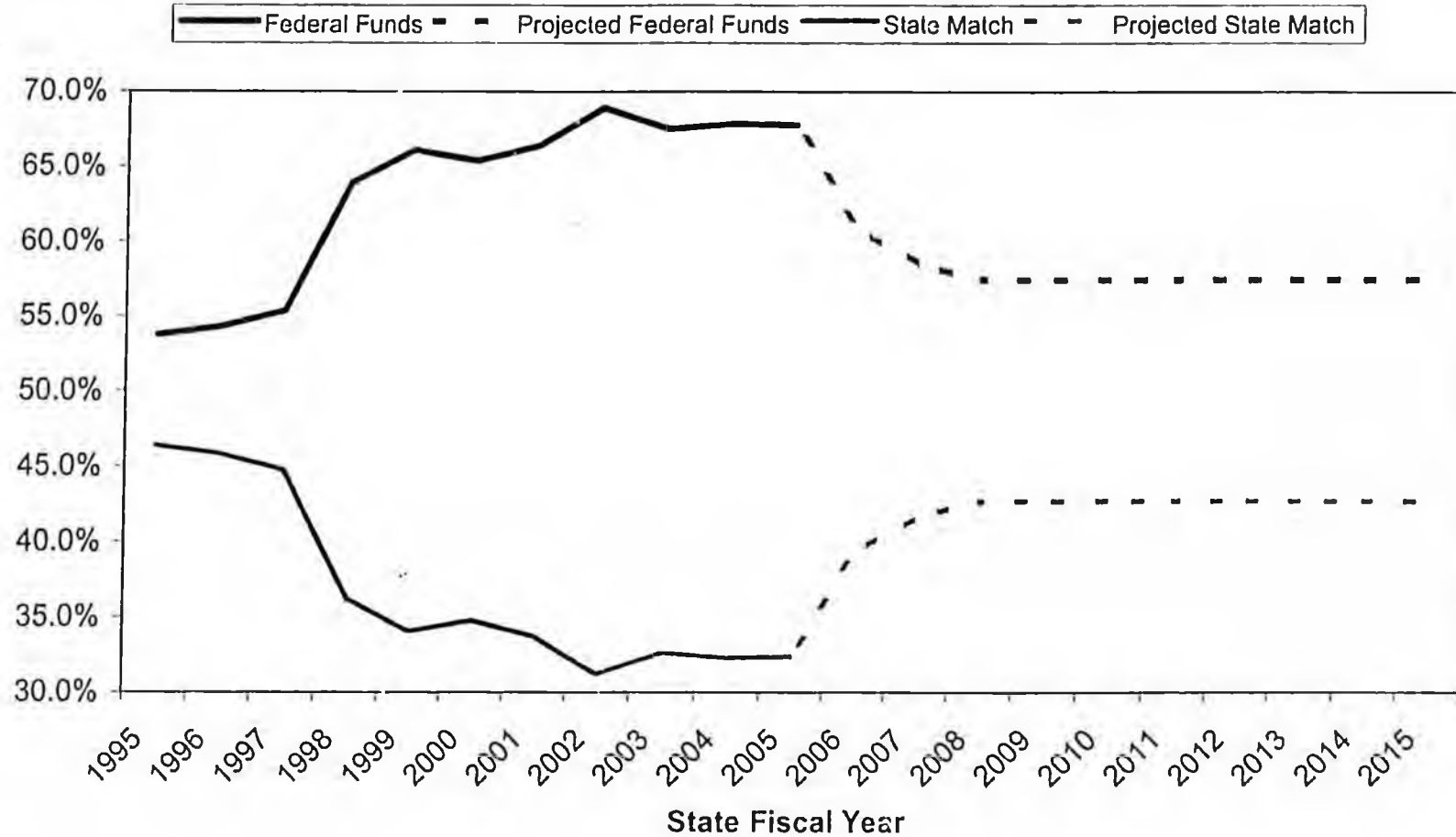
No changes to program services or eligibility are included except a 39% reduction in pharmacy costs for Medicare Part D coverage beginning in 2006.

Past trends in inflation and population growth are expected to continue and are therefore already included in the projection. No additional adjustments are made.

