



THE STATE
of **ALASKA**

Governor Bill Walker

Office of the Governor

OFFICE OF MANAGEMENT AND BUDGET
Pat Pitney, Director

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July 16, 2015

The Honorable Mike Hawker Chairman
Legislative Budget and Audit Committee
716 W. 4th Ave. Suite 615
Anchorage AK, 99501-2133

Dear Representative Hawker:

Pursuant to AS 37.07.080(h), I am submitting the following Legislative Revised Programs (RPLs) to the Legislative Budget and Audit Committee:

RPL#	Agency	Subject	Amount	Fund Source
06-6-0056	Health and Social Services	Medicaid Expansion	\$145,438,400	Federal Receipts (1002)
06-6-0057	Health and Social Services	Medicaid Expansion	\$3,181,300	Federal Receipts (1002) MHTAAR (1092)

The RPL's cover the necessary program receipt authority to expand medical coverage to eligible Alaskans ages 19-64. During more than 30 separate legislative hearings the administration has provided significant background information on Alaska's Medicaid program and the impacts of Medicaid expansion in Alaska.

In addition to the information attached, there are two detailed reports and several fact sheets available for your review at <http://dhss.alaska.gov/HealthyAlaska/Pages/default.aspx>. The committee can also access all the reports and information provided in the legislative hearings on BASIS.

A recent report by the Robert Wood Johnson Foundation on eight Medicaid expansion states (Arkansas, Colorado, Kentucky, Michigan, New Mexico, Oregon, Washington and West Virginia) concluded those states will save a total of \$1.8 billion by the end of 2015 as a result of Medicaid expansion.

If Alaska had accepted Medicaid expansion on Jan. 1, 2014, since then we would have received an estimated \$220 million in additional federal revenue. The state can expect to bring in \$1 billion in new federal health care dollars over the next six years, and save more than \$100 million in state general funds. Medicaid expansion also means 4,000 new jobs.

In the first year that we expand Medicaid, the state will save \$6.6 million. The federal funding will provide a much-needed boost to our economy and relief to our budget.

Thank you and please don't hesitate to contact me with questions.

Sincerely,

A handwritten signature in black ink that reads "Pat Pitney". The signature is fluid and cursive, with the first name "Pat" being more prominent and the last name "Pitney" following in a similar style.

Pat Pitney
Director

Enclosures

cc: David Teal, Legislative Finance

Department of Health and Social Services
Medicaid Services
Health Care Medicaid Services

Subject of RPL: Medicaid Expansion	ADN/RPL #: 06-2016-0056
Amount requested: \$145,438,400	Appropriation Authority: Sec1 Ch23 SLA2015 pg24 ln3; Sec1 Ch39 SSSLA2015 pg16 ln4
Funding source: Federal Receipts (1002) Operating	Statutory Authority: AS 47.07; 42 USC sections 1396-1396p

PURPOSE

Additional federal receipt authority allows the department to claim federal reimbursement of state expenditures for expanding medical coverage to Alaskans.

Medicaid expansion provides medical coverage to Alaskans earning up to 138 percent of the federal poverty level. This applies to individual Alaskans who earn \$20,314 (\$9.76 an hour) a year or less, or married couples earning a combined \$27,490 a year or less.

The department anticipates expanding medical coverage to 20,066 Alaskans in FY2016 at a cost of \$145,438.4. This cost is 100 percent reimbursable by the federal Medicaid program.

A recent report by the Robert Wood Johnson Foundation on eight Medicaid expansion states (Arkansas, Colorado, Kentucky, Michigan, New Mexico, Oregon, Washington and West Virginia) concluded those states will save a total of \$1.8 billion by the end of 2015 as a result of Medicaid expansion. Attached are two summary documents demonstrating the need and value of expanding the Medicaid program for low-income working Alaskans. For additional information on Medicaid expansion in Alaska see the reports at <http://dhss.alaska.gov/HealthyAlaska/Pages/default.aspx>.

