



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of
Health and Social Services

ALASKA COMMISSION ON AGING

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June 13, 2017

The Honorable Senator Lisa Murkowski
United States Senate
709 Hart Senate Office Building
Washington D.C. 20510

Regarding: Public Comment on the American Health Care Act (AHCA)

Dear Senator Murkowski:

The Alaska Commission on Aging (“the Commission”) thanks you for your diligence in taking public comment and listening to concerns expressed by Alaskans regarding the possible impacts from the proposed American Health Care Act (AHCA) that was passed in the U.S. House (H.R. 1628) and is now awaiting action in the U.S. Senate. We sincerely appreciate your “go-slow” approach to “getting it right” when it comes to national health care reform in order to provide affordable and quality health care insurance for *all* Alaskans including seniors, people with disabilities, those with pre-existing conditions, and persons ages 50 to 64.

Alaska is the state with the highest costs of health care insurance and medical care in the nation due to our low population density, high transportation costs, and complicated health care delivery system. The version of the AHCA passed by the House would cost Alaskans thousands of dollars in increased costs and lower subsidies, shift more cost burden onto our State, and put Alaska’s most vulnerable citizens at risk of losing their health care coverage and long-term support services that are vital to their health and well-being. These services provide significant cost savings by preventing the need for more expensive institutional care. The Commission strongly recommends that the U.S. Senate, with support from Alaska’s Senate delegation, pass reform legislation that takes the needs of seniors, people with disabilities, and other vulnerable individuals into account by providing them with access to affordable health care and long-term care services that they depend on and deserve.

The Commission wishes to take this opportunity to follow-up on the letter it submitted to your office on March 13, 2017 before the AHCA passed the U.S. House when the bill was subsequently amended and later scored by the Congressional Budget Office (CBO). We write to express our continuing concerns about the serious impacts posed by the AHCA for Alaska’s older people and other vulnerable citizens and offer recommendations to move forward.

Individual Health Care Insurance and Age-Rating Provisions

Overall, the AHCA is expected to disproportionately impact seniors, people with disabilities, and persons with lower incomes. People who are older, lower-income, and live in high-cost premium states, like Alaska and other rural states, will receive less financial assistance under the AHCA. In fact, Alaska will experience the largest drop in federal funds of any state, pending passage of the House-passed AHCA. Under the AHCA, tax credits will be based largely on age with a gradual phase-out for higher-income individuals, per the updated legislation. According to information from the Kaiser Family Foundation (March 2017), Alaska would receive

the largest cut in average tax credit of all states, by as much as 78% (or \$10,243 per adult), making health care insurance significantly less affordable. Through the Affordable Care Act (ACA), Alaska receives significant advanced premium tax credits largely because these credits are based on the high cost of insurance premiums in our state in addition to household income and age. Persons with lower to middle-incomes are eligible for higher premium tax credits.

Under the AHCA, persons age 50 to 64 would pay higher premiums based solely on age. Insurance companies will be allowed to charge five times more for an older person's coverage which is now limited by the Affordable Care Act (ACA) to no more than three times the cost for younger people. In Alaska, this will affect approximately 6% of Alaskans between the ages of 50 and 64 (or more than 8,600) who are enrolled in the individual market. For an older person in this age bracket living on an income of \$25,000, their premiums could increase by as much as \$18,533 (for a person age 55) to \$28,210 (for a person age 64) (AARP May 2017). In 2015, half of all Alaskans ages 50 to 64 buying insurance in the individual market had incomes of \$28,000 or less (AARP May 2017). They simply cannot afford to pay the higher premiums.

The AHCA also removes protections for people with pre-existing conditions by allowing states to waiver out of this requirement, enabling insurance companies to charge higher premiums based on a person's health condition. This provision disproportionately affects older people because the presence of preexisting conditions increases with age. Based on estimates from AARP, 36 percent of Alaskans age 50 to 64 years old (or 50,801 persons) have a pre-existing condition.

Recommendation: Alaska launched a new "re-insurance program" in January, funded largely with State funds, to avoid a huge 42% spike increase in health care premiums that left only one insurer in place, Premera Blue Cross Blue Shield. Alaska is now seeking approval for the 1332 waiver to continue this re-insurance program with federal funding support. Other states, in addition to the Trump administration, are following the progress of this approach with great interest as the program is showing promising savings. This innovative, nonpartisan strategy requires further investigation and federal funding support through the AHCA's State Innovation Fund as a possible approach to pursue for Alaska and other rural states that have high health care costs and complicated health care challenges.

In addition, the Commission strongly encourages your support of provisions that allow older adults to have guaranteed access to affordable insurance by reducing limits on age rating and prohibiting premium surcharges for people with pre-existing conditions.

Protect Medicare to meet the health and long-term care needs of our increasing age demographic.

