

SB

212

Alaska State Legislature

Interim: (May - Dec.)
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Session: (Jan. - May)
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Senator Bettye Davis @ legis.state.ak.us
<http://www.akdemocrats.org>

Senator Bettye Davis

SB 212 "An Act relating to eligibility requirements for medical assistance for certain children, pregnant women; and providing for an effective date."

Sponsor Statement

SB 212 reinstates the qualifying income standards for children and pregnant women receiving Medicaid benefits under the Denali KidCare (DKC) program to poverty guidelines used when the program was established in 1997 at 200% Federal Poverty Guideline (FPG) for Alaska. Reduced and frozen at 175% FPG by the Legislature in 2003, the equivalent income limits were reduced in the following four years to 154% by the time SB27 was implemented to reinstate current levels of the FPG at 175% in 2007. Children and pregnant women with household incomes between 176% and 200% FPG still have not regained eligibility. SB212 also increases allowable premiums or cost-sharing by families whose incomes are between 150%-200% FPG.

The fiscal notes anticipate 2% enrollment growth after 2009 and an annual cost increase of 8.6%, allowing for 5% medical inflation in Alaska. The \$249,600 appropriation required for 2009 does not reflect the indirect savings by fewer emergency room visits and many avoided long-term illnesses for SCHIP children. The addition of one employee and office expense at \$73,800 provides for the anticipated increase in enrollment of 218 pregnant women and 1277 children. DHSS has requested additional support for Denali KidCare in the Governor's FY09 budget.

Forty one-states allow participation by families at or above 200% FPG with many over 300%. The reason for higher SCHIP eligibility coverage in other states is that the federal government reimburses SCHIP at an enhanced rate, and higher SCHIP eligibility has proven to be an efficient use of health care dollars. While most patients enrolled in Medicaid are children, children utilize only a fraction of the resources. Early intervention and preventative care greatly reduce visits to emergency rooms and costly long-term illnesses. Hospitals regularly write-off the cost of emergency room visits by non-emergency low-income, indigent, or uninsured patients whom they must serve when patients cannot pay. The costs of these non-emergency visits to hospitals for SCHIP children and other low-income and uninsured, who have no other way of obtaining health care, are passed along in increased costs to patients who do pay and/or are insured under private or state health benefit plans. There is no effect on eligibility for Denali KidCare if the SCHIP allotment is fully expended. If costs exceed available SCHIP funds, claims are simply reimbursed at the lower, regular Medicaid rate, resulting in reduced federal revenues.

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 212
 () Publish Date: _____
 Dept. Affected: Health & Social Services
 RDU: Behavioral Health
 Component: Behavioral Hlth Medicaid Svcs

ID (File name) SB212-DHSS-BHMS-1-19-08
 Title MEDICAL ASSISTANCE ELIGIBILITY
 Sponsor DAVIS
 Requester SENATE HESS

Component No. 2660

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation		Information				
	Required						
OPERATING EXPENDITURES	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims	249.6		269.1	292.2	317.3	344.6	374.3
Miscellaneous							
TOTAL OPERATING	249.6	0.0	269.1	292.2	317.3	344.6	374.3
CAPITAL EXPENDITURES							
CHANGE IN REVENUES (0)							

FUND SOURCE (Thousands of Dollars)

	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1002 Federal Receipts	154.5		157.4	169.6	183.6	199.4	216.6
1003 GF Match	95.1		111.7	122.6	133.7	145.2	157.7
1004 GF							
1037 GF/Mental Health							
Other (Specify Type-do not abbreviate)							
Other (Specify Type-do not abbreviate)							
TOTAL	249.6	0.0	269.1	292.2	317.3	344.6	374.3

Estimate of any current year (FY2008) cost: _____

POSITIONS

	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This bill reinstates the qualifying income standards for children and pregnant women receiving Medicaid benefits under the Denali KidCare (DKC) program to poverty guidelines used when the program was established (200 percent of the Federal Poverty Guideline (FPG) for Alaska).