Source: DHSS, FMS, Medicaid Budget Group, February 12, 2005

Provided by Dept. Health &

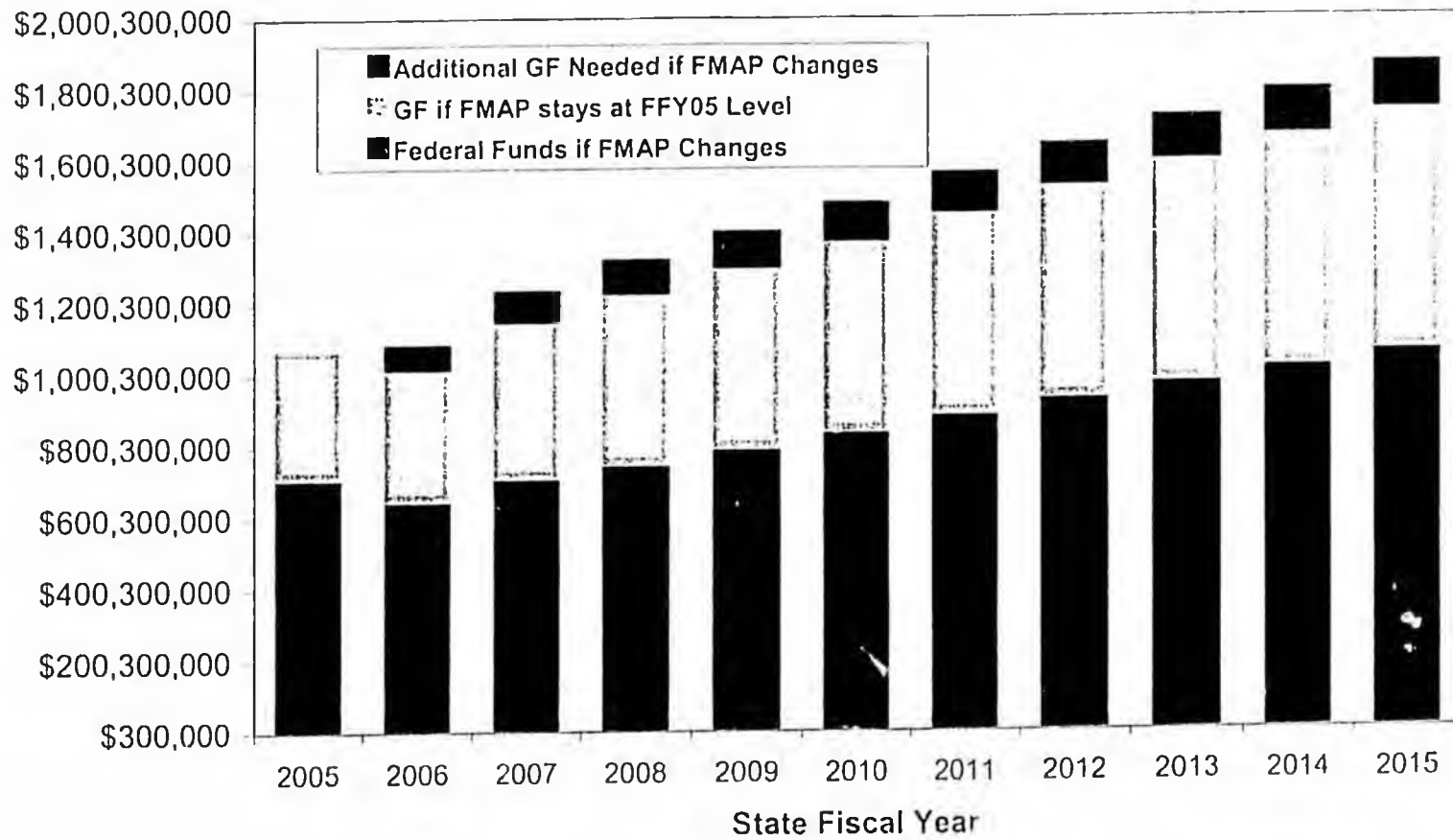
Percent of Total Medicaid Expenditures by Fund Source SFY1995 to SFY2015



SFY1995 to SFY2004 are actual quarterly claim payments; SFY2005 is from the Operating Budget; SFY2006 is from the Governor's Budget. SFY2007 to SFY2015 are actual quarterly claim payments projected using a linear trend.

