Long-term Forecast of Medicaid Enrollment and Spending in Alaska: 2014 – 2034 Update

March 30, 2015

Outline of Presentation

- Background
- Overview of MESA Process
- Empirical Models
- Results from 2014-34 Projection
  - Population
  - Enrollment
  - Intensity & Utilization
  - Spending

"**MESA**" Long-term Forecast—Background

- In 2005, the Alaska Legislature directed the DHSS to issue an RFP for a contractor to develop a 20-year projection of Medicaid spending in AK
- DHSS contracted with the Lewin Group and ECONorthwest to develop the forecast
- In February 2006, the Lewin Group and ECONorthwest presented the results of their analysis to the AK Legislature
- Based on these results, DHSS made changed to eligibility requirements and other aspects of the AK Medicaid program
- The rate of growth in Medicaid spending dropped substantially for the three years following these changes
- In 2007, DHSS adopted the acronym ***MESA***—**M**edicaid **E**nrollment and **S**pending in **A**laska as the name for the long-term Medicaid forecast

MESA—Model Structure & Underlying Assumptions

Objective: Develop a 20-*calendar*-year projection of Medicaid enrollment and spending based on current policy*

Forecast Modules:

- **Population** forecast for 220 sub-populations by region, age, gender, and Native/Non-Native status
- **Enrollment Rate** forecasted for 220 sub-populations
- **Intensity of Service** forecasted for 20 service categories
- **Utilization** forecasted for 20 service categories
- **Spending** forecasted for 20 service categories, as well as for regions, age groups, gender, and Native/Non-Native status

**2014-2034 MESA forecast assumes AK will initiate the ACA-based Medicaid expansion in July 2015*

MESA—Model Structure & Underlying Assumptions

- **Provides DHSS and the Legislature with a "*best guess*" projection of the long-term costs of the Medicaid program as it is currently structured***
  - Total projected spending is split into state and federal spending
  - Spending projections are developed independently by service categories
  - Spending and enrollment projections are developed by age cohort, gender, region, and Native/Non-Native status
- **MESA provides decision makers with the information necessary to …**
  - Understand how enrollment in and spending on Medicaid will evolve over next 20 years given the structure of the program *as it exists today**
  - Consider potential changes to the program to "bend the cost trend"

***** The 2014-34 forecast presented in this PowerPoint deck does not include Medicaid expansion.

MESA—Empirical Models

- **Module 1. Population:** Forecasts from the Alaska Department of Labor and Workforce Development (ADLWD) are used as inputs to develop 20-year projections for 220 sub-populations
- **Module 2. Medicaid Enrollment:**
  - Medicaid enrollment for FY 1997 through FY 2013 are compiled for each of the 220 sub-populations
  - Historic enrollment ***rates*** are computed for each sub-population
  - "*Likelihood-of- Medicaid-enrollment*" models are estimated using ordinary least squares (OLS) regression, based on a log-odds transformed dependent variable
  - Enrollment rates for each sub-pop are projected out 20 years
  - **Enrollment** for each sub-population for each future year is the product of (projected) enrollment rates and population

MESA—Empirical Models (cont.)

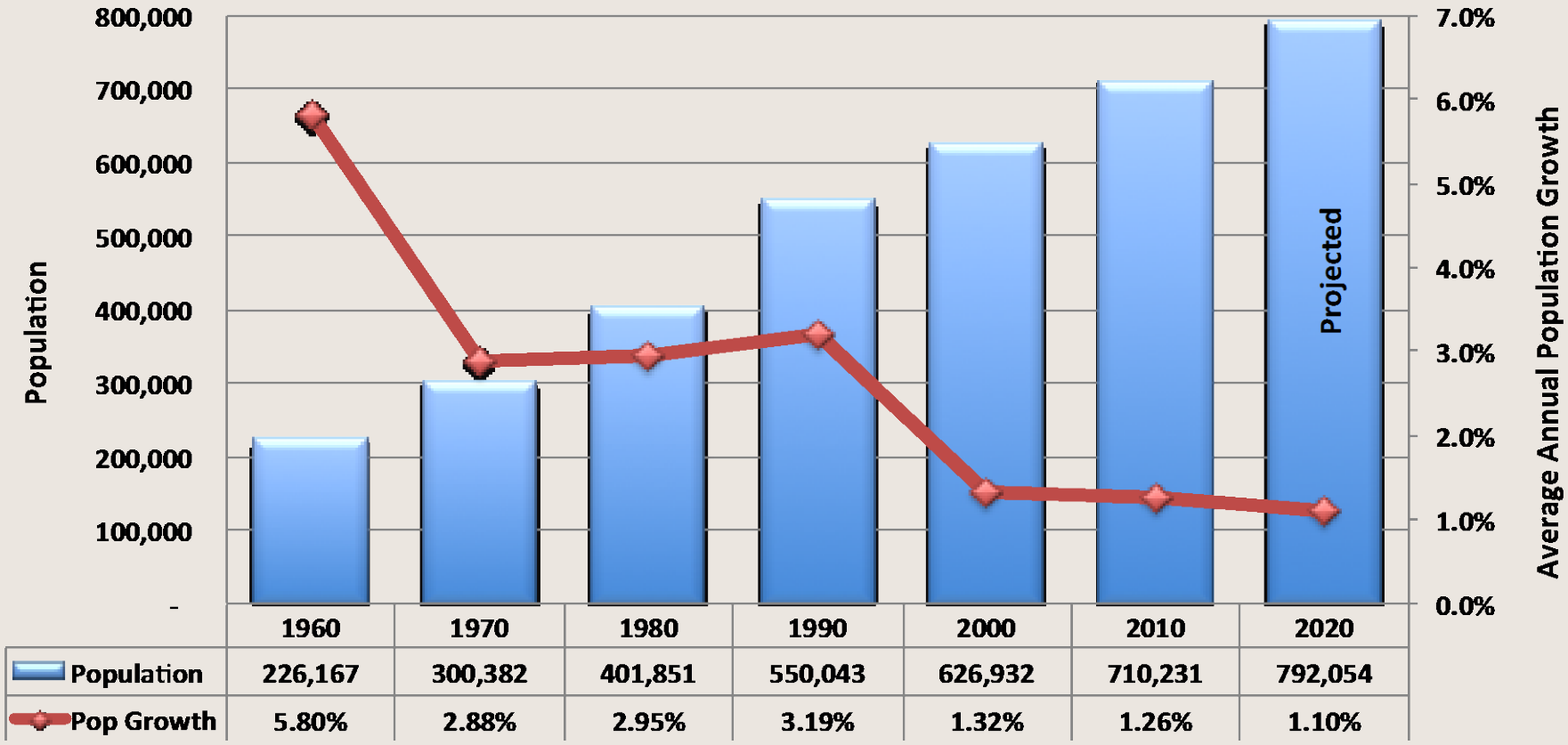
- **Module 3. Intensity of Service:**
  - Compute average historic per enrollee spending by service category
  - Convert average spending into "***real***" spending by netting out medical price inflation
  - Estimate "*intensity of service*" (***real*** spending) models for each of the 20 service categories over 20-year forecast horizon
- **Module 4. Utilization:**
  - Using logistic regression, estimate the likelihood that a Medicaid enrollee will utilize each of the 20 service categories, given that individual's demographic characteristics
  - Using the estimated prediction equations, forecast the likelihood that a future Medicaid enrollee will utilize each of the service categories given the demographic characteristics of the enrollee

