

# Medicaid Expansion + Reform: Impact for Trust Beneficiaries

March 8, 2018

# Trust

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Alaska Mental Health  
Trust Authority

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# I. Introduction

## Medicaid Expansion

In August 2015, Governor Walker announced that Alaska would move forward with Medicaid expansion, accepting federal funds to offer health care coverage to as many as 42,000 additional Alaskans. Newly eligible individuals included:

- childless adults **ages 19 to 64**;
- with incomes **below 138 percent of the federal poverty level**; and
- who are **not eligible for another type of Medicaid or Medicare**.

Medicaid expansion in Alaska began September 1, 2015. A little over two years later over 40,000 Alaskans are receiving health coverage through Medicaid expansion. Nearly one in four Alaskans (24%) is low-income, and 27 percent of the state's residents are covered by Medicaid.<sup>1</sup> Alaska has historically had one of the highest uninsured rates in the nation. That rate has decreased significantly since Medicaid expansion was implemented.<sup>2</sup>

Medicaid expansion has increased access to behavioral health and other health care services for many beneficiaries of the Alaska Mental Health Trust Authority by providing them a way to pay for services. Prior to expansion, these costs were covered on a more limited basis through state general fund grants from the Division of Behavioral Health, or were treated as uncompensated care by providers. Trust beneficiaries covered under expansion gained access to the same Essential Health Benefits as other Medicaid recipients, such as inpatient and outpatient facilities/services, nursing facilities, clinical services, dental, and mental and behavioral

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***“I am healthy enough to work now,” said Andi, a Trust beneficiary who is now covered by Medicaid through expansion. Before Andi had Medicaid, she would go to the ER, even for a sore throat, because she felt she didn’t have any options as she wasn’t able to pay a sliding-fee for self-pay. “Now I have access to medicine that otherwise I couldn’t afford. It gives me peace of mind, I get to take control over my own health.”***

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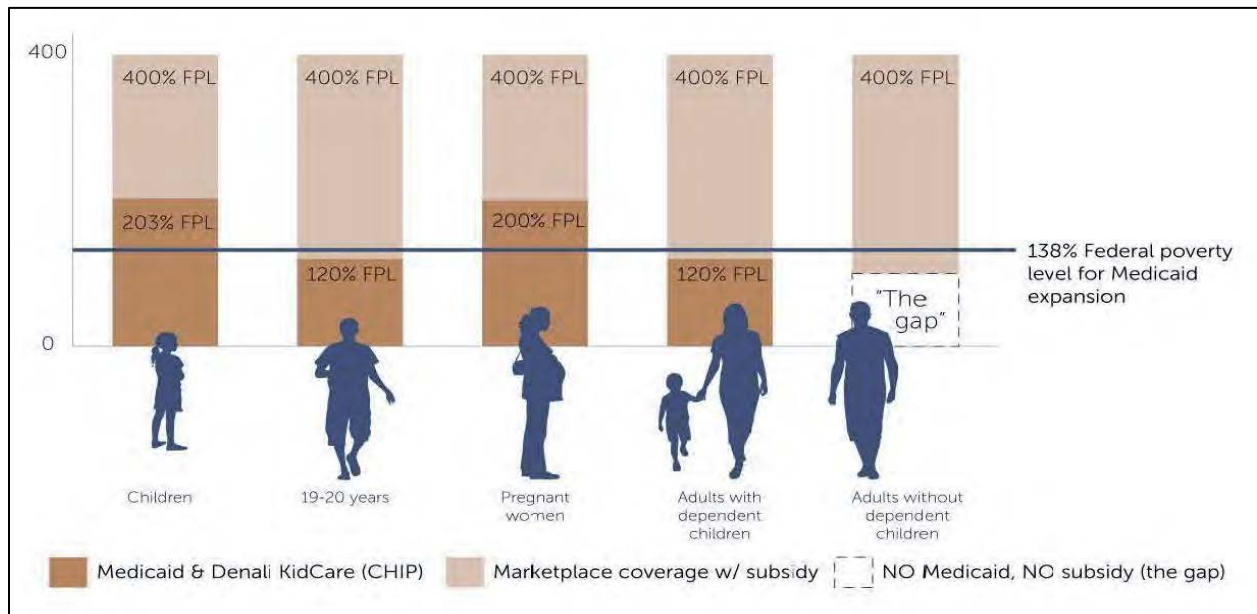
<sup>1</sup> As of January 31, 2018. Medicaid in Alaska Dashboard, <http://dhss.alaska.gov/HealthyAlaska/Pages/dashboard.aspx>