Alaska is the state with the fastest growing number of people age 65 and older, many of whom are Medicare beneficiaries. In 2016, Medicare enrollment in Alaska was 88,129, of whom 18% are on Medicare due to disabilities and younger than age 65 (Alaska Medicare Information Office, April 2017). The Commission firmly believes that Medicare must be protected and preserved for today's seniors and future generations. We oppose any changes in current policy that would result in loss of benefits, increased costs, or reduced coverage.

The Commission is concerned about the impact of the AHCA on Medicare solvency for the following reasons. When older adults cannot afford health care, they typically delay care, if possible, until they are eligible for Medicare. As a result, these individuals often enter Medicare less healthy and require higher cost services when they turn 65 than seniors who have insurance and are able to visit their doctor regularly. According to findings from a report by the Government Accounting Office (2014) that compared seniors with and without health insurance, those who had health insurance for six years prior to their Medicare enrollment were more likely to report better health and use fewer, less costly health care services – 35% lower health care costs on

average – than those without previous health care coverage. The reported annual savings to Medicare was \$2,343 per insured enrollee.

Second, the AHCA proposes to eliminate the enhanced FMAP (Federal Medical Assistance Percentage) for new enrollees insured by Medicaid expansion effective December 31, 2019 and to cover only those who are grandfathered in the system with no breaks in Medicaid eligibility longer than a month. According to counts provided by the Department of Health and Social Services (December 2016), persons age 50 to 64 (6,309) constitute the second largest category of enrollees to benefit from Medicaid Expansion, behind persons age 19 to 34 (10,522). Older adults who are unemployed, underemployed, and otherwise lack access to employer-paid health care insurance benefit from Medicaid expansion as it provides them with health care insurance until they are eligible for Medicare. By freezing Medicaid expansion, there will be less incentive for the state to enroll younger-age seniors into Medicaid and as a result, these individuals are likely to delay care and use more services when they go on Medicare.

Third, the increase cost in health care premiums for younger seniors with modest incomes resulting from the age grade would make health care insurance unaffordable for many. Instead of having annual exams and other routine preventative health care, many uninsured individuals with modest incomes will delay care for as long as possible, sometimes ending up in the emergency room for conditions that could have been treated in the primary care setting.

Moreover, the proposed repeal of the 0.9 percent payroll tax on higher income workers would reduce Medicare Hospital Insurance (Part A) Trust Fund by more than \$100 billion over the next ten years. This reduction, in combination with higher Medicare payments made to hospitals on behalf of the newly uninsured, could lead to the Trust Fund's insolvency up to four years earlier than projected, from 2028 to 2024 (Brookings Institute, December 2016). At a time when the senior population is both increasing and growing older, being at greater risk for chronic health conditions and accidents, we should be strengthening Medicare to protect access to medical care and reduce large out-of-pocket expenditures for older people living on a fixed income.

Recommendation: The Commission recommends that a projected cost-benefit analysis be conducted to evaluate whether the freezing of Medicaid Expansion and age grading will increase the number of uninsured older persons accessing higher cost care provided in institutional settings that would be subsequently paid by mandatory Medicaid services at significantly higher costs. The Commission also supports retention of the payroll tax to protect Medicare solvency.

Medicaid Per-Capita Caps, Essential Health Care Benefits, and Long-Term Support Services

Medicaid, the insurance of last resort for long-term care, provides critical coverage for qualifying older Alaskans and persons with disabilities living in the nursing home. Nursing home care is expensive in Alaska with the median annual cost of \$292,000 for an individual in a semi-private room using private pay (Genworth Cost of Care Survey 2016). Few persons can afford this level of expense on an ongoing basis. On average, six in ten nursing home residents rely on Medicaid funding. In SFY2016, there were 622 older Alaskans (age 60+) receiving care from a nursing home at an average annual Medicaid cost of \$153,009 per person and \$95,171,598 in total Medicaid care costs paid by the state (Alaska Division of Senior and Disabilities Services, January 2017).

Medicaid provides optional home- and community services through waiver programs that provide assistance with daily activities and target specific populations. Alaska has four home and community-based waivers that serve our most vulnerable populations who are income eligible and meet nursing facility level of care. These waivers are administered by the Division of Senior and Disabilities Services. They include the Alaskans Living Independently Waiver, Children with Complex Medical Conditions Waiver, Intellectual and Developmental Disabilities Waiver, and Adults with Physical and Developmental Disabilities waiver.