MESA—Empirical Models (cont.)

- **Utilization (cont.)**
  - Compute **Utilization** of each service category as the product of the estimated likelihood a service will be utilized and the estimated enrollment by sub-populations for each year of the projection period
- **Module 5. Total Future Spending by Service Category:**
  - Forecast healthcare price inflation based on historical relationship between healthcare component of Anchorage CPI and U.S. CPI
  - **Total Future Spending by Service Category** is the sum of growth rates in Population, Enrollment, Intensity, Utilization, and Healthcare Price Inflation applied to current enrollment and spending in Medicaid program
  - State Spending is based on our understanding of future FMAP / FFP rates

MESA—Highlights from Current Forecast

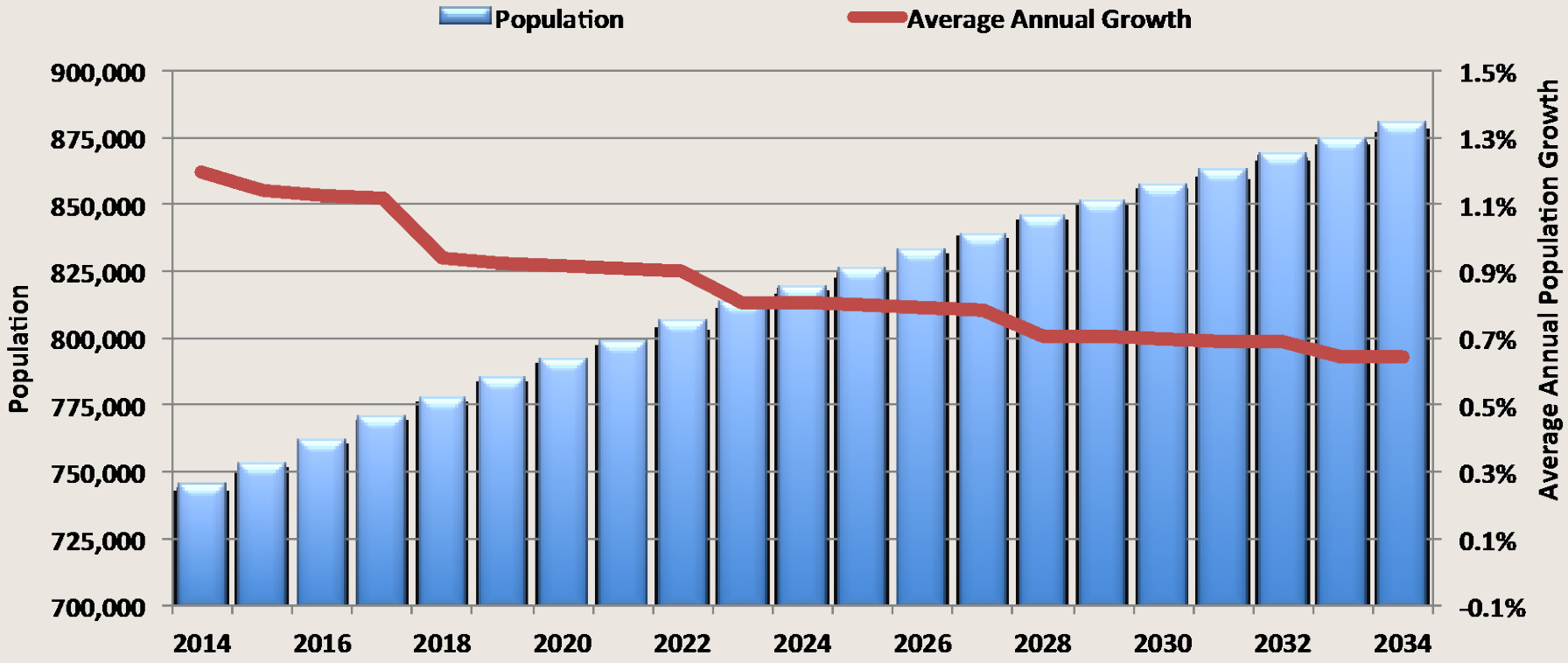
Even as Alaska's population has continued to grow, the pace growth has slowed considerably



	1960	1970	1980	1990	2000	2010	2020
Population	226,167	300,382	401,851	550,043	626,932	710,231	792,054
Pop Growth	5.80%	2.88%	2.95%	3.19%	1.32%	1.26%	1.10%

