



THE STATE
of ALASKA
GOVERNOR BILL WALKER

Department of
Health and Social Services

ALASKA COMMISSION ON AGING

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July 17, 2017

The Honorable Senator Dan Sullivan
United States Senate
702 Hart Senate Office Building
Washington D.C. 20510

Regarding: Public Comment on the Better Care Reconciliation Act (BCRA)

Dear Senator Sullivan:

The Alaska Commission on Aging (“the Commission”) is a Governor-appointed board within the Department of Health and Social Services that is responsible for planning services for seniors, educating Alaskans about senior issues, and making recommendations directly to elected officials regarding policy and budget items that affect Alaska’s growing senior population. Given this role, we write to express our ongoing concerns with the *Better Care Reconciliation Act (BCRA)*, H.R. 1628 and its revised version released on July 13 that proposes significant changes to the way in which older adults, people with disabilities, and other vulnerable Alaskans receive health care and long-term support services that they desperately depend on every day.

The BCRA is expected to have serious consequences for Alaska resulting in increased costs, lower subsidies, and reduced services for health care and long-term care shifting more cost burden onto our state that will bear heavily on the health and welfare of Alaska’s residents, families, and communities. These impacts are coming at an inopportune time as Alaska is now entering a recession. Despite our state’s recent budget reductions, Alaska remains in a deficit. The loss of federal funds from BCRA’s proposed Medicaid caps is likely to severely diminish funding for Medicaid services, especially long-term supports for seniors as they age including home- and community-based waiver services, personal care services, and nursing home care. Currently, Medicaid insures 187,098 Alaskans, about one in four Alaskan residents, of whom 25,147 are senior enrollees age 55 years and older. Approximately, 34,739 Alaskans age 19 and older are covered by Medicaid expansion and as a result, the percentage of uninsured Alaskans has dropped from 15% to 13% comparing 2013 and 2015 (Department of Health and Social Services, June 2017).

As you know, the revised BCRA offers Alaska additional grant funds through the *Caribou Carve-out* to provide “longer-term funding” (\$80 million in 2019 with promised increases to \$192 million by 2022 to 2026), “short-term assistance” (\$500 million for Alaska from 2018 to 2021), and funding for Alaska’s reinsurance program (\$48 million) (Alaska Dispatch, 7.14.2017). Based on our understanding, this additional funding will serve two purposes: (1) To help Alaska offset the cost of individual health care premiums provided that they are at least 75 percent higher than the national average; and (2) include an investment of \$48 million for Alaska’s reinsurance program using the innovation waiver. While this offering appears generous on the surface, the BCRA would cost Alaska \$3.1 billion in Medicaid alone through cuts made by the proposed caps between 2020 and 2026, according to the Alaska Department of Health and Social Services, and offers no replacement for the flexible federal funding that Alaska currently receives for its Medicaid program and expansion efforts. Going forward, the innovation grant funds, designed as a block grant, are not expected to rise sufficiently to keep pace with the increasing costs of health care and the growing numbers of people needing coverage, including

older people and the disabled. As it appears to us, this offering would be a temporary solution to stabilize Alaska's individual insurance market but does not address the real problems of reducing health care costs which will continue to escalate over time and improving access.

Additionally, the Commission does not support the age grading policy proposed by the revised BCRA that will increase health care premiums for younger seniors making insurance less affordable. The revised BCRA also continues the provision to eliminate the enhanced FMAP (Federal Medical Assistance Percentage) for new enrollees insured by Medicaid expansion which will negatively impact older adults, age 50 to 64, who constitute the second largest age category among expansion enrollees in Alaska. Uninsured older individuals on modest incomes are less likely to seek routine preventative health care. For financial reasons, they may opt to delay care for as long as possible leading to a visit to the emergency room for conditions that could have been treated earlier in the primary care setting at significantly less cost. Older adults who postpone care are also more likely to use additional services when they go on Medicare because they are less healthy, thus compromising Medicare's solvency over the long-term (Government Accounting Office 2014).

