

**03/21/13
PRESENTATION:
KENAI
PENNINSULA
BOROUGH –
MEDICAID
EXPANSION**

<TARGET><BILL></BILL><SUBJECT>03-21-13 PRESENTATION
KENAI PENNINSULA BOROUGH – MEDICAID
EXPANSION</SUBJECT><COMM>HHSS28</COMM></TARGET>



KENAI PENINSULA BOROUGH

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**MIKE NAVARRE
BOROUGH MAYOR**

Kenai Peninsula Borough

Presentation to the Health & Social Services Committee Alaska House of Representatives March 21, 2013

The Kenai Peninsula Borough is located in Southcentral Alaska. The Borough boundaries encompass a total of 25,600 square miles, 15,700 of which are land. The total land mass of the Kenai Peninsula Borough equals that of Massachusetts and New Jersey combined. The Kenai Peninsula Borough is the fourth most populous borough in the State of Alaska, with a population of approximately 57,000 residents.

The Kenai Peninsula Borough has one of the state's most diverse economies, including oil and gas, commercial fishing, sport fishing and tourism. The oil and gas industry accounts for approximately one-third of the labor force.

The Kenai Peninsula Borough owns two hospitals, Central Peninsula Hospital located in Soldotna and South Peninsula Hospital located in Homer. Both hospitals are operated by local non-profits under lease and operating agreements with the Borough.

Mayor Mike Navarre will be making the presentation for the Kenai Peninsula Borough. Mayor Navarre was elected to his current term in November 2011. He previously served as Kenai Peninsula Borough Mayor from 1996-99 and served in the Alaska House of Representatives from 1985-96.

Presentation to the
Health & Social Services Committee
Alaska House of Representatives

Mayor Mike Navarre
Kenai Peninsula Borough
March 21, 2012

Medicaid Expansion

- ▣ **States must opt in**
- ▣ **Effective January 1, 2014**
 - ▣ **Adults under 65 and not already in eligibility category**
 - ▣ **Up to 138% Federal Poverty Level**
 - ▣ **Modified Adjust Gross Income**
- ▣ **Higher Federal match**

Enhanced Federal Medicaid Match Rate for New Eligibility Group

Figure 3. FMAP (Federal Medical Assistance Percentage) under ACA Medicaid Expansion

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	7-year average ('14-'20)	10-year average ('14-'23)
General Population:												
Federal share	100%	100%	100%	95%	94%	93%	90%	90%	90%	90%	96%	94%
State share	0%	0%	0%	5%	6%	7%	10%	10%	10%	10%	4%	6%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Alaska Natives and American Indians Served by Tribal Health Organizations:												
Federal share	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
State share	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Effective FMAP Rate: General Population and AN/AIs: health services												
Effective Federal share:	100%	100%	100%	95.7%	94.9%	94.0%	91.5%	91.5%	91.5%	91.5%	96.6%	95.1%
Effective State share:	0.0%	0.0%	0.0%	4.3%	5.1%	6.0%	8.5%	8.5%	8.5%	8.5%	3.4%	4.9%

Medicaid Expansion in Alaska: Enrollment and Spending

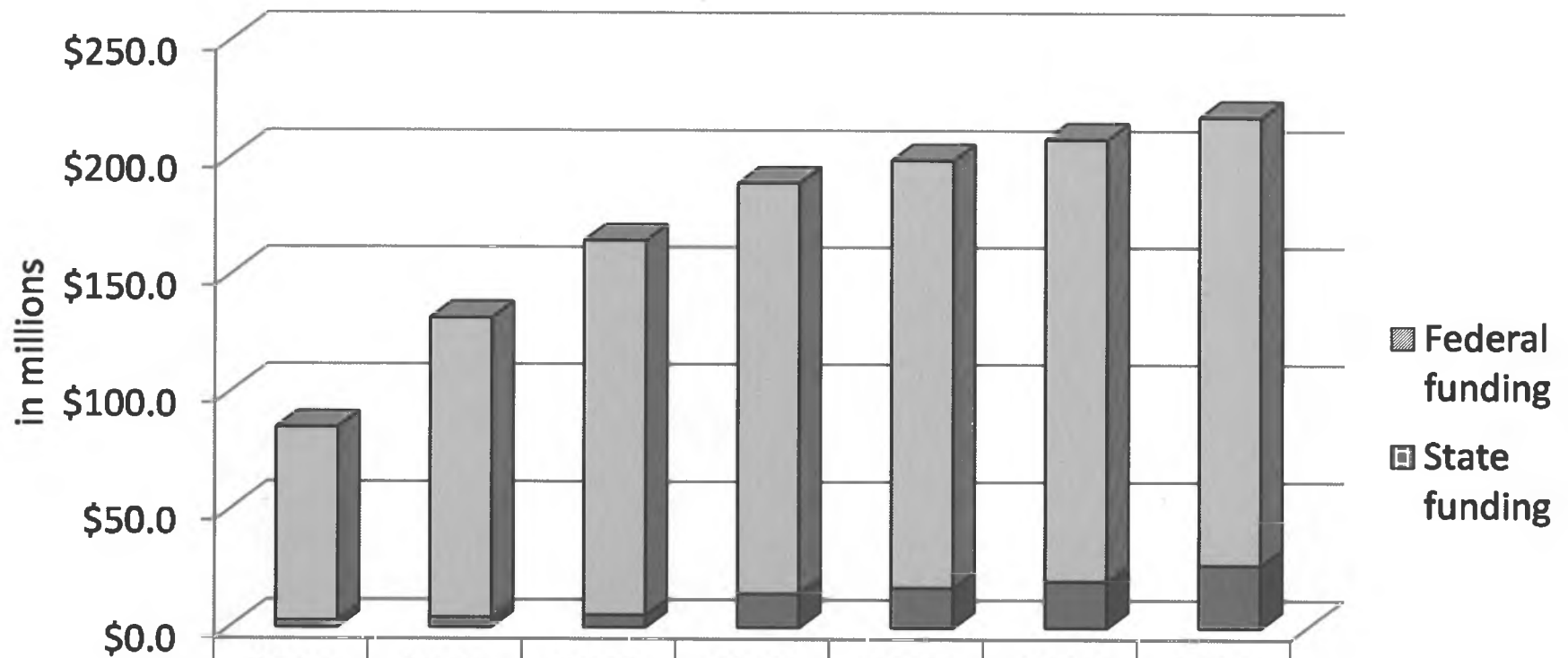
**Figure 8: Enrollment and Spending: Medicaid Expansion Option in State of Alaska,
2014 - 2020**

Medicaid Expansion Enrollment	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	Cumulative: <u>2014 - 2020</u>
Total expansion enrollment	19,392	28,970	34,862	38,532	38,953	39,148	39,344	---
<i>Annual change</i>		49.4%	20.3%	10.5%	1.1%	0.5%	0.5%	
Medicaid Expansion Spending (millions)	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	
State	\$3.0	\$4.3	\$5.2	\$14.5	\$17.1	\$19.8	\$26.7	\$91
Federal	\$81.9	\$127.4	\$159.6	\$174.8	\$182.0	\$188.2	\$190.7	\$1,105
Total Federal and State Spending on Medicaid Expansion	\$85	\$132	\$165	\$189	\$199	\$208	\$217	\$1,196
<i>Annual change</i>		55.2%	25.1%	14.8%	5.1%	4.5%	4.5%	

Source: Urban Institute, Medicaid in Alaska under the ACA, 23 January, 2013; Table 2 and Figure 10, health services and administrative costs.

\$1 State to \$12 Federal

**Figure 9. Funding of Alaska's Medicaid Expansion Option
2014 - 2020**



	2014	2015	2016	2017	2018	2019	2020
Federal funding	\$81.9	\$127.4	\$159.6	\$174.8	\$182.0	\$188.2	\$190.7
State funding	\$3.0	\$4.3	\$5.2	\$14.5	\$17.1	\$19.8	\$26.7

Medicaid Expansion in Alaska: Impact and Cost to Taxpayers

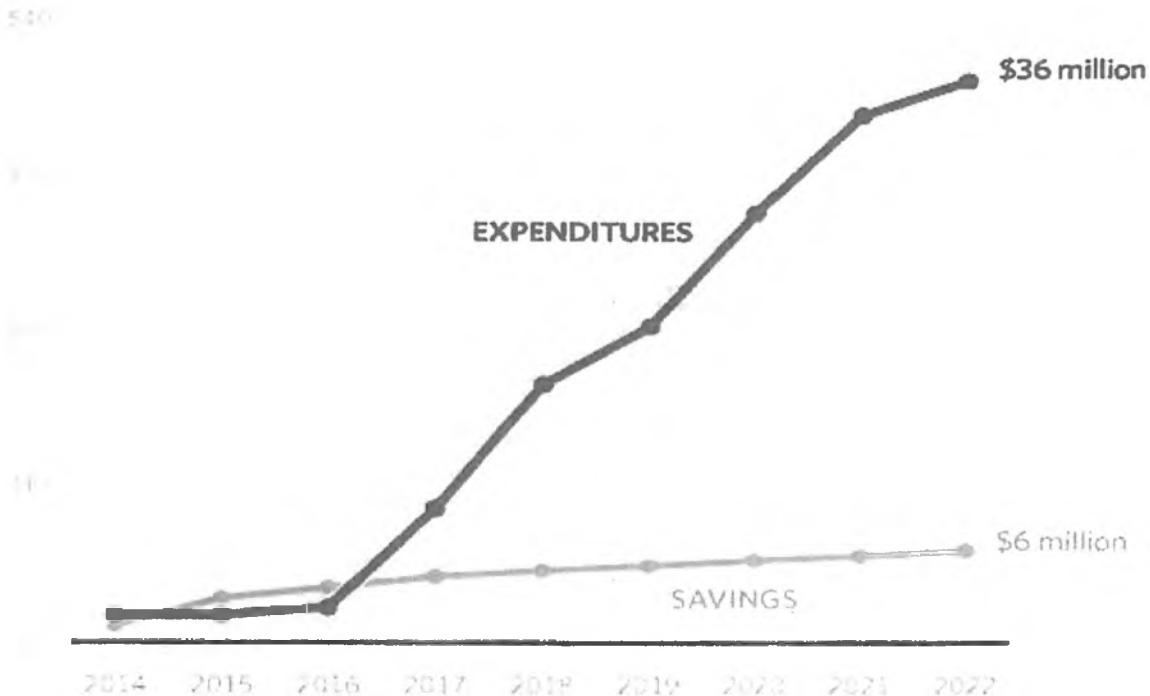
Created on March 5, 2013



Medicaid Expansion in Alaska: \$109 MILLION

Medicaid expansion in Alaska would result in a rapid increase in spending beginning in 2017, quickly surpassing any modest savings from reductions in state payments to providers for uncompensated care. On net, the expansion would cost Alaska taxpayers \$109 million through 2022.

STATE EXPENDITURES AND SAVINGS DUE TO
MEDICAID EXPANSION, IN MILLIONS



Sources: Heritage Foundation calculations based on data and methodology from John Holahan et al., the Urban Institute, "The Cost and Coverage Implications of the ACA Medicaid Expansion: National and State-by-State Analysis," Kaiser Foundation, November 2012, <http://www.kff.org/medicaid/upload/8384.pdf> (accessed February 28, 2013).

heritage.org

Potential Budget offsets

Figure 10. Potential Offsets to State of Alaska Direct Spending on Medicaid Expansion

(Negative numbers indicate savings to State budget)

Budget Offsets	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2014 - 2020</u>
State-funded spending reductions								
Chronic and Acute Care Medical Assistance Program	-\$1.4	-\$1.4	-\$1.5	-\$1.5	-\$1.5	-\$1.5	-\$1.6	-\$10.5
Department of Corrections: High cost cases	-\$5.0	-\$5.1	-\$5.3	-\$5.4	-\$5.5	-\$5.5	-\$5.7	-\$37.5
Immunizations	-\$1.0	-\$1.0	-\$1.1	-\$1.1	-\$1.1	-\$1.1	-\$1.1	-\$7.5
Department of Corrections: Other inpatient visits			-- To be calculated --					
Adult Public Assistance / Interim Assistance			-- To be calculated --					
Reduced cost-shift to State health benefits plan			-- To be calculated --					
Selection of Medicaid by some State employees			-- To be calculated --					
Other			-- To be calculated --					
Total Offsets: State-funded spending reductions	-\$7.4	-\$7.6	-\$7.8	-\$8.0	-\$8.2	-\$8.2	-\$8.4	-\$55.4

Source: Jay Livey, *Analysis of Potential General Fund Offsets*, January 20, 2013; Northern Economics, *Fiscal and Economic Impacts of Medicaid Expansion in Alaska*, January XX, 2013, Table 4.

