

**Estimate of Costs to the State of Alaska for Implementation of the Voter Initiative:
Healthcare for Alaskans Act of 2018 (17HCAK)**

Multi Agency Cost Summary

Agency	Cost
Department of Health and Social Services	\$23,956,000 - \$372,555,890
Office of the Lieutenant Governor	\$9,000
Office of the Lieutenant Governor, Division of Elections	\$49,685
TOTAL	\$24,014,685 - \$372,614,575

Estimate of Costs to the Department of Health and Social Services to Implement the Ballot Initiative

As required by AS 15.45.090(a)(4), the Alaska Department of Health and Social Services has prepared the following statement of costs to implement the proposed ballot initiative. If approved, the initiative would take effect 90 days following election certification.

Cost Estimate: Affordable Care Act Unchanged and Children’s Health Insurance Program Reauthorized

Personal Services	\$0
Other Costs	\$23,956,000
TOTAL State General Fund	\$23,956,000

Cost Estimate: Affordable Care Act Repealed and Children’s Health Insurance Program Not Reauthorized

Personal Services	\$0
Other Costs	\$372,555,890
TOTAL State General Fund	\$372,555,890

As required by AS 15.45.090(a)(4), the Department of Health and Social Services (DHSS) has prepared the following statement of costs to implement the proposed ballot initiative: “Healthcare for Alaskans Act of 2018.” This proposed ballot initiative would require the state to maintain the Medicaid and Denali KidCare programs’ eligibility standards at levels no lower than those in effect on January 1, 2017, regardless of changes in federal law. The proposed ballot initiative would also require that payments to providers under the Medicaid and Denali KidCare programs for Medicaid-covered services be made at rates not less than the payment rates that applied to those services on January 1, 2017.

Medicaid and Denali KidCare Program Background

The Medicaid program was established in federal law in 1965 to provide health and long-term care coverage for low-income families, seniors, and people with disabilities. Medicaid is a federal-state partnership. It is administered by state governments, financed with a combination of state and

federal funds, and operated under state laws and regulations that must follow federal laws and regulations.

The federal government typically reimburses the State of Alaska for 50 percent of the cost of Medicaid services, with a few exceptions.

The Children's Health Insurance Program (CHIP) was created in federal law in 1997 to expand health coverage for low-income children through Medicaid or other publicly funded insurance. Alaska chose to participate in CHIP by raising the Medicaid eligibility standards for children. The federal government pays 88 percent of the cost of services for Alaska's children covered under CHIP. Federal funding for CHIP is scheduled to expire on September 30, 2017 unless Congress votes to extend the program. Denali KidCare is a program established under Alaska's Medicaid Program to provide coverage for low-income children and teens, including those covered under CHIP.

Congress also expanded Medicaid eligibility again in 2014 under the Affordable Care Act (ACA) to extend coverage to low-income childless adults. Alaska implemented the ACA Medicaid expansion in 2015. At first, the federal government paid 100 percent of the cost of services for Alaskans covered under the ACA expansion, and now the federal payment share is phasing down each year until it reaches 90 percent in 2020.

Analysis of Fiscal Impact of Ballot Initiative

Compliance with this ballot initiative would require the State to reverse Medicaid provider payment rate cuts implemented during 2017. The resulting increased payment rates, which would apply to hospitals, ambulatory surgery centers, physicians and other health care professionals, would cost approximately \$15.2 million in the first year. The ballot initiative would also restrict the State's ability to comply with federal payment method rule changes. The State would have to pay 100 percent of increased costs associated with payment methods that do not comply with federal rules. The estimated increased costs associated with payment method changes for pharmaceuticals and durable medical equipment is \$8.7 million in the first year. Both of these amounts are low-end cost estimates as they do not account for future cost growth or future federal payment method rule changes.

The State would also have to pay 100 percent of costs associated with eligibility standards that do not comply with federal Medicaid law. If Congress does not reauthorize the Children's Health Insurance Program, federal funding will drop from 88 percent to 50 percent, and if the section of the Affordable Care Act that expands Medicaid eligibility to low-income childless adults is repealed the federal contribution to the cost of those services would drop to zero. The estimated cost to the State to continue to cover the cost of services for these two eligibility groups if they are no longer included in federal law, as this ballot initiative would require, is \$348.6 million in the first year. This is a low-end cost estimate as it does not account for future cost and enrollment growth.

Two fiscal impact scenarios are presented: Scenario I assumes no changes in current federal Medicaid eligibility standards and only estimates the impact of maintaining provider payment rates at the minimum level of those in place on January 1, 2017; and Scenario II adds the cost to maintain services with 100 percent State general fund dollars for the two eligibility groups at greatest risk of repeal or expiration from federal law.

Annual State General Fund Costs to Implement Ballot Initiative

COST CATEGORY	SCENARIO I: ACA & CHIP RETAINED	SCENARIO II: ACA & CHIP REPEALED
Increase Provider Payment Rates to 1/1/2017 Levels	\$15,200,000	\$15,200,000
Computer System Changes to Revert to 1/1/2017 Payment Rates	\$56,000	\$56,000
Costs to Maintain Pharmacy/Durable Medical Equipment Rates at 1/1/2017 Levels	\$8,700,000	\$8,700,000
Cost of Medicaid Services for ACA & CHIP Eligible Recipients	\$0	\$348,599,890
TOTAL	\$23,956,000	\$372,555,890

An additional impact of this ballot initiative that cannot be quantified is the loss of State flexibility to contain costs. State Medicaid programs generally have three broad strategies to control costs: 1) Reduce eligibility standards; 2) Cut provider payment rates; and, 3) Eliminate benefits or limit services for adults. Passage of this ballot initiative would have the effect of taking away the first two of these strategies to contain costs. Should this initiative pass, the only way the State would be able to contain cost growth in the future would be to cut entire service categories, and/or limit the types and amount of services Medicaid enrollees could use. Examples of services federal law would allow Alaska to eliminate are dental, vision, hearing, personal care, and prescription medications.

Estimate of Costs to the Office of the Lieutenant Governor and the Division of Elections for the Ballot Initiative

As required by AS 15.45.090(a)(3), the Alaska Office of the Lieutenant Governor has prepared the following statement of minimum costs associated with the proposed ballot initiative. If approved, the initiative would take effect 90 days following election certification.

Office of the Lieutenant Governor

Assuming the initiative is placed on the ballot, the minimum cost to conduct public hearings concerning the initiative in two communities in each of four judicial districts is estimated to be \$9,000.

Estimate by Category

Travel	\$ 9,000
TOTAL	\$ 9,000

Travel: Estimated travel expenses include round-trip air transportation, per diem and other associated travel costs for the Lieutenant Governor and staff to travel to seven communities in Alaska. It is assumed one of the hearings would be in Anchorage which would not involve travel costs.

Division of Elections

As required by AS 15.45.090(a)(3), the Division of Elections has prepared the following statement of costs to implement the proposed ballot initiative.

The minimum cost to the Division of Elections associated with certification of the initiative application and review of the initiative petition, excluding legal costs to the state and the costs to the state of any challenge to the validity of the petition, is estimated to be \$49,685.

Estimate by Category

Personal Services	\$48,385
<u>Printing Services</u>	<u>\$1,300</u>
TOTAL	\$49,685

Personal Services: Six temporary employees to review signatures for 2,520 hours.
Estimated cost: \$30,618

Certification of the initiative application and review of the initiative petition estimated for 546 hours
Estimated cost: \$17,767

Printing Services: Expenses associated with certification of the initiative application and review of initiative petition. Printing of voter booklets: \$1,300