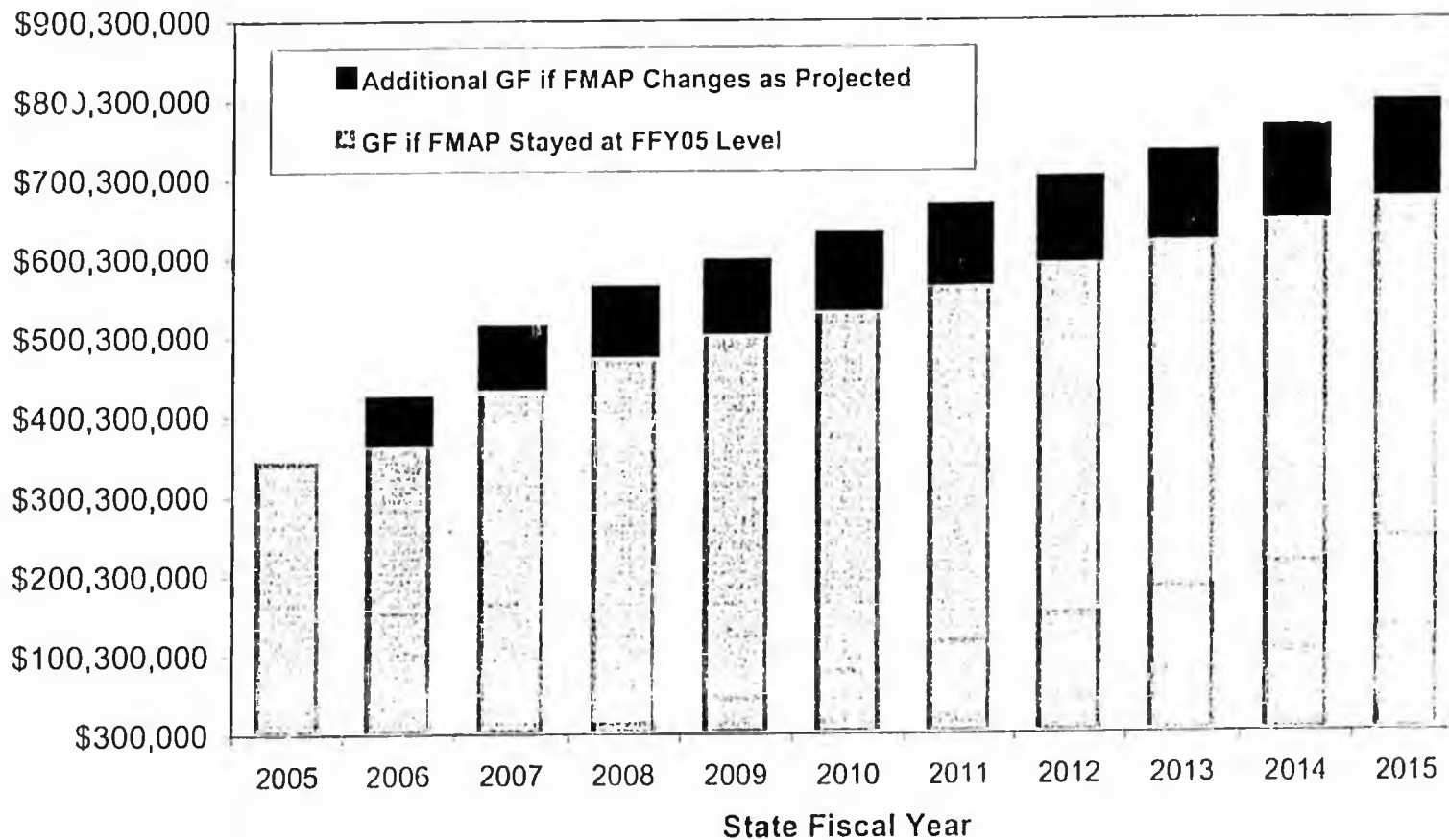
Source: DHSS, FMS, Medicaid Budget Group

Impact of FMAP Reductions on General Funds Projected Medicaid Expenditures by Fund Source SFY2005 to SFY2015



