

**02/25/15**  
**PRESENTATION**  
**MEDICAID**  
**EXPANSION**

<TARGET><BILL></BILL><SUBJECT>02-25-15 PRESENTATION  
MEDICAID EXPANSION</SUBJECT><COMM>SHSS29</COMM></TARGET>

ALASKA STATE LEGISLATURE  
SENATE HEALTH & SOCIAL SERVICES COMMITTEE

Senator Bert Stedman, Chair  
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Committee Members:  
Senator Cathy Giessel, Vice  
Senator Bill Stoltze  
Senator Pete Kelly  
Senator Johnny Ellis

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Today's Date: February 19, 2015

Senate HSS Committee

Schedule for: February 23 - February 27, 2015

WEEKLY SCHEDULE

Monday, February 23, 2015, 1:30 pm

Butrovich Room 205

Medicaid Expansion Presentation by DHSS Commissioner Valerie Davidson

--invited testimony only--

Wednesday, February 25, 2015

No Scheduled Meeting

Friday, February 27, 2015

No Scheduled Meeting

+teleconferenced

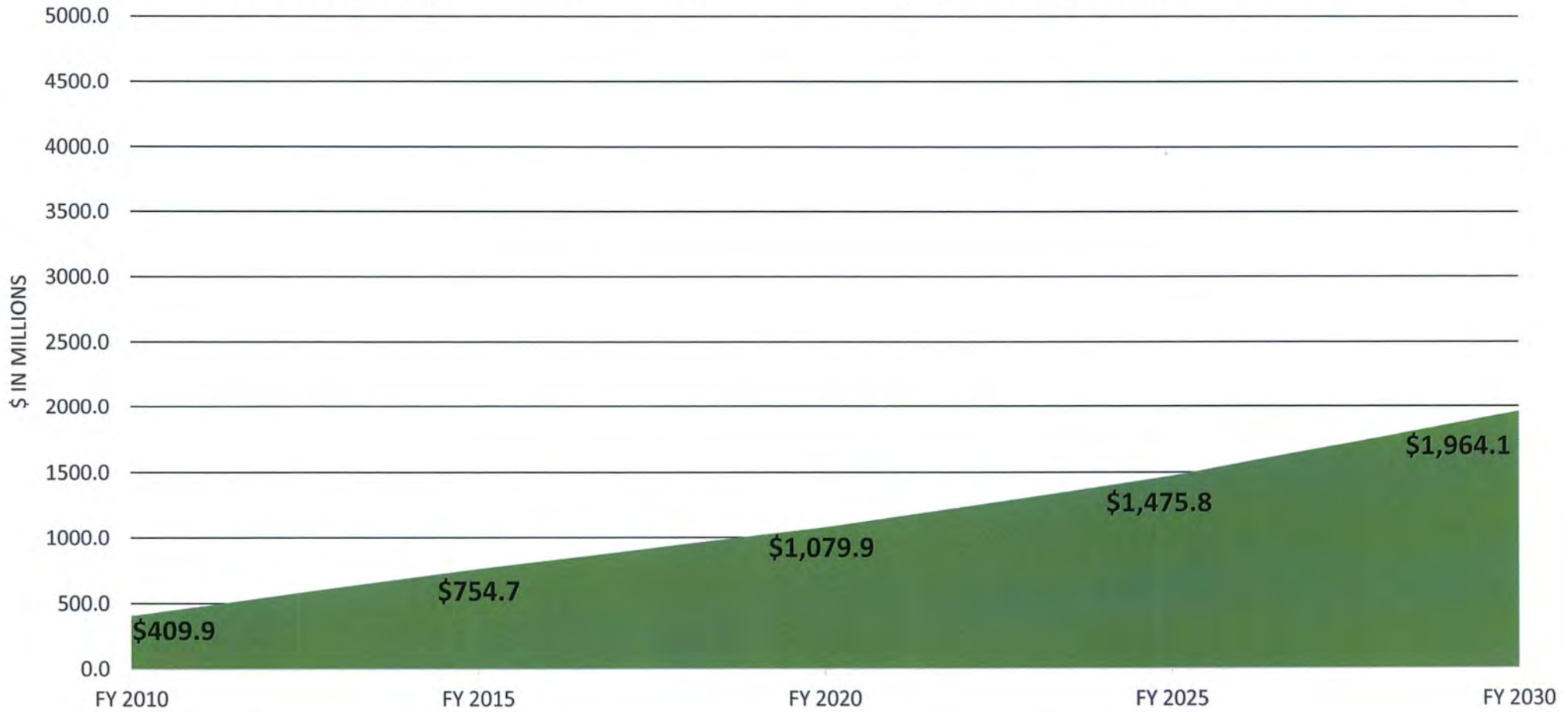
Medicaid Expansion?

# Existing Medicaid Program Costs Are Unsustainable

- The Department's "Long-term Forecast of Medicaid Enrollment and Spending in Alaska: *Supplement 2010-2030*", published in 2011 projected:
  - \$1.07 billion in GF liability by FY 2020; and
  - \$1.96 billion in GF liability by FY 2030.

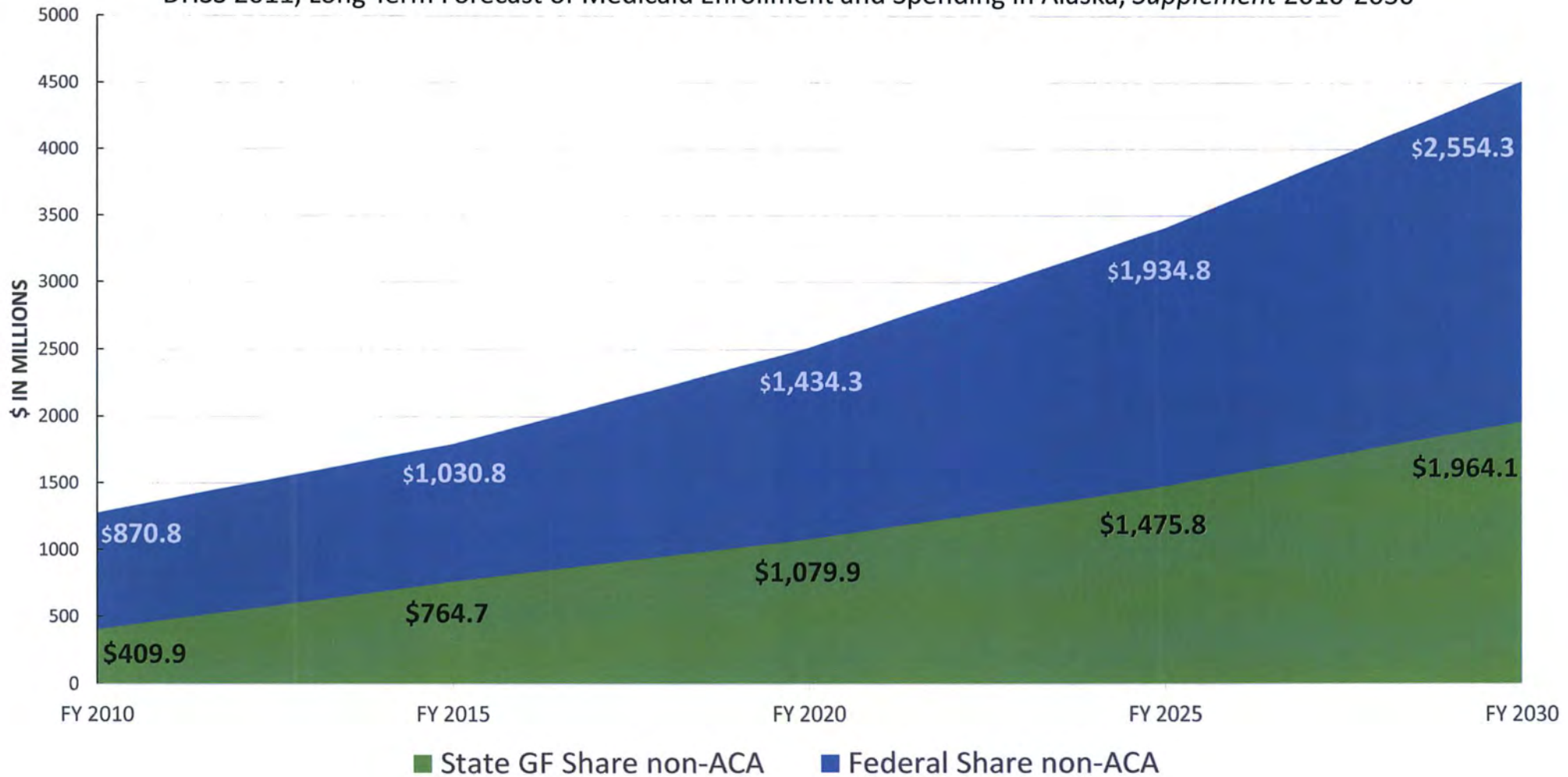
# State Medicaid GF Growth (non-expansion)