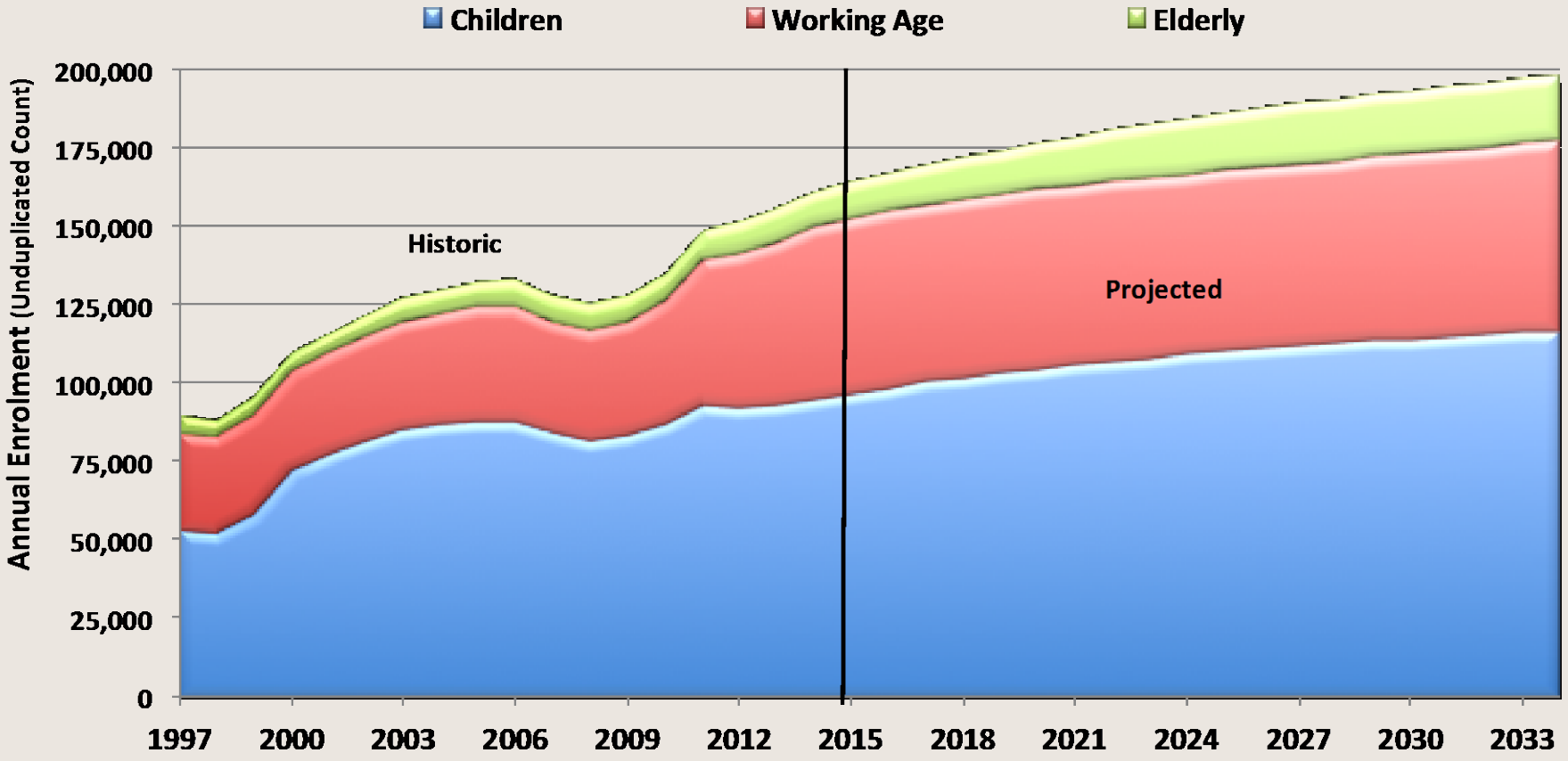
MESA—Highlights from Current Forecast

The Alaska Department of Labor and Workforce Development projects population will continue to grow, but the rate of growth will decrease over the next two decades