These services, as described in the State of Alaska Continuum of Care, SFY2016 chart prepared by the Division of Senior and Disabilities Services (page 6), show the numbers of vulnerable Alaskans served by each program and the cost to provide those services. By far, the Alaskans Living Independently Waiver (ALI), targeting older people and younger adults (age 21+), serves the largest number of recipients with 2,126 Alaskan adults receiving assistance of whom 1,428 (67%) being seniors (age 65+). The annual cost for an ALI waiver recipient is \$32,868 or almost \$69.9 million annually to serve all 2,126 ALI recipients, which is significantly less than the \$95 million paid by Alaska Medicaid for the 622 people receiving care in a nursing home. In addition to cost savings, the ALI waiver provides vital services to vulnerable Alaskans where they want to be – living in their homes and communities, close to family and friends.

Medicaid waivers are extremely cost effective providing home- and community-based services for people at significantly lower costs than hospital and nursing home settings. The cost of care table (page 7), also prepared by the Division of Senior and Disabilities Services, shows significant savings for long-term care resulting from the optional waiver services. On average, the cost of the Medicaid waiver is about one-third the cost of nursing home care.

The Commission and other senior advocates are greatly concerned that reduced federal funding and funding caps will shift more costs to the state and result in long wait-lists for services, putting many vulnerable Alaskans at risk of losing their vital services. The AHCA's proposed per capita cap financing structure will not keep pace with our changing demographics, including the number of the "oldest old" (age 85+), as well as the rising cost to provide services.

Alaska is working hard to implement SB 74 passed last legislative session that includes 16 initiatives to reform our State's Medicaid program. One of these initiatives requires implementation of the *Community First Choice* established under the 1915(k) of the Social Security Act as a means to refinance Alaska's existing Personal Care Services program. Personal Care Services provide qualifying seniors and others with significant disabilities the care they need to live at home and in the community. The AHCA's proposed repeal of the 6% increase in federal matching funds for the Community First Choice will pose serious budget limitations and impact the numbers of Alaskans who can receive services and remain living in the community. In SFY2016, 4,082 Alaskans received Personal Care Services.

Recommendation: Pending implementation of the funding caps proposed for Medicaid in the Senate's version of the AHCA, we recommend basing those caps on the current year and updating that information annually in order for the caps to adjust, taking into account the growing number of people using these services and current price information. In addition, we recommend retaining the 6% FMAP for the Community First Choice program. Medicaid home and community-based services are cost savers and help individuals maintain their quality of life. We should not reduce the provision of these important services that could ultimately lead to more seniors and people with disabilities requiring nursing home care and increasing long-term care costs.

Public Health Prevention Fund

The Public Health Prevention Fund provides resources that support a number of programs that are critical to assisting seniors and other Alaskans with chronic health conditions and other pressing needs. Chronic disease self-management programs that focus on diabetes and stroke prevention, falls prevention, and Alzheimer's education and outreach are just a few of the health promotion activities utilizing this resource. We believe that repealing this Fund will compromise preventative care and health promotion efforts for seniors and other vulnerable Alaskans and lead to greater utilization of higher cost care.

Recommendation: Please maintain funding for the Public Health Prevention Fund.

The Commission appreciates AHCA's provisions that include allowing families to keep their children on health policies until age 26 as well as maintaining 100% federal reimbursement for services and long-term supports provided to Indian Health Service beneficiaries, which includes Alaska Native Elders. We are also pleased that the AHCA does not repeal the Medicare Part D coverage gap that provides "donut hole" protections.

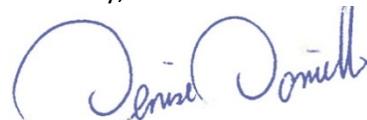
Thank you for your leadership and work to provide a strong and affordable health care system for Alaskans and our nation. As always, please feel free to contact our office for further information by email (denise.daniello@alaska.gov) or phone (907-465-4879).