PREVIOUS LEGISLATIVE CONSIDERATION

The Walker Administration included a request for additional federal authority within Medicaid Services for the same amount as this proposal. The FY2016 Operating Budget for Medicaid Services does not include the proposed increment for Medicaid expansion.

TIMING ISSUES

Additional federal authority is critical in order to reimburse state expenditures for expanding medical coverage to Alaskans in FY2016. These costs are 100 percent reimbursable in 2016, and begin stepping down in 2017 through 2020. It is critical that the State maximize federal revenues as early as possible in order to bring the greatest economic benefit to Alaska. The additional federal authority will lead to improved health outcomes and increased productivity and independence for Alaskans. More Alaskans will get preventative and primary care, including behavioral health services and help in managing costly chronic diseases. Alaskan business owners will benefit because of reduced turnover and fewer lost work days due to employees with unattended illnesses and injuries. Reductions in uncompensated care will help keep insurance premiums from rising.

BUDGETARY ISSUES

The Medicaid Services Results Delivery Unit (RDU) for FY2016 contains \$641,171.4 in Unrestricted General Funds (UGF); \$1,797.5 in Designated General Funds (DGF); \$8,042.6 in Other State Funds; and \$966,226.2 in Federal Receipt Authority for a total of \$1,617,237.7. This budget authority has been appropriated to the department for management of the pre-expansion Medicaid Program. This RDU does not contain sufficient Federal Receipt Authority to support an expanded

Medicaid Program. Additional federal authority will be expended as grants. No new general funds are needed to support Medicaid Expansion in FY2016.

Agency Contact and Telephone:

Sana Efir, Assistant Commissioner, 465-1630

OMB Approved:  Date: July 16, 2015

**Department of Health and Social Services
Health Care Services/Medical Assistance Administration
Public Assistance/Public Assistance Field Services**

Subject of RPL: Medicaid Expansion	ADN/RPL #: 06-2016-0057
Amount requested: \$3,181,300	Appropriation Authority: Sec1 Ch23 SLA2015 pg20 ln11; Sec1 Ch39 SSSLA2015 pg12 ln28; Sec1 Ch23 SLA2015 pg21 ln13; Sec1 Ch39 SSSLA2015 pg13 ln27
Funding source: \$1,590,600 Federal Receipts (1002); \$1,590,700 Mental Health Trust Authority Authorized Receipts (1092) Operating	Statutory Authority: AS 47.07; 42 USC sections 1396-1396p

PURPOSE

Medical Assistance Administration and Public Assistance positions, space and equipment are needed to support the claims processing, and an increase in applications for eligibility determinations for Medicaid expansion. Additional federal receipt authority allows the department to claim 50 percent federal reimbursement for administrative costs for claims processing and eligibility determinations. Mental Health Trust Authority Authorized Receipts (MHTAAR) will be used as 50 percent match for the additional federal receipt authority.

PREVIOUS LEGISLATIVE CONSIDERATION

The Walker Administration included a request for additional federal and MHTAAR authority within Health Care Services and Public Assistance for the same amount as this proposal. The FY2016 Operating Budget does not include the proposed increments for Medicaid expansion.

TIMING ISSUES

Additional federal and MHTAAR authority is necessary to fund the administrative costs of claim processing and eligibility determinations for the Medicaid expansion population. This cost is a 50/50 federal funding split. This represents an administrative cost of two percent of which half is covered through federal funding.

The department anticipates expanding medical coverage to 20,066 Alaskans in FY2016 at a 100 percent federal support of \$145,438.4 through the corresponding RPL 06-2016-0056.

BUDGETARY ISSUES

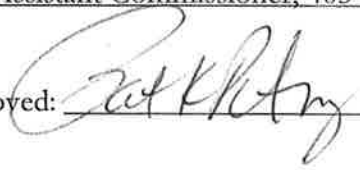
The Medical Assistance Administration component in FY2016 contains \$5,141.1 in Unrestricted General Funds (UGF); \$1,467.6 in Other State Funds; and \$5,967.7 in Federal Receipt Authority for a total of \$12,576.4. This budget authority has been appropriated to the department for management of health care programs including the pre-expansion Medicaid Program. This allocation does not contain sufficient authority to support an expanded Medicaid Program. Additional federal and MHTAAR authority will be expended for personal services (\$351.0), travel (\$2.0), services (\$28.2), and commodities (\$28.8). No new general funds are needed to support Medicaid Expansion in FY2016.