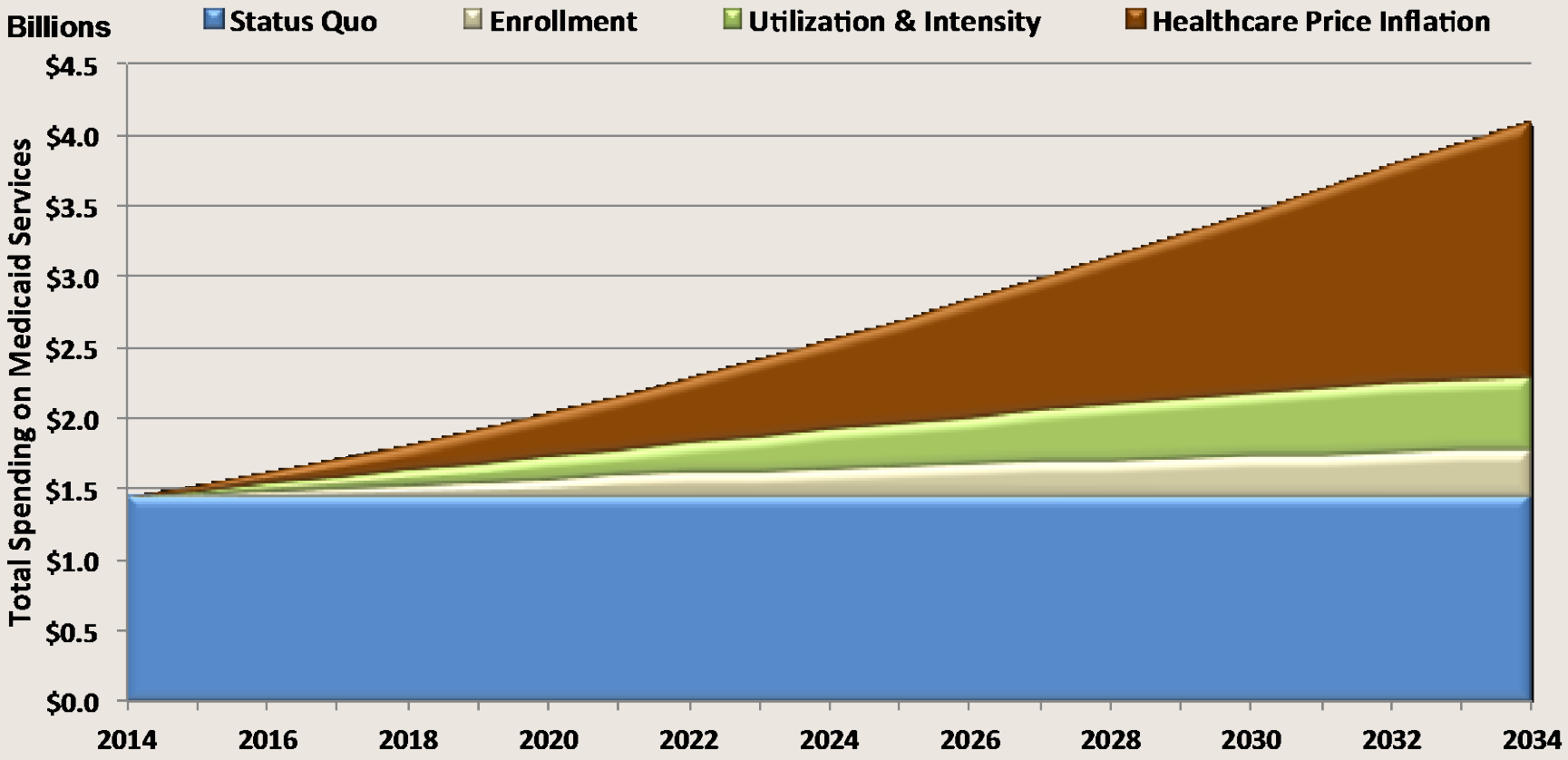
MESA—Highlights from Current Forecast

We anticipate annual, unduplicated count of enrollment will reach 197,000 by CY2034.



MESA—Highlights from Current Forecast

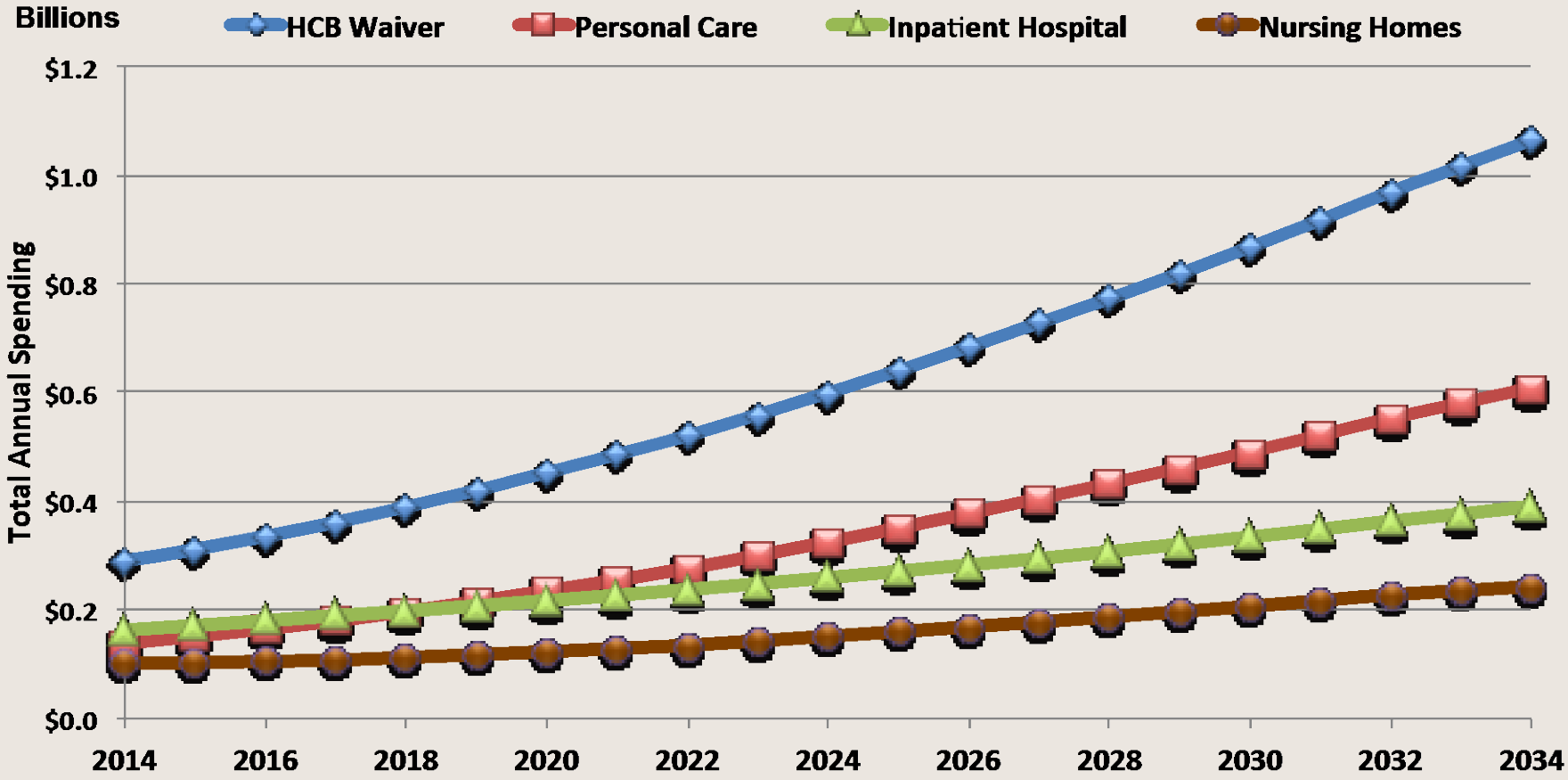
Inflation is the largest component of the projected increase in spending on Medicaid Claims



*Inflation component of spending shown in graph is dependent upon enrollment and utilization/intensity projection.