Net Impact on State Budget

Figure 14. Net Impact on Alaska State Budget from the Medicaid Expansion
Direct State Spending on Medicaid Expansion Less Budget Offsets, 2014 - 2020
 (negative numbers indicate savings to State budget; in millions)

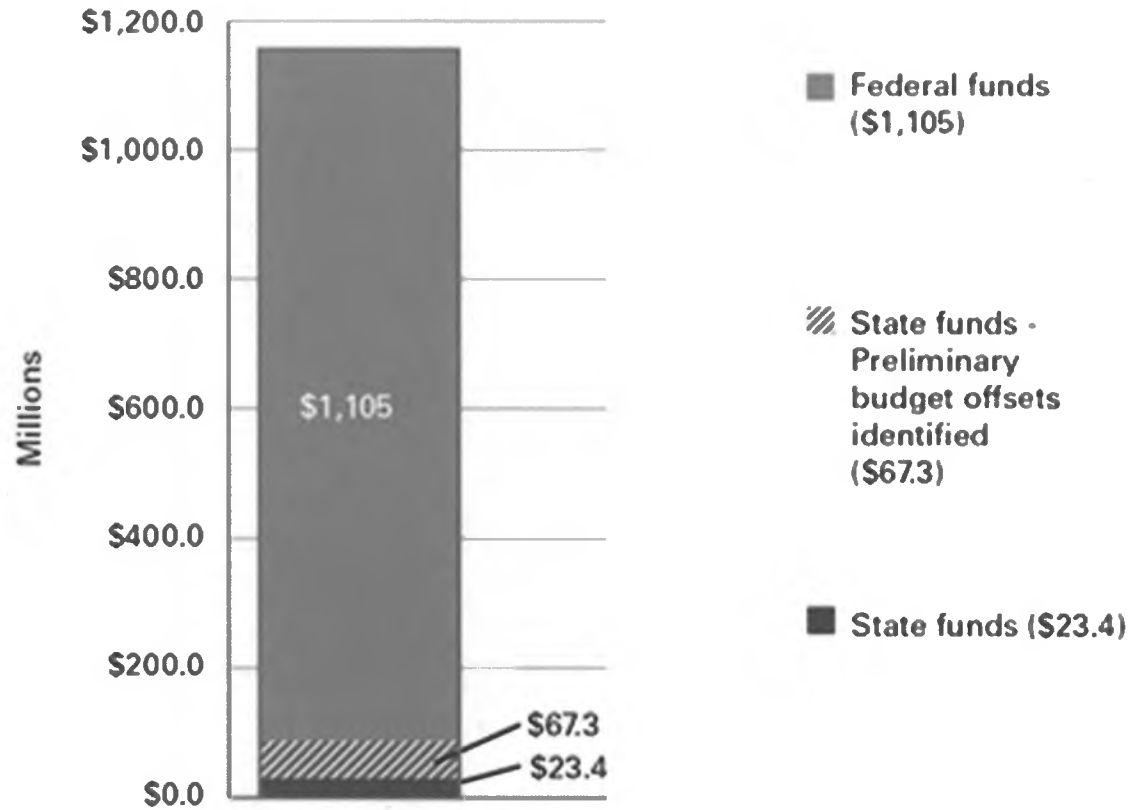
	2014	2015	2016	2017	2018	2019	2020	Cumulative (2014 - 2020)
Direct State spending on Medicaid expansion	\$3.0	\$4.3	\$5.2	\$14.5	\$17.1	\$19.8	\$26.7	\$90.7
Estimated budget offsets (minimum)	-\$7.4	-\$7.6	-\$7.8	-\$8.0	-\$8.2	-\$8.2	-\$8.4	-\$55.4
Additional corporate tax revenue	-\$0.9	-\$1.4	-\$1.6	-\$1.9	-\$2.0	-\$2.0	-\$2.1	-\$11.9
Net Impact on State Budget	-\$5.3	-\$4.6	-\$4.1	\$4.6	\$6.9	\$9.6	\$16.3	\$23.3
Cumulative net impact on State budget	-\$5.3	-\$9.9	-\$14.1	-\$9.5	-\$2.5	\$7.1	\$23.3	

Sources: Urban Institute, *Medicaid in Alaska under the ACA*, February 1, 2013; UI Table 2 and UI Figure 10, health services and administrative costs; Jay Livey, January, 2013; and Northern Economics, *Fiscal and Economic Impacts of Medicaid Expansion in Alaska*, February 1, 2013, drawn from NEI Table 2 and NEI Figure 10.

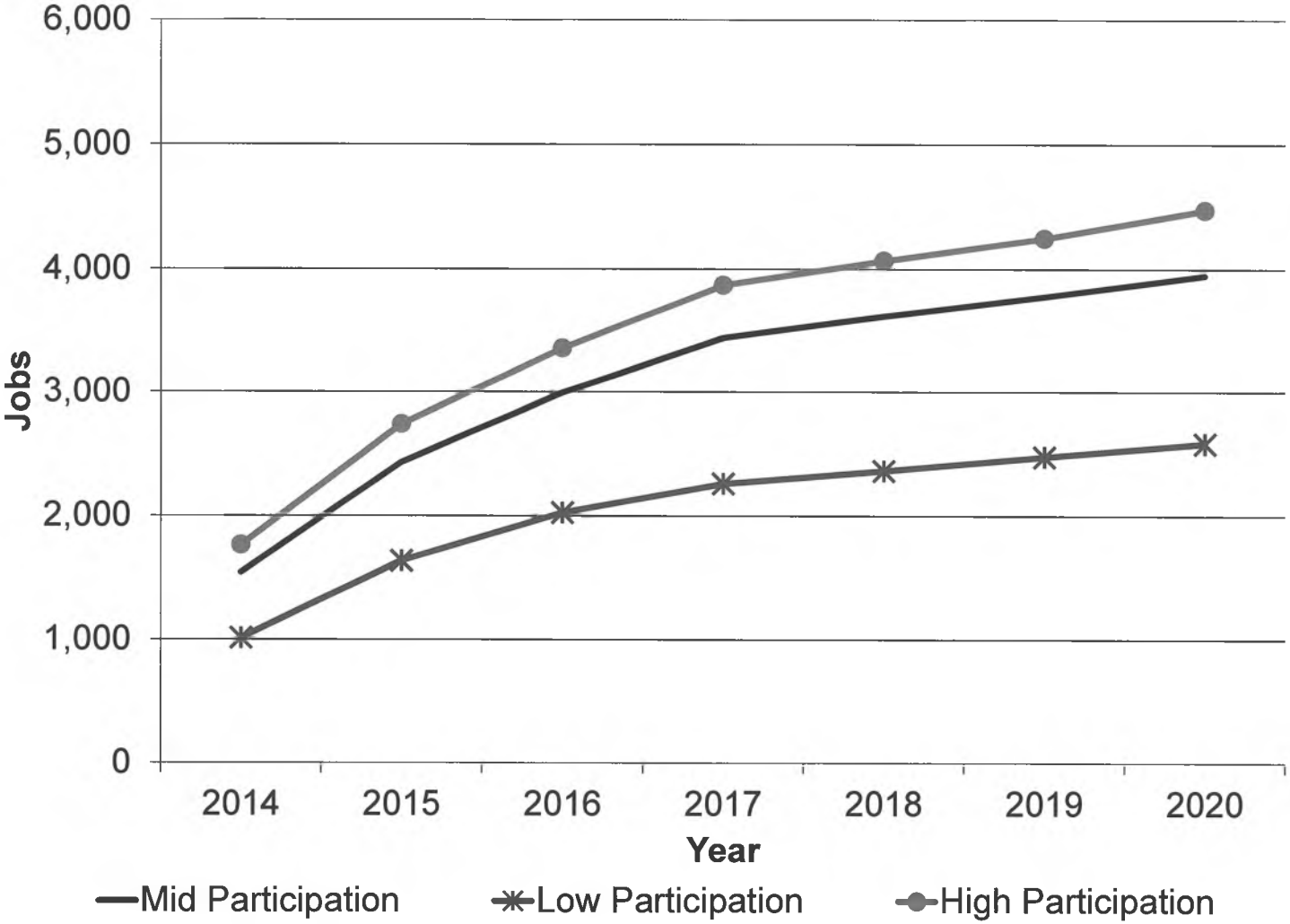
Return on Investment

Figure 1: State and Federal Funding for Alaska's Medicaid Expansion (2014 - 2020; millions)

-- with preliminary budget offsets --

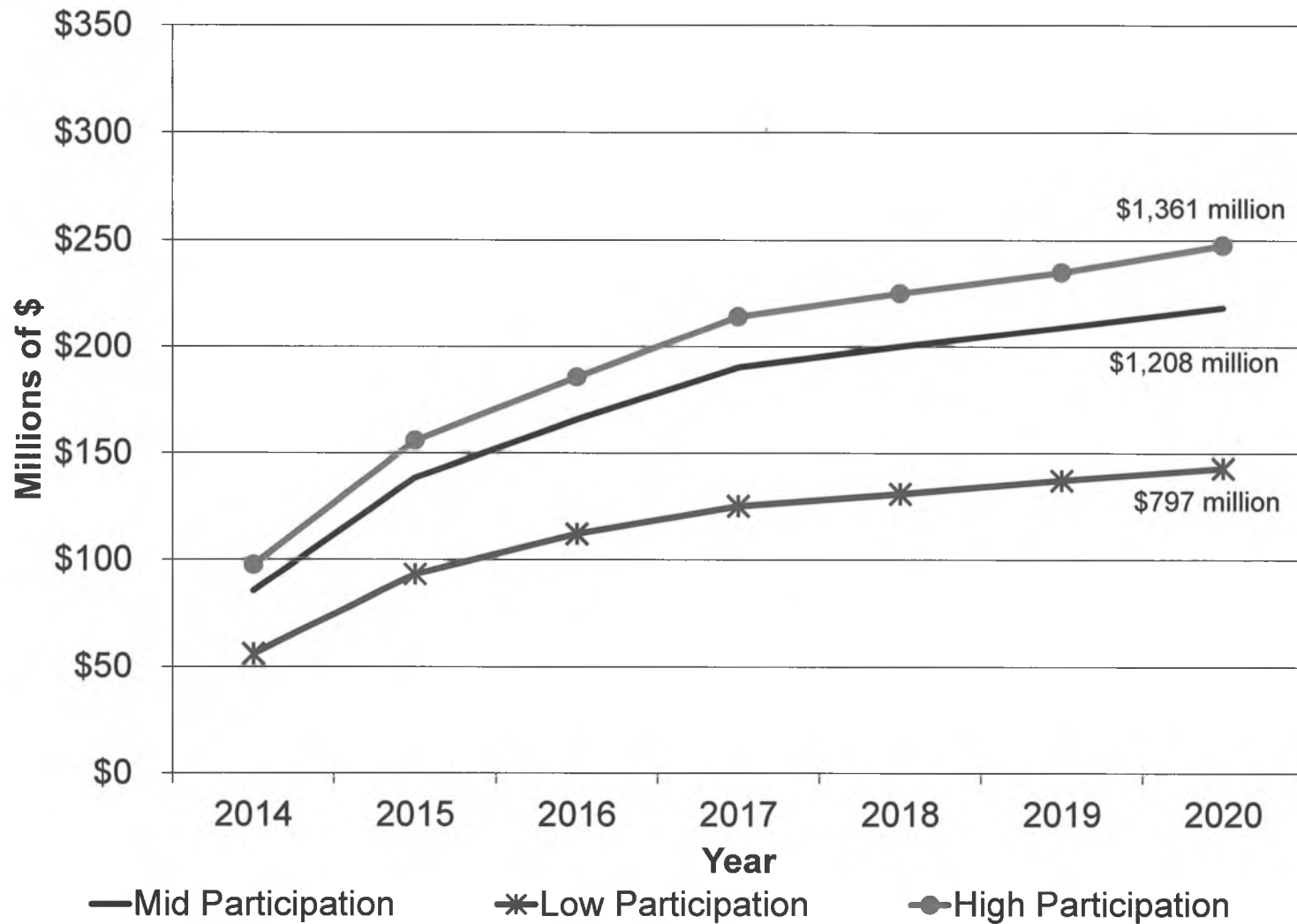


Substantial Job Growth



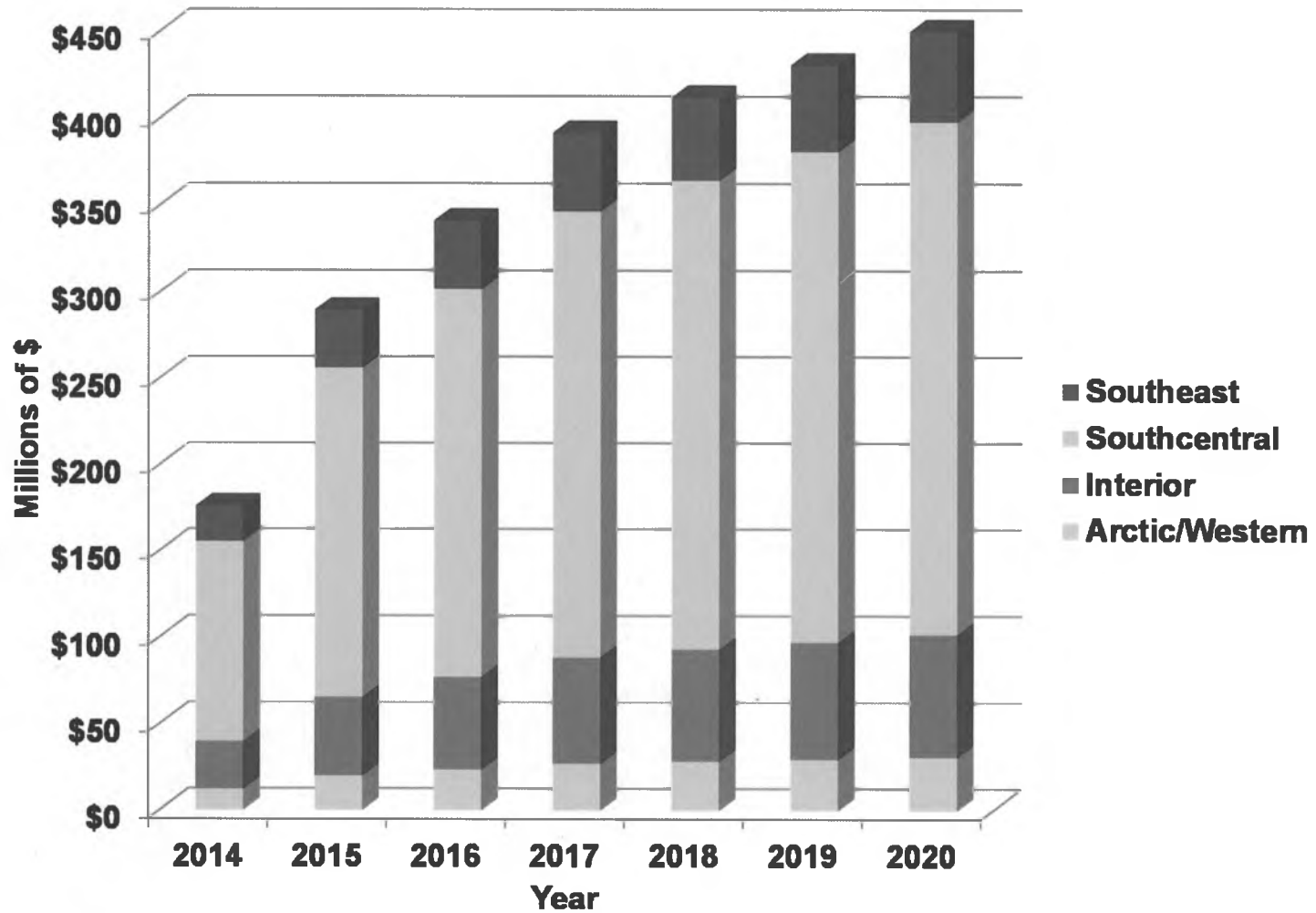
Source: Northern Economics, Inc. *Fiscal and Economic Impacts of Medicaid Expansion in Alaska*. February 1, 2013, NEI Figure 6.

Increased Wages



Source: Northern Economics, Inc. *Fiscal and Economic Impacts of Medicaid Expansion in Alaska*. February 1, 2013, NEI Figure 7.

