

HJR

10



# FISCAL NOTE

**STATE OF ALASKA**  
**2005 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HJR10-DHSS-OCS-02-18-05

( ) Publish Date: \_\_\_\_\_  
 Dept. Affected: Health & Social Services

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

RDU Children's Services  
 Component Children's Medicaid Services

Sponsor FINANCE  
 Requester H HESS

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						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES (0)</b>						
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**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)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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: 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 #**

**STATE OF ALASKA**  
**2005 LEGISLATIVE SESSION**

**BILL NO. HJR10-DHSS-OCS-02-18-05**

**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: \_\_\_\_\_  
 Bill Version: HJR10-DHSS-HCS-02-18-05

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

( ) Publish Date: \_\_\_\_\_  
 Dept. Affected: Health & Social Services

Sponsor FINANCE  
 Requester H HESS

RDU Health Care Services  
 Component Medicaid Services

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						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES (0)</b>						
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**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)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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 #**

**STATE OF ALASKA  
2005 LEGISLATIVE SESSION**

**BILL NO. HJR10-DHSS-HCS-02-18-05**

**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.

# FISCAL NOTE

**STATE OF ALASKA**  
**2005 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HJR10-DHSS-DBH-02-18-05

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

( ) Publish Date: \_\_\_\_\_  
 Dept. Affected: Health & Social Services

Sponsor: FINANCE  
 Requester: H HESS

RDU: Behavioral Health  
 Component: Behavioral Hlth Medicaid Svcs

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						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES (0)</b>						
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**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)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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  
 Division: Behavioral Health  
 Approved by: Joel S. Gilbertson, Commissioner  
 Agency: Department of Health and Social Services

Phone 465-3166  
 Date/Time 02/17/2005  
 Date 02/18/2005

**FISCAL NOTE  
FN #**

**STATE OF ALASKA  
2005 LEGISLATIVE SESSION**

**BILL NO. HJR10-DHSS-DBH-02-18-05**

**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: \_\_\_\_\_

Bill Version: HJR 10

( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_

Dept. Affected: Health & Social Services

Title FEDERAL MEDICAL ASSISTANCE  
REDUCTION

RDU Senior and Disabilities Svcs

Component Senior/Disabilities Medicaid Svc

Sponsor FINANCE

Requester H HESS

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						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES (0)</b>						
-------------------------------	--	--	--	--	--	--

**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)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) 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 Ashinan  
 Division: Senior & 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

**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

**Impact of FMAP Reduction  
Projected Medicaid Expenditures  
2005 to 2015**

Funds In Thousands

Announced FMAP	Title XXI	Title XIX
FFY2005	70.31%	57.58%
FFY2006	65.11%	50.16%
FFY2007 forward	65.00%	50.00%