DHSS 2011, Long Term Forecasts of Medicaid Enrollment and Spending in Alaska, *Supplement 2010-2030*



# Alaska Medicaid Program Projections (non-expansion)

DHSS 2011, Long Term Forecast of Medicaid Enrollment and Spending in Alaska, *Supplement 2010-2030*

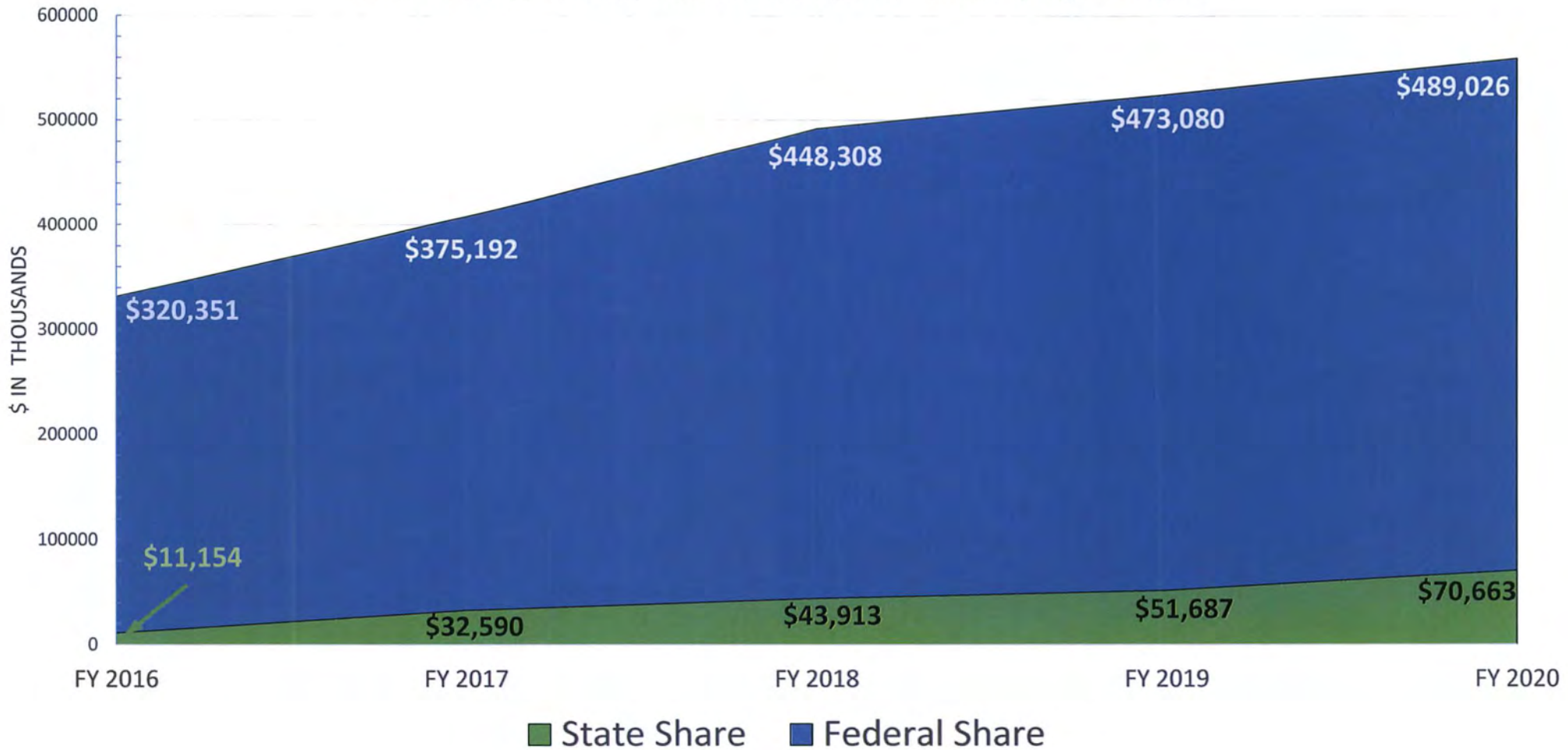


## Proponents of Medicaid Expansion Minimize Existing Medicaid Program GF Growth and Associated Liability

- Proponents emphasize the substantial federal match that covers “newly eligible” people under expansion.
- Proponents assert the substantial federal match plus savings through “budget offsets” will “pay” for Medicaid expansion.
- The implication is that by accepting Medicaid expansion, the state’s GF liability for the existing Medicaid problem will be met, or “paid for” by expansion.