Consideration of affordable and appropriate access to care is critical for seniors, their families, and for all Alaskans as Congress moves forward with policies to reform our nation's health care system. Strategic investment in services, which focus at the front end of the continuum of care with prevention, primary care, and low-cost home and community-based services, promotes senior wellness and lowers the need for higher-cost chronic and acute care over the long-term. This approach helps seniors to maintain good health, independence, and dignity as well as provide support for their family caregivers. Alaska is renowned for its balanced approach to long-term care that has helped older people to remain living at home, or in the community, rather than in a nursing home. The Commission is concerned that the BCRA's policies may undermine Alaska's strong continuum of care by reducing benefits and capping enrollments - which would be devastating for seniors, persons with disabilities, children, and other vulnerable Alaskans.

The Commission would like to take this opportunity to share information about Alaska's senior population and their utilization of services as an aging population has considerable impact on the costs of our state's health care/long-term care and Medicaid spending. We believe that these factors are important to consider in establishing caps on the Medicaid program under the BCRA.

Alaska's Senior Demographics

Although Alaska has always been considered a young state, our demographics are now maturing. Alaska's senior population is increasing because a growing number of resident seniors are choosing to age in place to be near family and friends, enjoying Alaska's unique lifestyle.

For the seventh consecutive year, Alaska is the state with the fastest growing population of people age 65 and older that is projected to grow very rapidly over the next 15 years. Alaska's increasing senior population is largely attributed to our state having the greatest proportion of baby boomers (22%) in the nation (U.S. Administration on Community Living, Older American Profile 2016). In 2016, there were 125,886 Alaskans age 60 and older representing 17% of the state's total population, with 78,980 persons being age 65+. In addition, Alaska's elderly population, persons age 85 and older who number 6,281, is projected to increase 135 percent. This is the largest surge in the nation, according to an analysis by the Kaiser Family Foundation. (Please see "Projected Alaska Senior Population Trends," page 6.)

The growth in Alaska's older adult population is expected to increase the number of people at risk for developing Alzheimer's disease, as age is the greatest risk factor for Alzheimer's but alone is not sufficient to cause the disease. An estimated 9 percent of Alaskans age 65+ have Alzheimer's disease. Using national indicators, the projected number of Alaskans with Alzheimer's age 65 and over will grow from 7,100 in 2017 to an estimated 11,000 by 2025 (Alzheimer's Disease Facts and Figures 2017). These projections do not include

the number of persons with related dementias (such as vascular dementia, Parkinson's disease, Lewy-Body dementia, among others) and those with younger-onset Alzheimer's under the age of 65. While Alaska's senior population boom is driving much of this increase, risk factors for dementia such as stroke, chronic disease survivorship, mental health problems, and head injuries are also increasing.

The costs of health care and long-term care for persons with Alzheimer's and related dementias are substantial. In Alaska, the 2017 estimated annual cost of care for persons with dementia is \$59 million that is projected to increase to \$107 million by 2025 (Alzheimer's Disease 2017 Facts and Figures). Nationally, the annual cost of care is \$259 billion. In comparison to other older people, persons with Alzheimer's and related dementias have twice as many hospital stays, more skilled nursing facility stays, and additional home health care visits. Many seniors who suffer from dementia benefit from lower cost home- and community-based Medicaid waiver services that allow them to live in the community longer and provide caregiver support. As a mandatory benefit, Medicaid covers the cost of their nursing home care.

Senior Utilization of Medicaid Home- and Community-Based Services and Estimated Savings

Alaska has the highest cost of nursing home care of any state and surpasses the rest of the country by a wide margin. The annual median cost for a non-Medicaid individual in a private room using private pay is \$297,840, which is \$113,150 more per year than Connecticut, the second most costly state (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 in a nursing home at an annual average Medicaid cost of \$153,009 per person. In FY2016, Alaska's Medicaid program paid a total of \$95,171,598 for seniors receiving nursing home care (Alaska Division of Senior and Disabilities Services, January 2017).

Alaska's Medicaid program provides home- and community-based waiver programs that provide assistance with daily activities and target specific populations. Alaska has four waivers that serve our most vulnerable populations who are income eligible and meet skilled nursing facility level of care. These waivers, administered by the Division of Senior and Disabilities Services, 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. Medicaid waivers are extremely cost effective providing home- and community-based services for people at significantly lower costs than nursing home settings. The "Cost of Senior Care Table" (page 6), compiled by the Commission on Aging using data provided by Senior and Disabilities Services and the Alaska Pioneer Homes, show significant savings from a balanced approach of using home- and community-based services for long-term care. As one Alaska legislator accurately observed, "waivers are savers."