Regional Impact

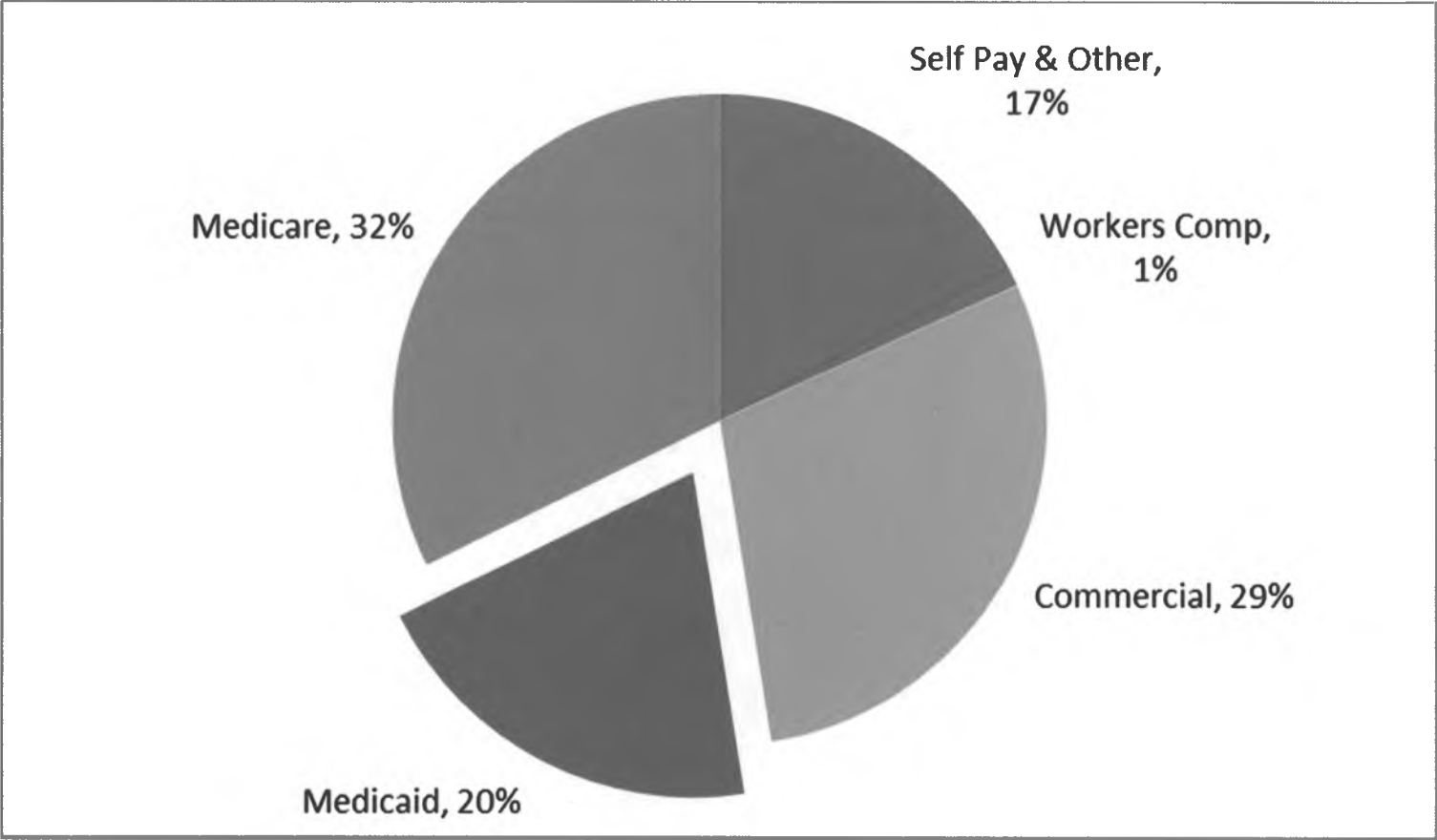


Source: Northern Economics, Inc. estimates using UI data and FY2010 data on Medicaid payments to facilities across the states.

Summary

- Medicaid coverage for 40,000 uninsured Alaskans
- \$1.1 Billion in new federal revenue to Alaska
- 4,000 new jobs
- \$1.2 Billion more in salaries and wages paid to Alaskans
- \$2.49 Billion in increased economic activity throughout Alaska
- State spending: \$90.7 million w/o offsets and \$24 million with offsets

Who Pays the Hospital Bill?



Hospitals Must Serve All Who Need Care

- 2011 Uncompensated Care = \$217 million
- Underpayments = \$200 million

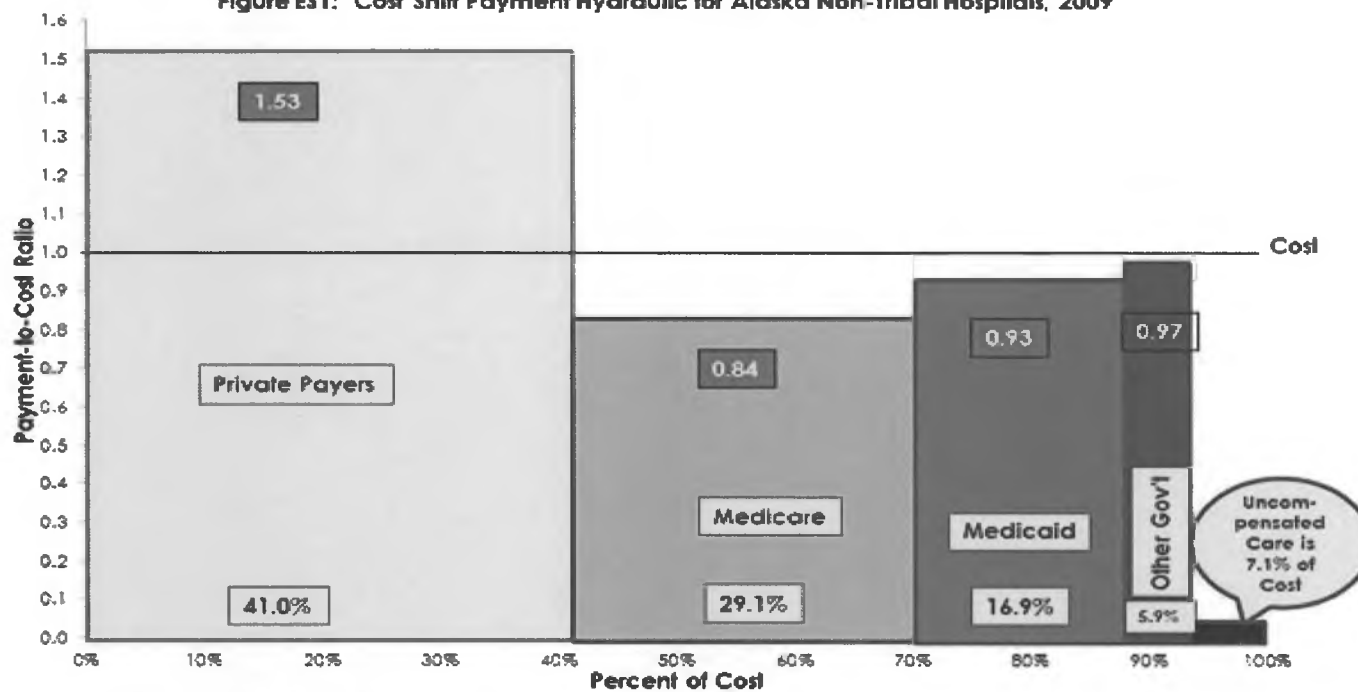


ASHNHA

ALASKA STATE HOSPITAL &
NURSING HOME ASSOCIATION

Cost Shift Hydraulic

Figure E51: Cost Shift Payment Hydraulic for Alaska Non-Tribal Hospitals, 2009



Private payers include private insurance, self pay, and other non-government payers



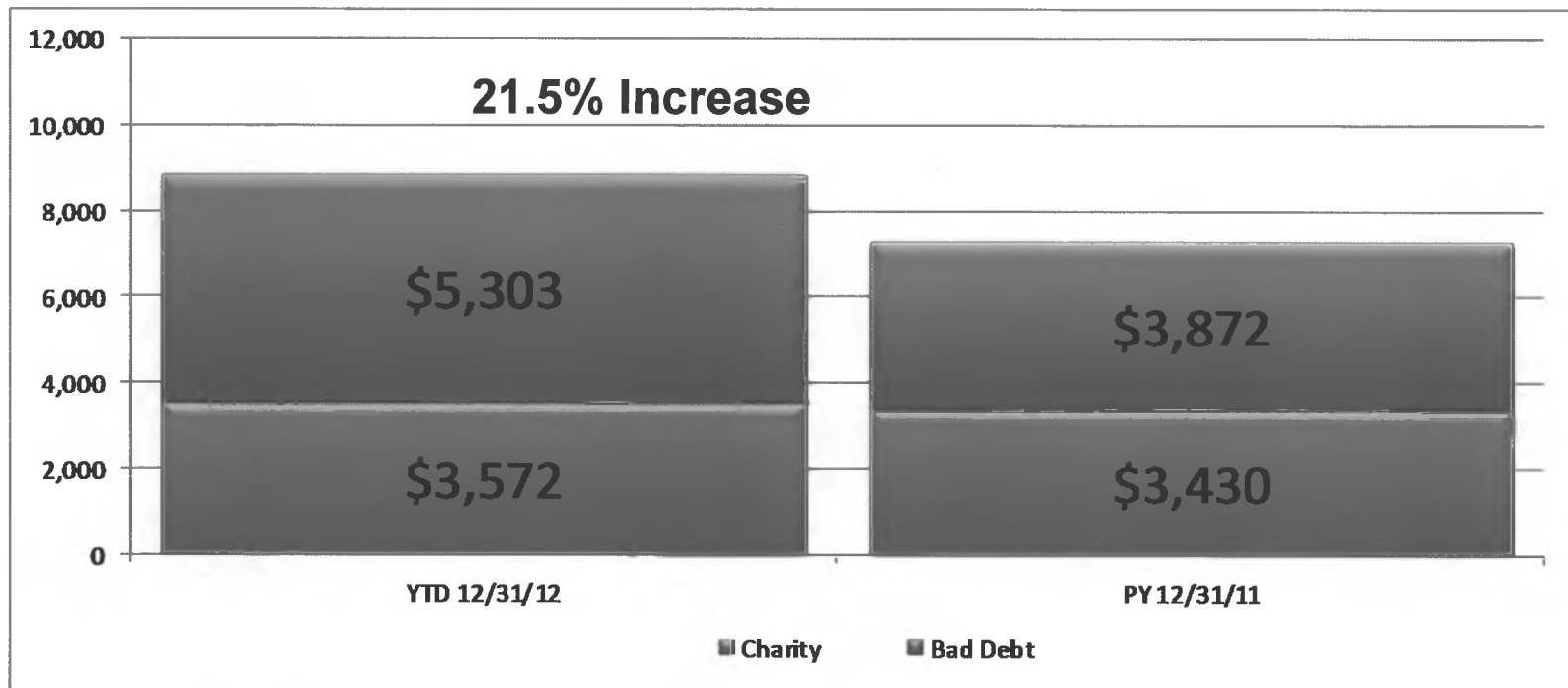
ALASKA STATE HOSPITAL & NURSING HOME ASSOCIATION

Cost Shifting to Private Payers

- Uncompensated care increased insurance premiums in Alaska by \$257 per insured person per year in 2009.
- Underpayment increased insurance premiums by \$628 per privately insured person per year in 2009.

Central Peninsula Hospital Charity Care & Bad Debt FY – 2013

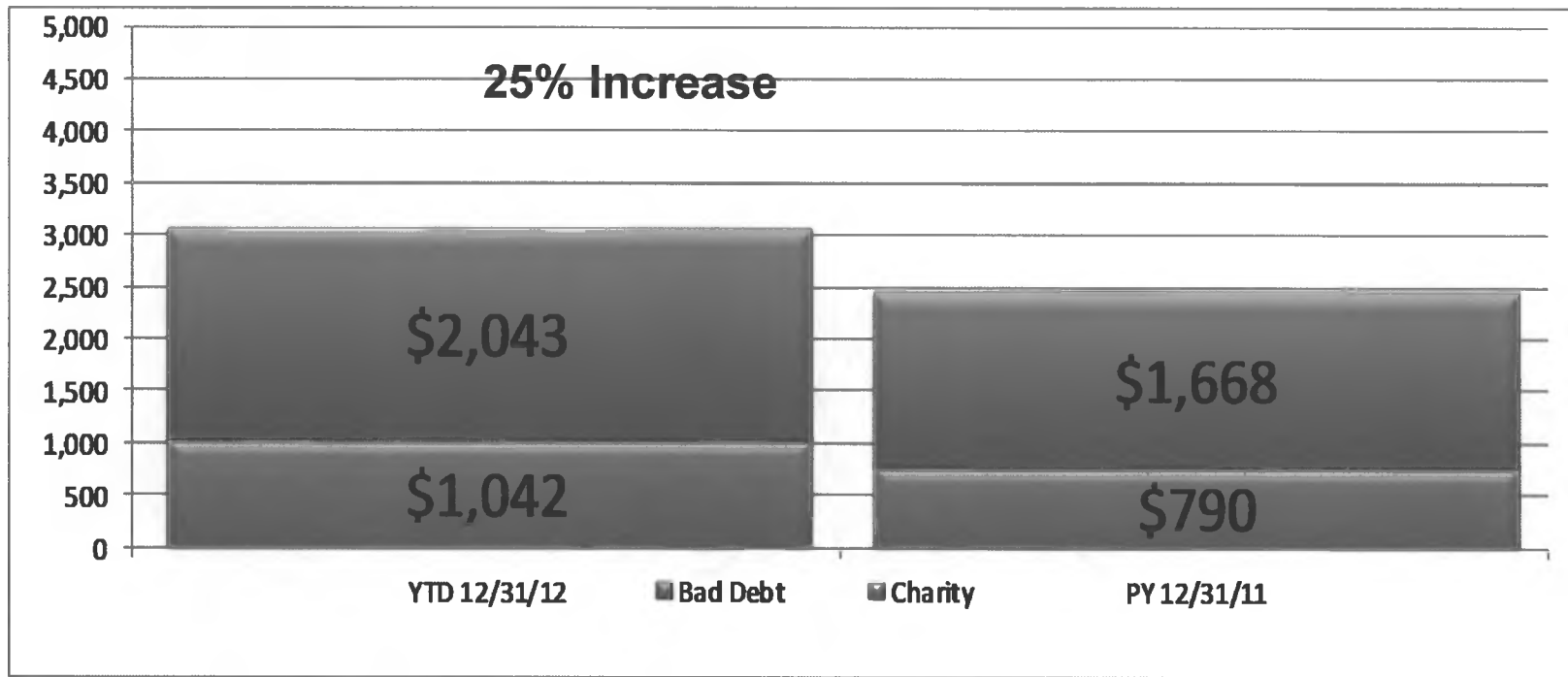
(in thousands)