<sup>2</sup> State of Alaska Department of Health and Social Services Medicaid Section 1115 Behavioral Health Demonstration Application Draft for Public Comment, November 27, 2017.

health services. Expansion also increased access to low-cost pharmacy services and support services such as transportation, and expanded services in rural regions.<sup>3</sup>

Figure 1 summarizes where individuals and families in Alaska fall in terms of eligibility for Medicaid and Denali KidCare (CHIP) or marketplace coverage with a federal subsidy, compared to no access to Medicaid/CHIP or subsidy.

Figure 1: Income Eligibility for Health Coverage, excerpted from DHSS Healthy Alaska Plan



To put Figure 1 above into even more context, federal poverty levels are as follows:

***Income up to:***

<b>Family size</b>	<b>120% of poverty level</b>	<b>138% of poverty level</b>	<b>200% of poverty level</b>
<b>1</b>	\$14,256	\$16,394	\$23,760
<b>2</b>	\$19,224	\$22,108	\$32,040
<b>3</b>	\$24,192	\$27,821	\$40,320
<b>4</b>	\$29,160	\$33,534	\$48,600

<sup>3</sup> Essential Health Benefits are a set of 10 categories of services health insurance plans must cover under the Affordable Care Act. These include doctors' services, inpatient and outpatient hospital care, prescription drug coverage, pregnancy and childbirth, mental health services, and more. <https://www.healthcare.gov/glossary/essential-health-benefits/>

Increasing rates of health care coverage helps to increase the availability of behavioral health services in Alaska communities. Prior to expansion, many Alaskans who required treatment for addiction did not have access to healthcare coverage. For providers, increasing the proportion of their clients who have healthcare coverage greatly increases their ability to offer those services. This expands the overall supply of those services to better meet the need.

Healthcare coverage has been shown to increase access to treatment services for individuals with mental illness. In 2015, a nationwide study of the impact of Medicaid expansion on access to mental health treatment services among adults with Serious Mental Illness (SMI) found that 47% of low-income uninsured adults with SMI had received treatment in the previous year. During the same period, 75% of non-elderly adults with SMI who were enrolled in Medicaid received treatment.<sup>4</sup> More specifically, among the 28 states studied, researchers found that in states where Medicaid expansion had occurred, non-elderly adults with SMI who were enrolled in Medicaid for a full-year were 40% more likely to receive outpatient mental health treatment than their uninsured counterparts.

Figure 2 below estimates the number of Alaskans who experience behavioral health issues who now have healthcare coverage through Medicaid expansion, based on prevalence estimates from the National Survey on Drug Use and Health. Approximately one in six are estimated to have needed treatment for addiction, and nearly one in four had a mental illness, in the past year.

Figure 2: Estimated Prevalence of Behavioral Health Issues Among Medicaid Expansion Population<sup>5</sup>

Estimated Prevalence of Behavioral Health Issues Among Medicaid Expansion Population												
Number of Alaskans Covered through Medicaid Expansion (as of 1/31/17)	Needed Treatment for Illicit Drug or Alcohol Use in Past Year (SUD)		Past Year Any Mental Illness <i>(Includes Mild, Moderate, and Serious Mental Illness)</i>		Past Year Serious Mental Illness (SMI)		Past Year Moderate Mental Illness		Past Year Mild Mental Illness		Past Year Any Mental Illness and SUD <i>(of those needing treatment for a drug or alcohol problem)</i>	
	Rate	16.70%	Rate	23.80%	Rate	3.90%	Rate	6.10%	Rate	13.80%	Rate	45.60%
40,398		6,746		9,615		1,576		2,464		5,575		3,076

Notes: Rates are based on Alaska-specific National Survey on Drug Use and Health (NSDUH) data for the adult (18+) population below 138% of Federal Poverty Level.