**STATE FISCAL YEAR**

State Fiscal Year	Impact of FMAP Reduction on State Match	Keeping FFY05 FMAP				Using Announced FMAP				Announced FMAP (blended for SFY)	
		Total	% Fed	Federal	Match	Total	% Fed	Federal	Match	XXI FMAP	XIX FMAP
2005	\$0	\$1,059,719,600	67.7%	\$717,615,700	\$342,103,900	\$1,059,719,600	67.7%	\$717,615,700	\$342,103,900	70.45%	57.78%
2006	\$52,872,300	\$1,075,280,600	65.7%	\$706,991,400	\$368,289,200	\$1,075,280,600	60.8%	\$654,119,100	\$421,161,500	66.41%	52.02%
2007	\$72,853,900	\$1,226,852,500	64.3%	\$789,364,300	\$437,488,200	\$1,226,852,500	58.4%	\$716,510,400	\$510,342,100	66.41%	52.02%
2008	\$80,974,800	\$1,313,480,700	63.6%	\$834,897,900	\$478,582,800	\$1,313,480,700	57.4%	\$753,923,100	\$559,557,600	65.03%	50.04%
2009	\$86,267,100	\$1,391,945,400	63.6%	\$884,773,000	\$507,172,400	\$1,391,945,400	57.4%	\$798,505,900	\$593,439,500	65.00%	50.00%
2010	\$91,200,100	\$1,471,540,900	63.6%	\$935,366,900	\$536,174,000	\$1,471,540,900	57.4%	\$844,166,800	\$627,374,100	65.00%	50.00%
2011	\$96,490,400	\$1,556,901,100	63.6%	\$989,625,100	\$567,276,000	\$1,556,901,100	57.4%	\$893,134,700	\$663,766,400	65.00%	50.00%
2012	\$101,437,900	\$1,636,731,700	63.6%	\$1,040,368,400	\$596,363,300	\$1,636,731,700	57.4%	\$938,930,500	\$697,801,200	65.00%	50.00%
2013	\$106,115,400	\$1,712,203,300	63.6%	\$1,088,341,000	\$623,862,300	\$1,712,203,300	57.4%	\$982,225,700	\$729,977,700	65.00%	50.00%
2014	\$110,716,900	\$1,786,450,100	63.6%	\$1,135,535,100	\$650,915,000	\$1,786,450,100	57.4%	\$1,024,818,200	\$761,631,900	65.00%	50.00%
2015	\$115,287,300	\$1,860,195,600	63.6%	\$1,182,410,500	\$677,785,100	\$1,860,195,600	57.4%	\$1,067,123,200	\$793,072,400	65.00%	50.00%
Total	\$914,216,100	\$16,091,301,500	64.0%	\$10,305,289,300	\$5,786,012,200	\$16,091,301,600	58.4%	\$9,391,073,300	\$6,700,228,300	n/a	n/a

**FEDERAL FISCAL YEAR**

Federal Fiscal Year	Impact of FMAP Reduction on State Match	Keeping FFY05 FMAP				Using Announced FMAP				Announced FMAP	
		Total	% Fed	Federal	Match	Total	% Fed	Federal	Match	XXI FMAP	XIX FMAP
2005	\$0	\$1,064,112,000	63.6%	\$676,389,700	\$387,722,300	\$1,064,112,000	63.6%	\$676,389,700	\$387,722,300	70.31%	57.58%
2006	\$70,223,800	\$1,157,503,300	63.6%	\$735,752,700	\$421,750,600	\$1,157,503,300	57.5%	\$665,528,900	\$491,974,400	65.11%	50.16%
2007	\$77,410,800	\$1,249,046,400	63.6%	\$793,941,000	\$455,105,400	\$1,249,046,400	57.4%	\$716,530,200	\$532,516,200	65.00%	50.00%
2008	\$82,670,600	\$1,333,915,400	63.6%	\$847,886,900	\$486,028,500	\$1,333,915,400	57.4%	\$765,216,300	\$566,699,100	65.00%	50.00%
2009	\$87,473,900	\$1,411,417,600	63.6%	\$897,150,300	\$514,267,300	\$1,411,417,600	57.4%	\$809,676,400	\$601,741,200	65.00%	50.00%
2010	\$92,535,500	\$1,493,088,100	63.6%	\$949,063,100	\$544,025,000	\$1,493,088,100	57.4%	\$856,527,600	\$636,560,500	65.00%	50.00%
2011	\$97,781,300	\$1,577,731,700	63.6%	\$1,002,865,800	\$574,865,900	\$1,577,731,700	57.4%	\$905,084,500	\$672,647,200	65.00%	50.00%
2012	\$102,608,400	\$1,655,617,700	63.6%	\$1,052,373,000	\$603,244,700	\$1,655,617,700	57.4%	\$949,764,600	\$705,853,100	65.00%	50.00%
2013	\$107,274,400	\$1,730,905,000	63.6%	\$1,100,228,500	\$630,676,500	\$1,730,905,000	57.4%	\$992,954,100	\$737,950,900	65.00%	50.00%
2014	\$111,861,900	\$1,804,925,600	63.6%	\$1,147,278,800	\$657,646,800	\$1,804,925,600	57.4%	\$1,035,416,900	\$769,508,700	65.00%	50.00%
2015	\$116,421,500	\$1,878,495,800	63.6%	\$1,194,042,800	\$684,453,000	\$1,878,495,800	57.4%	\$1,077,621,300	\$800,874,500	65.00%	50.00%
Total	\$946,262,100	\$16,356,758,600	63.6%	\$10,396,972,600	\$5,959,786,000	\$16,356,758,600	57.8%	\$9,450,710,500	\$6,906,048,100	n/a	n/a