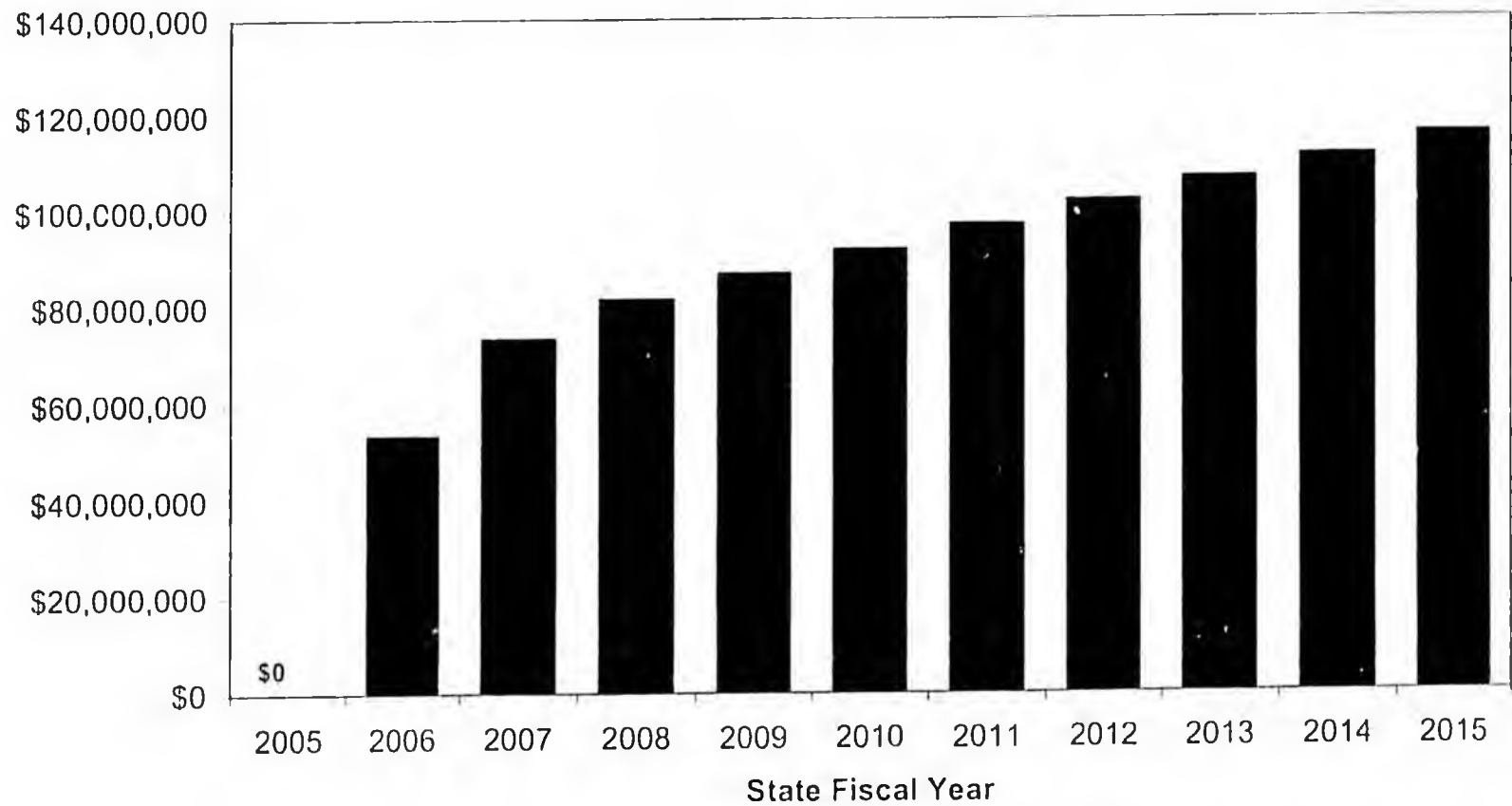
SFY2005 is from the Operating Budget, SFY2006 is from the Governor's Budget, SFY2007 to SFY2015 are actual quarterly claim payments projected using a linear trend.
Source: DHSS, FMS, Medicaid Budget Group

Impact of FMAP Reductions on General Funds Projected Medicaid General Fund Need SFY2005 to SFY2015



SFY2005 is from the Operating Budget; SFY2006 is from the Governor's Budget; SFY2007 to SFY2015 are actual quarterly claim payments projected using a linear
Source: DHSS, FMS, Medicaid Budget Group

Impact of FMAP Reductions on General Funds
Projected *Additional* General Funds Needed for Medicaid
SFY2005 to SFY2015