Effective September 2003, the maximum qualifying household incomes for DKC Medicaid were reduced in statute to amounts equivalent to 175% of the FPG for

Continued on page 2

Prepared by: Bill Str ur
 Division: Health Care Services
 Approved by: Karleen Jackson, Commissioner
 Agency: Department of Health and Social Services

Phone 907-269-7827
 Date/Time 01/19/2008
 Date 01/19/2008

ANALYSIS CONTINUATION

2003. By spring 2007, the statutory income limits were equivalent to 154% of the prevailing poverty guideline, representing almost a 50 percentage point drop from the poverty guideline used to qualify such individuals prior to September 2003. A bill implemented in summer 2007 (SB27) partially reversed the affects of the 2003 legislation, setting the income standard to 175% of the prevailing FPG. However, children and pregnant women with incomes between 176 and 200% of the prevailing FPG did not regain eligibility.

We assume that all persons regaining eligibility under SB27/2007 will enroll sometime during SFY2008 and be covered by the additional funding requested in the corresponding fiscal note. This fiscal note addresses only persons with incomes between 176 and 200% FPG that would regain eligibility under SB 212.

Between 2003 and 2006, the number of enrolled children with household incomes between 151% and 200% FPG dropped by 2,553 and the number of enrolled pregnant women with incomes between 134% and 200% dropped by 436. This fiscal analysis assumes that the additional enrollment due to this bill will be equal to about half that number of people (estimated as 218 pregnant women and 1277 children). We assume that most people affected by this bill will enroll by the end of SFY 2009 and that enrollment will resume normal growth (about 2% per year) thereafter.

Costs projections incorporate 8.6% annual growth (Long Term Forecast of Medicaid Enrollment and Spending in Alaska: 2005-2025, DHSS, updated for 2006). That growth rate allows for 5% medical inflation (Anchorage CPI, medical care component) and annual growth in the FPG.

Continued on page 3

**STATE OF ALASKA
2008 LEGISLATIVE SESSION****ANALYSIS CONTINUATION**

The percentage of enrollees having Medicaid claims paid during the year is "participation" (recipients as a percentage of enrollment). We assume that participation will not change with implementation of this bill and will remain the same throughout the projection period. First year costs are based on our estimate for the number of new enrollees times the average cost per enrollee for the affected eligibility subtypes in 2007. Medicaid children in the income range addressed by this bill tend to have lower Medicaid costs than those from families with lower incomes, and those lower costs are reflected in our estimates.

Expenditures for the Behavioral Health Medicaid Services component were determined based on that component's share of expenses for the affected eligibility subtypes in 2007. Behavioral Health paid 14.1% of the costs for affected children in 2007.

Fund source calculations combine the percentages of costs reimbursed as IHS, Title XIX, or Title XXI during 2007 for the affected eligibility groups with our current estimates for the corresponding federal medical assistance percentages (FMAPs) between 2009 and 2014. Children affected by this legislation are included in the State Children's Health Insurance Program (SCHIP) so most of their Medicaid costs would normally be matched at the enhanced rate for Title XXI services. However, because Title XXI funding for SCHIP is no longer enough to cover all of that program's expenses, the formula for estimating federal reimbursement for this bill was adjusted to allow only three quarters of Title XXI matching in 2009, with the remaining quarter defaulting to the lower Title XIX rate. Between 2010 and 2014, we estimate that only 2 quarters of expenses for children affected by this bill will be reimbursed at the enhanced match rate.

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 212
 () Publish Date: _____
 Dept. Affected: Health & Social Services
 RDU Public Assistance
 Component Public Assistance Field Svcs

ID (File name) SB212-DHSS-PAFS-1-19-08
 Title MEDICAL ASSISTANCE ELIGIBILITY
 Sponsor DAVIS
 Requester SENATE HESS

Component No. 236

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation		Information					
	Required		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services	62.8		62.8	62.8	62.8	62.8	62.8	62.8
Travel								
Contractual	8.8		8.8	8.8	8.8	8.8	8.8	8.8
Supplies								
Equipment	2.2							
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	73.8	0.0	71.6	71.6	71.6	71.6	71.6	71.6
CAPITAL EXPENDITURES								
CHANGE IN REVENUES (0)								