# DHSS Projected Medicaid Expansion Cost

The Lewin Group, "An Analysis of Medicaid Expansion in Alaska," Figure 13, p.18

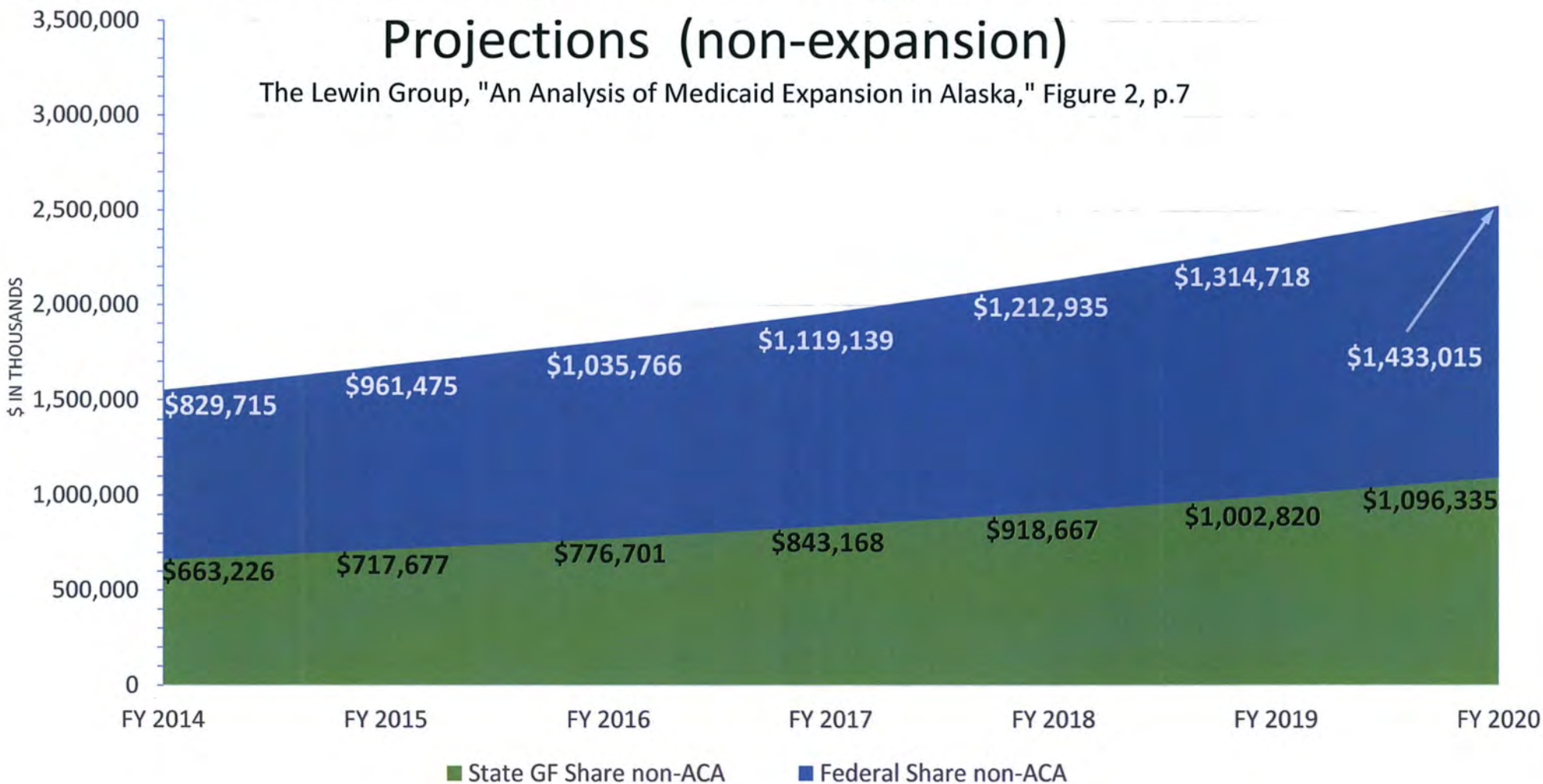


## Medicaid Expansion Should Be Examined With the State GF Liability of the Existing Medicaid Program

- DHSS commissioned a study in 2013 to examine the cost of Medicaid expansion (The Lewin Group, “An Analysis of Medicaid Expansion in Alaska”).
- The report forecast that GF liability for the existing Medicaid program would reach \$1.09 billion by FY 2020 whether or not the program was expanded under the ACA.

# DHSS Existing Medicaid Program Cost and Projections (non-expansion)

The Lewin Group, "An Analysis of Medicaid Expansion in Alaska," Figure 2, p.7

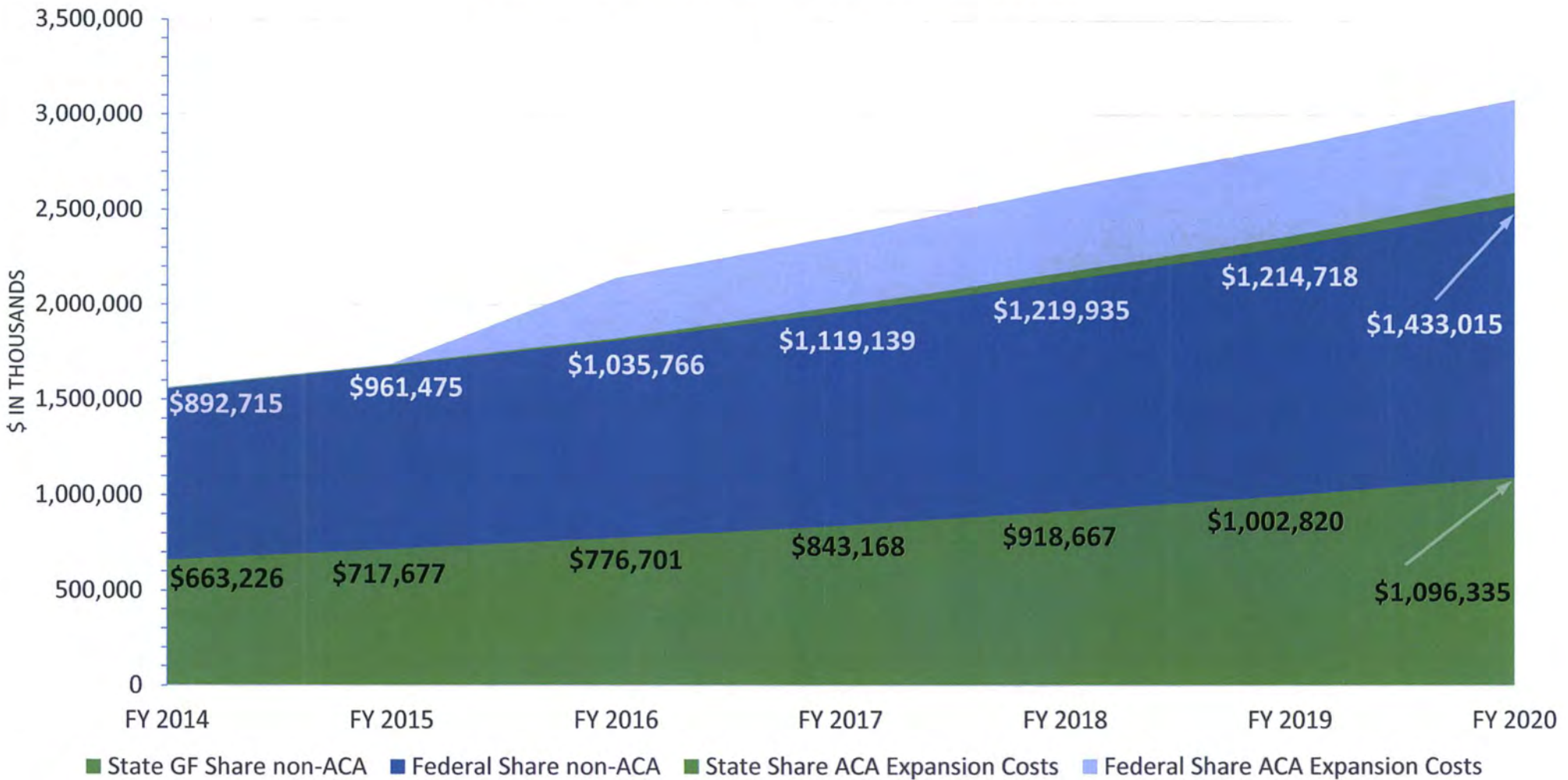


The federal match for Medicaid expansion does nothing to address the state GF liability for the existing Medicaid program

- The substantial federal match for “newly eligibles” under Medicaid expansion does not address those eligible under the existing Medicaid program.
- Those costs will continue to rise and be reimbursed to the state under the existing federal matching percentage, NOT the higher expansion rate.
- The following chart shows that the expanded Medicaid program just grows on top of the existing Medicaid program.