Community Benefit

South Peninsula Hospital Charity Care & Bad Debt FY – 2013

(in thousands)



Community Benefit

Medicaid Eligible in AK

- Total Enrollees FY12 149,094
- Total Receiving Services 136,913 (91.8%)

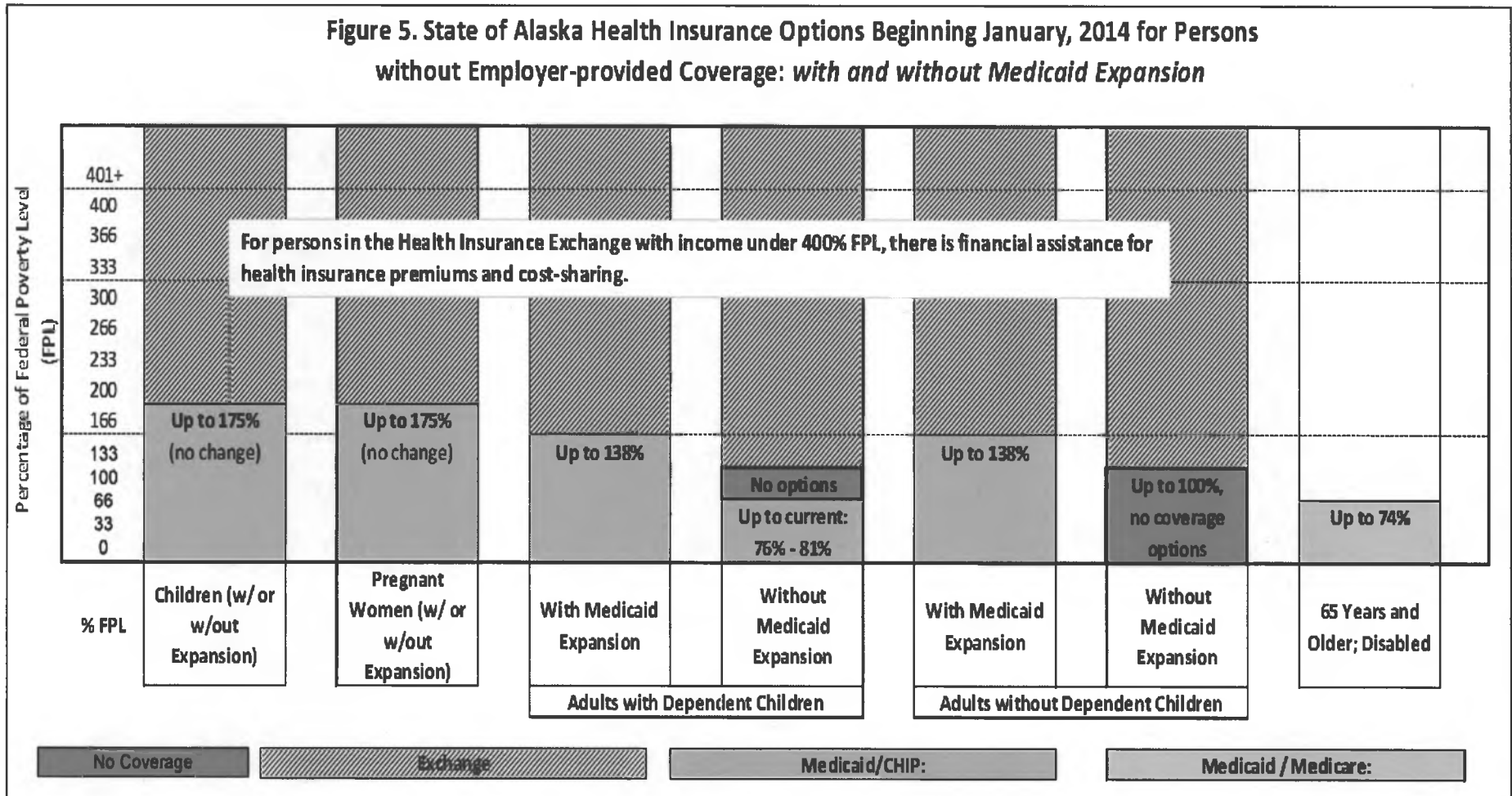
- KPB Eligible FY12 12,090 (8.1% of total)

Potential New Medicaid Enrollees Statewide 40,000

KPB Portion of new enrollees estimate 3,240

Medicaid Eligible in AK

Figure 5. State of Alaska Health Insurance Options Beginning January, 2014 for Persons without Employer-provided Coverage: *with and without Medicaid Expansion*



Alaska Medicaid Expansion

Under the Affordable Care Act, Alaska has the option of expanding Medicaid eligibility, effective January 1, 2014, to adults with income up to 138% of the federal poverty level. This eligibility level equates to roughly \$20,000 in income for an individual and \$26,000 for a couple. Two studies have been completed – *Medicaid in Alaska Under the ACA* by the Urban Institute and *Fiscal and Economic Impacts of Medicaid Expansion in Alaska* by Northern Economics.^{1,2} These talking points come from the studies and a summary created by ANTHC.^{3,4}

Impact on Individuals and Families in Alaska:

This expansion would extend coverage to two groups of Alaska residents, 1) Adults with children who exceed current eligibility; and 2) Adults without dependent children. Eligibility for low-income children and pregnant women would not change because they already qualify under Medicaid or Denali KidCare.

- By 2020, approximately 39,300 individuals are projected to enroll in Medicaid as a result of the expansion. An additional 10,500 individuals who are currently eligible for Medicaid are projected to enroll (Woodwork Effect) by 2020.
- Nearly 40% of new Medicaid enrollees under the expansion would be Alaska Natives.
- If Alaska opts for the Medicaid expansion, the ACA would cut the number of uninsured by more than half: 9.5% of the nonelderly would be uninsured. This gain in coverage would be mainly through Medicaid (from 17.9% to 25.2%).
- New Medicaid participants will gain more timely access to needed health care services - including related support services such as transportation.
- Extrapolating from the findings of a recent New England Journal of Medicine study, Alaska's statewide mortality rate would be anticipated to decline significantly, potentially achieving a reduction of 6.1% - the equivalent of 1 prevented death per year for each 176 newly covered adults in the expansion.

Summary of the Fiscal and Economic Impacts

- **Ratio of Federal to State Funds:** For every \$1 in State funding related to Medicaid expansion, \$12 in new federal funds will be generated. Total State expenditures for the Medicaid expansion over the 2014-2020 period are estimated to be \$90.7 million. In turn, \$1.1 billion in new federal funds will be generated in the State.
- **Offsets to State Budget:** Up to \$67 million in state offsets further reduce the State expenditures to \$24 million.
- **Number of Jobs Created:** Approximately 4,000 additional jobs will be created in Alaska by 2020 from the Medicaid Expansion.
- **Additional Salaries and Wages Earned:** Between 2014 and 2020, \$1.2 billion in additional labor income will be paid to Alaska residents as a result of Medicaid Expansion.
- **Impact on Hospitals:** Medicaid Expansion will result in an additional \$30-\$60 million per year in spending on hospital care in Alaska.⁵

¹ Medicaid in Alaska Under the ACA, The Urban Institute, January 2013.

² Fiscal and Economic Impacts of Medicaid Expansion in Alaska, Northern Economics, February 1, 2013.

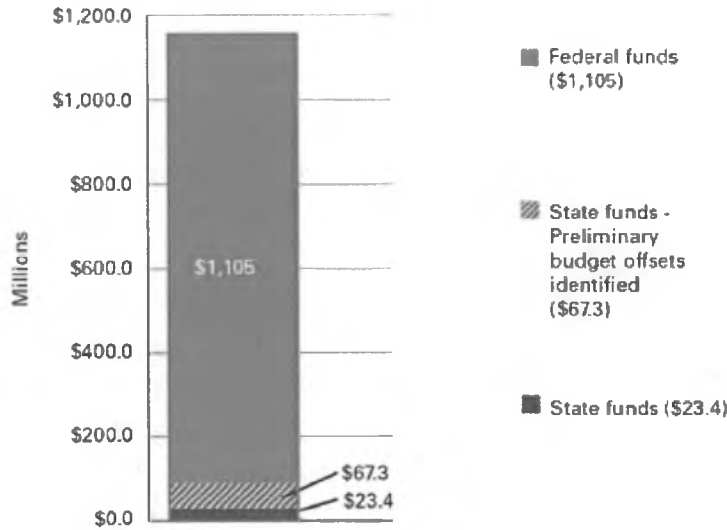
³ Alaska Native Tribal Health Consortium, Healthier Alaskans Create a Healthier State Economy. Anchorage, AK. 2013.

⁴ Data from these studies will need to be correlated with future studies released by the State DHHS.

⁵ ASHNHA Estimate of Medicaid Direct Expenditures Hospital Care, February 2013.

Figure 1: State and Federal Funding for Alaska's Medicaid Expansion (2014 - 2020; millions)

-- with preliminary budget offsets --



Source: Northern Economics, Inc. *Fiscal and Economic Impacts of Medicaid Expansion in Alaska*. February 1, 2013, NEI Figure 4 and NEI Table 7.

Figure 14. Net Impact on Alaska State Budget from the Medicaid Expansion
Direct State Spending on Medicaid Expansion Less Budget Offsets, 2014 - 2020
 (negative numbers indicate savings to State budget; in millions)

	2014	2015	2016	2017	2018	2019	2020	Cumulative (2014 - 2020)
Direct State spending on Medicaid expansion	\$3.0	\$4.3	\$5.2	\$14.5	\$17.1	\$19.8	\$26.7	\$90.7
Estimated budget offsets (minimum)	-\$7.4	-\$7.6	-\$7.8	-\$8.0	-\$8.2	-\$8.2	-\$8.4	-\$55.4
Additional corporate tax revenue	-\$0.9	-\$1.4	-\$1.6	-\$1.9	-\$2.0	-\$2.0	-\$2.1	-\$11.9
Net Impact on State Budget	-\$5.3	-\$4.6	-\$4.1	\$4.6	\$6.9	\$9.6	\$16.3	\$23.3
Cumulative net impact on State budget	-\$5.3	-\$9.9	-\$14.1	-\$9.5	-\$2.5	\$7.1	\$23.3	

Sources: Urban Institute, *Medicaid in Alaska under the ACA*, February 1, 2013; UI Table 2 and UI Figure 10, health services and administrative costs; Jay Livey, January, 2013; and Northern Economics, *Fiscal and Economic Impacts of Medicaid Expansion in Alaska*, February 1, 2013, drawn from NEI Table 2 and NEI Figure 10.

Fiscal and Economic Impacts of Medicaid Expansion in Alaska: a Preliminary Evaluation

Prepared for

Alaska Native Tribal Health Consortium

January 2013

Prepared by



**Northern
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Please cite as: Northern Economics, Inc. *Fiscal and Economic Impacts of Medicaid Expansion in Alaska: a Preliminary Evaluation*. Prepared for Alaska Native Tribal Health Consortium. January 2013.

1 Introduction

This document provides a preliminary evaluation of the statewide fiscal and economic impacts resulting from the State of Alaska's decision to implement—or not—the new option available to expand the State's Medicaid program eligibility. This option became available to all states under the Patient Protection and Affordable Care Act (Affordable Care Act or ACA).¹ Under this new option, Medicaid eligibility may be extended to Alaska residents whose income is within 138 percent of the Federal Poverty Level (FPL).² The Federal government will pay 100 percent of the annual costs for the first three years starting in 2014, declining to 90 percent by 2020 (see Table 1).

This report draws on preliminary estimates of enrollment and costs of expanding Medicaid prepared by the Urban Institute (UI) in November 2012 for the Alaska Native Tribal Health Consortium (ANTHC).³ The UI estimates are referred to in this report as the Mid-Case Scenario. In addition, alternative scenarios are presented for comparison purposes.

A more comprehensive report of the fiscal and economic impacts of the Medicaid expansion option on the State of Alaska is being prepared by Northern Economics and will be released in late-January 2013. It will address an expanded list of economic drivers and effects, as well as expand the scenarios being evaluated to include the outcomes of the study on Medicaid expansion that the Alaska Department of Health and Social Services (DHSS) has commissioned.

Summary of Fiscal and Economic Impacts of Expanding Medicaid Eligibility in Alaska

Under the Mid-Case Scenario for the Medicaid expansion option, preliminary estimates of the fiscal and economic impacts, over the 2014–2019 period,⁴ are:

- **Ratio of Federal to State funds:**
 - For every \$1 in State funding related to Medicaid expansion, \$15.5 in new federal funds will be generated. Total State expenditures for the Medicaid expansion over the 2014–2019 period are estimated to be \$56.3 million; \$34.9 million for persons newly eligible for Medicaid, and \$21.4 million for the anticipated increase in enrollment among currently eligible Alaskans who are anticipated to enroll in Medicaid if the expansion takes

¹ This option is authorized under section 2001 of the Affordable Care Act and is available to certain legal residents who are at least 19 and not more than 64 years of age.

² For the State of Alaska in 2012, 138 percent of the FPL is \$19,279 for an individual, \$26,110 for a two-person family.

³ A more comprehensive analysis of the Medicaid expansion will be completed by the Urban Institute and released by the ANTHC in January 2013.

⁴ Information from the Urban Institute's preliminary report only covered the period 2014–2019. The final Urban Institute report however will include year 2020; the final version of this report will also incorporate that data.