FUND SOURCE (Thousands of Dollars)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1002 Federal Receipts	34.4	33.3	33.3	33.3	33.3	33.3
1003 GF Match	30.3	29.4	29.4	29.4	29.4	29.4
1004 GF	8.1	7.9	7.9	7.9	7.9	7.9
1037 GF/Mental Health						
Other (Interagency Receipts)	1.0	1.0	1.0	1.0	1.0	1.0
Other (Specify Type-do not abbreviate)						
TOTAL	73.8	0.0	71.6	71.6	71.6	71.6

Estimate of any current year (FY2008) cost: _____

POSITIONS

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Full-time	1	1	1	1	1	1
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

SB 212 changes AS 47.07.020(b) to reset the upper income limit for Denali KidCare (DKC) pregnant women and uninsured children under the Title XXI State Children's Health Insurance Program (SCHIP) to 200% of the federal poverty guideline (FPG) for Alaska. Currently, the qualifying income limit for these children and pregnant women is set in statute at 175% of the current FPG. This fiscal note represents the additional administrative costs needed to support the increased workload resulting from more pregnant women and children applying for medical assistance.

Prepared by: Ellie Fitzjarrald, Director
 Division: Public Assistance
 Approved by: Karleen Jackson, Commissioner
 Agency: Department of Health and Social Services

Phone 907-465-5847
 Date/Time 01/18/2008
 Date 01/19/2008

FISCAL NOTE

**STATE OF ALASKA
2008 LEGISLATIVE SESSION**

BILL NO: SB 212

ANALYSIS CONTINUATION

The eligibility decision includes verifying information and determining whether a pregnant woman or child qualifies for DKC based on the household's circumstances and monthly income at the time of application, acting on changes reported during the period of eligibility, and re-examining a household's eligibility every six months.

We assume that 218 pregnant women and 1277 children will enroll in Medicaid if the qualifying income limit is revised to 200% FPG, and that implementation will begin July 1, 2008. We estimate one additional Eligibility Technician I (Range 13) position will be needed to manage this additional work in FY 09. This fiscal note requests one position, however, the addition of this position increases the existing need for supervisory and administrative support to ensure the delivery of quality customer service and that accurate eligibility determinations are made. A request for additional support for DKC has been included in the Governor's FY09 budget request.

Total Administrative Costs for ET I:

Personal Services: One Eligibility Technician I Range 13 at a cost of \$62.8, including benefits, for 12 months.

Contractual: Annual cost for office space, phones, and supplies will be \$8.8.

Additional Cost of FY09:

Equipment/Supply: A one time cost of \$2.2 for a desktop computer, software, printer, and work station will be needed for the new position.

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 212
 () Publish Date: _____
 Dept. Affected: Health & Social Services
 RDU: Health Care Services
 Component: Medicaid Services

ID(File name) SB212-DHSS-MS-1-19-08
 Title MEDICAL ASSISTANCE ELIGIBILITY
 Sponsor DAVIS
 Requester SENATE HESS

Component No. 2077

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation		Information					
	Required		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims		2,274.3	2,469.9	2,682.4	2,913.0	3,163.6	3,435.6	
Miscellaneous								
TOTAL OPERATING		2,274.3	0.0	2,469.9	2,682.4	2,913.0	3,163.6	3,435.6

CAPITAL EXPENDITURES							
CHANGE IN REVENUES (0)							

FUND SOURCE (Thousands of Dollars)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1002 Federal Receipts	1,504.2	1,581.3	1,706.9	1,848.8	2,007.8	2,180.5
1003 GF Match	770.1	888.6	975.5	1,064.2	1,155.8	1,255.1
1004 GF						
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
Other(Specify Type-do not abbreviate)						
TOTAL	2,274.3	0.0	2,469.9	2,682.4	2,913.0	3,435.6

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill reinstates the qualifying income standards for children and pregnant women receiving Medicaid benefits under the Denali KidCare (DKC) program to poverty guidelines used when the program was established (200 percent of the Federal Poverty Guideline (FPG) for Alaska).