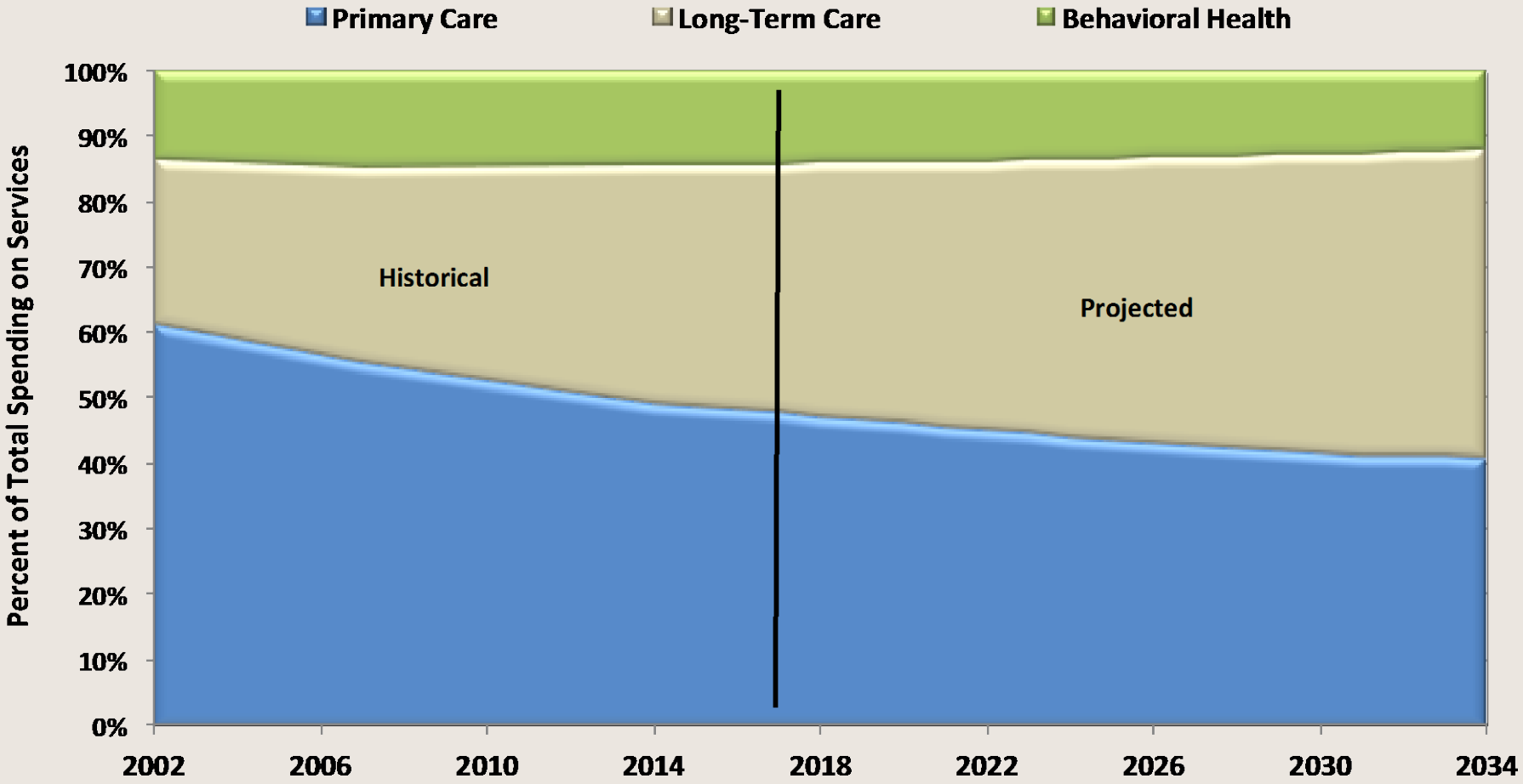
MESA—Highlights from Current Forecast

Home and Community Based (HCB) Waivers and Personal Care are projected to continue to be the fastest growing service categories