<sup>4</sup> Beth Han, MD, PhD, MPH, Joe Gfroerer, BA, S. Janet Kuramoto, PhD, MHS, Mir Ali, PhD, Albert M. Woodward, PhD, MBA, and Judith Teich, MSW, “Medicaid Expansion Under the Affordable Care Act: Potential Changes in Receipt of Mental Health Treatment Among Low-Income Nonelderly Adults With Serious Mental Illness.” Published online ahead of print March 19, 2015 | American Journal of Public Health.

<sup>5</sup> A version of this table was included in the Alaska Behavioral Health Systems Assessment, published in January 2016 by the Alaska Mental Health Trust Authority.

In FY16, the Trust allocated just under \$1.6 million to DHSS to assist with costs for Medicaid expansion eligibility and claims support. Trustees made this investment to ensure an integrated comprehensive mental health program and to support the broader reform efforts undertaken by DHSS. Using the estimates above, approximately 16,361 Trust beneficiaries received coverage under Medicaid expansion.

## Medicaid Redesign

In August 2015, the Trust partnered with DHSS for a study to develop recommendations for redesigning Alaska's Medicaid program. This process brought together a broad range of Alaska stakeholders to explore a variety of reform options and expansion scenarios, refine the options most likely to work in Alaska, and analyze and consider those options. The resulting report was published on January 22, 2016, and Governor Walker issued a bill the following week that included most of the study's recommendations. Senate Bill 74 passed the Alaska Senate unanimously with 13 co-sponsors and was ultimately signed into law. The recommendations included in the bill address the areas of primary care case management; behavioral health access; emergency care; health information exchange and data analytics; payment reform including a pilot project to test Accountable Care Organizations; recommendations for serving Medicaid expansion enrollees; and ways to increase use of telemedicine and improve business processes in the Medicaid program.

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***Senate Bill 74 passed the Alaska Senate unanimously.***

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In 2016, with continued support from the Trust, stakeholders continued to meet to receive updates on implementation of SB 74 and provide feedback and input to DHSS.<sup>6</sup> The group identified a vision for Alaska's Medicaid program:

- improve health;
- contain costs;
- optimize access; and
- increase value.

While it is difficult to achieve these goals simultaneously, stakeholders repeatedly agreed that we should strive to achieve this 'quadruple aim.'

One of the most consistent priorities identified by stakeholders was to increase access to behavioral health and to address it as an element of a person's overall health and well-

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<sup>6</sup> The implementation of SB 74 includes sixteen initiatives, which are summarized in Appendix B.

being. To shift services away from crisis mode and toward prevention and early intervention, Medicaid redesign seeks to integrate physical and behavioral health, as well as social supports. To accomplish this, DHSS, with support from the Trust, developed an 1115 Medicaid waiver application for behavioral health system reform; the application was submitted to the Centers for Medicare and Medicaid Services for review in January 2018.

## Trust's Role in Medicaid Expansion and Redesign

A significant portion of Trust beneficiaries are eligible for coverage through the Medicaid program, and a substantial portion of Medicaid costs are for services that benefit Trust beneficiaries. Populations with the highest Medicaid eligibility levels in Alaska are children, pregnant women, parents, childless adults, seniors, and people with disabilities. Spending, however, is disproportionately focused on seniors and people with disabilities who represent 55% of Medicaid spending (individuals with behavioral health disorders are included in the eligibility group of people with disabilities). Like many other state Medicaid spending patterns, 63% of Alaska's Medicaid expenditures are driven by 5% of Medicaid recipients.<sup>7</sup>

Of 42,123 total Medicaid-enrolled Alaskans served in FY16, more than two-thirds (28,937) received treatment for a mental health disorder. Of the Medicaid enrollees who had five or more hospitalizations between 2012 and 2015, one-fifth of them had a behavioral health diagnosis, making this the most common disease category across all admissions.<sup>8</sup> These data demonstrate the high proportion of Trust beneficiaries who benefit from coverage from Medicaid.