Effective September 2003, the maximum qualifying household incomes for DKC Medicaid were reduced in statute to amounts equivalent to 175% of the FPG for (Continued on Page 2)

Prepared by: Bill Streur
 Division: Deputy Commissioner
 Approved by: Karleen Jackson, Commissioner
 Agency: Department of Health and Social Services

Phone 907-269-7827
 Date/Time 01/18/2008
 Date 01/19/2008

**STATE OF ALASKA
2008 LEGISLATIVE SESSION****ANALYSIS CONTINUATION**

2003. By spring 2007, the statutory limits were equivalent to 154% of the prevailing poverty guideline, representing almost a 50 percentage point drop from the poverty guideline used to qualify such individuals prior to September 2003. A bill implemented in summer 2007 (SB27) partially reversed the affects of the 2003 legislation, setting the income standard to 175% of the prevailing FPG. However, children and pregnant women with incomes between 176 and 200% of the prevailing FPG did not regain eligibility.

We assume that all persons regaining eligibility under SB27/2007 will enroll sometime during SFY2008 and be covered by the additional funding requested in the corresponding fiscal note. This fiscal note addresses only persons with incomes between 176 and 200% FPG that would regain eligibility under SB 212.

Between 2003 and 2006, the number of enrolled children with household incomes between 151% and 200% FPG dropped by 2,553 and the number of enrolled pregnant women with incomes between 134% and 200% dropped by 436. This fiscal analysis assumes that the additional enrollment due to this bill will be equal to about half that number of people (estimated as 218 pregnant women and 1277 children). We assume that most people affected by this bill will enroll by the end of SFY 2009 and that enrollment will resume normal growth (about 2% per year) thereafter.

Costs projections incorporate 8.6% annual growth (Long Term Forecast of Medicaid Enrollment and Spending in Alaska: 2005-2025, DHSS, updated for 2006). That growth rate allows for 5% medical inflation (Anchorage CPI, medical care component) and annual growth in the FPG.

ANALYSIS CONTINUATION

The percentage of enrollees having Medicaid claims paid during the year is "participation" (recipients as a percentage of enrollment). We assume that participation will not change with implementation of this bill and will remain the same throughout the projection period. First year costs are based on our estimate for the number of new enrollees times the average cost per enrollee for the affected eligibility subtypes in 2007. Medicaid children in the income range addressed by this bill tend to have lower Medicaid costs than those from families with lower incomes, and those lower costs are reflected in our estimates.

Expenditures for the Health Care Services Medicaid component were determined based on that component's share of expenses for the affected eligibility subtypes in 2007. Health Care Services Medicaid paid 99.9% of the costs for affected pregnant women and 85.8% of the costs for affected children in 2007.

Fund source calculations combine the percentages of costs reimbursed as IHS, Title XIX, or Title XXI during 2007 for the affected eligibility groups with our current estimates for the corresponding federal medical assistance percentages (FMAPs) between 2009 and 2014. Children affected by this legislation are included in the State Children's Health Insurance Program (SCHIP) so most of their Medicaid costs would normally be matched at the enhanced rate for Title XXI services. However, because Title XXI funding for SCHIP is no longer enough to cover all of that program's expenses, the formula for estimating federal reimbursement for this bill was adjusted to allow only three quarters of Title XXI matching in 2009, with the remaining quarter defaulting to the lower Title XIX rate. Between 2010 and 2014, we estimate that only 2 quarters of expenses for children affected by this bill will be reimbursed at the enhanced match rate.

Don Burrell

From: Patricia-Michael Grandinetti [mikepat@gci.net]

Sent: Tuesday, January 22, 2008 7:30 PM

To: Sen. Bettye Davis

Subject: SB 212

Senator Davis –

I know that you are a great supporter of Denali Kid Care! I just wanted to let you know that I support this bill and hope that it will pass through your committee quickly.