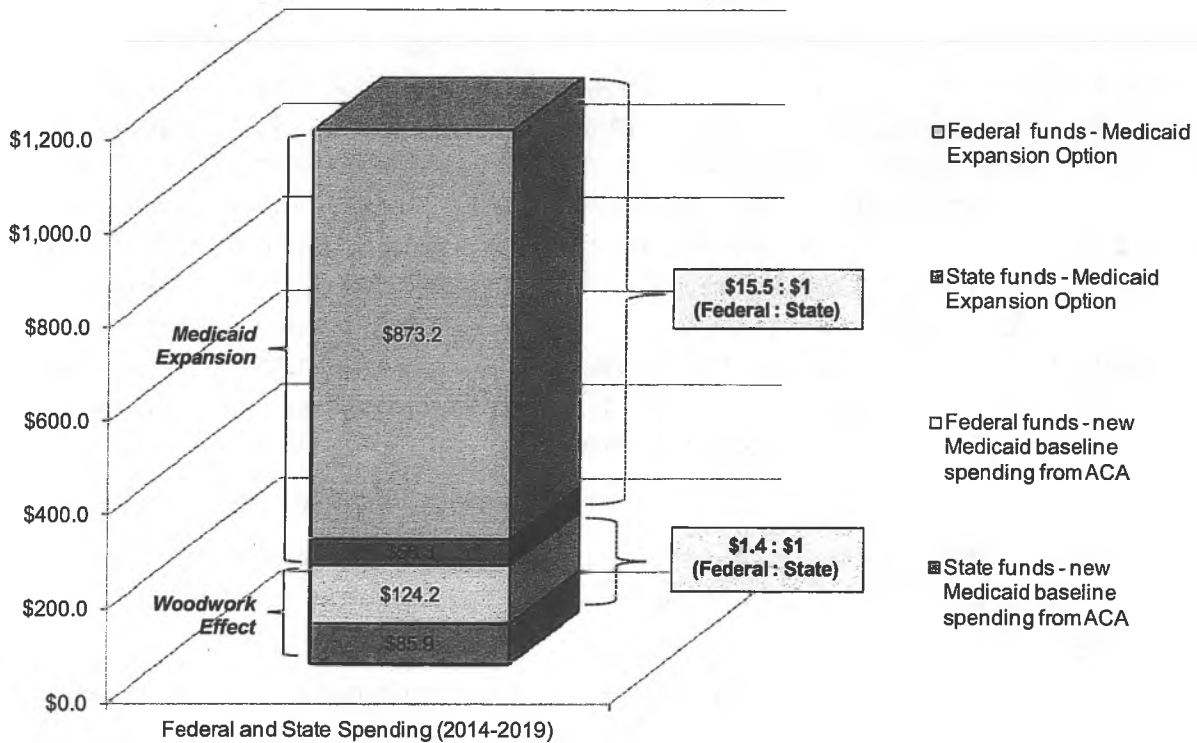
place.⁵ In turn, \$873.2 million in new Federal funds will be generated in the State. (See Figure 1.)

- Even if the State's newly required Medicaid baseline spending associated with the "Woodwork Effect"⁶ resulting from implementation of the ACA is included with the (optional) Medicaid expansion costs, each \$1 of State funding creates \$7 of Federal funds (See Table 4 and ratio of total State and Federal spending for Mid-Case Scenario).
- **Savings in Other State Spending Due to Expansion:** Existing State expenditures have been identified that will be replaced by Medicaid spending if the Medicaid expansion occurs. For instance, the Catastrophic and Chronic Assistance Program will not be needed, Medicaid (with the high Federal match) will cover inpatient hospital costs for prisoners, and immunizations for adults will be reimbursed as a covered service, resulting in a net reduction in State spending for these services.
- **Number of Jobs Created:** Approximately 4,000 additional jobs will be created in Alaska by 2017 from the combined impact of the Medicaid expansion and underlying Woodwork Effect, with job growth increasing to 4,600 by 2019.
- **Additional Salaries and Wages Earned:** \$230 million in additional annual labor income will be paid to Alaska residents by 2019 from the combined impact of the Medicaid expansion and underlying Woodwork Effect.
- **Increase in Overall Economic Output:** An additional \$510 million in economic output (total business sales) will be generated in 2019 from the combined impact of the Medicaid expansion (\$390 million) and underlying Woodwork Effect (\$120 million); or a \$2.33 billion cumulative increase in Alaska's economic output over the 2014–2019 period. The \$390 million of economic output will not occur if the Medicaid expansion option is not implemented.

⁵ This second group is included under the Medicaid Expansion Scenario because these costs are anticipated to be incurred only if the expansion is implemented.

⁶ The UI and other analysts agree that a percentage of individuals currently eligible to participate in Medicaid, who have not historically, will enroll in 2014 due to other requirements of the ACA. This increased enrollment is unrelated to the decisions the State may make about Medicaid expansion and is often referred to as the "Woodwork Effect."

Figure 1. Ratio of Federal Funds to State Funds, 2014 – 2019



Note: The State and Federal expenditures shown in this figure include estimates for administrative costs that are not included in the UI, 2012 preliminary report.
 Source: Northern Economics, Inc. estimates, derived from UI, 2012.

Additional discussion of each of these effects is shown below, including estimated fiscal and economic impacts under alternative expansion scenarios.

Medicaid and the Affordable Care Act

Under the Affordable Care Act, Alaska has the *option* of expanding Medicaid eligibility, effective January 1, 2014, to adults with income up to 138 percent of the FPL. This eligibility level equates to roughly \$20,000 in income for an individual and \$26,000 for a couple.⁷ The expansion would extend coverage to two groups of Alaska residents: adults whose income exceeds the current income eligibility thresholds and who have dependent children⁸ and adults without dependent children. Eligibility for low-income children and pregnant women would not change based on the State of Alaska’s decision to expand or not expand Medicaid eligibility under this new option, because children and pregnant women under 138 percent of the FPL would continue to be covered under the State’s Medicaid or CHIP (Children’s Health Insurance Program) programs as they are today. Similarly, adults who are eligible for Medicaid due to their low income and either

⁷ Income is based on a new simplified Modified Adjusted Gross Income (MAGI) formula.
⁸ The current Alaska Medicaid eligibility level is 81 percent of the FPL for working parents and 76 percent for jobless parents.

being over 65 years of age or being disabled will remain eligible under current Medicaid and will not be part of the Medicaid expansion.

Aside from the decision whether or not to exercise the new Medicaid eligibility expansion option, other (non-expansion) elements in the Affordable Care Act are anticipated to increase the enrollment in 2014 and subsequent years of Alaska residents who are *currently eligible* for Medicaid (i.e., the “Woodwork Effect”). Two of the elements that are anticipated to increase enrollment of currently eligible persons are simplification of Medicaid enrollment procedures and a general requirement for most individuals in the United States to obtain health insurance coverage.⁹ The increased enrollment resulting from implementation of the ACA will occur whether or not Alaska implements the Medicaid expansion option. As such, the spending associated with this “Woodwork Effect” is identified in this report, but it is generally identified separately from the impact of the Medicaid expansion option.

In this report, these two sets of expenditures and revenues are identified as:

- **Woodwork Effect**, which is new Medicaid spending on currently eligible persons from implementation of the Affordable Care Act but not associated with Medicaid Expansion.
- **Medicaid Expansion impact**, which includes those newly eligible as well as currently eligible Alaskans who are anticipated to enroll in Medicaid only if the expansion takes place.

Federal Contribution under ACA Medicaid Eligibility Expansion Option

Under the new option to expand Medicaid eligibility, the Federal government will contribute a substantially greater share of the new program costs than typically occurs today. The Federal contribution for Alaska’s current Medicaid program is 50 percent of program expenditures, except for services provided by Tribal health organizations to Alaska Natives and American Indians (AN/AIs), which are now and will continue to be covered by 100 percent Federal funding.¹⁰ As shown in Table 1, under the Medicaid expansion option, the Federal government will fund 100 percent of the costs of health services to newly eligible persons in the first three years (2014–2016), and transition to 90 percent by 2020 and thereafter.¹¹ If expansion is authorized, about 97 percent of program costs will be Federally paid over the first six years, and 94 percent of costs will be Federally paid over the first decade. The effective rate of the Federal government’s

⁹ Alaska Natives and American Indians are exempt from a penalty for not obtaining health insurance coverage.

¹⁰ The reference to 50 percent Federal contribution over-simplifies the match calculations somewhat since the match percentage varies depending on a number of factors, but the largest share of Medicaid services receive only a 50 percent Federal match. In particular, as noted, whenever Alaska Natives or American Indians receive Medicaid services in a tribal health facility, the Federal match is 100 percent. That 100 percent Federal contribution will continue under Medicaid expansion. Developments in the tribal health system in Alaska are improving access to Alaska Natives and American Indians and will result in a larger share of Medicaid services being eligible for the full Federal match.

¹¹ In general, administrative costs for the Medicaid expansion would be split 50/50 between the State and the Federal government.

contribution is even higher when the 100 percent funding for services provided to AN/AIs by Tribal health organizations is factored in.

Table 1. Federal Medicaid Assistance Percentage (FMAP) under ACA Medicaid Expansion

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	6-year Average (‘14-‘19)	10-year Average (‘14-‘23)
(Percentage)												
General Population: Health Services												
FMAP	100	100	100	95	94	93	90	90	90	90	97	94
State share	0	0	0	5	6	7	10	10	10	10	3	6
Total	100	100	100	100	100	100	100	100	100	100	100	100
Alaska Natives and American Indians Served by Tribal Health Organizations: Health Services												
FMAP	100	100	100	100	100	100	100	100	100	100	100	100
State share	0	0	0	0	0	0	0	0	0	0	0	0
Total	100	100	100	100	100	100	100	100	100	100	100	100
Combined FMAP Rate: General Population and AN/AIs: Health Services												
Effective Rate	100	100	100	95+	94+	93+	90+	90+	90+	90+	97+	94+

Source: Northern Economics, Inc., derived from UI, 2012.

Enrollment, State Spending and Federal Revenues under Medicaid Expansion Option

If the State of Alaska implements the Medicaid expansion, preliminary projections are that more than 34,000 additional low-income Alaskans are expected to enroll in Medicaid, with a substantial percentage of the new enrollees being Alaska Natives and American Indians. Displayed in Table 2 are the preliminary projections prepared by the Urban Institute on enrollment, State-supported spending, and Federal revenues if the State of Alaska exercises the Medicaid expansion option.¹² These projections, referred to in this paper as the Mid-Case Scenario, were generated by estimating the total number of persons who will become eligible under the expansion and the anticipated percentage of the newly eligible who will actually enroll, and applying the Federal contribution rates in effect for each year (shown in Table 1) to the projected average per enrollee costs.¹³ Associated program administrative costs were added to the Urban Institute’s estimates. Table 2 also shows the additional Medicaid enrollment, costs, and revenues from the Woodwork Effect, as reported in the Urban Institute’s preliminary report. *The costs and revenues under the Woodwork Effect are distinct from those included for the Medicaid Expansion: Mid-Case Scenario and will be incurred by the State whether or not the State decides to expand Medicaid program eligibility.*

¹² A comprehensive analysis of the Medicaid expansion will be completed by the Urban Institute and released by the ANTHC in January 2013.

¹³ Urban Institute, Preliminary Estimates of New Enrollment and Costs of the Medicaid Expansion in Alaska, November 29, 2012, with additional costs included for administrative expenditures.

As indicated in Table 2, a total of \$56.3 million in direct State spending under the Medicaid Expansion Option (Mid-Case Scenario) will be required over the initial six-year period (assuming the expansion goes into effect on January 1, 2014). \$34.9 million in State spending is the State portion of costs associated with the newly eligible and enrolled persons, and \$21.4 million in State costs associated with additional numbers of currently eligible persons who are anticipated to enroll in Medicaid if the expansion takes place. This second group (“Current eligibles, new enrollment under expansion”) is included under the Medicaid Expansion Scenario because these costs are anticipated to be incurred only if the expansion is implemented. These costs are in addition to those included under the New Medicaid Baseline Spending under the ACA. Together, the State investment under the Mid-Case Scenario will result in more than \$870 million in Federal revenues to the State over the 2014–2019 period. Including the Woodwork Effect, total State expenditures over the period will be approximately \$142 million and generate Federal funds of \$997 million.

Table 2. Counts and Costs of New Medicaid Enrollees under ACA: Woodwork Effect for Current Eligibles and Medicaid Expansion, Mid-Case Scenario

Scenario	Enrollment (2019)	Expenditures (\$millions): 2014 -2019		
		State	Federal	Total
New Medicaid Baseline Spending under the ACA (Woodwork Effect)				
Current eligibles, new enrollment under ACA	9,440	\$85.9	\$124.2	\$210.1
Medicaid Expansion Option: Mid-Case Scenario				
New eligibles, new enrollment under expansion	32,400	\$34.9	\$842.2	\$877.1
Current eligibles, new enrollment under expansion	2,360	\$21.4	\$31.0	\$52.4
Total: Medicaid expansion	34,760	\$56.3	\$873.2	\$929.5
Totals: Woodwork Effect and Expansion	44,200	\$142.2	\$997.4	\$1,139.5

Note: The State and Federal expenditures shown in this table include estimates for administrative costs that are not included in the UI, 2012 preliminary report.

Source: Northern Economics, Inc., using data from UI, 2012.

Expansion Scenarios

The State of Alaska has the option to either elect to implement the Medicaid expansion¹⁴ or elect not to implement the Medicaid expansion option. Presented below are analyses of the fiscal and economic impacts of not expanding Medicaid as well as three scenarios for the Medicaid expansion.

- The “Woodwork Effect” (no Medicaid expansion), assumes the State decides not to exercise its option to expand Medicaid eligibility (UI preliminary projections), but still incurs the cost of serving current eligibles who are likely to enroll in Medicaid.

¹⁴ The State may choose expansion, but delay it by a year or more. However, the Federal match per year is fixed (as shown in Table 1) so that any delay in start-up would reduce the total amount of Federal match.