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***A significant portion of Medicaid costs are for services that benefit Trust beneficiaries: Alaskans with mental illness, developmental disabilities, addiction, Alzheimer's disease and related dementia, and/or traumatic brain injuries.***

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Prior to expansion, the gap in health care coverage for low-income Trust beneficiaries limited the accessibility and sustainability of healthcare services to help them maintain productive, healthy lives in their communities. The Trust played a major role in advocating for Medicaid expansion and reform, and has dedicated significant resources to ensure its success. Similar to its focus on criminal justice reform, Medicaid expansion and reform is another system-level transformation that the Trust has pursued to increase the sustainability and success of its community-level investments toward

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<sup>7</sup> State of Alaska Department of Health and Social Services Medicaid Section 1115 Behavioral Health Demonstration Application Draft for Public Comment, November 27, 2017.

<sup>8</sup> Ibid.

improving the lives of beneficiaries. In March 2016, the board of trustees approved \$10 million over three years to support DHHS in Medicaid expansion and reform efforts.

The Trust's "Theory of Change" (in appendix) identifies levels of impact from Trust investments: individual, community and capacity building, and system-level. For the Trust to achieve desired results for beneficiaries, all three levels must be aligned.



## 2. Alaska's Fiscal Challenge

Alaska is in the midst of a serious fiscal challenge, and the ever-increasing cost of health care significantly compounds this challenge. The State of Alaska spends just over \$2 billion per year to purchase benefits for State retirees, employees, school districts, university and other subdivisions of government, and to cover the state's portion of the Medicaid program, which accounts for \$605 million or 30% of that total.<sup>9</sup> As described in a recent report for the Department of Administration's Health Care Authority Feasibility Study, "The Alaska health care sector continues to exhibit extraordinarily high costs and extraordinarily high cost growth rates when compared to U.S. benchmarks."<sup>10</sup>

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***Alaska is one of only two states whose Medicaid program relies exclusively on a fee-for-service payment model.***

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### Paying for Value

Across the nation, states in similar situations have found opportunities for cost savings in their Medicaid programs as well as in other healthcare expenses. States typically consider two pathways for driving down costs: the first is to cut provider rates and enrollee benefits, but this approach often leads to increased costs and unintended impacts in other areas. The second path is to pursue systems transformation to move from paying for volume to paying for value. Paying for value means incentivizing efficient, high quality care. It also means transforming the delivery system to engage individuals earlier in the continuum of care through prevention and primary care, rather than later with higher cost and intensity acute care. The overarching goal of system transformation is to provide more value from healthcare spending by improving health outcomes.

Many factors influence Alaska's health care system. Currently, Alaska is one of only two states whose Medicaid program relies exclusively on a fee-for-service payment model. A diverse array of stakeholders concluded that the current payment model does not encourage providers to coordinate care, nor does it reward providers for providing care earlier and in lower care (and thus lower cost) settings. In addition, some services, such as behavioral health, are not accessible and available to those who need them. Vulnerable Alaskans often access care at the highest level of service intensity, at the greatest expense to the program, because lower-level services that could address the underlying health issues are not available. As other states have demonstrated, changing

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<sup>9</sup> Department of Administration, December 2017.

<sup>10</sup> Mark Foster and Associates, Estimate of the Potential Value of Consolidating Alaska State, Local, and School District Public Employee Health Plans, Alaska Department of Administration, August 2017.

utilization patterns by improving enrollee access to primary and preventive care, and ensuring that care is coordinated and effective, are the keys to reducing costs for Medicaid while improving care and enrollee health.