The Public Assistance Field Services component in FY2016 contains \$20,920.9 in Unrestricted General Funds (UGF); \$795.8 in Other State Funds; and \$21,648.8 in Federal Receipt Authority for a total of \$43,365.5. This budget authority has been appropriated to the department for management of Public Assistance programs including the pre-expansion Medicaid program. This allocation does not contain sufficient authority to support an expanded Medicaid program. Additional federal and

MHTAAR authority will be expended for personal services (\$1,908.3), services (\$432.9), and commodities (\$430.1). No new general funds are needed to support Medicaid Expansion in FY2016.

Agency Contact and Telephone:

Sana Efird, Assistant Commissioner, 465-1630

OMB Approved:  Date: July 16, 2015

THE HEALTHY ALASKA PLAN

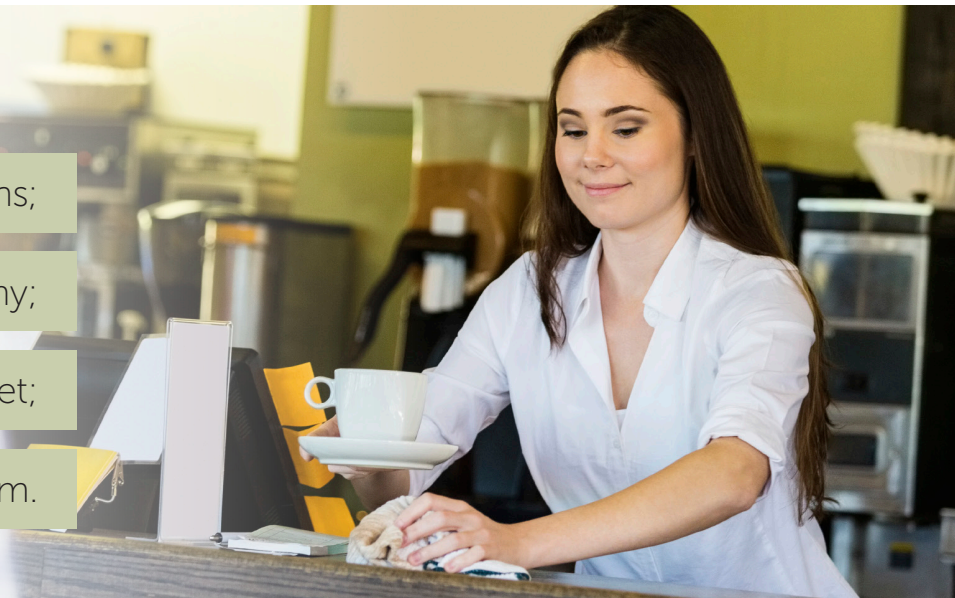
Medicaid expansion — Saves Alaska money. Saves Alaska lives.

healthy for Alaskans;

healthy for the economy;

healthy for the state's budget;

a catalyst for reform.



Medicaid expansion provides thousands of Alaskans the opportunity to get the health care they need. Federal Medicaid dollars will generate jobs and economic activity in our state, save the state money, and provide a catalyst for Medicaid reform for Alaska.

GOOD FOR ALASKANS

Nearly 42,000 Alaskans between ages 19 and 64 will be eligible for health coverage under Medicaid expansion. An expected 20,000 will sign up the first year.

Here's who would be eligible:

- Single adults earning up to \$20,314 a year or less — that's \$9.76 an hour based on a 40-hour work week
- Married couples earning up to a combined income of \$27,490 a year or less.