**Assumptions:**

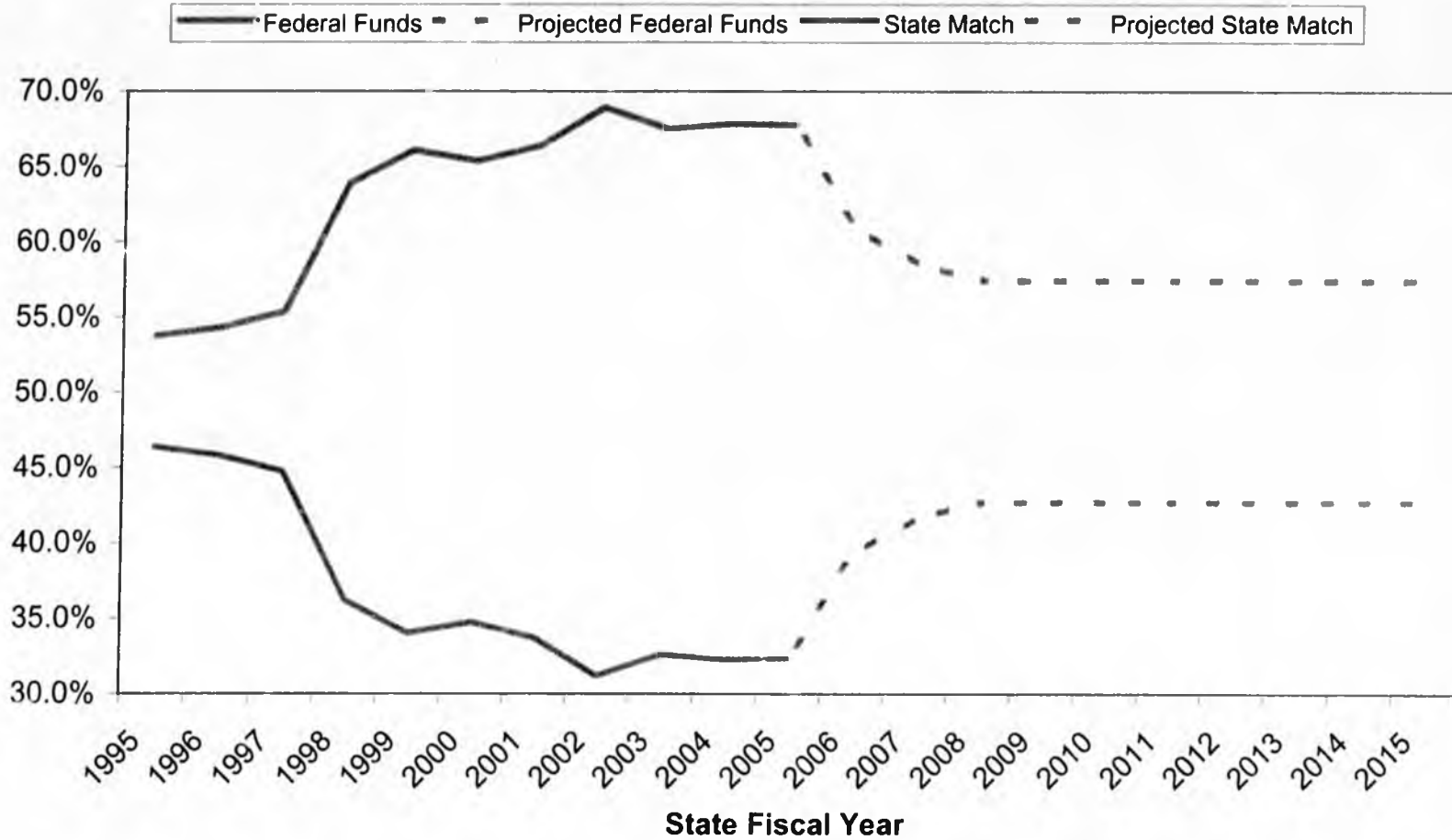
SFY2005 is from the Operating Budget. SFY2006 is from the Governor's Budget. SFY2007 to SFY2015 are actual quarterly claim payments (Jan. 1998-Dec. 2004) projected using a linear trend. FFY2005 to FFY2015 are actual quarterly claim payments (Jan. 1998-Dec. 2004) projected using a linear trend.