- “Mid-Case” assumes Medicaid eligibility is extended up to 138 percent of the FPL with mid-level enrollment (UI preliminary projections).
- “Partial Offset,” assumes the Mid-Case enrollment and costs, but the required State funding for the expansion is partially offset by (1) reductions in existing State spending on health care services to the uninsured (e.g., State spending for inpatient hospital services to prisoners, public health immunization programs, and the State’s Catastrophic and Chronic Assistance Program) and/or (2) increases in revenues to the State resulting from the expansion (i.e. increased corporate income tax or other factors resulting from the Medicaid expansion¹⁵). Beginning in 2014 and increasing annually by a 2.5 percent inflation rate, \$7.4 million in annual State budget offsets are estimated, resulting in \$47.3 million over the 2014–2019 period. Note that achieving this result would reduce the net impact of the expansion on the State budget by more than half.
- “Full Enrollment,” assumes a much higher participation rate than the Mid-Case Scenario, reaching 100 percent enrollment of newly eligible recipients by 2017 and remaining at that level.¹⁶

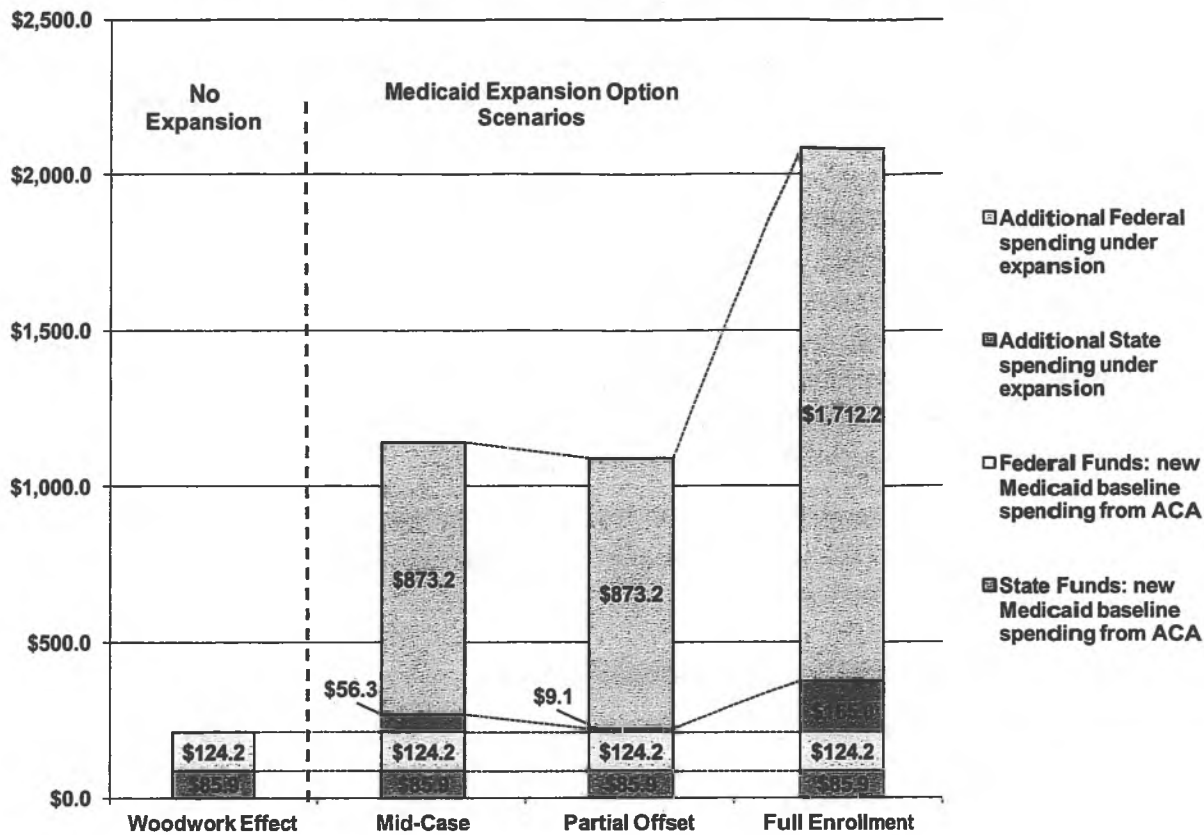
State Spending and Federal Revenues under Various Scenarios

Figure 2 displays the Federal and State shares of funding for the Woodwork Effect as well as for each of the three Medicaid expansion scenarios: Mid-Case, Partial Offset, and Full Enrollment. The Woodwork Effect is shown in each scenario in Figure 2, since it affects total new Medicaid spending whether Medicaid expansion occurs or not. Also see the Appendix for tables that present additional detail regarding the State and Federal expenditures if Medicaid is expanded and if it is not.

¹⁵ These other factors might include savings or lower rates of increase in Medicaid spending for hospital services and in the State’s contributions to the health insurance provided to State employees and retirees through its self-insurance plan which could result from reducing hospital bad debt and uncompensated care expenses by expansion of Medicaid. See *The Economic Impacts of Medicaid Expansion on Missouri* (University of Missouri School of Medicine and Dobson DaVanzo & Associates, LLC, 2012) for a discussion of the cost savings resulting from reduced health insurance premiums.

¹⁶ The State of Alaska’s Request for Proposals issued October 4, 2012, for an evaluation of the Medicaid expansion option, required that one scenario include 100 percent enrollment of eligible persons. This scenario was included here to accommodate those projections.

Figure 2. State and Federal Expenditures by Scenario, 2014–2019 (\$millions)



Source: Northern Economics, Inc. estimates and data from UI, 2012.

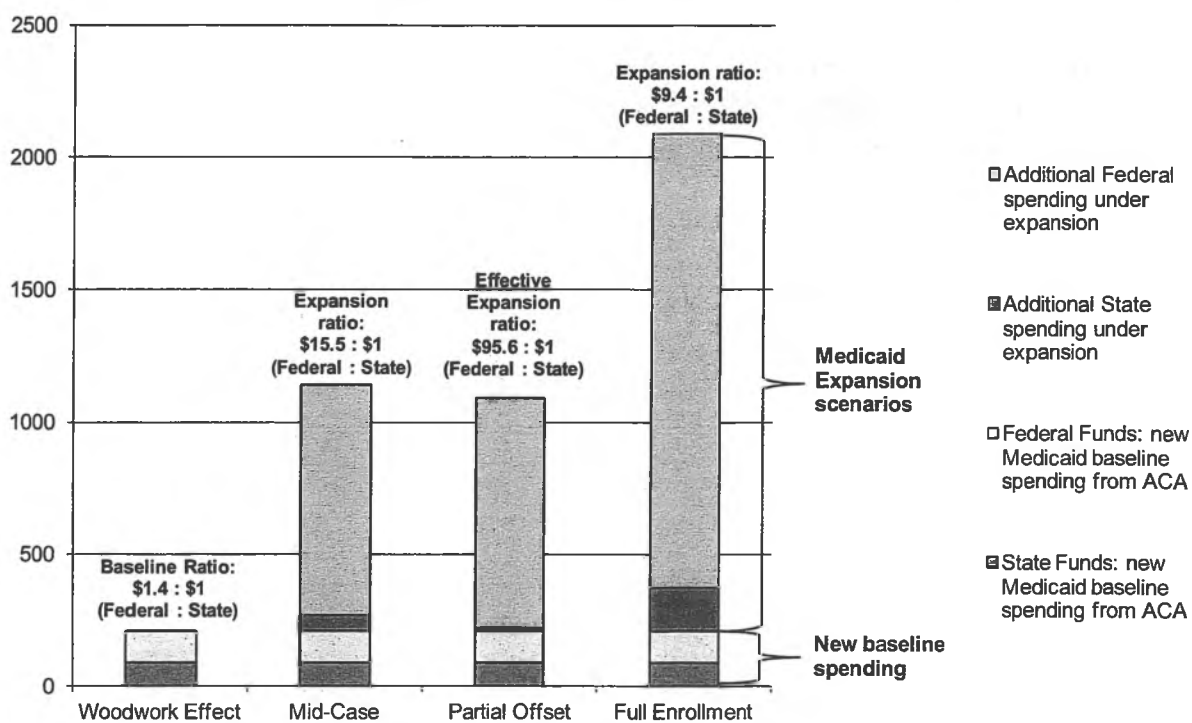
Projected Fiscal and Economic Impacts in Alaska

Under the range of scenarios presented, Medicaid expansion is anticipated to generate positive fiscal and economic impacts on Alaska residents, businesses, and health care providers. Further analysis is required to determine the degree to which the State will be able to identify additional budget offsets, and thereby further reduce the direct State spending required under the Medicaid expansion option. However, as shown in this report, even if additional State budget offsets are not identified, the modest increase in State expenditures will result in substantial benefits to the Alaska economy. These impacts are measured in terms of: (1) the ratio of Federal revenues to State-supported costs; (2) the number of jobs created; (3) the additional salaries and wages earned; and (4) the increase in the overall economic output in Alaska.

Ratio of Federal to State Revenues: Figure 2 (above) shows the level of State and Federal expenditures associated with each scenario. The additional State expenditures for the Medicaid expansion will result in significant Federal matching funds due to the annual Federal contribution rate being 90 percent or higher under the expansion. Even under the Full Enrollment Scenario, required State funding will generate substantially greater Federal revenues.

Figure 3 (below) presents the ratio of Federal to State funding under each of the Medicaid expansion scenarios, including the new baseline spending for the Woodwork Effect. For instance, the ratio of total Federal to total State funding is \$7.0 to \$1 under the Mid-Case Scenario, but \$15.5 to \$1 if only the additional spending under Medicaid expansion is considered. If the State is able to offset a portion of the direct State spending under the Medicaid expansion, the ratio expands to \$95.6 to \$1 (\$873.2 million in Federal funds to a net (after offsets) of \$9.1 million in State funds). Including the Woodwork Effect in the Partial Offset Scenario reduces the ratio to \$10.5 to \$1. For the Full Enrollment Scenario, the ratio for Medicaid expansion only is \$18 to \$1, and including the Woodwork Effect reduces the ratio to \$9.4 to 1. The \$1.4 to \$1 ratio under the new Medicaid baseline spending highlights the increase under the Medicaid expansion in the Federal government’s contribution in relation to the State’s share.

Figure 3. Ratio of State and Federal Expenditures by Scenario, 2014 - 2019 (millions)



Source: Northern Economic, Inc. estimates using UI, 2012 data.

Under each of the three Medicaid expansion scenarios, the Federal revenues received by the State for each dollar invested is substantial and compares favorably to other economic development initiatives undertaken by the State of Alaska. For example, the Alaska Film Production Tax Incentive Program is an economic development initiative designed to promote Alaska as a location for film production and allow the expansion and development of the industry in the state.¹⁷ A study by Northern Economics, Inc. for

¹⁷ The Alaska Film Incentives [Program] is based on legislation passed in 2008 as part of an economic development initiative. Applicants who apply are eligible for up to 44 percent in transferable credit, including a base credit of 30 percent with 10 percent added for Alaskan hire, 2 percent added if filmed between October 1

the Alaska Division of Legislative Audit found that the Program to date has generated a net positive economic impact in the State.¹⁸ For the period July 2008 through February 2012, direct spending from Program-approved productions has generated \$2 in economic output for every \$1 in Alaska Film Production Credits used. In comparison, as mentioned above, under the Mid-Case Scenario, the State would experience a direct return on investment of 15.5 to 1 over the initial six years of the expansion, not including the costs and revenues associated with the Woodwork Effect, which will occur whether or not expansion occurs. Even with the new Woodwork Effect spending added in, the Federal government will contribute \$7 for every \$1 of State funds (\$997.4 million to \$142.2 million).

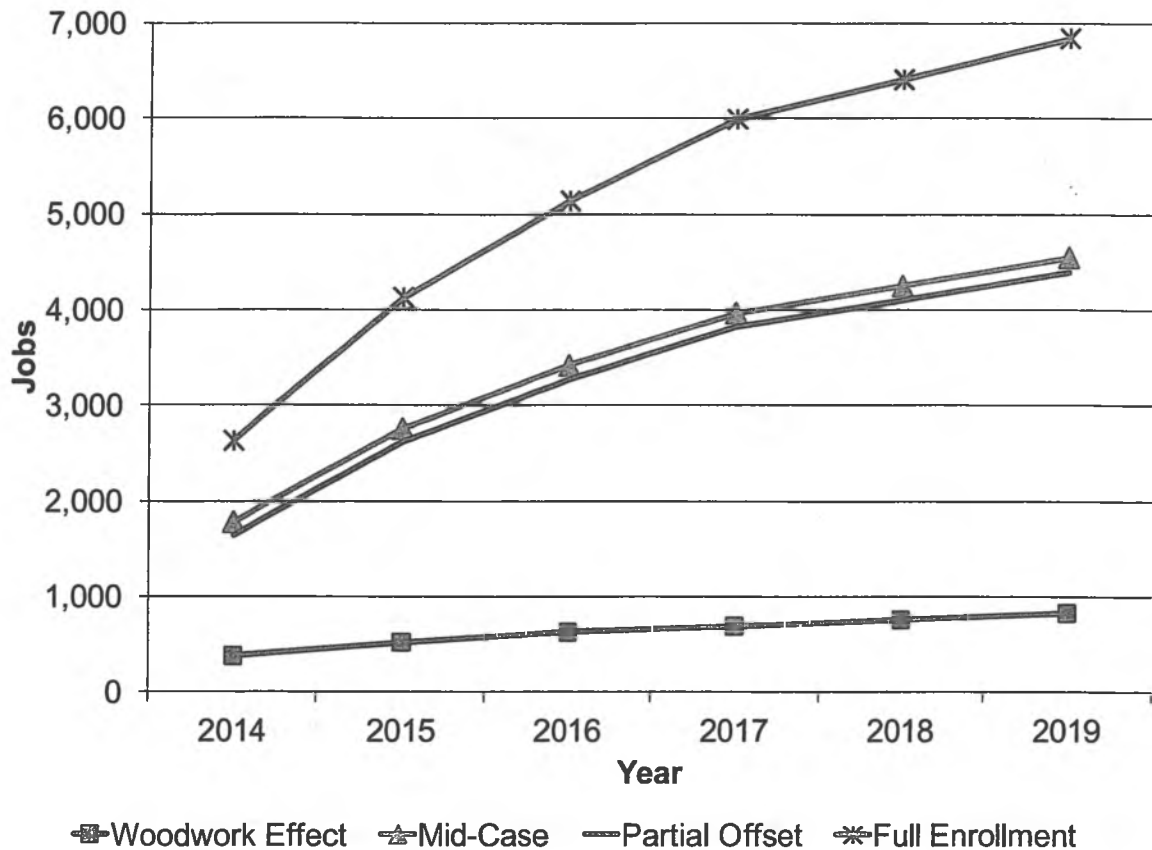
Jobs Created

As shown in Figure 4, by 2019 the Mid-Case Scenario shows job growth of 3,700 above the level of jobs resulting from the Woodwork Effect from implementation of the Affordable Care Act. If the Full Enrollment Scenario were to play out, the higher Medicaid program enrollment would generate additional spending, which would generate about 6,000 net additional jobs by 2019. While most of the jobs would be in the health care sector, new jobs will be created in other sectors, such as retail and transportation.

and May 30, and another 2 percent added for filming in rural locations. In order to qualify, there must be a minimum of \$100,000 spent in Alaska.

¹⁸ Northern Economics, Inc., Economic Analysis of the Alaska Film Production Incentive Program, June 2012. Available at <http://www.legaudit.state.ak.us/pages/audits/2012/pdf/30066rpt.pdf>.