Expanding Medicaid coverage

- Cuts the number of uninsured Alaskans by half,
- Improves access to preventive and primary care,
- Improves access to substance abuse treatment and mental health counseling, and
- Saves lives.

GOOD FOR ALASKA'S ECONOMY

Studies project that Medicaid expansion will bring more than \$1 billion in new federal money to Alaska over the first five years. That means Alaska would gain:

- 4,000 new jobs,
- \$1.2 billion in wages and salaries paid to Alaskans,
- \$2.5 billion in increased economic activity throughout the state, and
- Fewer lost work days and less employee turnover.

Expanding Medicaid will bring Alaska tax dollars back to Alaska. It could help stabilize rising insurance premiums and medical prices by reducing uncompensated care that health providers currently provide to Alaskans with no insurance coverage.

Learn more about the Healthy Alaska Plan at:
dhss.alaska.gov/healthyalaska

THE HEALTHY ALASKA PLAN

Medicaid expansion — Saves Alaska money. Saves Alaska lives.



nearly **42,000**
uninsured
ALASKANS
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**

GOOD FOR ALASKA'S BUDGET

Expanding Medicaid reduces the state's budget. Federal funds will pay for some health services currently paid for with state funds. State savings are estimated at \$6.1 million the first year.

Federal funds pay for 100 percent of expansion costs through 2016 and transition to 90 percent in 2020. Savings to the state will offset its share of the costs.

Federal financing of Medicaid expansion:

Calendar year	Federal match rate
2014-2016	100%
2017	95%
2018	94%
2019	93%
2020 and beyond	90%

The state's continued participation is contingent upon maintaining the 90 percent match.

The state currently pays virtually 100 percent of the health costs for Alaskans in our corrections system. Through Medicaid expansion, we will be able to bill some inmate health care costs to federal Medicaid, saving the state an estimated \$4 to \$7 million annually.

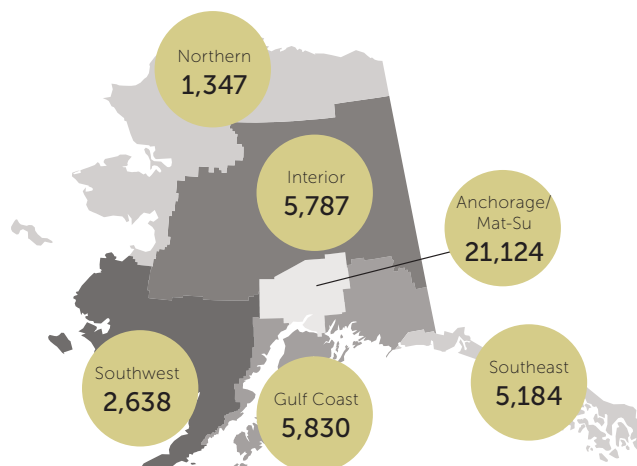
The state can invest in healthy Alaskans or invest in more prisons. Alaska's *2015 Recidivism Reduction Plan* states that Medicaid expansion provides substance abuse treatment and other critical health care services that help keep ex-prisoners out of jail.

A CATALYST FOR REFORM

Some Medicaid reforms are already underway. Leveraging the federal resources that come with expansion is our biggest opportunity to finance our reform efforts. The state will redesign Medicaid through a plan that makes sense for Alaska by evaluating options like:

- Payment reform
- Strengthened primary care
- Care management
- Workforce innovation
- Maximizing federal matching fund opportunities
- Improved telehealth capability

Nearly 42,000 Alaskans would be eligible for Medicaid after expansion:



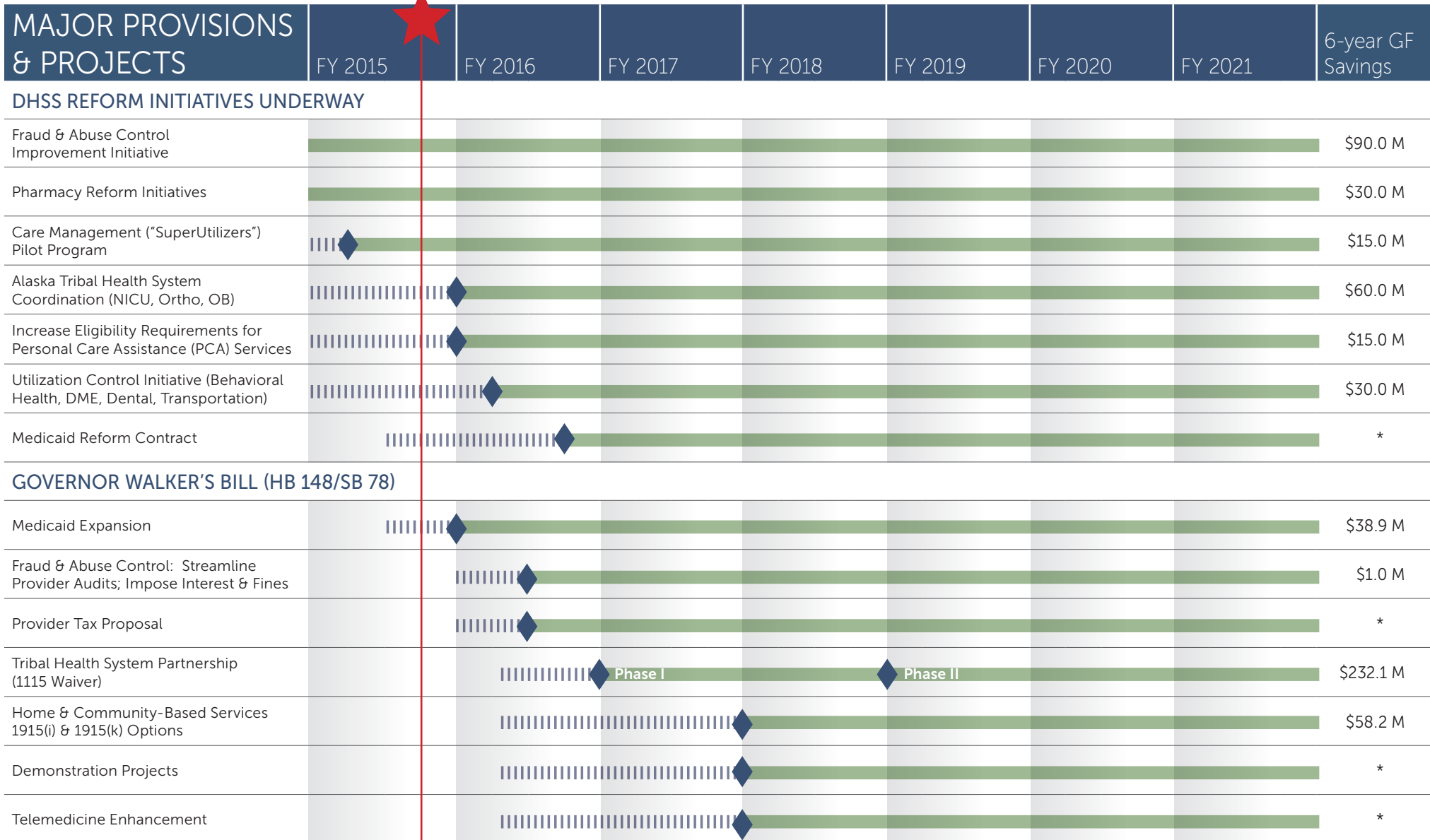
* Projected Population, Enrollment, Service Cost and Demographics of Medicaid Expansion Beginning in FY2016, A memorandum prepared by Evergreen Economics for the Alaska Department of Health and Social Services

** Fiscal and Economic Impacts of Medicaid Expansion in Alaska, A report prepared by Northern Economics for the Alaska Native Tribal Health Consortium

MEDICAID EXPANSION & REFORM TIMELINE

- ||||| Planning Timeframe
- ◆ Implementation "Go-Live" Date
- Post-Implementation Monitoring Period

YOU ARE HERE



*Savings indeterminate at this time.