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.

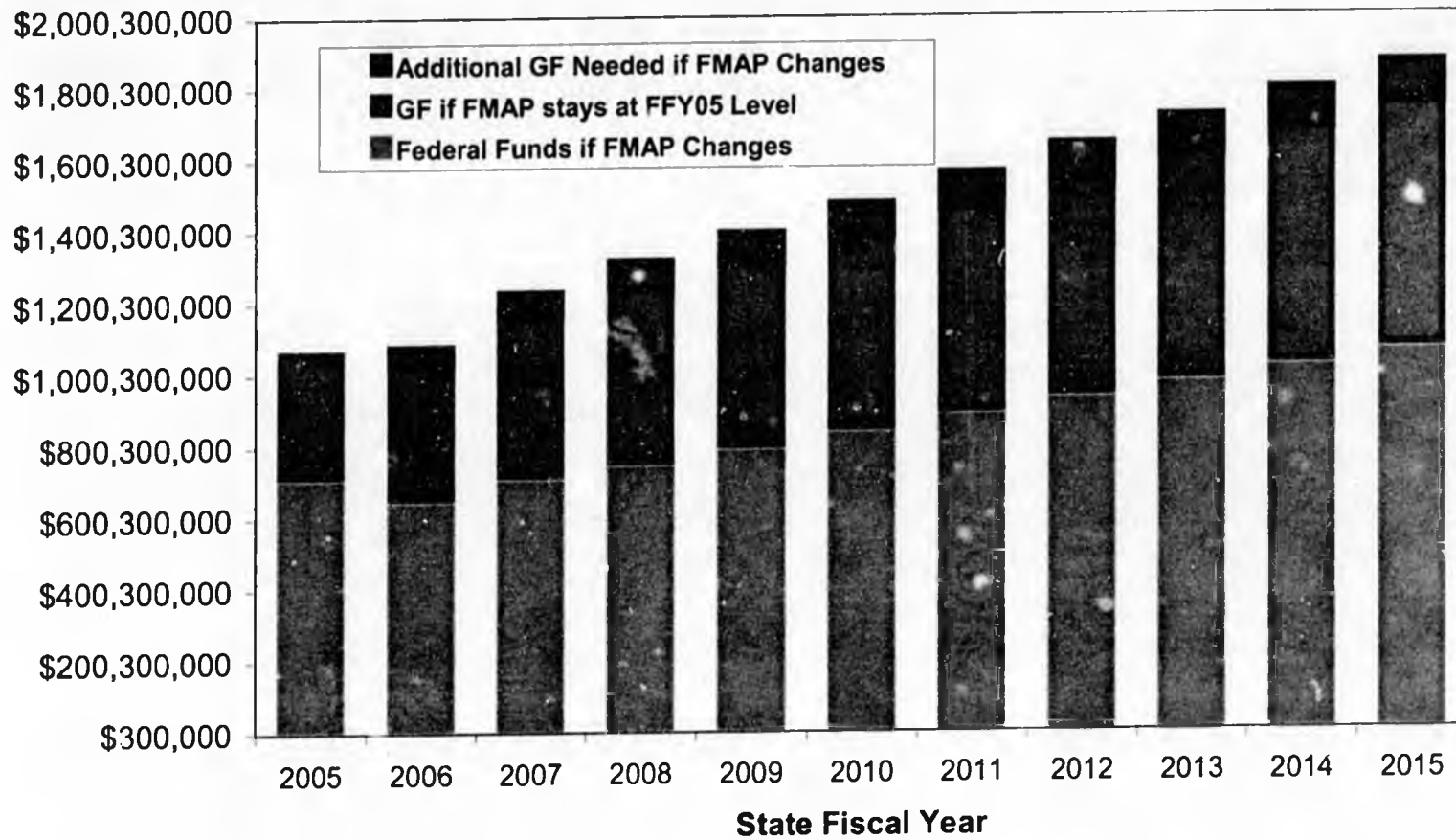
## Percent of Total Medicaid Expenditures by Fund Source SFY1995 to SFY2015



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.