Figure 4. Annual Jobs Created by Scenario, 2014-2019

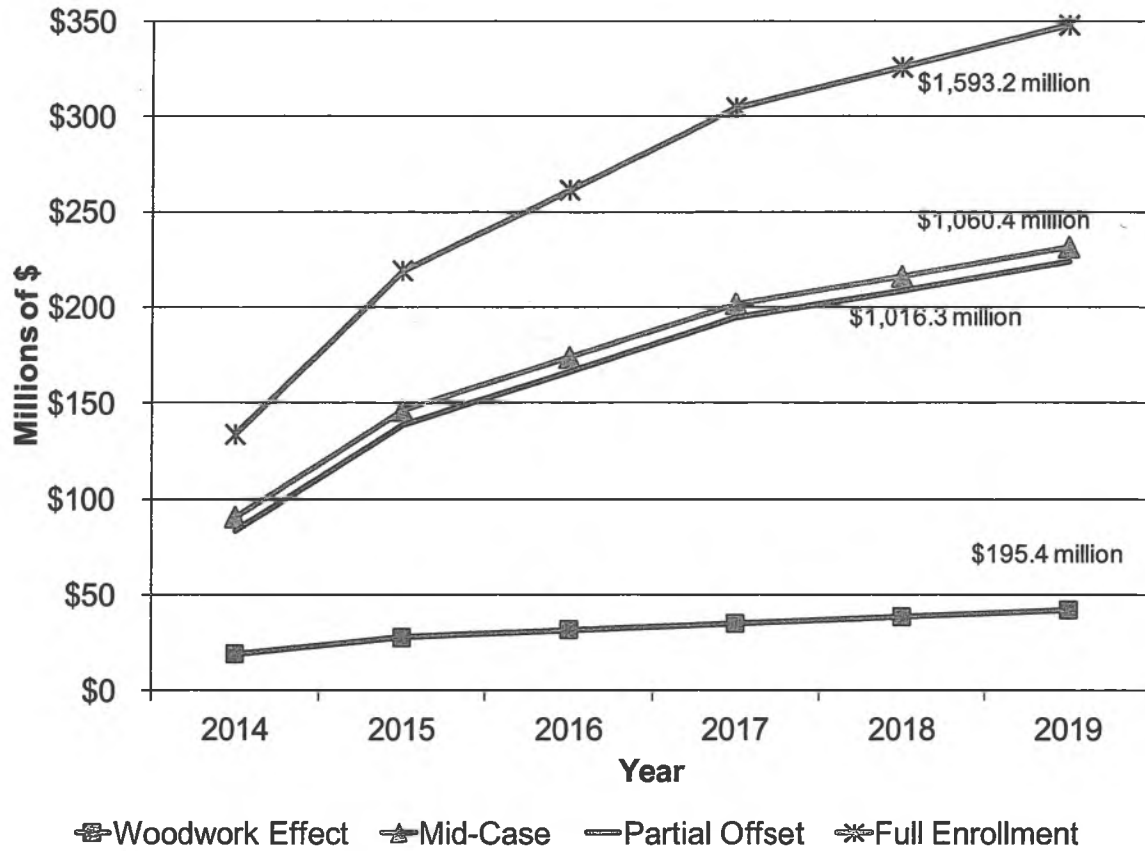


Notes: All four scenarios incorporate the spending from the Woodwork Effect. The Mid-Case, Partial Offset, and Full Enrollment scenarios also show the additional effect of Medicaid expansion.
 Source: Northern Economic, Inc. estimates using UI, 2012 data.

Additional Labor Income (Salaries and Wages Earned):

Figure 5 displays the additional salaries and wages created under each scenario. By 2019, the increase in annual labor income ranges from about \$42 million under the Woodwork Effect scenario to \$348 million under the Full Enrollment Scenario. The Mid-Case and Partial Offset Scenarios will create about \$180 million to \$190 million in additional annual labor income, compared to the Woodwork Effect scenario. Cumulatively, more than \$1 billion in additional salaries and wages are anticipated to be generated over the 2014–2019 period from the combined effects of the \$142 million in (pre-offset) State spending resulting from the Woodwork Effect and the Medicaid expansion spending (Mid-Case Scenario).

Figure 5. Labor Income by Scenario

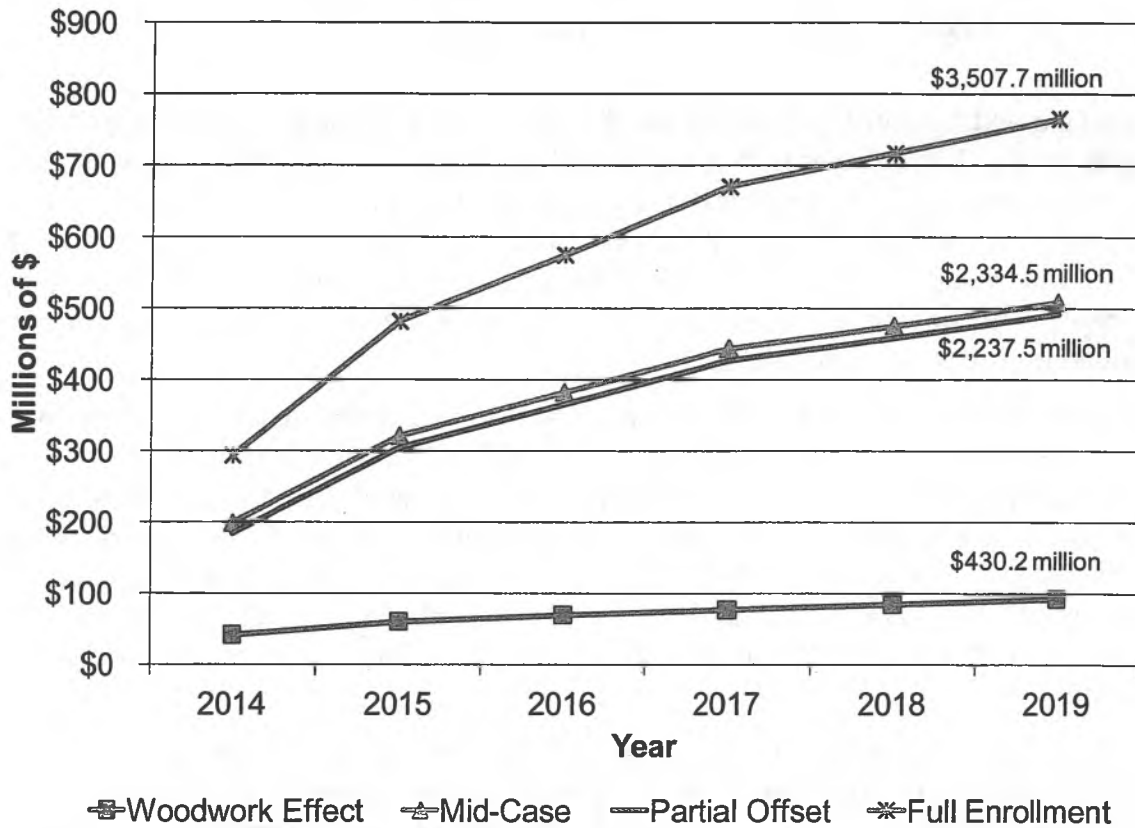


Notes: The Woodwork Effect is incorporated into the volume for each of the Expansion scenarios. Numbers near the lines represent the cumulative totals over the six-year period.
 Source: Northern Economic, Inc. estimates using UI, 2012 data.

Increase in Overall Economic Output in Alaska:

The additional spending associated with the Medicaid expansion in Alaska would increase the economic output (or total business sales) in Alaska. Figure 6 presents estimates of the value of economic output associated with each scenario. In general, total economic output is about 2.2 times larger than the direct health care expenditures associated with each scenario.

Figure 6. Economic Output by Scenario



Notes: The Woodwork Effect is incorporated into the volume for each of the Expansion scenarios. Numbers near the lines represent the cumulative totals over the six-year period.
 Source: Northern Economic, Inc. estimates using UI, 2012 data.

The modest incremental State expenditures for the Mid-Case Scenario in 2019 alone results in about \$416 million in additional economic output in Alaska that year compared to the Woodwork Effect caused by implementation of the non-expansion elements of the Affordable Care Act. The additional incremental State expenditures under the Full Enrollment Scenario result in an additional \$257 million in economic activity in 2019 compared to the Mid-Case Scenario. *Cumulatively, \$2.3 billion in increased economic output is projected to occur in Alaska under the Mid-Case Scenario over the initial six years of the expansion if the State of Alaska authorizes the expansion to begin January 1, 2014.*

Methodology

The economic effects were estimated using IMPLAN™, a software and data program created by MIG, Inc. for conducting input-output analysis. The estimates reflect the direct, indirect, and induced economic effects of health care spending in the State. The direct economic effects are created with the State and Federal spending associated with the Medicaid expansion option and the Woodwork Effect identified in the fiscal effects.

The indirect economic effects are the result of purchases by the directly affected businesses from other businesses in the Alaska economy. The induced economic effects are the result of household spending of the wages and salaries associated with the new jobs.

The total expenditures in Alaska under the different scenarios that are presented in Table 2, Table 3, and Table 4 were allocated to various health care-related industry sectors based on prior research (Banner Health, 2012, and Foster and Goldsmith, 2011.) These two studies have slightly different allocations (share of expenditures spent on different health care sectors), but results from the different allocations are within ± 5 percent of each other. The findings presented in this report reflect the results from allocations developed by Foster and Goldsmith.

Note that in order to simplify the analysis, it is assumed in this preliminary evaluation that the estimated costs to the State of Alaska of the Medicaid expansion as well as the new baseline spending that would be required with the Woodwork Effect would be funded by the State's savings account and would not offset spending on other State programs. In the next phase of this report, the analysis will be expanded to incorporate the results of the Medicaid Cost study (contracted by the State of Alaska), as well as assumptions regarding potential sources of state funding and other fiscal implications yet to be quantified.

The fiscal and economic impacts projected in this report do not include the approximately \$645 million in assistance for health insurance premiums and cost-sharing to Alaska residents projected to be provided by the Federal government through the new Federally operated Health Insurance Exchange over the 2014–2019 period.¹⁹

This report also excludes additional economic benefits that may result from reductions in uncompensated care and bad debt by people with no health insurance, or improvements in the health status of people who would newly acquire coverage. For the latter group, a recent article in the *New England Journal of Medicine*²⁰ found that state Medicaid expansions “were significantly associated with reduced mortality as well as improved coverage, access to care, and self-reported health.”

¹⁹ Urban Institute, *Consider Savings as Well as Costs*, July 2011, Table 6, page 9.

²⁰ Benjamin D. Sommers, M.D., Ph.D., Katherine Baicker, Ph.D., and Arnold M. Epstein, M.D., 2012. Mortality and Access to Care among Adults after State Medicaid Expansions, *New England Journal of Medicine*, 367: 1025-1034.

Appendix

Table 3 presents additional detail on the Mid-Case Scenario showing the State and Federal expenditures for the newly eligible if the Medicaid expansion option is implemented, and for those currently eligible that would be enrolled as a result of the Medicaid expansion. The estimates shown here exclude the Woodwork Effect, those currently eligible that may be enrolled even if the State elects not to expand eligibility.

Table 3. Medicaid Eligibility Expansion Option: Mid-Case Scenario (Excludes Woodwork Effect Enrollment): Federal and State Expenditures

Scenario	2014	2015	2016	2017	2018	2019	Total \$
	(Millions of \$)						
New Eligibles, New Enrollment							
Federal share	71.0	112.7	143.7	162.4	171.5	180.9	842.2
State share	0.7	1.1	1.4	8.5	10.5	12.7	34.9
Subtotal	71.7	113.9	145.1	170.9	182.0	193.6	877.1
Current Eligibles, New Enrollment							
Federal share	3.1	4.2	5.1	5.6	6.2	6.7	31.0
State share	2.2	2.9	3.5	3.9	4.3	4.7	21.5
Subtotal	5.3	7.1	8.7	9.6	10.4	11.4	52.5
Total: Medicaid Eligibility Expansion Option Excluding Woodwork Effect Costs							
Federal share	74.1	117.0	148.8	168.1	177.6	187.6	873.2
State share	2.9	4.0	5.0	12.4	14.8	17.4	56.4
Total	77.0	121.0	153.8	180.5	192.4	205.0	929.6

Note: The State and Federal expenditures shown in this table include estimates for administrative costs that are not included in the UI, 2012 preliminary report.

Source: Northern Economics, Inc., using data from UI, 2012.

Table 4 shows the federal and State shares of funding for the No Expansion Scenario as well as the Partial Offset and Full Enrollment Scenarios described above, and a Mid-Case Scenario which includes costs for the Woodwork Effect (currently eligible new enrollees).

Table 4. Alternative Medicaid Eligibility Expansion Scenarios: Estimated Federal and State Expenditures

Scenario	2014	2015	2016	2017	2018	2019	Total \$
	Millions of \$						
Woodwork Effect Scenario							
Federal share	12.5	16.9	20.5	22.6	24.7	26.9	124.1
State share	8.6	11.7	14.2	15.6	17.1	18.6	85.8
Total	21.1	28.6	34.7	38.1	41.8	45.6	209.9
Mid-Case Scenario including Woodwork Effect Enrollees							
Federal share	86.6	133.9	169.3	190.7	202.4	214.5	997.4
State share	11.5	15.7	19.1	28.0	31.9	36.0	142.2
Total	98.1	149.6	188.4	218.6	234.2	250.6	1,139.5
Partial Offset Scenario including Woodwork Effect Enrollees							
Federal share	86.6	133.9	169.3	190.7	202.4	214.5	997.4
Net State share	4.1	8.1	11.3	20.0	23.7	27.6	94.9
Total	90.7	142.0	180.7	210.7	226.1	242.2	1,092.3
Full Enrollment Scenario							
Federal share	133.0	207.5	263.1	296.7	314.3	332.6	1,547.2
State share	11.9	16.4	20.0	33.5	38.7	44.3	165.0
Total	144.9	223.9	283.2	330.2	353.0	376.9	1,712.2

Note: The State and Federal expenditures shown in this table include estimates for administrative costs that are not included in the UI, 2012 preliminary report.

Source: Northern Economics, Inc., using data from UI, 2012.