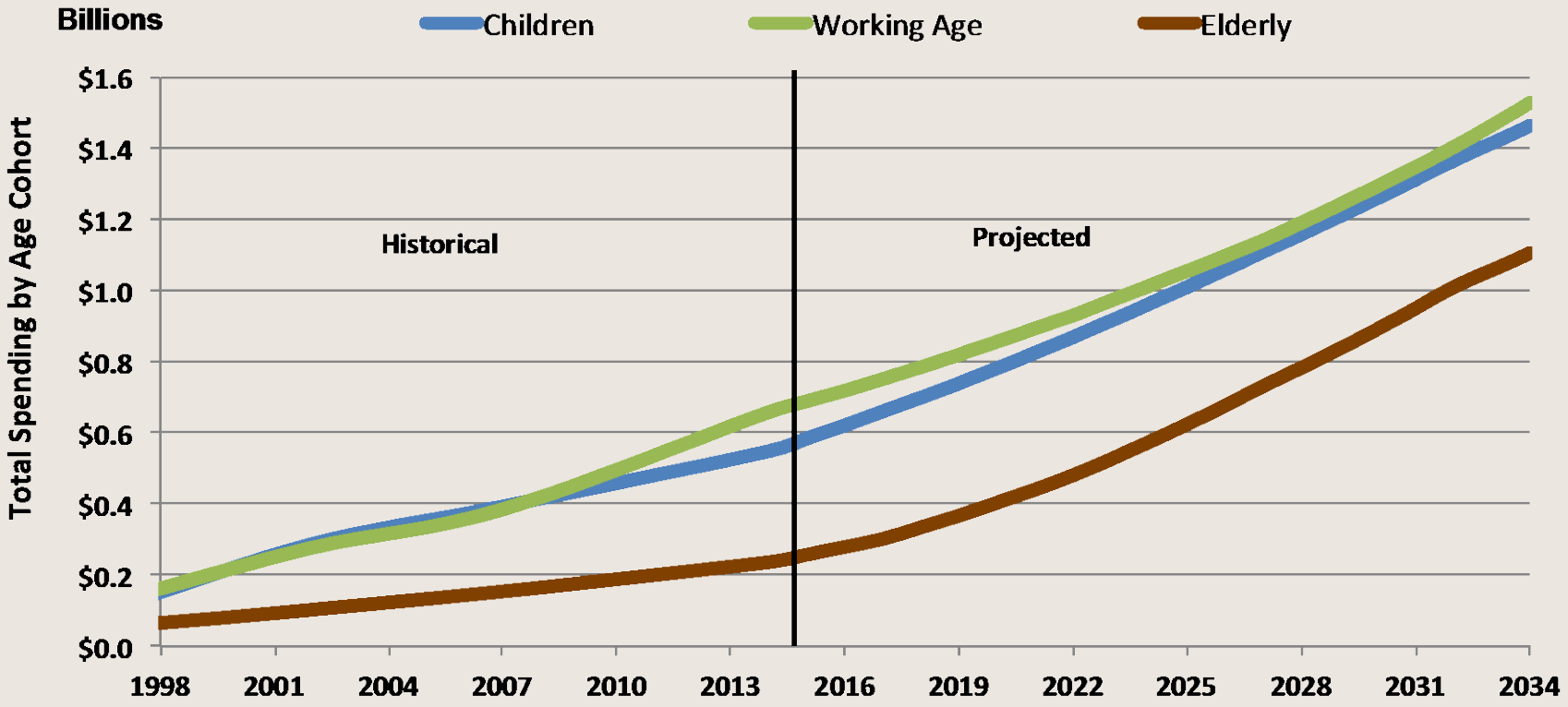
MESA—Highlights from Current Forecast

Spending on Long-Term Care will continue to grow at a faster rate than spending on Primary Care or Behavioral Health



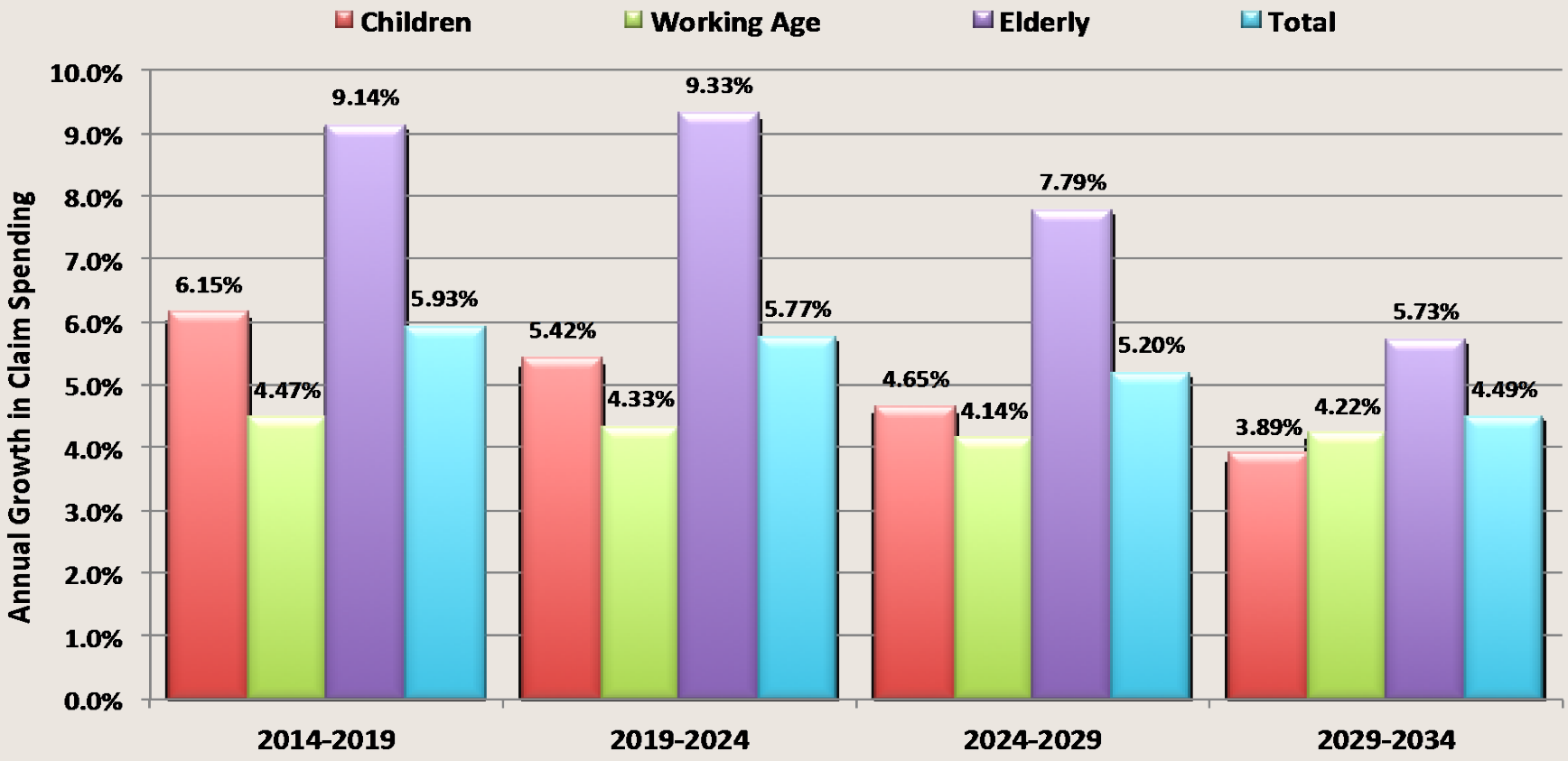
MESA—Highlights from Current Forecast

We project a more moderate rate of growth in spending on the elderly than in earlier forecasts, however we still expect spending on the elderly will grow faster than spending on children or working-age adults