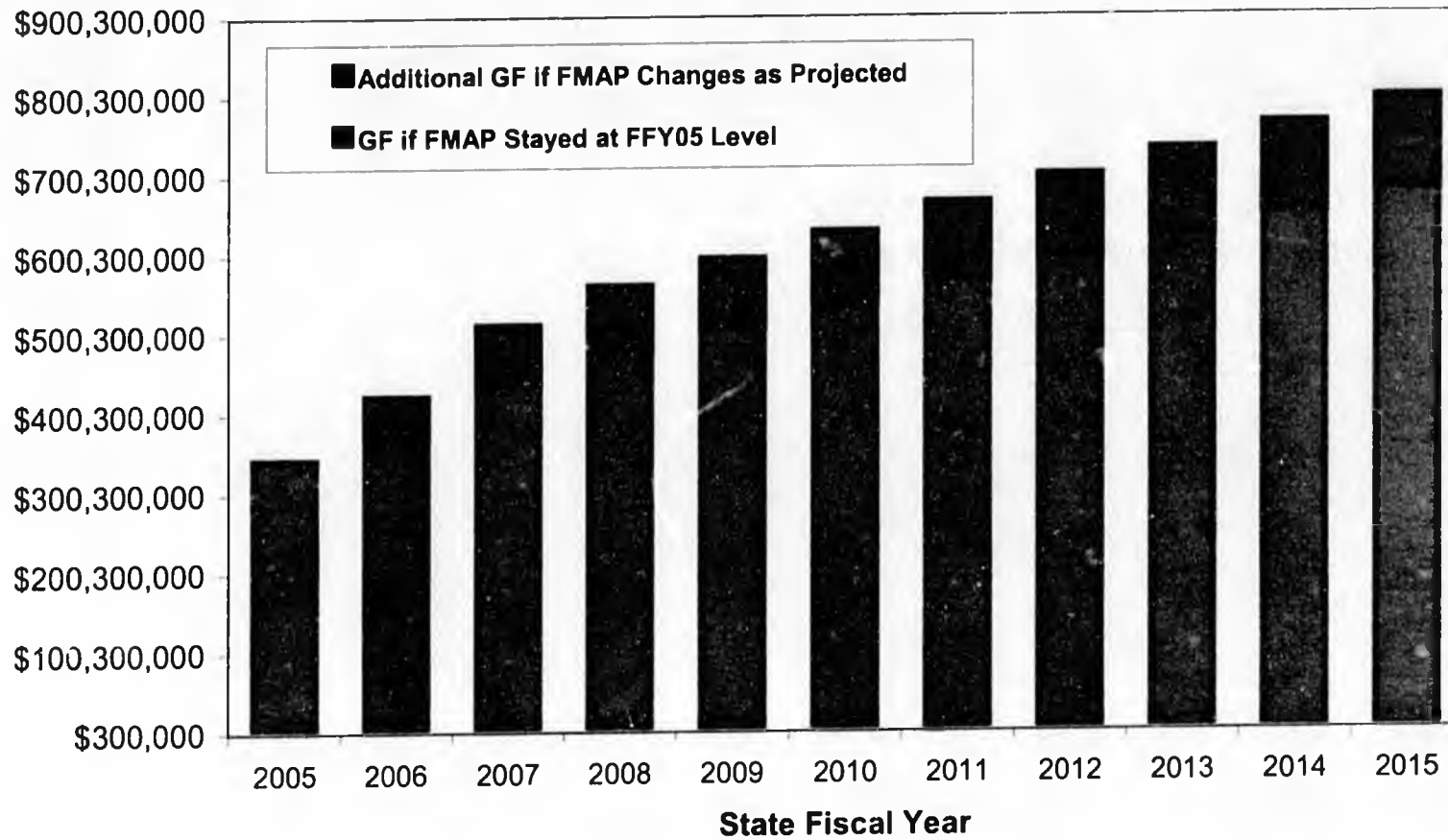
Source: DHSS, FMS, Medicaid Budget Group