Sincerely,



David Blacketer
Chair, Alaska Commission on Aging

Sincerely,



Denise Daniello
ACoA Executive Director

Cc: Val Davidson, Commissioner
Department of Health and Social Services

Jon Sherwood, Deputy Commissioner
Department of Health and Social Services

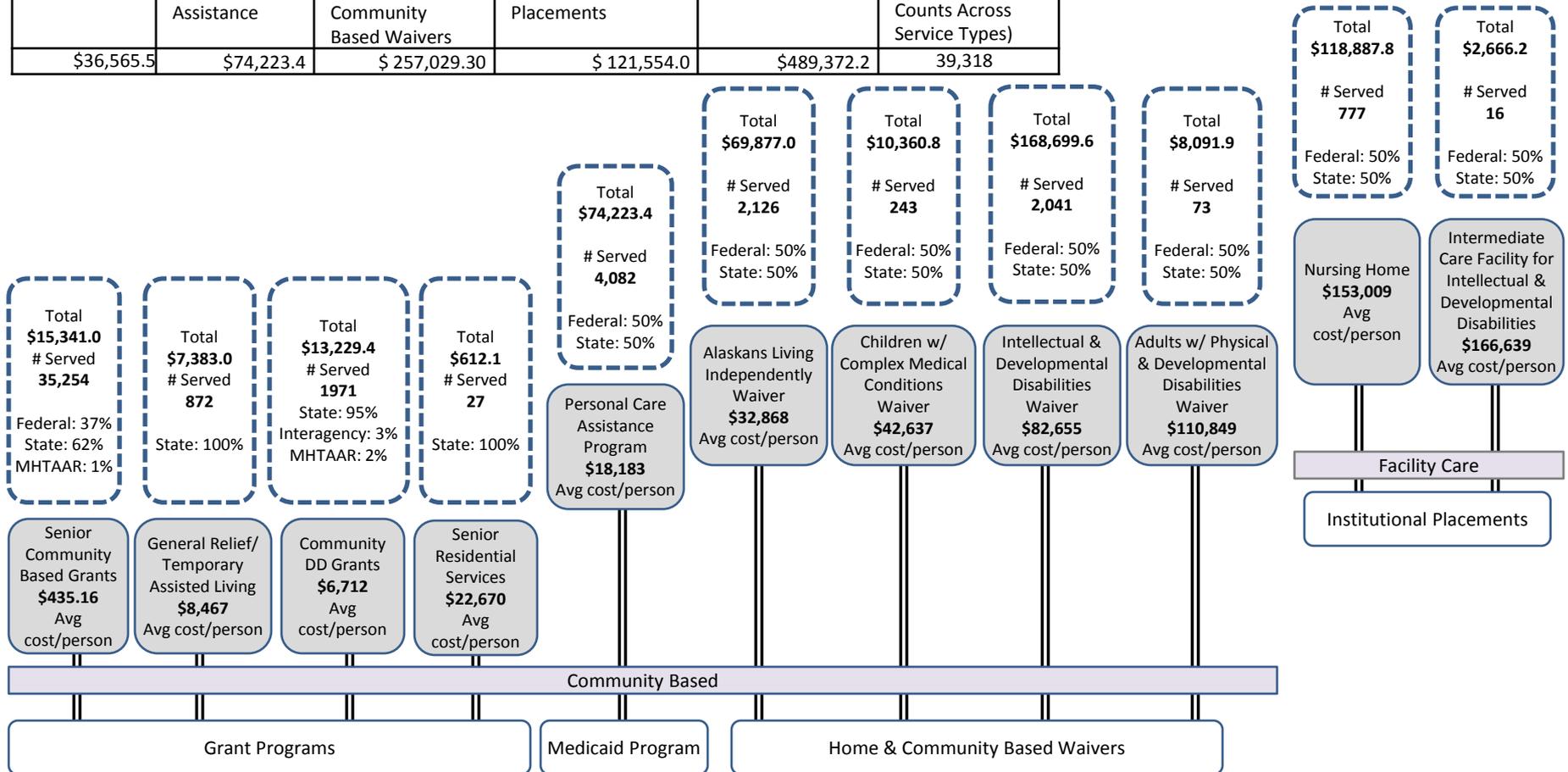
Duane Mayes, Director
DHSS Division of Senior and Disabilities Services

State of Alaska Continuum of Care

Senior and Disabilities Services

SFY 2016 Costs by Funding Source and Average Cost per Person by Service Type

Costs by Funding Source					Total # Served (Duplicated Counts Across Service Types)
Grant Services	Personal Care Assistance	Home & Community Based Waivers	Institutional Placements	Total Costs	
\$36,565.5	\$74,223.4	\$ 257,029.30	\$ 121,554.0	\$489,372.2	39,318



* Data from State of Alaska, Automated Budget System, Final Auth 16 report, and COGNOS

What does it cost to provide services?

Program – FY2016	# served	Avg cost per person	Total costs
Home & Community Based Waivers			
ALI Waiver	2,126	\$32,868	\$69,877,009
APDD Waiver	73	\$110,849	\$8,091,982
CCMC Waiver	243	\$42,637	\$10,360,848
IDD Waiver	2,041	\$82,655	\$168,699,608
TOTAL HCB Waivers			\$257,029,447
Institutional Placements			
Nursing Home	777	\$153,009	\$118,887,831
ICF/IID	16	\$166,639	\$2,666,219
TOTAL Institutional Placements			\$121,554,050
TOTAL HCB Waivers and Institutional Placements			\$378,583,498

Institutional Placements if no HCB Waiver services existed – FY2016			
Nursing Home + ALI, APDD and CCMC Waiver service recipients	3,219		\$492,535,300
ICF/IID + IDD Waiver service recipients	2,057		\$342,775,780
TOTAL if HCB Waivers did not exist and individuals eligible for Nursing home or ICF/IID care received services in Institutional Placements			\$835,311,080