SFY2005 is from the Operating Budget, SFY2006 is from the Governor's Budget, SFY2007 to SFY2015 are actual quarterly claim payments projected using a linear trend
Source: DHSS, FMS, Medicaid Budget Group

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1

Bill Version: SJR 6

(S) Publish Date: 2/22/05

Revision Date/Time (Note if correction):

Dept. Affected: Health & Social Services

Title FEDERAL MEDICAL ASSISTANCE
REDUCTION

RDU Behavioral Health

Component Behavioral Hlth Medicaid Svcs

Sponsor SENATE FINANCE

Requester SFIN

Component No. 2660

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURES | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
|------------------------|------------|------------|------------|------------|------------|------------|
| Personal Services | | | | | | |
| Travel | | | | | | |
| Contractual | | | | | | |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

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| CAPITAL EXPENDITURES | | | | | | |
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|------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES (0) | | | | | | |
|------------------------|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|---------------------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other(Specify Type-do not abbreviate) | | | | | | |
| Other(Specify Type-do not abbreviate) | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY2005) cost: _____

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

If the current federal law is not changed, the FFY06 Federal Medical Assistance Payment (FMAP) for Medicaid Services will be 50.16%, down 7.42% from the 57.58% in FFY05. This decrease is more than twice that of the state with the next highest cut. While the federal government recognizes the high cost of living in Alaska by adding a 25% COLA to federal salaries, the federal government does not recognize the high cost of living when calculating federal payments. Alaska has the highest hospital inpatient cost per day and is in the top ranks of pharmacy costs. The reduction in FMAP will result in a loss of federal funds and an increase in state general funds of \$53 million in FY06 and \$73 million in FY07. Over the next 10 years the cost of the FMAP reduction is projected to exceed \$900 million.

Prepared by: Bill Hogan

Phone 907-465-3166

Division: Behavioral Health

Date/Time 02/17/2005

Approved by: Joel S. Gilbertson, Commissioner

Date 02/18/2005

Agency: Department of Health and Social Services

FISCAL NOTE

FN # 1

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. SJR 6

ANALYSIS CONTINUATION

Assuming the level of Behavioral Health Medicaid Services in FY06 will be the same as in FY05, the FMAP reduction will result in a \$7,909.2 reduction in federal revenues for this component that will need to be supplanted by GF.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 2

Bill Version: SJR 6

(S) Publish Date: 2/22/05

Revision Date/Time (Note if correction):

Dept. Affected: Health & Social Services

Title FEDERAL MEDICAL ASSISTANCE
REDUCTION

RDU Children's Services

Component Children's Medicaid Services

Sponsor SENATE FINANCE

Requester SFIN

Component No. 2661

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURES | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
|------------------------|------------|------------|------------|------------|------------|------------|
| Personal Services | | | | | | |
| Travel | | | | | | |
| Contractual | | | | | | |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

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| CAPITAL EXPENDITURES | | | | | | |
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| CHANGE IN REVENUES (0) | | | | | | |
|-------------------------------|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|---------------------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other(Specify Type-do not abbreviate) | | | | | | |
| Other(Specify Type-do not abbreviate) | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY2005) cost:

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

If the current federal law is not changed, the FFY06 Federal Medical Assistance Payment (FMAP) for Medicaid Services will be 50.16%, down 7.42% from the 57.58% in FFY05. This decrease is more than twice that of the state with the next highest cut. While the federal government recognizes the high cost of living in Alaska by adding a 25% COLA to federal salaries, the federal government does not recognize the high cost of living when calculating federal payments. Alaska has the highest hospital inpatient cost per day and is in the top ranks of pharmacy costs. The reduction in FMAP will result in a loss of federal funds and an increase in state general funds of \$53 million in FY'06 and \$73 million in FY'07. Over the next 10 years the cost of the FMAP reduction is projected to exceed \$900 million.