Thanks,
Patti Hong, RN
5654 Chilkoot Ct G201
Anchorage AK 99504

1/22/2008

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

*Advisory Board on Alcoholism and Drug Abuse
Alaska Mental Health Board*

Sarah Palin, GOVERNOR

*P.O. BOX 110608
JUNEAU, AK 99811-0608
PHONE: (907) 465-8920
FAX: 465-4410*

January 23, 2008

RE: SB 212 – Eligibility for Denali KidCare
Testimony to the Senate HESS Committee

The Alaska Mental Health Board and the Advisory Board on Alcoholism and Drug Abuse strongly support SB 212 and urge its passage from committee.

- **SB 212 will make health insurance accessible to more children in Alaska.** Alaska has the third lowest DKC eligibility rate in the nation. Combined with a 31% decline in the number of children covered by private health insurance in the last decade, Alaska is taking a costly risk with the health and behavioral health of its children and the well-being of families.
- **DKC covers the majority of children's behavioral health care.** Providing kids with prevention and early intervention behavioral health services are critical to their long-term mental health and the well-being of their families. In addition, access to these services will help control the mounting costs of inpatient psychiatric care.
- **DKC is a good bargain for the State of Alaska.** The federal government covers 70% of the cost of DKC. Also, those families who can afford it will make a meaningful financial contribution towards their children's health coverage.
- **DKC saves the State of Alaska money in the long run.** Children without health care get less preventative care, have much higher health risks and are four times more likely to use expensive emergency room care. Research shows that immunizations, annual visits to a doctor, dental care and screenings for vision, hearing and developmental disabilities are all long-term money savers for the health care system as a whole.
- **DKC saves all Alaskans money.** In 2004, Anchorage hospitals provided almost \$89 million in uncompensated care. These costs are passed on to Alaskan business and individuals in higher insurance premiums and out of pocket health care costs.

Don Burrell

From: Sundi Hondl [sundi@excel-pt.com]
Sent: Monday, January 21, 2008 12:24 PM
To: Sen. Bettye Davis
Subject: SB 212

RECEIVED
JAN 22 2008

Dear Senator Davis,

I am writing to ask for your support of SB 212 regarding Denali Kid Care and it's restoration back to the 200% of federal poverty level guidelines.

31% more kids are out of private health insurance, which may lead to less health screenings, preventative health care, and promotion of more serious long term problems. Having your health care needs met at an emergency room is very expensive to the state, businesses and to those who work but are uninsured families.

It will save our state money in the long term and prevent further serious problems if health problems are treated or caught earlier.

Providence health systems provided 89 million dollars of uncompensated care, which will be passed on in higher hospitalization rates to those who are insured. It doesn't seem like a good cycle to be in, or to smaller businesses who will end up paying out more for those they do insure.

Thank you for your consideration on this.

Sincerely,

Sundi Hondl, PT, OCS
Alaska PT Association Chapter President

1/21/2008



Fax Cover Sheet

Alaska State Office | 3901 C Street,
907.341.2270 fax | Suite 1420
907.341.2277 voice
ak@aarp.org

Anchorage, AK
99503

TO:	SENATOR BETTYE DAVIS	FROM:	PAT LUBY
COMPANY:	_____	DATE:	<u>907-762-3314</u>
FAX NUMBER:	907-465-3756	# PAGES:	_____

AARP is a nonprofit, nonpartisan membership organization dedicated to making life better for people 50 and over. We provide information and resources; engage in legislative, regulatory and legal advocacy; assist members in serving their communities; and offer a wide range of unique benefits, special products, and services for our members. These include AARP The Magazine, published bimonthly; AARP Bulletin, our monthly newspaper; Segunda Juventud, our quarterly newspaper in Spanish; Live and Learn, our quarterly newsletter for National Retired Teachers Association members; and our Web site, www.aarp.org. We have staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.



January 23, 2008

**The Honorable Bettye Davis, Chair
Senate Health, Education and Social Services Committee
Alaska State Capitol, Room 30
Juneau, AK 99801-1182**

RE: SB 212 (Davis)--Support

Dear Chair Davis:

On behalf of the members of AARP in Alaska, we encourage your colleagues on the Senate Health, Education and Social Services Committee to support SB 212, authored by you.