## Refinancing Behavioral Health Care with Medicaid

The process for increasing value from Medicaid dollars, particularly for those who need behavioral health services, began decades ago in Alaska. Refinancing behavioral health services with Medicaid dollars reduces reliance on grant funding (which comes primarily from State sources), increases federal funding for services, and encourages greater integration between behavioral health and other physical health services. This strategy was a conscious and non-partisan approach undertaken by successive governors and legislatures, and encouraged by the Trust.

In the early nineties, state law was changed to allow community mental health providers to provide rehabilitation services under Medicaid instead of relying solely on State-funded grants. These services were implemented for children in 1992 and for adults the following year. In FY95, over \$20 million in Medicaid mental health and rehabilitation payments were made. By FY96, almost \$30 million in payments were made. In one year alone (FY04), Governor Murkowski proposed and the legislature enacted a \$20 million reduction in state general fund grants for mental health and substance abuse treatment

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***Nearly 90% of children's behavioral health services are funded through Medicaid.***

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services to further shift costs of these services to the Medicaid program. Today two-thirds (approximately 66%) of behavioral health services in the state are provided through the Medicaid program.<sup>11</sup>

The Trust also advocated for increased partnership with Tribal health organizations to expand access to culturally-relevant behavioral health services across Alaska. These efforts included the addition of a “tribal encounter rate” for behavioral health clinic services, which accelerated the refinancing of State-grant funding with Medicaid. Medicaid services provided by Tribal health organizations are 100% reimbursed by the federal government. Another source of federal funding for behavioral health services advocated for by the Trust is the use of Disproportionate Share Hospital (DSH) payments for crisis level behavioral health services. Nearly half (\$14.8 million, or 46.7%) of the revenues to operate the Alaska Psychiatric Institute are from the DSH program.<sup>12</sup>

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<sup>11</sup> Alaska Mental Health Trust Authority, Letter to Legislators, September 9, 2015.

<sup>12</sup> Alaska Psychiatric Institute operating revenues, FY2014.

The Trust launched and sustained the Bring the Kids Home initiative, in close partnership with DHSS, to reduce the number of children (primarily those in state custody) who were placed in out-of-state residential treatment facilities from over 700 per year – at a cost of over \$40 million – to less than 130 who are out of state today. Since nearly 90% of children’s behavioral health services are funded through Medicaid, the Bring the Kids Home success would not have been possible without the integration of behavioral health services into the Medicaid program.<sup>13</sup>

While there were many successes associated with refinancing behavioral health services through Medicaid, there were also many challenges for providers and beneficiaries. The principal challenge is that prior to Medicaid expansion, many Trust beneficiaries were not eligible for the Medicaid program. State behavioral health grant funds continued to be available to support services, but these limited dollars did not expand to meet the growing demand for services, making Medicaid expansion a critical element in ensuring adequate care for Trust beneficiaries.

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<sup>13</sup> Ibid.