Prepared by: Marcia Kennai
 Division: Office of Children's Services
 Approved by: Joel S. Gilbertson, Commissioner
 Agency: Department of Health and Social Services

Phone 907-465-3011
 Date/Time 02/17/2005
 Date 02/18/2005

FISCAL NOTE

FN # 2

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. SJR 6

ANALYSIS CONTINUATION

Assuming the level of Children's Medicaid Services in FY06 will be the same as in FY05, the FMAP reduction will result in a \$654.8 reduction in federal revenues for this component that will need to be supplanted by GF.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 3
 Bill Version: SJR 6
 (S) Publish Date: 2/22/05
 Dept. Affected: Health & Social Services

Revision Date/Time (Note if correction):

Title FEDERAL MEDICAL ASSISTANCE
REDUCTION

RDU Senior and Disabilities Svcs

Component Senior/Disabilities Medicaid Svc

Sponsor SENATE FINANCE

Requester SFIN

Component No. 2662

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURES | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
|------------------------|------------|------------|------------|------------|------------|------------|
| Personal Services | | | | | | |
| Travel | | | | | | |
| Contractual | | | | | | |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

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| CAPITAL EXPENDITURES | | | | | | |
|-----------------------------|--|--|--|--|--|--|

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|-------------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES (0) | | | | | | |
|-------------------------------|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|---------------------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other(Specify Type-do not abbreviate) | | | | | | |
| Other(Specify Type-do not abbreviate) | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY2005) cost: _____

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

If the current federal law is not changed, the FFY06 Federal Medical Assistance Payment (FMAP) for Medicaid Services will be 50.16%, down 7.42% from the 57.58% in FFY05. This decrease is more than twice that of the state with the next highest cut. While the federal government recognizes the high cost of living in Alaska by adding a 25% COLA to federal salaries, the federal government does not recognize the high cost of living when calculating federal payments. Alaska has the highest hospital inpatient cost per day and is in the top ranks of pharmacy costs. The reduction in FMAP will result in a loss of federal funds and an increase in state general funds of \$53 million in FY06 and \$73 million in FY07. Over the next 10 years the cost of the FMAP reduction is projected to exceed \$900 million.

Prepared by: Steve Ashman
 Division: Senior and Disabilities Services
 Approved by: Joel S. Gilbertson, Commissioner
 Agency: Department of Health and Social Services

Phone 907-465-3819
 Date/Time 02/17/2005
 Date 02/18/2005

FISCAL NOTE

FN # 3

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. SJR 6

ANALYSIS CONTINUATION

Assuming the level of Senior & Disabilities Medicaid Services in FY06 will be the same as in FY05, the FMAP reduction will result in a \$15,474.7 reduction in federal revenues for this component that will need to be supplanted by GF.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 4
 Bill Version: SJR 6
 (S) Publish Date: 2/22/05
 Dept. Affected: Health & Social Services
 RDU Health Care Services
 Component Medicaid Services

Revision Date/Time (Note if correction):
 Title FEDERAL MEDICAL ASSISTANCE
REDUCTION

Sponsor SENATE FINANCE
 Requester SFIN

Component No. 2077

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURES | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
|------------------------|------------|------------|------------|------------|------------|------------|
| Personal Services | | | | | | |
| Travel | | | | | | |
| Contractual | | | | | | |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

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|-----------------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|-----------------------------|--|--|--|--|--|--|

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|-------------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES (0) | | | | | | |
|-------------------------------|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|---------------------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other(Specify Type-do not abbreviate) | | | | | | |
| Other(Specify Type-do not abbreviate) | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY2005) cost: _____

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

If the current federal law is not changed, the FFY06 Federal Medical Assistance Payment (FMAP) for Medicaid Services will be 50.16%, down 7.42% from the 57.58% in FFY05. This decrease is more than twice that of the state with the next highest cut. While the federal government recognizes the high cost of living in Alaska by adding a 25% COLA to federal salaries, the federal government does not recognize the high cost of living when calculating federal payments. Alaska has the highest hospital inpatient cost per day and is in the top ranks of pharmacy costs. The reduction in FMAP will result in a loss of federal funds and an increase in state general funds of \$53 million in FY06 and \$73 million in FY07. Over the next 10 years the cost of the FMAP reduction is projected to exceed \$900 million.

Prepared by: Dwayne Peoples
 Division: Health Care Services
 Approved by: Joel S. Gilbertson, Commissioner
 Agency: Department of Health and Social Services

Phone 907-465-5830
 Date/Time 02/17/2005
 Date 02/18/2005

FISCAL NOTE

FN # 4

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. SJR 6

ANALYSIS CONTINUATION

Assuming the level of Medicaid Services in FY06 will be the same as in FY05, the FMAP reduction will result in a \$28,883.6 reduction in federal revenues for this component that will need to be supplanted by GF.