AARP is the world's largest organization of grandparents. We are concerned about health insurance coverage for everyone's grandchildren.

SB 212 will return the Denali KidCare program to the former eligibility level of 200% FPL. We think this is an excellent proposal and should provide comprehensive and preventive health coverage for many more young Alaskans and pregnant women.

AARP members understand how important health insurance is to them; we support the efforts of this bill to provide coverage to other Alaskans who need it.

AARP requests an "AYE" vote on SB 212.

Should you have any questions about our position, please feel free to contact me (586-3637) or Patrick Luby, AARP Advocacy Director (907-762-3314).

Thank you for your consideration.

Sincerely,

Marie Darlin

Marie Darlin, Coordinator
AARP Capital City Task Force
415 Willoughby Avenue, Apt. 506
Juneau, AK 99801
586-3637 (voice)
463-3580 (fax)

CC: Senator Joe Thomas
Senator John Cowdery
Senator Kim Elton
Senator Fred Dyson

Explanation of FY2009 Budget Changes

Health Care Services	2008	2009 Gov	08 to 09 Change
General Funds	233,293.1	262,946.4	29,653.3
Federal Funds	473,732.9	468,738.9	-4,994.0
Other Funds	23,318.2	24,418.2	1,100.0
Total	730,344.2	756,403.5	25,759.3

**Totals include Adult Preventative Dental Medicaid Services RDU. Fund source breakdown for FY2008 is \$1,543.17 GF/\$7,323.9 Fed/\$1,425.0 Other; and for FY2009 \$3,518.7 GFM/\$5,348.3 Fed/\$1,400.0 Other.*

Health Care Services Medicaid

FY09 Medicaid SCHIP Allotment Shortfall: \$2,000.0 Total \$1,000.0 Federal, \$1,000.0 GF/Match

This request replaces lost federal revenues resulting from a decrease in the amount of federal funds available for the State Children's Health Insurance Program (SCHIP), a part of Alaska's Medicaid program operated through Denali KidCare. This increment is necessary to maintain the current level of health care provided to these children and supports the department's mission to manage health care for Alaskans in need.

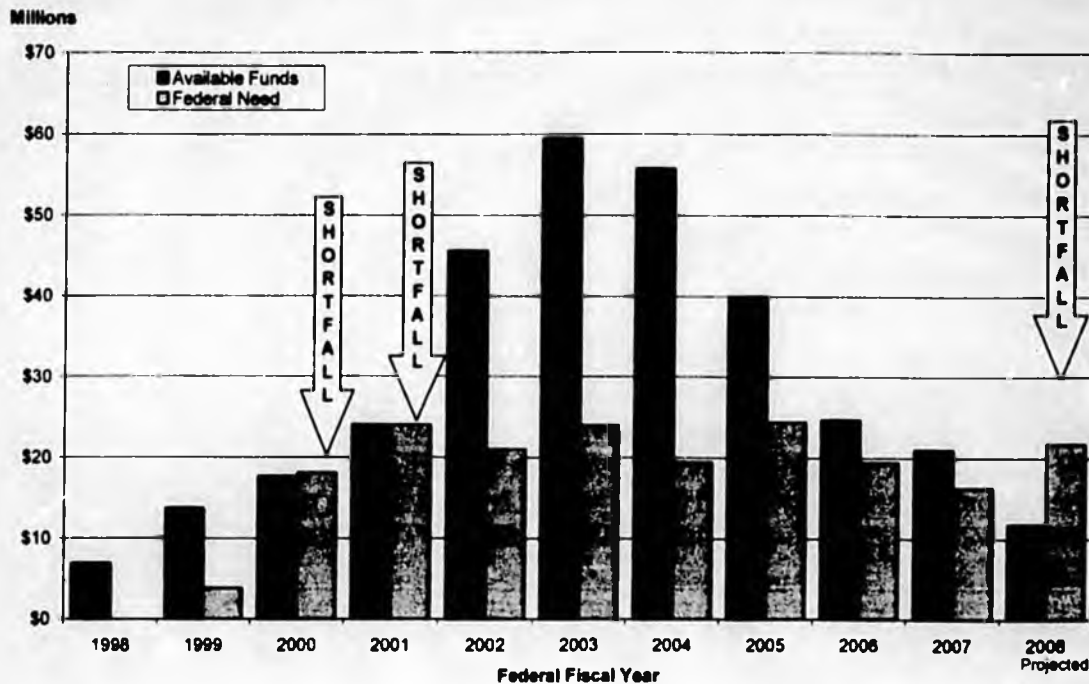
SCHIP helps reach uninsured children whose families earn too much to qualify for regular Medicaid but not enough to afford private coverage. Each month, SCHIP provides health coverage for about 9,000 uninsured children under age 19. Without this funding, low-income children now enrolled in Denali KidCare could lose their SCHIP health coverage and become uninsured.