The Alaskans Living Independently Waiver (ALI), targeting adults (age 21+), serves the largest number of recipients with 2,126 recipients of whom 1,428 (67%) are seniors (age 65+). In FY2016, the annual cost per ALI recipient was \$32,868 or almost \$69.9 million annually to serve all 2,126 ALI participants, which is significantly less than the \$95 million paid by Alaska Medicaid for the 622 seniors (age 60+) receiving care in a nursing home. On average, the cost of the Medicaid ALI waiver is about one-third the cost of nursing home care. If the ALI optional waiver went away, and all of its recipients would instead receive care in the nursing home, the price of long-term care for seniors would spike from \$69.9 million paid annually now ($2,126 \times \$32,868$) to more than \$325 million ($2,126 \times \$153,009$) or more than four-fold, increasing the cost of nursing home care for seniors to **\$420.1 million. The estimated savings from the ALI waiver serving seniors (age 65+) is more than \$255 million annually.** In addition to cost savings, the ALI waiver provides vital services to vulnerable Alaskans where they most want to be – living in their homes and communities, close to family and friends.

The Commission and other senior advocates are gravely concerned that reduced federal funding and funding caps will shift more costs to our state and result in long wait-lists for services, placing many vulnerable Alaskans at risk of losing their vital services. The BCRA's proposed per capita cap finance structure will not keep

pace with Alaska's aging demographics, including the number of the "oldest old" (age 85+) who are most at risk for dementia and other chronic health care conditions, as well as rising costs to provide services. To lower expenses under a funding cap, Alaska's Medicaid programs may need to reduce reimbursement rates to providers which would likely lower the number of providers that will accept Medicaid participants and cause others to accept fewer Medicaid consumers. We fear that as our state faces insufficient funding, Alaska may be forced to ration care, limit eligibility, and restrict current optional services now being offered through the waiver programs, personal care services, case management, adult dental, hospice, and many other important services for our most vulnerable citizens.

Comment on Specific BCRA Provisions

The Commission recommends reinstating the 6% enhanced FMAP for the Community First Choice established under the 1915(k) of the Social Security Act. Alaska is moving forward to include this program in our continuum of care in order to refinance our existing personal care services and provide additional services to vulnerable persons to assist them to live more independently in the community. In SFY2016, 4,082 Alaskans received Personal Care Services.

The Commission is pleased that the revised BCRA allows families to keep their children on health policies until the age of 26; maintains 100% federal reimbursement for health care and long-term supports offered to Indian Health Service beneficiaries, which includes Alaska Native Elders; and does not repeal the Medicare Part D coverage gap that provides "donut hole" protections. Further, we support the reinstatement of the 0.9% payroll tax on higher income workers to help strengthen Medicare and the increased funding of \$45 billion for opioid addiction treatment, to address this serious problem in Alaska.

Health care reform is complicated and affects the lives of every citizen in the U.S. For these reasons, the Commission encourages Alaska's Senators to work with other Congressional members in an open, bipartisan manner to consider *repair instead of a replace solution* to the current Affordable Care Act and to bifurcate deliberations focusing on Medicaid reform separately from those related to the health care insurance marketplace.

While Alaska is facing serious economic challenges, it is important to note that Alaska seniors bring significant cash flow into the state's economy. According to the UA Institute of Social and Economic Research 2014, retired Alaska seniors as a whole contribute at least \$2.4 billion annually to Alaska's economy primarily from their retirement income and health care spending. The retirement industry, one of the State's top economic sectors, creates approximately 13,000 jobs in health care, long-term support services, housing, and other employment sectors. Employed seniors (an estimated 22% of the 65+ population) contribute an additional \$633 million. Moreover, Alaska seniors volunteer and provide unpaid care for their family members and friends with an estimated annual value of \$90 million. Access to affordable health care and long-term supports ranked as the #1 priority for Alaska seniors, reported by 94% of respondents to the Commission's 2015 statewide Senior Survey in which 2,280 persons age 55+ responded. Access to affordable and appropriate health care and long-term care is important for seniors to help them to continue living in Alaska, contributing to the welfare of our great state.