# DHSS Medicaid Program Projections with Expansion

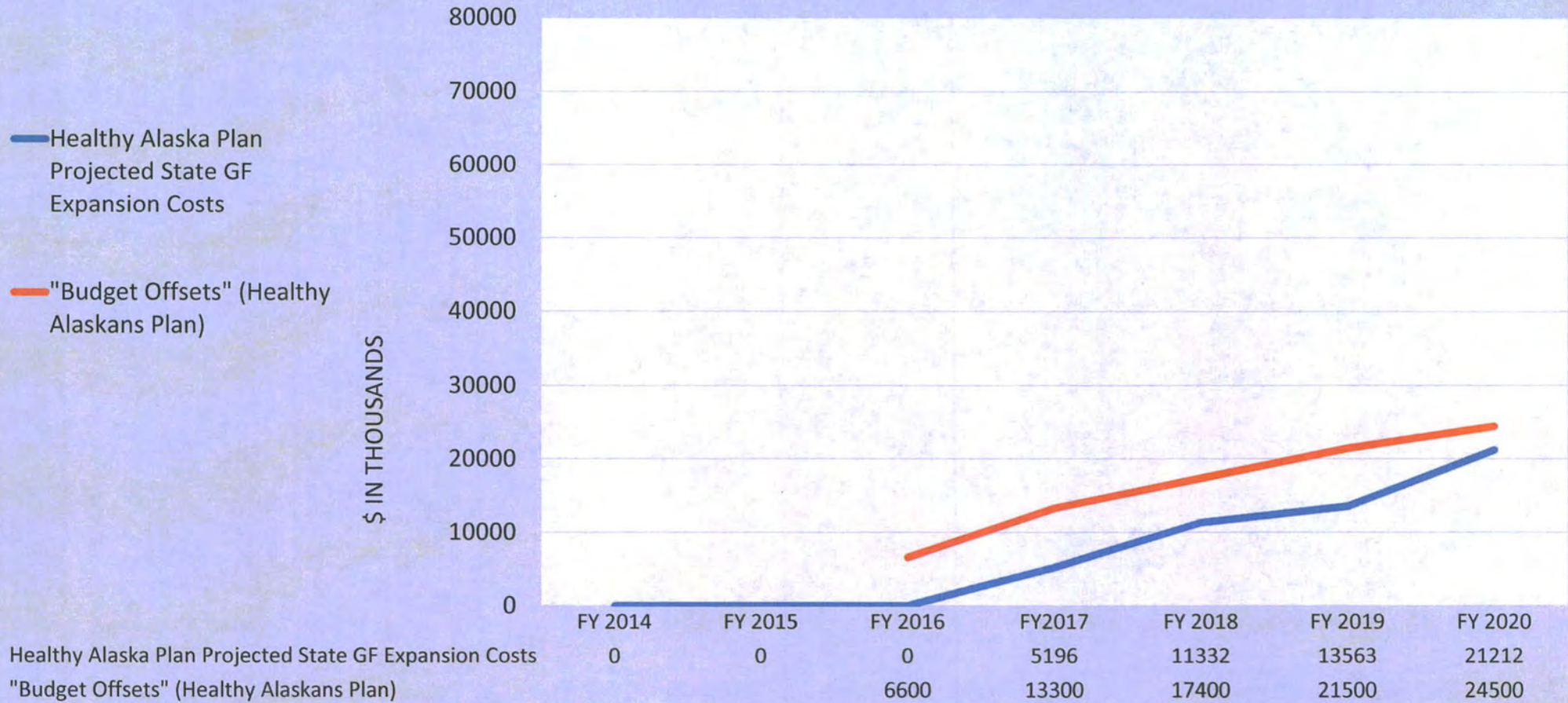
The Lewin Group, "An Analysis of Medicaid Expansion in Alaska," Figure 2, p.7



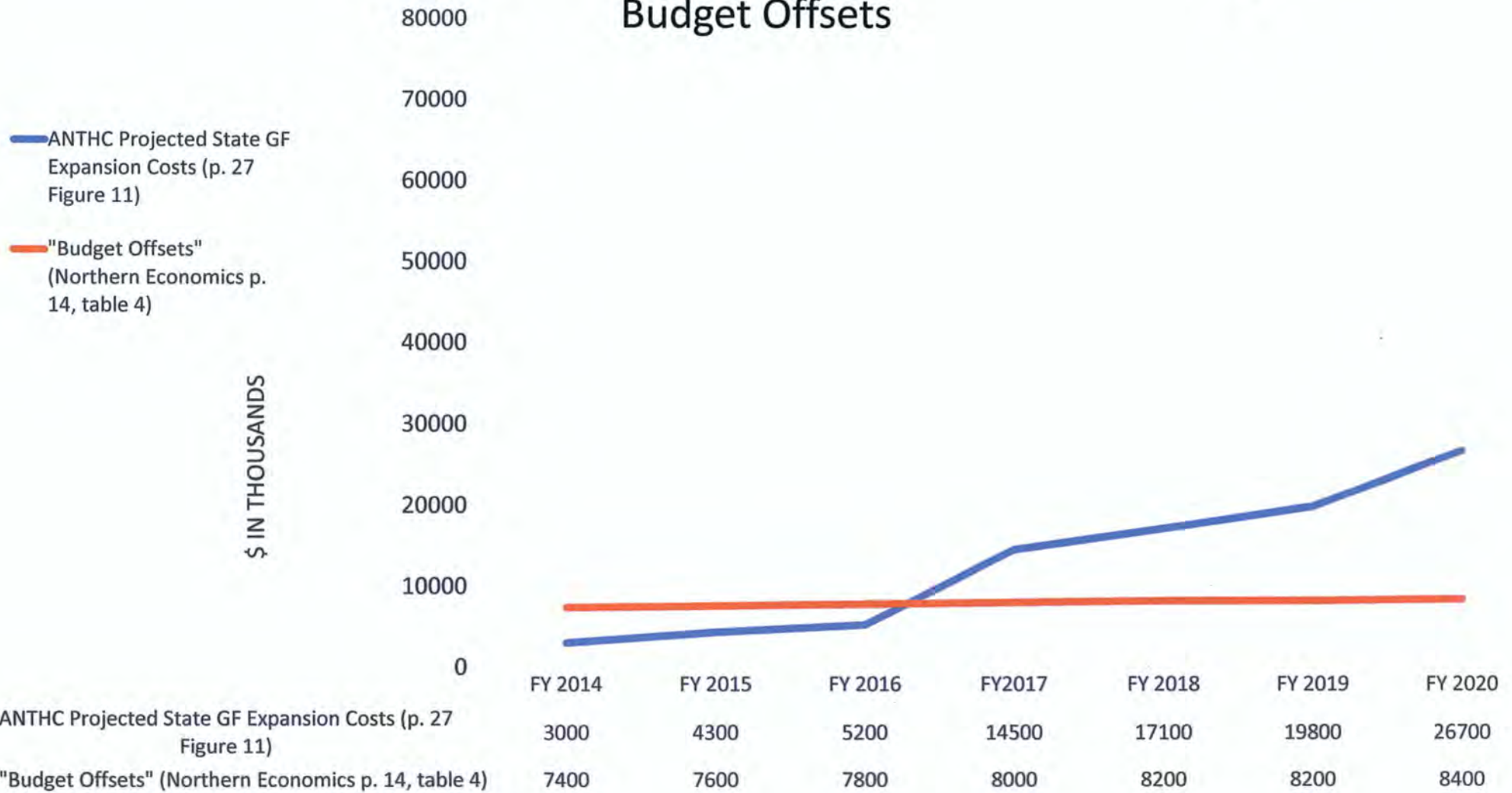
“Budget offsets can pay the state’s share of Medicaid expansion.”

Only the most recent “Healthy Alaskans” Plan’s projections reflect this to be the case.