The federal and state governments jointly fund SCHIP. The amount of federal funding depends on the federal SCHIP allotment which has not grown to keep pace with SCHIP expenditures. The federal medical assistance percentage, or FMAP, determines the amount of state matching funds. The state receives a higher, enhanced FMAP for SCHIP than for regular Medicaid; however, this enhanced reimbursement is capped at the SCHIP allotment. If costs exceed available SCHIP funds, claims are reimbursed at the lower, regular FMAP, resulting in reduced federal revenues. Alaska will have only 43 percent of the federal SCHIP funding needed to cover program expenditures in 2009, exhausting its SCHIP funds in the second quarter. When it reverts to regular Medicaid, the difference in federal reimbursement rates means that Health Care Services Medicaid Services component will need an additional \$1,000.0 GF in 2009.

Alaska's annual allotment has fluctuated between \$7 million and \$11 million. Since Alaska's annual allotment represents only about 30 percent of our costs, we have relied heavily on unspent funds from other states which were redistributed to Alaska to maintain access to the enhanced FMAP. As more and more states have increased their SCHIP programs, there is less and less redistributed funding available and we do not anticipate any further redistributions.



Denali KidCare M-SCHIP Federal Funds Available and Federal Need



FY09 Projected Medicaid Formula Growth: \$41,381.6 \$25,587.7 Federal, \$14,793.9 GF/Match
For FY09, Health Care Services' Medicaid costs are projected to grow 6 percent over the FY08 authorized amount of \$689,694.3. This increment request is necessary to maintain the current level of long-term health services in Medicaid. The Medicaid Services component funds acute health care services such as hospitals, physicians, pharmacy, and dental and other Medicaid services such as premium assistance and supplemental hospital payments.

In FY07 Health Care Services contracted approximately 6 percent from the previous fiscal year. Growth in FY08 is expected to be 9-percent higher than FY07. The requested FY09 growth increment, 6 percent, is based on the FY08 projection and the FY09 baseline forecast from the short term forecasting model.

Most of the increase can be attributed to hospital services which are expected to grow at approximately 11 percent between FY07 and FY08 and 6 percent between FY08 and FY09. Hospital and physician services were both affected by rate rebasing in FY08. Transportation and Pharmacy also contributed to the overall growth with growth rates between 6 percent and 7 percent.

The fund source projection is based on the actual amount of federal revenue collected in SFY07 in this component, 68.2 percent, and assumes that the proportion of expenditures eligible for each type of federal reimbursement remains the same. It also assumes that the SFY09 average federal medical assistance percentage remains at 53.76 percent for regular Medicaid and 67.63 percent for enhanced FMAP.

