

# 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.<sup>1,2</sup> These talking points come from the studies and a summary created by ANTHC.<sup>3,4</sup>

## 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.<sup>5</sup>

<sup>1</sup> Medicaid in Alaska Under the ACA, The Urban Institute, January 2013.

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

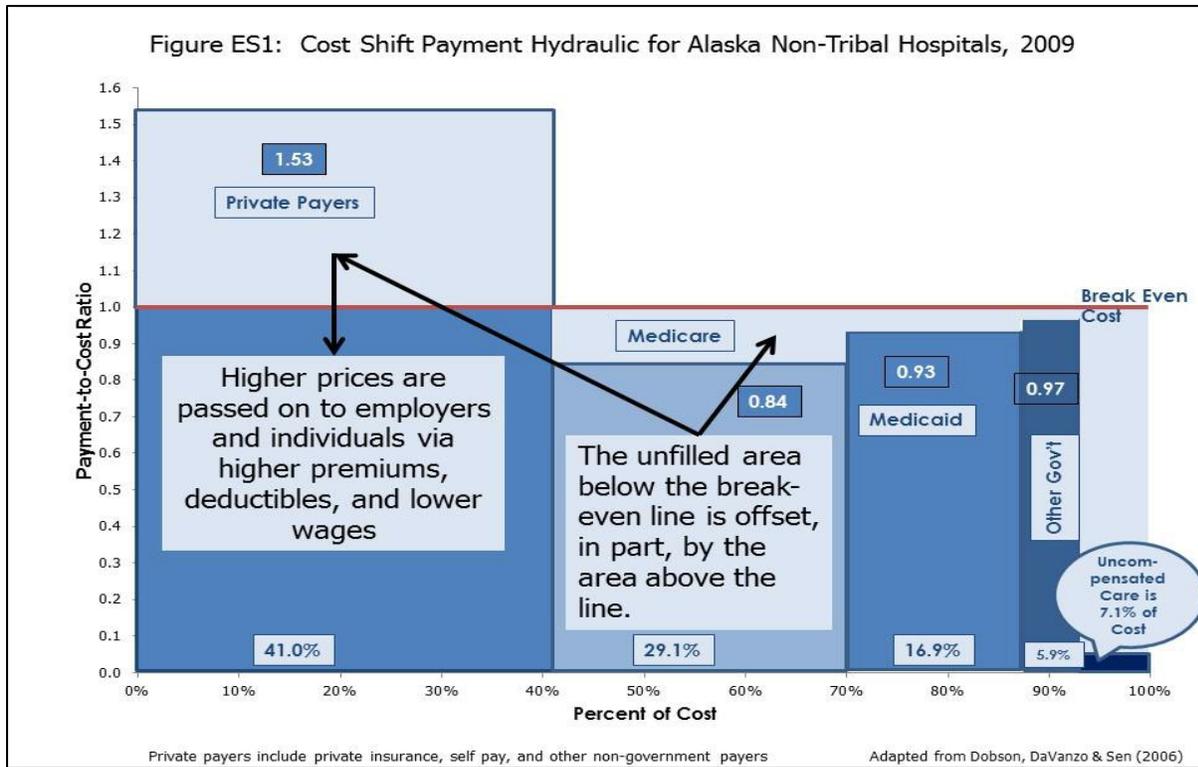
<sup>3</sup> Alaska Native Tribal Health Consortium, Healthier Alaskans Create a Healthier State Economy. Anchorage, AK. 2013.

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

<sup>5</sup> ASHNA Estimate of Medicaid Direct Expenditures Hospital Care, February 2013.

## Impact of Medicaid Expansion on Private Insurance

This chart shows the cost-shift payment hydraulic for Alaska non-tribal hospitals in 2009.<sup>6</sup> Each payer group is represented by a bar. The height of the bar reflects the payment level of that group relative to the costs of treating their patients. The width of the bar reflects the percentage of the costs in the hospitals associated with each payer; this indicates the relative importance of each payer to total hospital patient volume.



- The underpayment to non-tribal hospitals by public programs and the provision of uncompensated care by these hospitals potentially increased private health insurance premiums in Alaska by \$628 per privately insured individual in Alaska in 2009.
- Cost shifting contributed \$531 to the \$16,074 family policy premiums in 2009 and \$98 to individual policy premiums of \$6,477.
- As shown, Medicare pays 84 percent of its costs, Medicaid pays 93 percent of its costs, and other government programs pay 97 percent of their costs.
- Uncompensated care accounts for 7.1 percent of total costs in non-tribal hospitals in Alaska.

If Alaska implements the Medicaid expansion program, combined with those projected to be insured through the Health Insurance Exchange, then the number of uninsured is projected to decrease from 129,702 in 2013 to 18,102 in 2014 and to 17,288 in 2019.

With the Medicaid expansion and the HIE, the amount of uncompensated care provided by non-tribal hospitals is projected to decrease to \$19.8 million in 2014. Without Medicaid expansion and the HIE, uncompensated care is projected to be \$131 million in 2014.

<sup>6</sup> The Impact of Cost Shifting on Private Insurance, Hicks, Boren, Bouras, Myers, and Kimberling. Department of Health Management and Informatics, School of Medicine University of Missouri, April 2013.