MESA—Highlights from Current Forecast

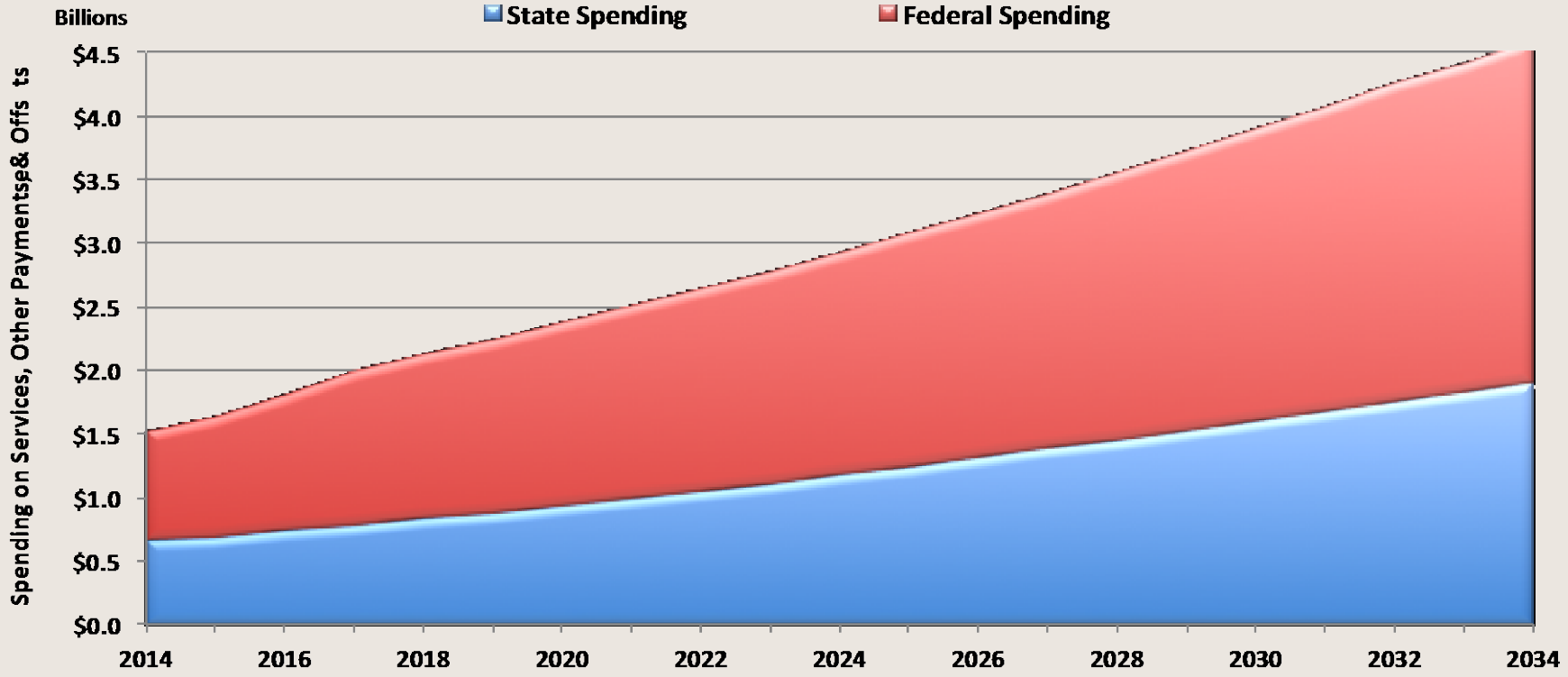
We anticipate growth in spending on Medicaid services to moderate over the next 20 years. Spending on the elderly will continue to outpace overall spending on Medicaid Services



MESA—Highlights from Current Forecast

The ***2006*** forecast of total Medicaid spending was $4.8 billion in 2025. We now project total Medicaid spending will be about $2.8 billion in 2025.*
Lower projected growth is due to…

- Cost containment actions taken by the Department and Legislature
- Slower growth in healthcare price inflation
- Slower population growth projected by Alaska Department of Labor