## Healthy Alaska Plan Projected State GF Costs of Expansion Compared to Healthy Alaska Plan Budget Offsets



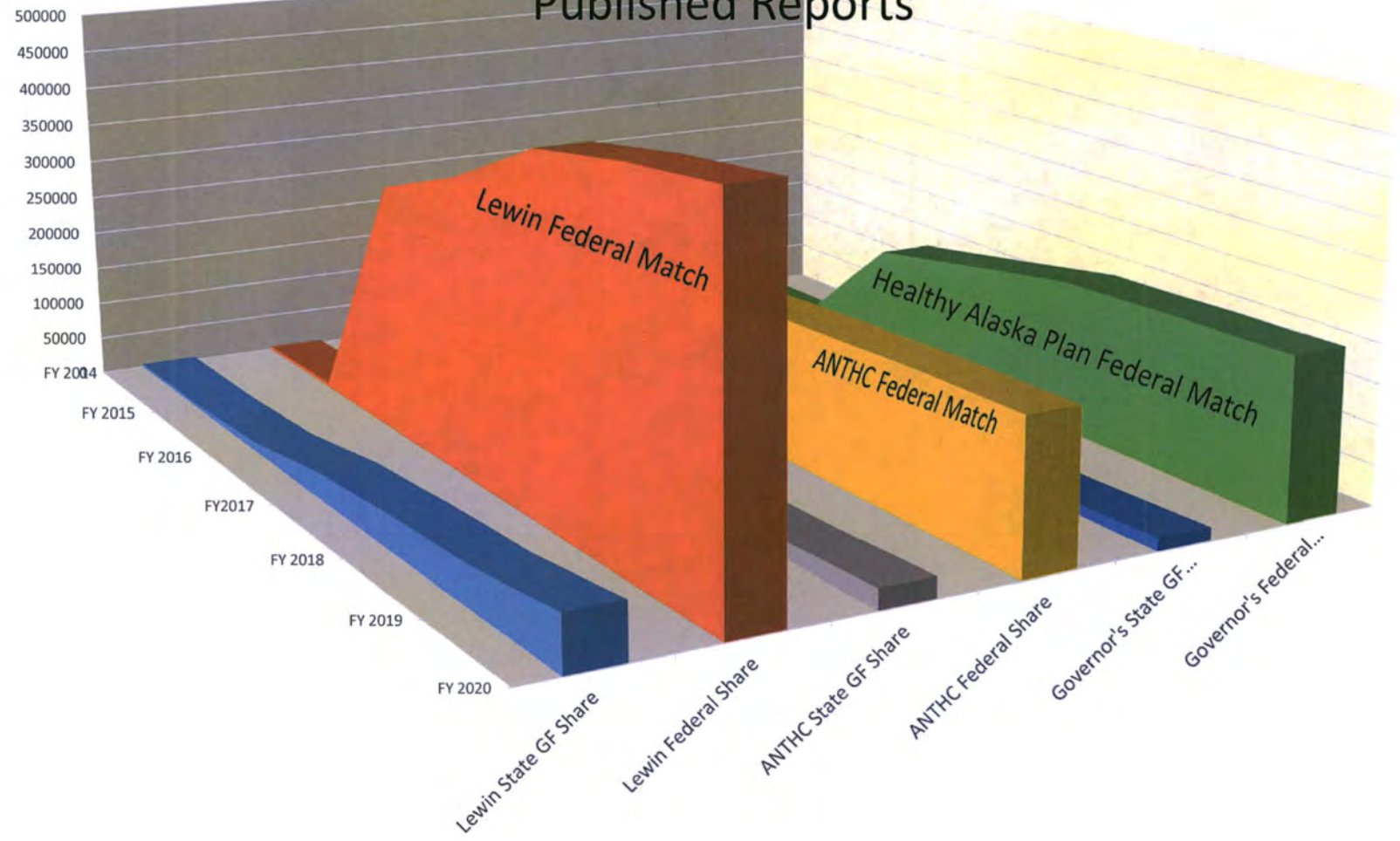
# ANTHC Projected State GF Costs Compared to ANTHC's Projected Budget Offsets



## DHSS Lewin Report Projected State GF Costs of Expansion Compared to Healthy Alaskans Projected Budget Offsets



# Expansion Costs (State GF and Federal Match) Compared Between Published Reports



“Budget offsets can pay the state’s share of Medicaid expansion.”

This statement further implies that savings associated with expansion will take care of the state’s GF Medicaid liability.

## "Budget Offsets" FY 2014 - 2020

**83.3**

**\$ IN MILLIONS**

Budget Offsets

\*Identified in "Healthy Alaskans Plan," p.8.

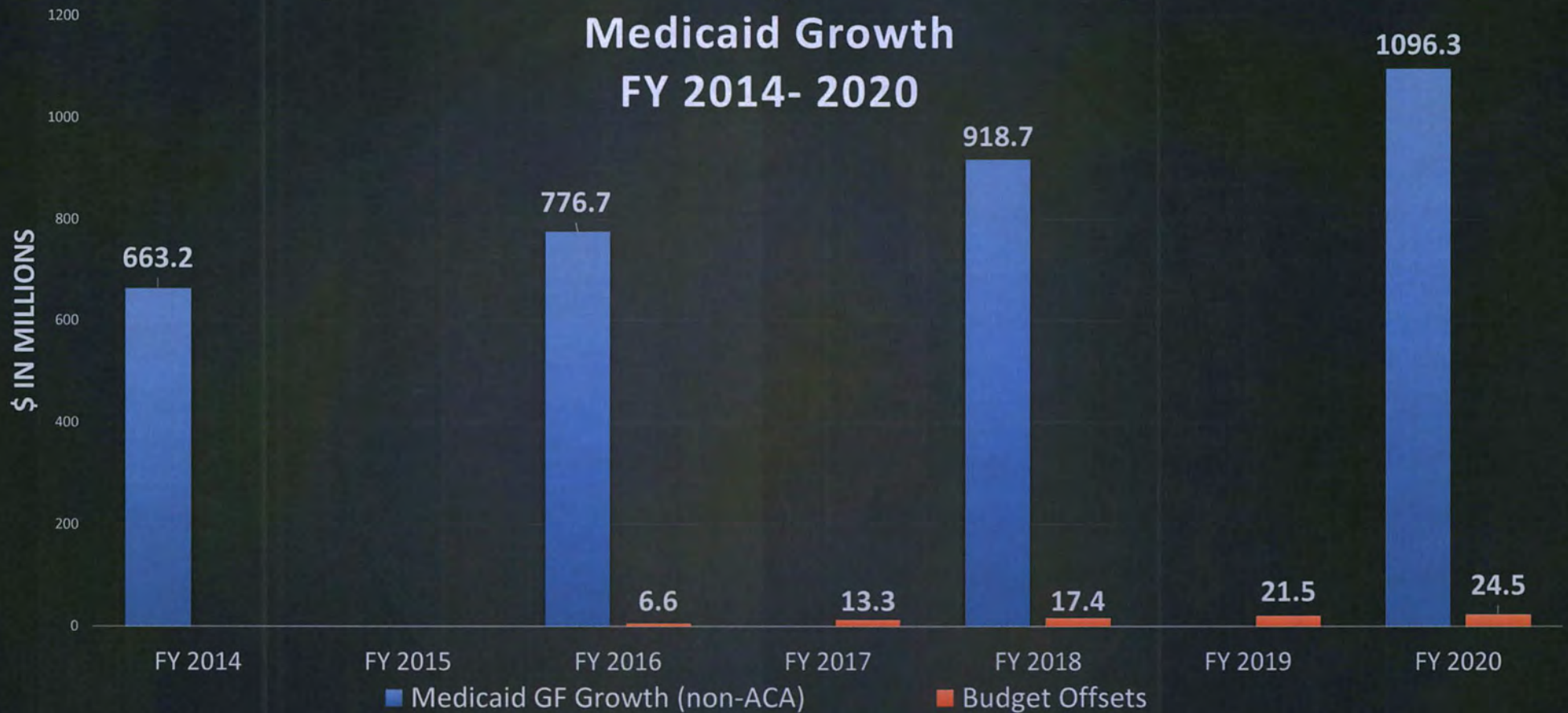
# "Budget Offsets"\* Compared to GF Medicaid Growth (non-ACA) FY 2014-2020



\*Healthy Alaskans Plan, p.8.

\*\*"An Analysis of the Impact of Medicaid Expansion in Alaska", The Lewin Group, April 12, 2013; p.7, Figure 2.