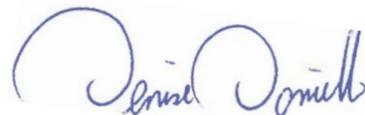
Thank you for your leadership and work to provide a strong and affordable health care system for Alaskans and our nation. We appreciate your continued support of Alaska's seniors. As always, please feel free to contact our office for further information by email (denise.daniello@alaska.gov) or phone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

Sincerely,

Sincerely



David Blacketer
Chair, Alaska Commission on Aging



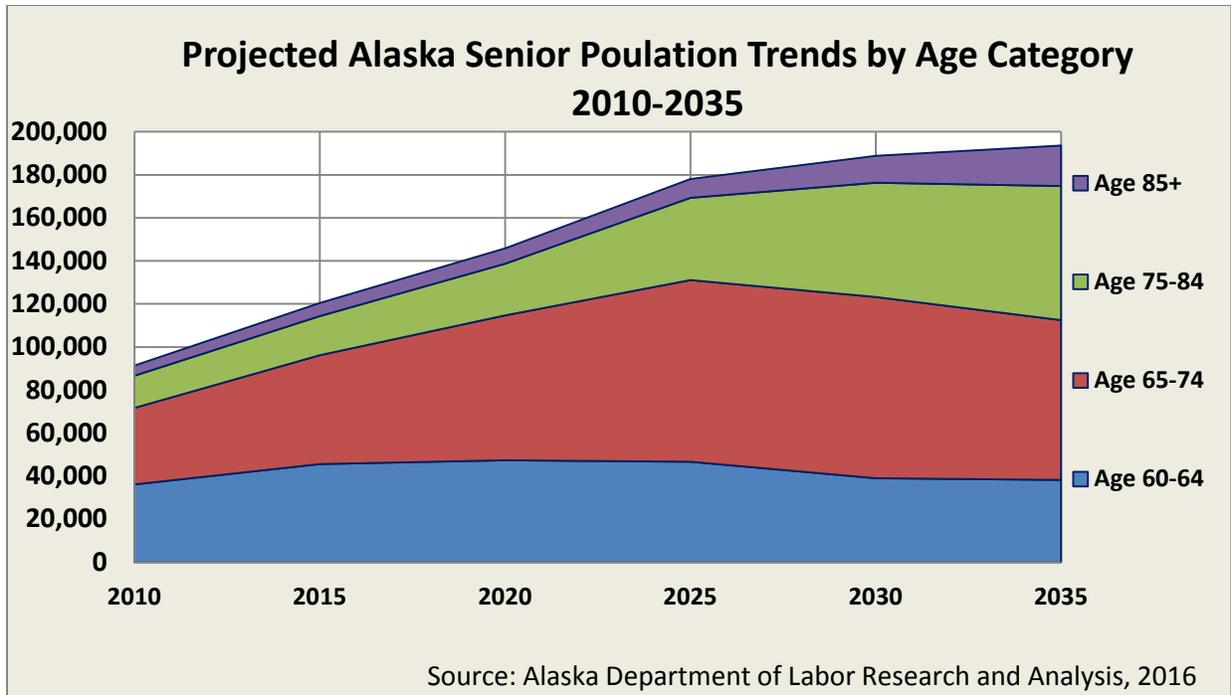
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Cc: Governor Bill Walker
State of Alaska

Val Davidson, Commissioner
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Jon Sherwood, Deputy Commissioner
Department of Health and Social Services

Duane Mayes, Director
DHSS Division of Senior and Disabilities Services



What is the estimated cost to provide long-term support services for Alaska seniors?

Program in FY2016	Number of Seniors Served	Average annual cost/person	Total Costs
Senior Community-Based Grants (age 60+)	27,091	\$435	\$11,784,585
Personal Care Services (age 60+)	3,261	\$18,183	\$59,294,763
Alaskans Living Independently (ALI) Waiver (age 65+)	1,428	\$32,868	\$46,935,504
Alaska Pioneer Homes (December 2016, age 65+)	Level 1: 54 residents Level 2: 118 residents Level 3: 252 residents	\$77,981 \$103,014 \$161,942	\$57,176,010
Nursing Home Residents (Medicaid recipients only, age 60+)	622	\$153,009	\$95,171,598
Total Costs of Care			\$270,362,460
Total if all seniors eligible for nursing home and the ALI waiver received services in the nursing home.			\$444,480,723

Source: Division of Senior & Disabilities Services (December 2016, January 2017) and the Alaska Pioneer Homes (December 2016) using a format developed by SDS for the continuum of care and adapted by ACoA for senior services.