



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of
Health and Social Services

ALASKA COMMISSION ON AGING

P.O. Box 110693
Juneau, Alaska 99811-0693
Main: 907.465.3250
Fax: 907.465.1398

March 13, 2017

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

Sent by Fax: 202-224-6501

Regarding: Public Comment on the American Health Care Act

Dear Senator Sullivan:

The Alaska Commission on Aging (ACoA) 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 the growing senior population, who now number approximately 126,000 Alaskans age 60 and older. As a disclaimer, ACoA's views do not necessarily reflect those held by the Department of Health and Social Services.

We are writing to express our concerns about the House proposed American Health Care Act (AHCA) and its potential consequences for Alaska seniors. While we are pleased to see many important provisions maintained from the Affordable Care Act, the ACoA is gravely concerned about the impact several of the AHCA's provisions may have on older Alaskans and their families, people with disabilities, as well as to Alaska's operating budget.

Individual Health Care Insurance

Alaska's health care system is challenged by having both the highest cost premiums for health care insurance and the most expensive health care services in the nation due to our low population density, high transportation costs, and complicated health care delivery system.

Under the Affordable Care Act, Alaska received significant tax credits largely because these credits are based on the cost of premiums in addition to income relative to poverty which are both set higher in Alaska. Higher tax credits, in combination with Medicaid expansion, have significantly increased the number of insured Alaskans, particularly uninsured people between the ages of 50 to 64 years old. These provisions have increased timely access to appropriate health care services which have resulted in considerable savings for our state. Unfortunately, AHCA's tax credit structure does not adjust for geographic variation, or the manner in which services are delivered in rural and remote regions where costs are substantially higher, and instead provides the same amount of subsidy across all states. This revised tax credit structure is expected to result in significant cuts to financial assistance in high cost states, such as Alaska, as well as lower projected enrollments especially for low and moderate-income people. According to the Kaiser Family Foundation, 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 in Alaska (Center on Budget and Policy Priorities, March

2017). Without insurance, many Alaskans may choose not to seek appropriate health care, when the need arises, which can lead to the need for higher cost care in the emergency room and other institutional settings.

The Commission is also concerned about the proposed changes in age rating from 3:1 currently for people age 50 to 64 years old (requiring them to pay three times more for health care insurance than younger individuals) to 5:1 under the proposed AHCA. The increase cost in health care premiums, in combination with the age rating, will put the cost of health care insurance out of reach for many older people with modest incomes that could impact Medicare solvency. When older adults cannot afford health care, they often enter Medicare less healthy and require higher cost services when they turn 65 than adults 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.

Medicare

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 89,983 of whom 18% are on Medicare due to disabilities and younger than the age of 65 (Medicare Information Office, December 2016). The Commission firmly believes that Medicare must be protected and strengthened 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 for older people.

We are concerned about the proposed repeal of the additional 0.9 percent payroll tax on higher income workers that could compromise the solvency of Medicare by as much as four years, according to estimates provided by the Brookings Institute (December 2016). We recommend the continuation of the enhanced payroll tax to preserve Medicare.

The Commission is pleased that coverage for Medicare Part D for prescription medications remains intact under the AHCA. However, we are concerned that the fee on manufacturers of prescription drugs has been repealed under the AHCA which will result in lower revenues for the Medicare program.

Medicaid 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 by providing home- and community-based services that offer assistance with daily activities such as eating, bathing, dressing, transferring, transportation, and home modifications in addition to nursing home care, hospice, and several Medicaid optional services currently available.

Alaska has four home- and community-based waivers that 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. Alaska's waiver programs serve our most vulnerable populations who are income eligible and meet nursing facility level of care. In SFY2016, 9,285 Alaskans received Medicaid health care services from the four waiver programs (4,410 served) in addition to the Personal Care Assistance Program (4,082 served), nursing home care (777 served), and Intermediate Care Facility for Intellectual and Developmental Disabilities (16 served) (Division of Senior and Disabilities Services 2017). These core services protect the health and safety of vulnerable Alaskans and assist them in their ability to live in the community and provide support for their family and other natural caregivers.