# Healthy Alaskans Plan's Budget Offsets Compared to GF Medicaid Growth FY 2014- 2020

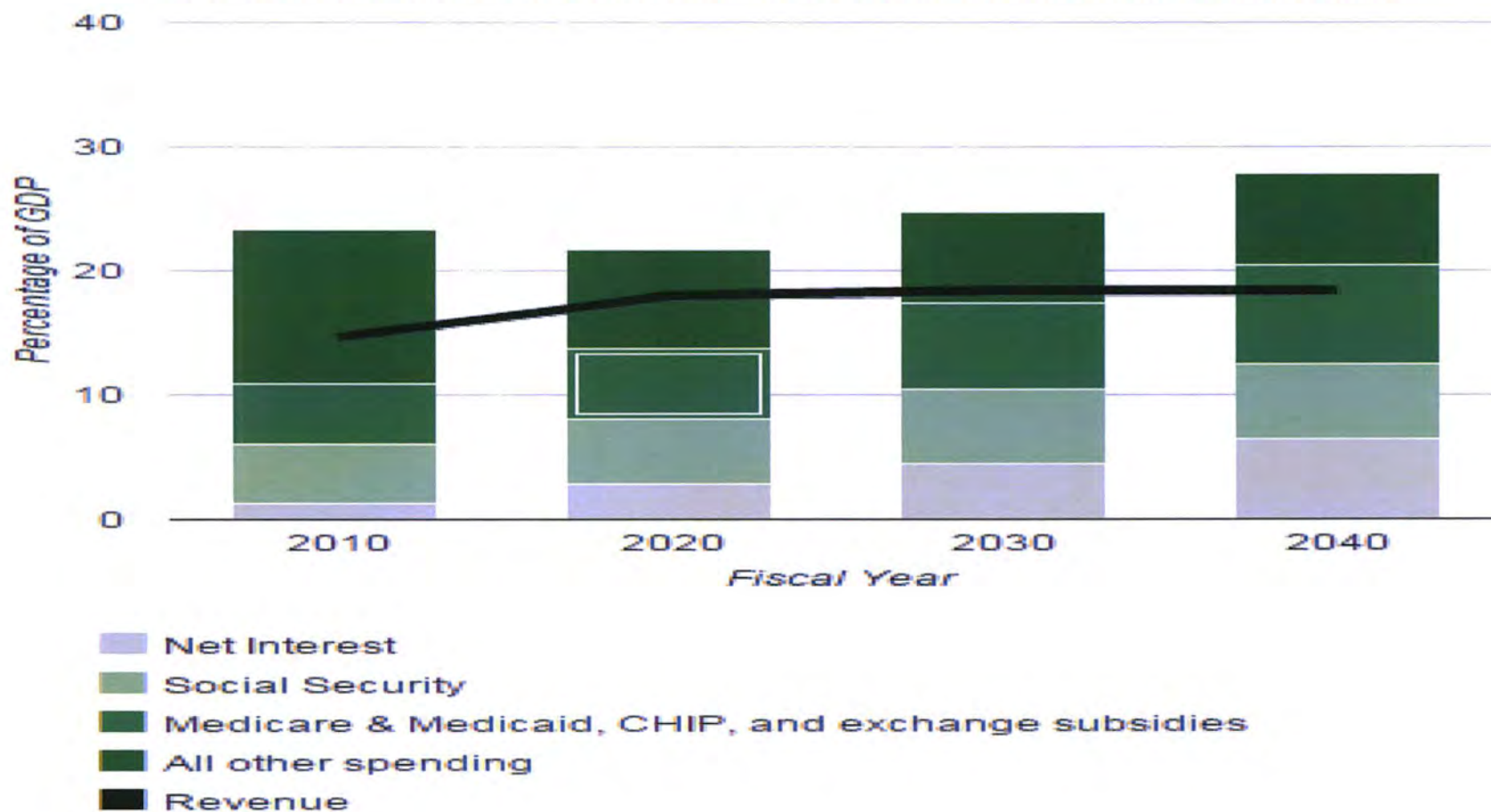


Medicaid GF Growth: "An Analysis of the Impact of Medicaid Expansion in Alaska", The Lewin Group, April 12, 2013; p.7, Figure 2.

Budget offsets identified in "Healthy Alaskans Plan"

On the federal level, entitlement spending will likely lead to budget pressures applied to the states.

**Potential Fiscal Outcomes: Baseline Extended Simulation**



Source: GAO.

Note: Data are from GAO's Spring 2014 simulation based on the Trustees' assumptions for Social Security and Medicare.

Baseline Extended Simulation data: txt pdf

**Viability of the existing  
Medicaid program, not  
expansion should be the  
discussion.**



**VISION**  
ALASKA INDIVIDUALS, FAMILIES AND COMMUNITIES ARE SAFE AND HEALTHY  
**MISSION**  
TO PROMOTE AND PROTECT THE HEALTH AND WELL-BEING OF ALASKANS

Senate Health & Social Services Committee

# Healthy Alaska Plan

February 23, 2015

Commissioner Val Davidson

# Reform is Necessary

Reform is necessary

- State of the Budget Address
  - Identify 25% cuts over the next several years
- Minimize the impact to those we serve
- Efficiencies, Improvements and Innovations are critical to bend the cost curve

DHSS Budget = \$2.7B

- Medicaid = \$1.7B

The current Medicaid program is not sustainable



## Catalyst for Reform

# Building on Reforms Underway

- ① • Control overutilization of hospital emergency room services \$29M annually
- ② • Increased fraud and abuse prevention and control efforts \$15M
- ③ { • Activities to reduce waste "I" waiver
- Home and community-based service improvements "K" waiver to increase Fed match
- ④ • Coordination with Patient-Centered Medical Home initiatives
- ⑤ • Coordination with the Alaska tribal health system \$15M savings to gen. fund
- Investigating waiver options Behavioral Health.



Val  
These reforms are already underway

Catalyst for Reform  
**Additional Reforms**

Recently identified reforms:

- Change eligibility for Personal Care Assistance (PCA) services \$2.5m gen fund
- Possible savings in <sup>\*</sup>Durable Medical Equipment, Vision, and Hearing \$1m (116)
- Increase number in the Super Utilizer contract for management of care
- Dental \$1m
- Implement utilization control for Behavioral Health services
- Ground Transportation *more effective transportations/escorts*



Catalyst for Reform  
**Designing Reform**

- Funding from the Alaska Mental Health Trust Authority
  - RFP to be released this week
- Technical Assistance for Reform
  - Reform efforts in other states
  - Stakeholder process
  - Building an Alaskan Model - *what should our medicare plan look like?*
  - Identifying the approval process
    - Regulation, Statutory, Budgetary, State Plan Amendments, waivers



## Catalyst for Reform

# Timeline for Reform

- February 25, 2015: RFP released
- March 18, 2015: Deadline for Proposal Submission
- April 15 – May 15, 2015: DHSS Meetings with Contractor
  - Details on the Alaska Medicaid Program; Identifying stakeholders; meeting process
- May 2015: Meetings with Stakeholders
  - Schedule for ongoing stakeholder meetings to be determined by stakeholders and contractor
  - Developing recommendations for reform
- January 31, 2016: DHSS Report presented to the public & Legislature
  - Including initial proposed reforms



## Catalyst for Reform

# Additional Reform Options

Building blocks to achieving meaningful reform

- Payment Reform
- Strengthened Primary Care
- Care Management - *appropriate care utilization;*
- Workforce Innovation
- Maximizing federal matching fund opportunities
- Improved Telehealth Capability



Catalyst for Reform

## Additional Reform Options

Strategies for increasing prevention and shared

delivery options

Health Savings Accounts (HSAs)