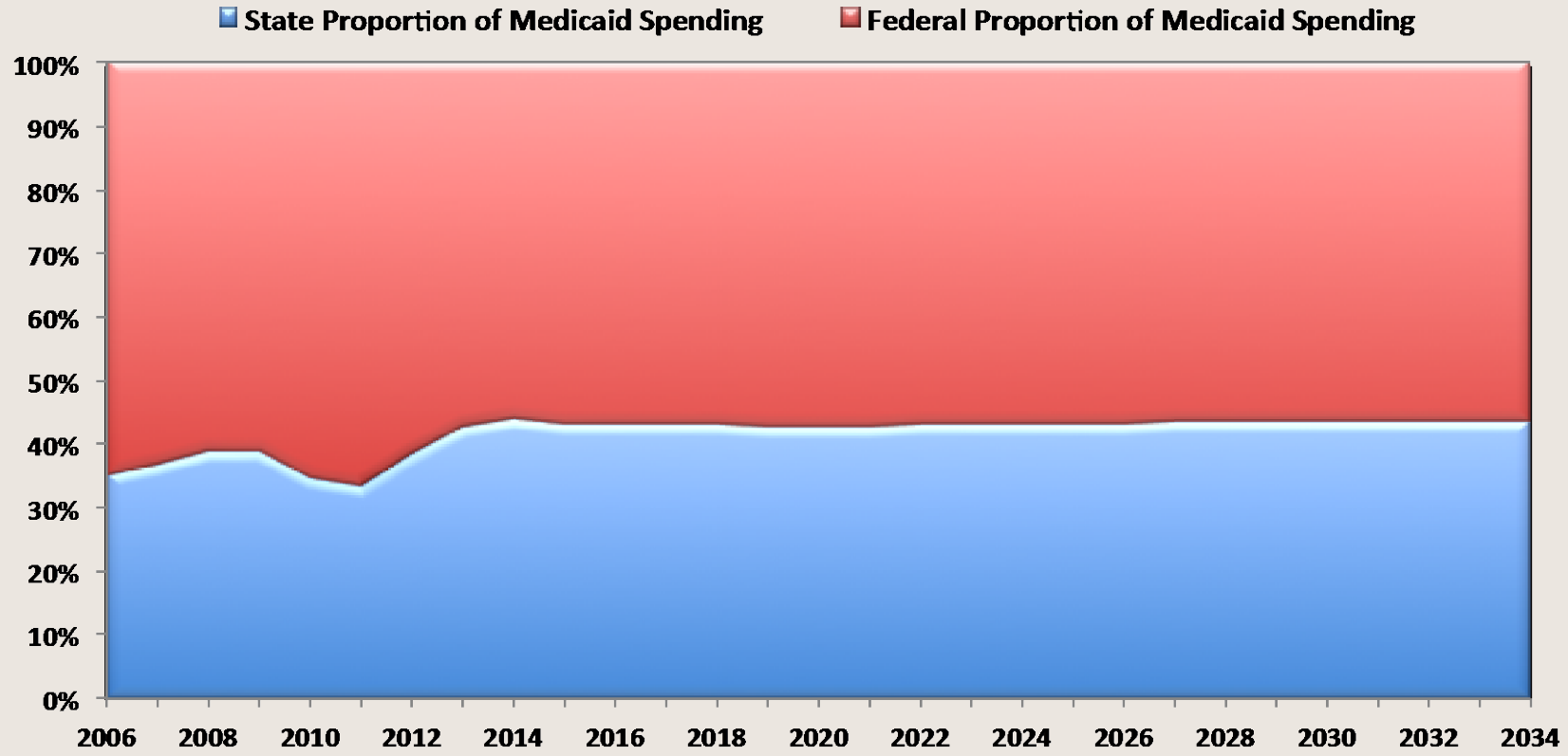


*Total Medicaid spending includes non-claim related costs (including admin), which we estimate to be 5% of spending on services.

MESA—Highlights from Current Forecast

Most of the cost of the Medicaid program is borne by the federal government.

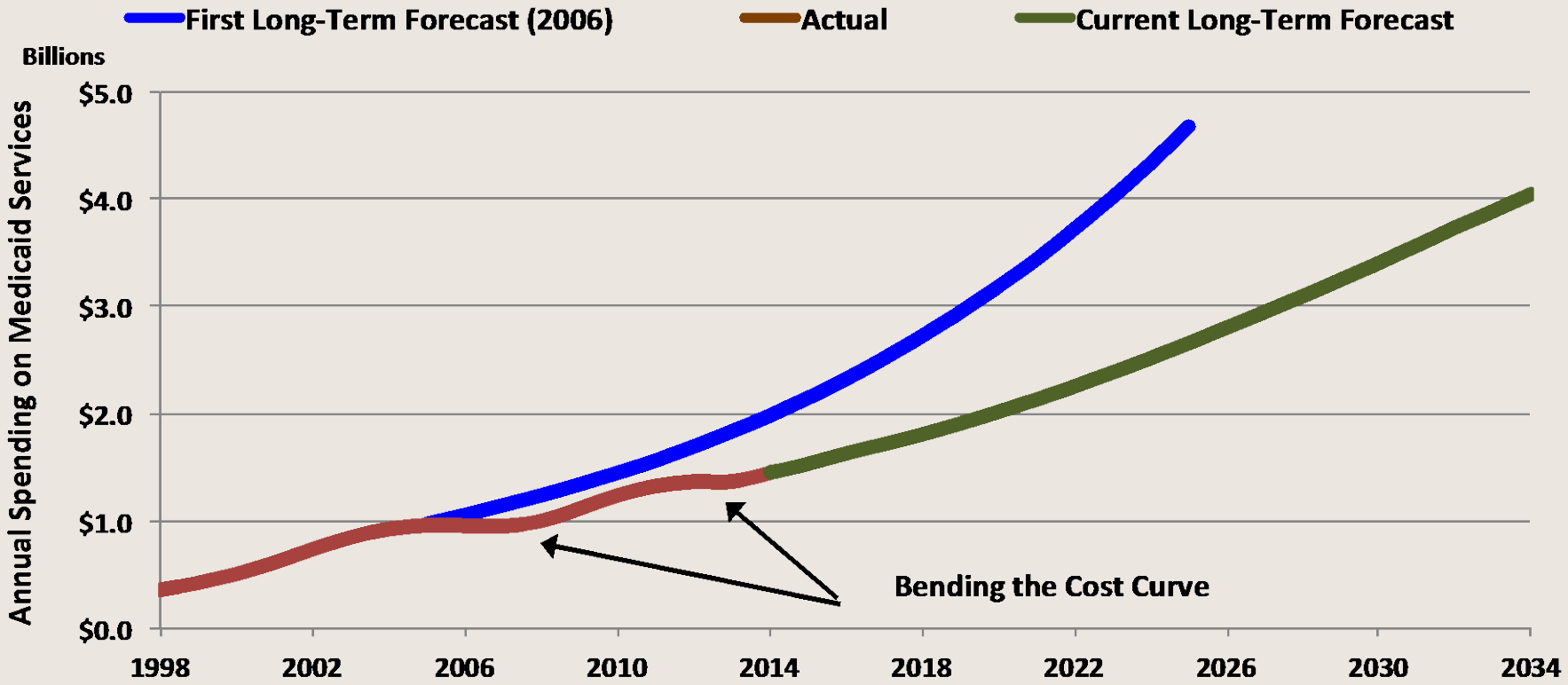
- State financial participation peaked in CY2014 at 44%
- Over projection period, financial participation by the State will average 43%



MESA—Bending the Medicaid Cost Curve

Since publishing of the first long-term Medicaid spending forecast in 2006, the Department has been able to slow the growth in Medicaid spending.

We project spending on Medicaid will continue to grow at a slower rate due to slower population growth and slower growth in healthcare price inflation*



* Spending growth may also slow due to cost controls implemented by the Department; forecast does not account for such actions

MESA—Long-Term Alaska Medicaid Forecast

For more information, please contact:

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