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



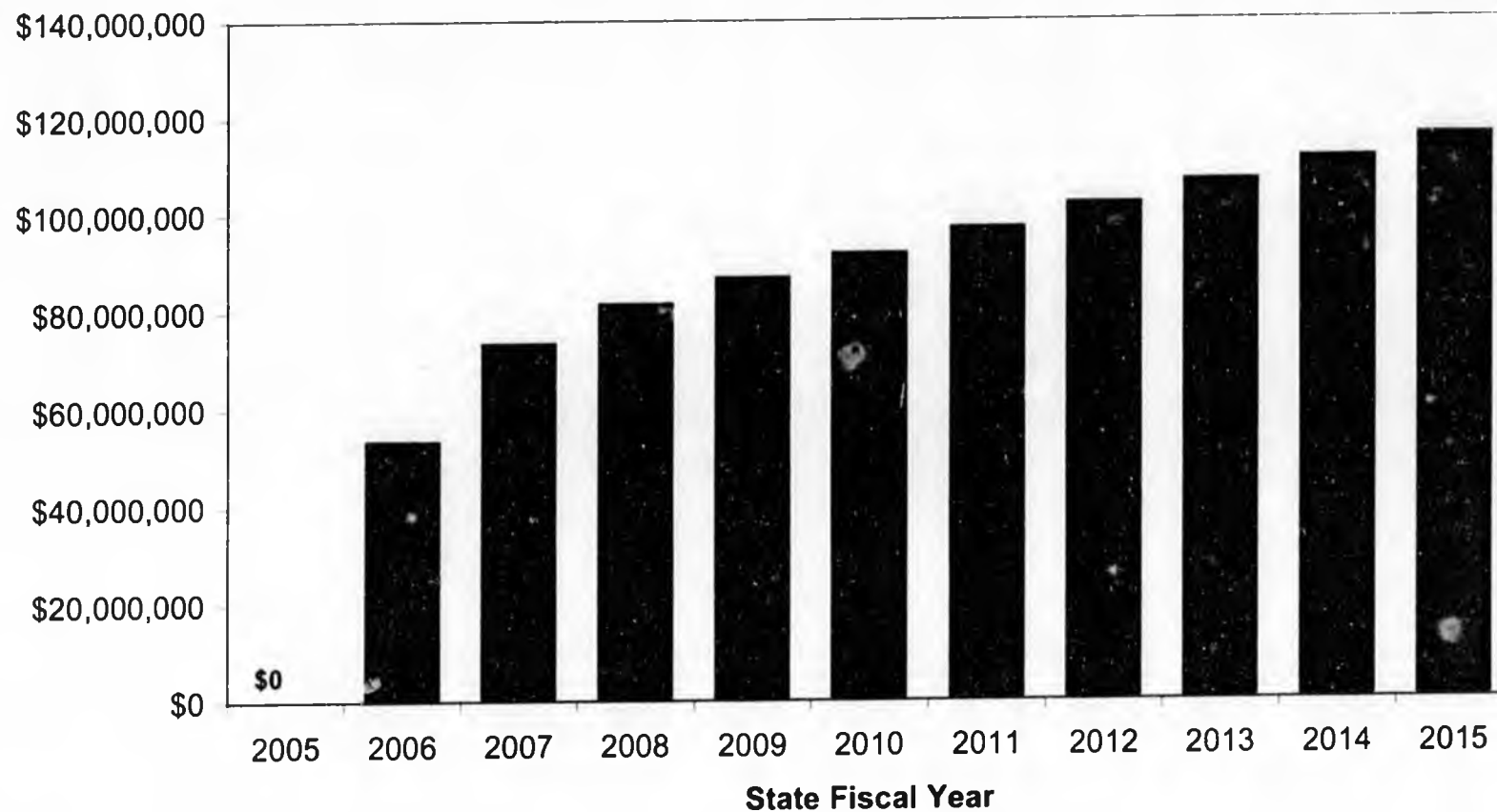
SFY2005 is from the Operating Budget; SFY2006 is from the Governor's Budget; SFY2007 to SFY2015 are actual quarterly claim payments projected using a linear trend.  
Source: DHSS, FMS, Medicaid Budget Group

**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