Direct patients to the appropriate level of care

and promote healthy behaviors

Improve access to preventative services

Expand benefits for the expansion group

PCL XL error

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## Catalyst for Reform

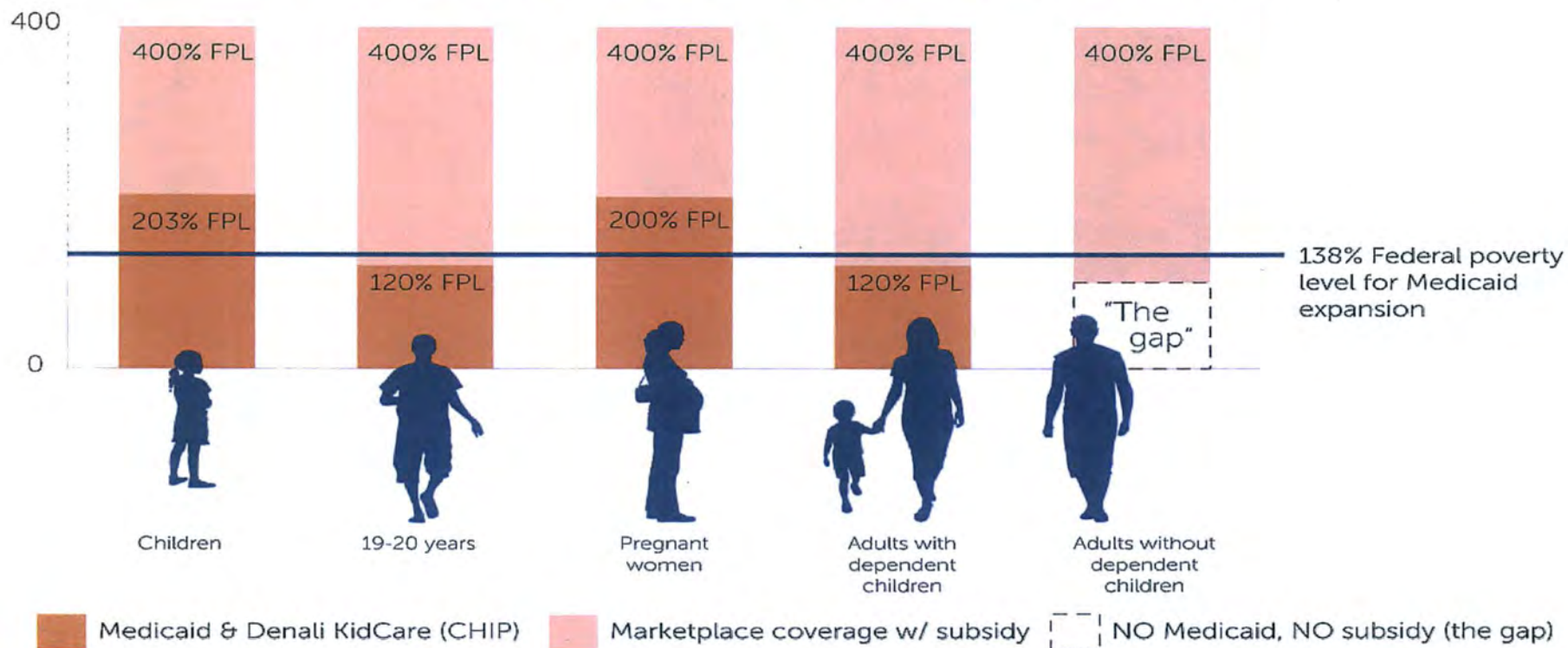
# Additional Reform Options

Reform strategies for increasing prevention and shared responsibility

- Cost-sharing options
- Health Savings Accounts (HSAs)
- Services to direct patients to the appropriate level of care
- Incentives for healthy behaviors
- Increased access to preventative services
- Work assistance benefits for the expansion group



# Healthy Alaskans Who is covered now?



Healthy Alaskans

# Medicaid Expansion

## Higher Federal Match

An immediate economic boost

Reducing Uncompensated Care by reducing the number of uninsured

*\$150 m in AK Hospitals; ER Rooms are only place to get care*

Opportunities for reform and waivers

*matching funds*

Reduce the cost of the Medicaid program





## Healthy Alaskans

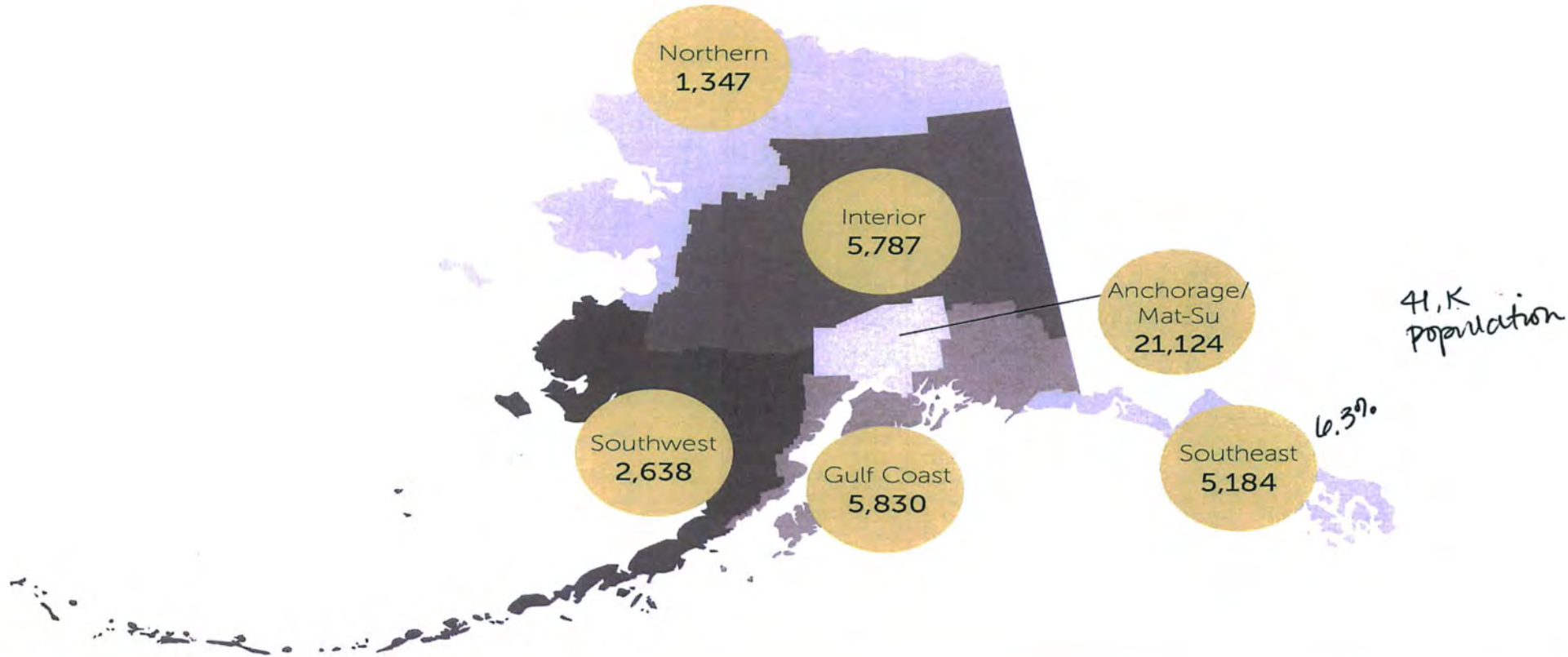
# Who would be covered by Expansion?

