



March 12, 2019

Members of the House Finance Health & Social Services Budget Subcommittee

Dear Representatives,

Given the timing of Governor Dunleavy's budget announcement, budget subcommittees are operating under an abbreviated timeline with a difficult task. As you approach the development of an FY 20 proposed budget for the Department of Health & Social Services, I wanted to provide you with thoughts and comments from ASHNHA's perspective.

Medicaid represents a significant portion of the state's general fund spending, but it fulfills a critical role in providing health insurance and health care for more than 200,000 Alaskans. Because of its significant role as an insurer, Medicaid is critical to the overall structure, operation and funding of Alaska's health care system. For hospitals, Medicaid is a significant payer. As an example, following Medicaid expansion, hospital uncompensated care dropped by nearly 40 percent from 2014 to 2016. This resulted in less cost-shifting to commercial insurance, and thus more affordable health care for Alaskans. Cuts contemplated by the Governor could dramatically change the scope of health care services offered in Alaska, affecting all Alaskans.

It is apparent that as of yet the Department does not have a real plan for managing these cuts. Department staff in various meetings have discussed Centers for Medicare and Medicaid Services (CMS) waivers or block grants as an option to enact cuts, but it is difficult to see how this can be achieved without massive disruption to the health care system. While we support innovation through waivers, no CMS waiver or block grant can blunt the impact of removing \$714 million from the health care system.

ASHNHA has been engaged with the Department on ways to lower the rate of growth of Medicaid spending and was actively involved in the process of enacting Medicaid reform legislation (SB 74), passed in 2014. We have voluntarily implemented an emergency department improvement initiative in our member hospitals, enabling better care management and reducing unnecessarily duplication of expensive testing. Hospitals paid for this effort with no participation from Medicaid, even though the initiative will save the state money. We've also served on a variety of issue-specific task forces, including the group that led to the development of the state's 1115 waiver for behavioral health.

As a result of the Department's efforts, the state general fund Medicaid budget is about the same size as it was in FY 15, while simultaneously adding tens of thousands of Alaskans to the program.

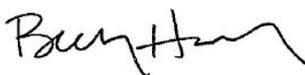
Further, we have conducted our own research and analysis regarding potential opportunities for additional savings in Medicaid. In 2017, we commissioned a report on this topic. The consulting firm identified several opportunities for further study, including the Oregon prioritized list of services, a provider tax and moving large hospitals to a Diagnosis-Related Group (DRG) payment methodology. The findings from this study are attached. The consultant recommended further analysis to quantify impacts, however at the time the Department was not producing Medicaid data in an adequate format to conduct the analysis. We believe the opportunity now exists to evaluate these options for implementation in 2021. These are realistic options to bring changes to the Medicaid program, requiring sound data and time to implement.

Another key challenge in providing health care in Alaska is maintaining the health care workforce. Workforce shortages exist in areas of primary care, nursing, and physical therapy, among others. Changes to the Medicaid program could further exacerbate workforce challenges. Although not part of the DHSS budget, programs such as WWAMI, which supports training of physicians in Alaska, and the University of Alaska School of Health help us grow our own workforce and support Alaskans in getting trained to work here.

As you know, little low-hanging fruit remains in state government, which makes finding cuts on a short timeline for the FY20 fiscal year difficult without causing significant disruption. Change is hard, but necessary, and it is especially difficult in an industry as complex as health care. We stand ready to work with you this year and in coming years to identify ways to make smart changes to the Medicaid program, protecting access to care and ensuring that care remains available in Alaska.

Thank you for your important work on this subcommittee. We are happy to provide you with additional thoughts or specific comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Becky Hultberg".

Becky Hultberg, President/CEO

Attachments:

ASHNHA Medicaid changes analysis: Oregon prioritized list, DRGs, Provider Tax