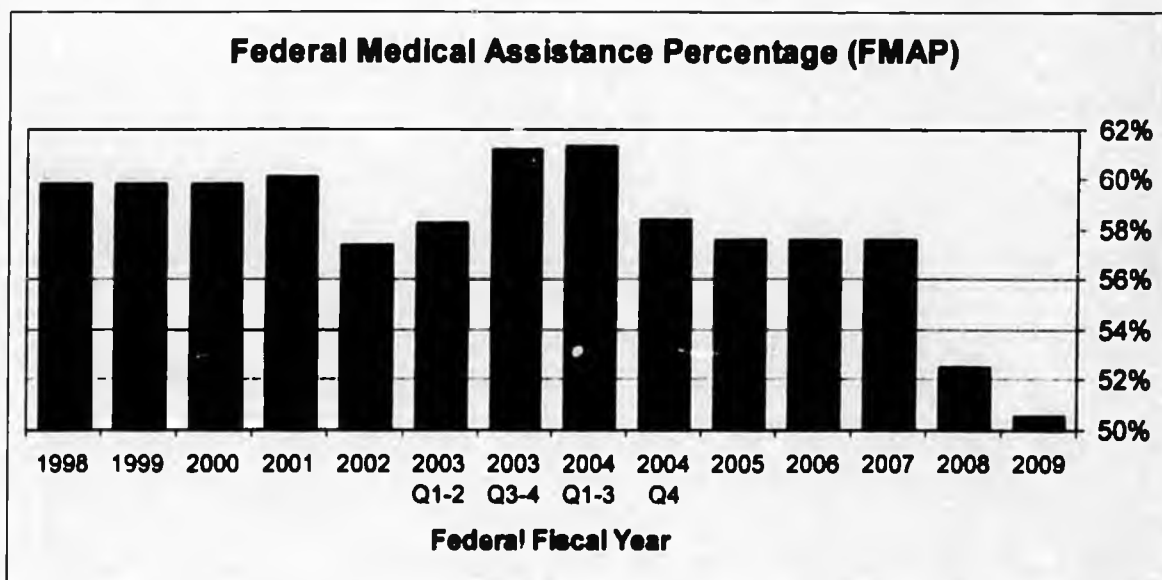
FFY09 Federal Medical Assistance Percentage (FMAP) Rate Change for Medicaid: (\$14,308.5 Federal), \$14,308.5 GF/Match

This request replaces lost federal revenues resulting from a 1.95-percent decrease in the annual rate the federal government reimburses the state for Medicaid benefits that will take effect on October 1, 2008.

The federal and state governments jointly fund Medicaid. The federal fund reimbursement rate is set by the Centers for Medicare and Medicaid and is outside the control of the state government. One in five Alaskans is enrolled in Medicaid at some time each year. Without the increment the state would be forced to reduce eligibility or services currently provided to low income children, pregnant women, individuals with disabilities, and the elderly. By approving this change record, the department will be able to continue to meet its mission of managing health care for Alaskans in need.

The amount of federal funds the state receives for its Medicaid program depends on a complex array of reimbursement rates, some of which change each October 1st with the start of a new federal fiscal year. The bulk of the federal funding for Medicaid benefits comes from claims reimbursed at the federal medical assistance percentage or FMAP. The FMAP rate is based on the state's national rank of per capita personal income but can be no less than 50 percent. Also affected are the State Children's Health Insurance Program (SCHIP) and the Breast and Cervical Cancer program (BCC) which are part of Alaska's Medicaid program. Eligible claims for SCHIP and BCC are reimbursed at an enhanced FMAP rate which reduces the state share of costs by 30 percent over the regular FMAP.

The regular FMAP is projected to drop from 52.48 percent to 50.53 percent in FFY09 and the enhanced FMAP from 66.74 percent to 65.37 percent. The regular FMAP for SFY09 will average 51.02 percent across two federal fiscal years (52.48 percent from July–September 2008 and 50.53 percent from October 2008–June 2009). The enhanced FMAP for SFY09 will average 65.71 percent (66.74 percent from July–September 2008 and 65.37 percent from October 2008–June 2009).



Approximately 67 percent of the Medicaid Services component's claims are reimbursed at the regular FMAP and another 6 percent at the enhanced FMAP (the remaining 27 percent is Indian Health Service, family planning, or non-reimbursable and is not affected by the change in FMAP). Based on current estimated expenditures for Medicaid, the FFY09 change in FMAP will require an estimated \$14,308.5 increase in GF to replace the lost federal funds and maintain services at the current level.