- Adults without dependent children
- Ages 19 – 64
  - Not otherwise eligible for Medicaid or Medicare
- Earning up to 138% of the Federal Poverty Level (FPL)
  - Single adults earning up to \$20,314 per year
  - Married couples earning up to \$27,490 per year





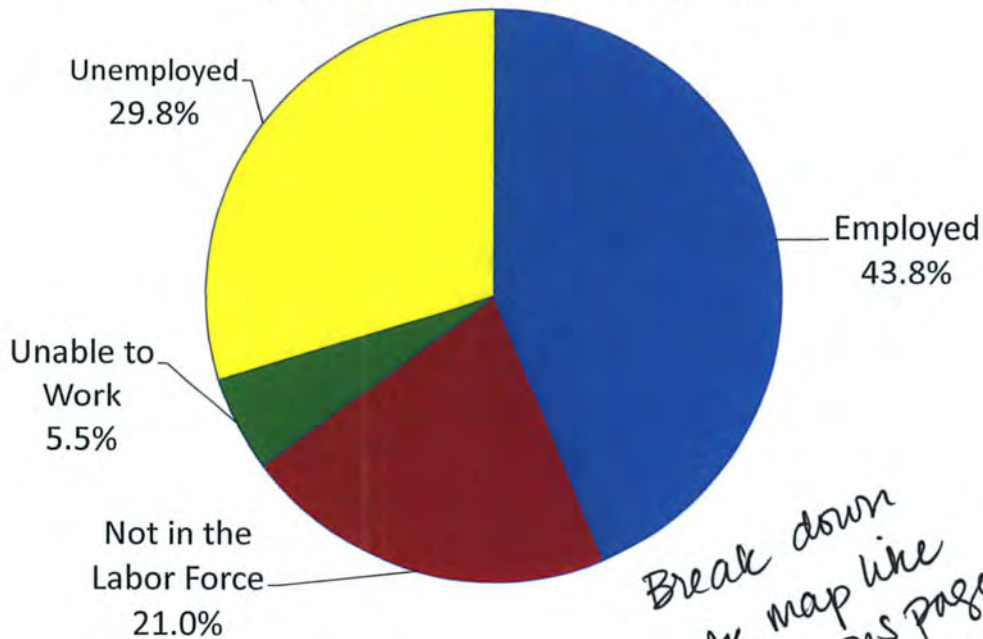
# Healthy Alaskans





# Healthy Alaskans The Expansion Population

**Employment Status of Alaska's Medicaid Expansion Population**



*Break down in AK map like previous page*

Health Coverage	Percent of Responses
None	43.3%
Employer	19.6%
Purchased	4.3%
Partial Coverage*	29.3%
Not Sure, Don't Know, Refused	3.4%

*1 Hs, Vets, Comm Health Center*

Source: Analysis by Evergreen Economics of data from the BRFSS survey  
\*Partial coverage includes healthcare services provided by tribal health facilities and possibly other sources.



Healthy Alaskans

# How many will sign up?

	2016	2017	2018	2019	2020	2021
Newly Eligible Adults	41,910	41,980	42,050	42,120	42,190	42,260
Take-up Rate	47.90%	55.40%	63%	63%	63%	63%
New Enrollees	<b>20,066</b>	<b>23,273</b>	<b>26,492</b>	<b>26,535</b>	<b>26,580</b>	<b>26,623</b>



## Healthy Alaskans Cost Per Enrollee

Projected Cost of Service Per Newly Eligible Medicaid Enrollee by Fiscal Year  
(Weighted by Expected Gender and Age Distribution of the Expansion Population)

	2016	2017	2018	2019	2020	2021
<b>Per Enrollee Cost</b>	\$7,248	\$7,495	\$7,752	\$8,018	\$8,293	\$8,433

Estimated Distribution of Expansion Group With Respect to Gender and Age

Gender	Ages 19-34	Ages 35-44	Ages 45-54	Ages 55-64	All Ages
<b>Male</b>	20.1%	5.2%	13.6%	14.4%	<b>54%</b>
<b>Female</b>	12.6%	5.8%	13.8%	14.5%	<b>46%</b>
<b>Total</b>	<b>32.7%</b>	<b>11.0%</b>	<b>27.4%</b>	<b>28.9%</b>	<b>100%</b>



## Healthy Alaskans

# Reducing Recidivism

### 2015 Recidivism Reduction Plan

[http://www.legis.state.ak.us/basis/get\\_documents.asp?session=29&docid=1372](http://www.legis.state.ak.us/basis/get_documents.asp?session=29&docid=1372)

- Alaska Judicial Council reported that convicted felons who completed an ADOC substance program, 12% recidivated compared to the control group in which 20% recidivated within 12 months of being released from custody
- UAA Institute of Social and Economic Research (ISER) issued a report:
  - With no change in policies, the number of Alaska inmates is likely to double by 2030, from 5,300 to 10,500
  - If the state spent an additional \$4 million a year to expand the education and substance abuse programs it already had, the prison population in 2030 might be 10% smaller than projected – about 1,050 fewer inmates
- Providing continued access to substance abuse programs following release is key



## Healthy Alaskans

# Improving Health

Access to health care means improved health outcomes and increased productivity and independence

- The number of uninsured Alaskans would be reduced by half 20% to 10%
- More Alaskans would receive preventative and primary care, including behavioral health services and help in managing costly chronic diseases
- Alaska's statewide mortality rate would drop
- Health care access for survivors of domestic violence and sexual assault
- Access to health care is already showing a positive difference for the homeless population in other states
  - Improving capability to gain employment



Healthy Economy  
New Federal Dollars

- Higher Federal Contribution under Expansion

	2014	2015	2016	2017	2018	2019	2020 & Beyond
<b>FMAP under Expansion</b>	100%	100%	100%	95%	94%	93%	90%

- \$1.12B from FY2016 – FY2021

	2016	2017	2018	2019	2020	2021
<b>Federal Match*</b>	\$145,435.0	\$170,633.0	\$195,514.0	\$200,683.0	\$204,087.0	\$204,928.0

*val  
\* Double  
checking  
this #*

\* Costs in Thousands of Dollars



## Healthy Budgets

# Annual State Spending on Expansion

		2016	2017	2018	2019	2020	2021
C O S T S	State Match for Health Care Costs	\$0	\$3,804.0	\$9,854.0	\$12,064.0	\$16,346.0	\$19,587.0
	Administrative Costs for Medicaid expansion (State General Fund)	\$0*	\$1,392.0	\$1,478.0	\$1,499.0	\$1,600.0	\$1,625.0
<b>State Costs:</b>		<b>\$0</b>	<b>\$5,196.0</b>	<b>\$11,332.0</b>	<b>\$13,563.0</b>	<b>\$17,946.0</b>	<b>\$21,212.0</b>
O F F S E T S	Chronic & Acute Medical Assistance (CAMA)	\$1,000.0	\$1,300.0	\$1,400.0	\$1,500.0	\$1,500.0	\$1,500.0
	Corrections	\$4,100.0	\$7,000.0	\$7,000.0	\$7,000.0	\$7,000.0	\$7,000.0
	Behavioral Health Grants	\$1,500.0	\$5,000.0	\$9,000.0	\$13,000.0	\$16,000.0	\$16,000.0
<b>State Offsets:</b>		<b>\$6,600.0</b>	<b>\$13,300.0</b>	<b>\$17,400.0</b>	<b>\$21,500.0</b>	<b>\$24,500.0</b>	<b>\$24,500.0</b>
<b>Net Savings to State GF</b>		<b>(\$6,600.0)</b>	<b>(\$8,104.0)</b>	<b>(\$6,068.0)</b>	<b>(\$7,937.0)</b>	<b>(\$6,554.0)</b>	<b>(\$3,288.0)</b>
<b>Federal Match</b>		<b>\$145,435.0</b>	<b>\$170,633.0</b>	<b>\$195,514.0</b>	<b>\$200,683.0</b>	<b>\$204,087.0</b>	<b>\$204,928.0</b>

\* FY16 Administrative Cost is being funded by the Alaska Mental Health Trust Authority



# Healthy Economy Impact to the Economy



40,000  
uninsured  
**ALASKANS**  
will be eligible for basic  
health care coverage



\$1.1  
**BILLION**  
in new federal  
revenue for Alaska



4,000  
new  
**JOBS**



\$1.2  
**BILLION**  
more in wages  
and salaries  
paid to Alaskans

*combined  
6 yr.*



# Questions?

## Thank You