The Commission is very concerned about the per capita tax caps being proposed by the AHCA and the impact of this provision on the amount of federal funding available for home and community-based long-term support

services. Alaska continues to have the highest nursing home costs in the nation at \$816 per day or \$297,840 annually (Genworth Long-Term Care Cost Survey 2016) and \$153,009 State GF for a Medicaid recipient (Division of Senior and Disabilities Services 2017). Home and community-based supports are cost effective. On average, the cost of Medicaid long-term supports is about one-third the cost of nursing home care. Providing a fixed amount of federal funding per person could result in major cost shifts to our state, individuals receiving services, and their families over time. This higher cost burden to our state cannot be sustained and may require making significant reductions to services, changes to eligibility requirements, and a lower number of people served. Further, the cost cap allows little room for our state to respond to new and costly treatments, further reductions to the state's budget, increases to provider payments, changes to federal requirements, or the need to care for a larger number of individuals with higher cost needs who were not included in the base year expenditure calculations.

Alaska is also working to include the *Community First Choice* established under 1915(k) of the Social Security Act as an affordable means to serve a growing number of vulnerable Alaskans who need these services and to refinance our existing Personal Care Services program. Personal Care Services provide qualifying seniors and others with significant disabilities the care they need to live in the community. The repeal of the 6% increase in federal matching funds for the Community First Choice will pose serious budget limitations and affect the numbers of Alaskans who can be served by this important program and remain living in the community.

Medicaid Expansion

Through executive action, Governor Walker implemented Medicaid Expansion in Alaska on September 1, 2015. In December 2016, the number of Alaskans enrolled in Medicaid Expansion was 27,415. According to counts provided by the Department of Health and Social Services (December 2016), Alaskans between the ages of 55 to 64 (6,309 served) constitute the second largest age category of enrollees to benefit from Medicaid Expansion, behind persons age 19 to 34 (10,522 served). Older adults who are unemployed, underemployed, and not age-eligible for Medicare benefit from Medicaid expansion. In 2020, if the proposed AHFC is approved, the 90% federal match rate for new enrollees under Medicaid Expansion will be discontinued. This funding reduction will affect young seniors being able to access health care benefits under Medicaid Expansion in addition to reduced revenues for our state's budget. As mentioned above, older adults without access to primary health care often enter Medicare less healthy and require more costly services. We believe that states should be provided with the resources and tools to protect the health and welfare of our citizens with significant health needs and disabilities in the primary care setting and reduce the need for unnecessary higher cost care.

Public Health Prevention Fund

The Public Health Prevention Fund provides resources that support a number of programs that are critical to assisting seniors and Alaskans with chronic health conditions and other 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 that utilize this resource. We believe that repealing this Fund will compromise preventive care and health promotion efforts for seniors and other vulnerable Alaskans.

The Commission is pleased that the proposed AHCA retains many important protections that were included in the Affordable Care Act such as prohibitions on preexisting condition exclusions; allowing families to keep their children on health policies until the age of 26; maintaining the provision of no annual or lifetime coverage limits; and providing 100% federal reimbursement for services and long-term supports provided to Indian Health Service beneficiaries. We are also pleased that the proposed AHCA leaves the primary Medicaid requirements intact such as mandatory services, mandatory eligibility categories, and requirements for the Medicaid drug rebate program.

The Commission on Aging appreciates your leadership and work to maintain 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). Thank you for your continued dedicated service to Alaska!

Sincerely,



David A. Blacketer
Chair, Alaska Commission on Aging

Sincerely,



Denise Daniello,
ACoA Executive Director

Cc: Valerie Nurr'araaluk Davidson, Commissioner
Department of Health and Social Services

Jon Sherwood, Deputy Commissioner
Department of Health and Social Services

Duane Mayes, Director
Division of Senior and Disabilities Services