Introduced by: Smith, Mayor
Date: 02/05/13
Action: Adopted
Vote: 8 Yes, 0 No, 1 Absent

**KENAI PENINSULA BOROUGH
RESOLUTION 2013-014**

**A RESOLUTION REQUESTING THE STATE OF ALASKA ADMINISTRATION AND
ALASKA STATE LEGISLATURE FULLY CONSIDER THE BENEFITS TO THE
RESIDENTS AND BUSINESSES OF THE KENAI PENINSULA BOROUGH WHEN
CONSIDERING THE EXPANSION OF MEDICAID UNDER THE AFFORDABLE
CARE ACT**

WHEREAS, the Affordable Care Act provides for expansion of Medicaid benefits by increasing the eligibility income level; and

WHEREAS, significant numbers of Kenai Peninsula Borough residents would become newly eligible for benefits if the State opted to agree to the Medicaid expansion; and

WHEREAS, the increase in eligible beneficiaries would provide increased care and improved health for many borough residents; and

WHEREAS, borough hospitals would see an increase in reimbursed care and a decrease in charity care; and

WHEREAS, other health care providers would see a similar benefit; and

WHEREAS, the increase in Medicaid funding would provide better health for our residents and an economic boost to the borough; and

WHEREAS, a preliminary evaluation by Northern Economics predicts for each \$1 in State funding related to Medicaid expansion, \$15.5 in new federal funds will be generated; and

WHEREAS, the evaluation also finds a net reduction of State costs because increased Medicaid eligibility will displace other costs borne by the State;

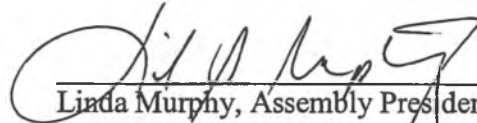
NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. That the Kenai Peninsula Borough Assembly requests the State of Alaska Administration and the State Legislature to weigh heavily the great benefits that would accrue to the residents of the borough and to the borough economy while deciding whether to expand our Medicaid program.

SECTION 2. That copies of this Resolution be provided to Governor Sean Parnell and all members of the Legislature representing the Kenai Peninsula Borough.

SECTION 3. That this resolution takes effect immediately upon its adoption.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 5TH DAY OF FEBRUARY, 2013.



Linda Murphy, Assembly President

ATTEST:



John Blankenship, MMC, Borough Clerk



Yes: Haggerty, Johnson, McClure, Pierce, Smith, Tauriainen, Wolf, Murphy
No: None
Absent: Smalley



central
peninsula
hospital

February 4, 2013

The Honorable Mike Navarre
Kenai Peninsula Borough
144 N. Binkley St.
Soldotna, Alaska 99669

The Honorable Linda Murphy
Kenai Peninsula Borough Assembly
144 N. Binkley St.
Soldotna, Alaska 99669

Dear Mayor Navarre and President Murphy:

As you are aware, on June 28, 2012 the United States Supreme Court issued a decision that essentially made Medicaid expansion under the Affordable Act a state option. States across the country are now grappling with whether or not to expand their Medicaid programs to cover residents with incomes up to 138 percent of the Federal Poverty Level.

Central Peninsula Hospital (CPH) believes it is in the best interests of the Kenai Peninsula Borough (owner of two hospitals) and the State of Alaska to look favorably on expansion. Expansion will ensure coverage for economically challenged Alaskans, many of whom are employed but simply cannot afford healthcare. In addition, expansion, it will allow hospitals in Alaska to survive the turbulent changes we're already seeing from healthcare reform.

Healthcare reform is well underway. On the evening of the so-called "fiscal cliff" resolution, CPH unexpectedly lost over \$800,000 of budgeted outpatient payments for this fiscal year. Next year, we will budget \$2.5 million less due to changes in healthcare reform payments. We suspect this is only beginning.

During the healthcare reform debate, hospitals were forced into the discussion by the reality that costs must be extracted from the healthcare system. In exchange for reduced payments, hospitals were reassured that a higher percentage of patients with Medicaid (versus no insurance) would help mitigate some of the lost revenues. It is estimated that approximately 35,000 additional Alaskans would be covered under an expanded Medicaid program. If Alaskan hospitals do not receive Medicaid expansion benefits, the economic compression will be even more substantial.

CPH is a
member of
the Planetree
Alliance.

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Agenda Item 0.2.e

Committee Le 0.2.e le

Page Number LAYDOWN



Many Alaskan hospitals will be challenged to survive healthcare reform, even with Medicaid expansion. Without expansion, the likelihood of survival is further diminished. Although CPH endeavors to be one of the survivors, our task becomes significantly more difficult if we retain our current ratios of charity care/bad debt. We simply need Medicaid expansion to slow the erosion of existing revenues.

Alaskan's who would potentially be covered under an expanded Medicaid program will benefit with healthcare coverage, providers will benefit with a reduction in to their charity care and bad debt, and the boroughs and municipalities will benefit as additional healthcare dollars turn over in their local economy.

Currently 18 states have decided to expand, 5 leaning towards expansion, 5 leaning towards not expanding, 10 have decided not to expand, and 12 are undecided including Alaska.

We encourage you to give serious consideration to supporting Medicaid expansion efforts as the Governor and State Legislature deliberate over the benefits to Alaskans, healthcare providers, and local economies.

Sincerely,

Rick Davis, CEO
Central Peninsula Hospital

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Alliance.

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February 4, 2013

Dear Mayor Navarre,

South Peninsula Hospital encourages the adoption of a Kenai Peninsula Borough resolution requesting the State of Alaska fully consider the benefits of expanding the Medicaid program as defined in the Affordable Care Act.

Last year Medicaid users made up 26% of the payer mix at South Peninsula Hospital. In addition, 8 percent of our patients were uninsured. A community survey conducted in November, 2012, as part of our community health needs assessment showed that 32% of the 1,133 surveyed in the lower Kenai Peninsula were uninsured, and 22% lived in households with an annual income less than \$25,000. An expansion of the Medicaid program is clearly needed in our service area, and the new provisions defined in the Affordable Care Act appear to be well thought out and will better serve individuals who are currently underserved.

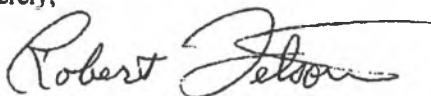
The proposed expansion of the Medicaid program will benefit our hospital through an improvement in our reimbursed care costs, thus lowering the amount of charity care and bad debt we incur each year. This change in Medicaid would affect not only inpatient hospital activity, but all outpatient services as well, including services from primary care clinics, which is a growing part of the hospital's revenue base. It also provides improved coverage for home health services. South Peninsula Hospital is the leading employer in the area, and is a driving economic engine of the southern Kenai Peninsula. Without the proposed changes to Medicaid, the burden will increase for the hospital to provide charity care or incur bad debt. This, in turn, will result in added performance pressure on the other revenue generating services to make up for the losses.

In addition to the economic benefits to the hospital, residents of the service area would benefit as well. Medicaid expansion would allow many additional service area residents to be eligible for the insurance, improving their care and thus the health of many. Many uninsured individuals with little to no income choose to forgo necessary healthcare procedures or screenings since they do not have the insurance or funds to pay for them. Though this might work for a short time, in the long run it results in even more expensive care as they are sometimes facing advanced stages of disease or more advanced treatments. Had they just received care to begin with the increased expense could be avoided, and their overall health and quality of life would be improved.

A recent study by Northern Economics found that expanding Medicaid coverage in Alaska would result in a significant positive impact to the state's economy. Specifically, it found that for every dollar spent in state funding, an additional \$15.50 in new federal funds would be generated for Alaskan healthcare providers. It also predicts significant job growth and overall economic growth for the state's economy.

Kenai Peninsula Borough is home to two small community hospitals, both owned by the Kenai Peninsula Borough. It is in the best interest of both of the hospitals and the overall health of the residents to support the new Medicaid provisions of the Affordable Care Act, and encourage the State of Alaska Administration and Alaska State Legislature to do so as well.

Sincerely,



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FOR IMMEDIATE RELEASE
January 18, 2013

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Healthier Alaskans create a healthier economy: Independent study forecasts a positive economic impact from expanding Medicaid coverage in Alaska

An independent study by Northern Economics found that expanding Medicaid coverage in Alaska would result in a significant positive impact for the state's economy, including a \$2.33 billion cumulative increase in business sales during the first six years.

Alaska would benefit from the Medicaid expansion option on two fronts: it would provide better health care for more Alaskans while also providing substantial economic benefits for our state, as demonstrated by the study.

The study found that during the first several years:

- For every dollar in state funding, an additional \$15.50 in new federal dollars would be generated.
- Approximately 4,000 new jobs would be created by 2017, generating \$230 million more wages earned annually.
- The annual overall economic output for Alaska, based on business sales, would increase by \$510 million by 2019, with a cumulative increase between 2014 and 2019 of \$2.33 billion.

"In addition to the positive and substantial economic impact Medicaid expansion will have on our state, the real benefit will be seen in health improvements within our communities, as more Alaskans are able to access care," said Andy Teuber, Chairman and President of the Alaska Native Tribal Health Consortium (ANTHC). "This report is consistent with the findings of some of the nation's most fiscally conservative and pro-business Republican governors who have opted into Medicaid expansion in Arizona, New Mexico, Nevada and North Dakota."

"Governor Parnell has exhibited extraordinary patience and leadership in an otherwise politically charged arena, and meanwhile fostered a public process intent on best serving Alaskans and our state's economy," said Teuber, who just this morning returned from an advisory meeting with Health and Human Services Secretary Kathleen Sebelius in Washington D.C.

"We understand that Governor Parnell has committed to a public process for reviewing the decision about whether to expand Medicaid. We look forward to participating in the process," Teuber said. "We hope that the independent study provides helpful information and generates a robust discussion as we work together to consider what option is best for all of us in the state."



"Medicaid expansion is ultimately about people," Teuber said. "It is about Alaskans helping Alaskans receive the health care they need. As this report demonstrates, healthier Alaskans lead to a healthier Alaska economy."

Expanding coverage would dramatically improve access to health care for a single person with an income of \$19,279 or a couple that earns \$26,110 who could qualify for Medicaid even if they do not have minor children. This positive impact comes at a relatively low cost to the state, since the federal government would cover the entire cost of the expanded care for the first three years, between 93 and 95 percent during the following three years, and continue to pay 90 percent of the cost after that.

"Medicaid coverage provides a critical link to health care access in a state like ours," said Valerie Davidson, ANTHC Senior Director of Legal and Intergovernmental Affairs. "We know the cost of travel for medical appointments prevents people from getting the care they need."

"When you can't afford the plane ticket to the nearest provider, people simply go without health care until it becomes an emergency," said Davidson. "Medicaid pays for travel. That's just one example of how expanding Medicaid coverage may make all the difference for many Alaskans."

"Alaskans confront and overcome challenges of every type," Teuber said. "This expansion will serve and assist those who are most challenged, by providing very basic health care that does not continue to be an exclusive burden to Alaska businesses and taxpayers."

To more fully understand the impact of the potential Medicaid expansion in Alaska, ANTHC commissioned two studies. "ANTHC commissioned Northern Economics to conduct an independent study of the fiscal and economic implications of the state of Alaska's options," said Davidson. "Northern Economics is a trusted Alaska economic expert. I hope this study helps to clarify the benefits of the choices for all Alaskans."

The second study from the Urban Institute will estimate Medicaid coverage benefits and costs in Alaska under various alternative models that are available if Alaska takes advantage of the Medicaid expansion option. The Urban Institute report is expected to be available within the next two weeks.

Teuber will be in Juneau next week sharing information on the benefits of Medicaid expansion with business leaders, legislators and the administration.

About the Alaska Native Tribal Health Consortium

The Alaska Native Tribal Health Consortium is a not-for-profit tribal health organization managed by Alaska Native tribal governments and their regional health organizations. ANTHC provides statewide services in



specialty medical care; construction of water, sanitation and health facilities; community health and research; telehealth and information technology. For more information, please visit www.anthc.org.

About Northern Economics

Northern Economics Inc., founded in Anchorage in 1982, has 30 years experience with Alaska economic issues, making us Alaska's most trusted economics expert. Our mission is to enable society to make better decisions by providing our clients with unbiased information to facilitate their decision-making process. We help our clients gain a clear and incisive understanding of complex issues that can have profound impacts ranging from the individual level, to entire communities, to regional, state, and national economies. In short, we provide the analysis that can lead to viable economic growth and help clients determine which projects are feasible to pursue.

Northern Economics' consultants are experts in input-output analysis, feasibility analysis, benefit-cost analysis, business planning, demographics and population studies, resource economics, market research and socioeconomic impact assessment.

STATE OF THE STATE

Some of the Remarks by Arizona Governor Janice K. Brewer

Monday, January 14, 2013

....In short, the Affordable Care Act isn't going anywhere, at least not for the time being.

By agreeing to expand our Medicaid program just slightly beyond what Arizona voters have twice mandated, we will: Protect rural and safety-net hospitals from being pushed to the brink by their growing costs in caring for the uninsured; Take advantage of the enormous economic benefits, inject 2 Billion dollars into our economy, save and create thousands of jobs; and, Provide health care to hundreds of thousands of low-income Arizonans.

Saying 'no' to this plan would not save these federal dollars from being spent or direct them to deficit reduction. No, Arizona's tax dollars would simply be passed to another state generating jobs and providing health care for citizens in California, Colorado, Nevada, New Mexico or any other expansion state.

Remember: Arizona citizens have voted TWICE to expand Medicaid coverage.

With this move, we will secure a federal revenue stream to cover the costs of the uninsured who already show up in our doctor's offices and emergency rooms.

Under the current system, these costs are passed along to Arizona families. Health care premiums are raised year after year to account for expenses incurred by our hospitals as they provide care to the uninsured.

This amounts to a HIDDEN TAX estimated at nearly 2 Thousand dollars per family, per year.

As I weighed this decision, I was troubled by the possibility that a future President and Congress may take steps to reduce federal matching rates, leaving states with a greater and greater share of health costs over time. And I worried that any expansion of Medicaid, no matter the federal subsidies could result in costs the State cannot afford.

Together with my team, I've crafted a plan to address both of these concerns and safeguard Arizona. First, any expansion of our Medicaid program will include a circuit-breaker that AUTOMATICALLY rolls back enrollment if federal reimbursement rates decrease. I won't allow ObamaCare to become a bait-and-switch. Second, we will allow hospitals and health providers to assess a fee upon themselves using that revenue to leverage federal assistance.

This is already done in 47 states. It's also ongoing in the City of Phoenix and under consideration in other cities across Arizona. With the federal revenue this hospital assessment generates, we can assure that our State General Fund bears NO COST in expanding Medicaid.

This doesn't mean it's free money, of course. We know there is no such thing. I'm as much of a federal deficit hawk as anyone in this chamber.

But Arizona's Medicaid program AHCCCS – is not the problem. It is, in fact, part of the solution as the nationally-recognized gold standard for cost-effective, managed care in this country.

I'll be releasing more details about my Medicaid plan in the days ahead. Weigh the evidence and do the math. With the realities facing us, taking advantage of this federal assistance is the strategic way to reduce Medicaid pressure on the State budget. We can prevent health care expenses from eroding core services such as education and public safety, and improve Arizona's ability to compete in the years ahead. I'm committed to doing this, and I want you on my side. Let's work together in an atmosphere of respect and do what is BEST for Arizona.