### 3. Impact for Trust Beneficiaries

#### Beneficiaries Who Experience Homelessness

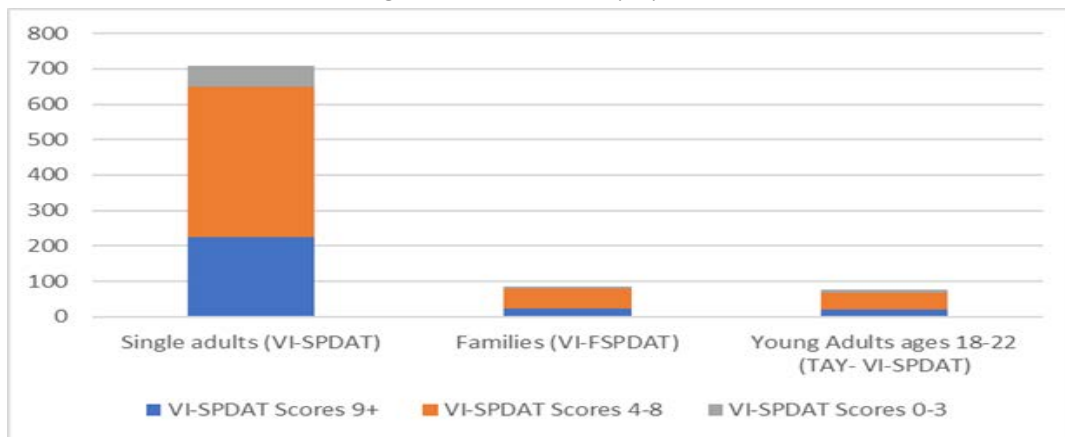
Alaska’s 2017 rate of homelessness per 10,000 people is 24.9, nearly 1.5 times the U.S. rate.<sup>14</sup> Figure 3 below identifies data from the Coordinated Entry System in Anchorage, which in November 2017 identified 721 single adults, 88 families and 77 young adults in need of housing and supports. Referrals into the Coordinated Entry System include an assessment, which provides a “vulnerability score.” The higher the vulnerability score, the greater the need for supports to maintain permanent housing. Higher vulnerability is also an indication of behavioral health issues that compromise a person’s ability to maintain housing. Among the single-adult population who received assessments, nearly a third (31%) had a vulnerability score of 9 or higher, and 59% scored between 4 and 8; just 8% scored between zero and 3.

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***Alaska’s rate of homelessness is nearly 1.5 times the U.S. rate.***

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Figure 3: Vulnerability Scores among Single Adults, Families and Young Adults Referred to Anchorage Coordinated Entry System, HMIS, November 2017



In 2015, the Trust partnered with the Division of Behavioral Health to complete the Alaska Supportive Housing Plan. This plan identifies Medicaid as a critical funding source that most states use to develop Permanent Supportive Housing (PSH), a best practice to serve people with significant disabilities in community-based settings. The plan notes a “significant demand for PSH” in Alaska but states:

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<sup>14</sup> Sources: AKDOLWD (Alaska population estimate 2016), HUD Exchange, Point in Time Counts for Continuum of Care areas in selected cities, 2017.

The primary residential options for individuals with disabilities who need housing are predominantly in assisted living facilities, funded through General Relief Assistance (GRA), a 100% state-funded program that was established to

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***Many states use Medicaid to pay for services and housing supports, but Alaska does not.***

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pay for room, board, and services in assisted living homes. Over the years, assisted living facilities expanded significantly due to a shortage of other integrated, affordable housing options. Alaska's current budget climate poses significant challenges to expanding the

supply of affordable housing and services. Yet, the state unnecessarily relies on state funds to pay for services to individuals who could be served in integrated PSH. Many states use Medicaid to pay for services and housing supports, but Alaska does not. Medicaid expansion through the Affordable Care Act (ACA) provides additional opportunities to cover vulnerable populations with Medicaid, and to receive federal support for services that can be provided in PSH. While additional resources are needed to meet the demand for services and housing, savings generated as a result of leveraging Medicaid could be reallocated to housing assistance.<sup>15</sup>

Both the expansion of Medicaid eligibility and the efforts to redesign the program to better support individuals with disabilities in permanent housing have tremendous impacts for Trust beneficiaries.

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***“Once I was able to enroll in Medicaid, I feel like I have a whole new life,” said Leo, a Trust beneficiary who has heart disease and other health issues that keep him from working and even driving.***

***“Medicaid makes it easier to see a doctor, takes care of transportation, helps me get my nebulizer and other treatments I need. Soon, I’ll be getting some dental work done – and a housing voucher is helping me move into a new apartment. I was on the streets just three years ago - and now, thanks in no small part to Medicaid, my life has really turned around.”***

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<sup>15</sup> Alaska Supportive Housing Plan, AMHTA and DBH, December 2015. Accessed at <http://mhtrust.org/mhtawp/wp-content/uploads/2014/10/AlaskaSupportiveHousingPlanReport-TAC-Final-12.18.15.pdf> December 2017.

## Beneficiaries Involved with Criminal Justice

Another system-level reform that the Alaska Mental Health Trust Authority successfully advocated for resulted in the passage of Senate Bill 91 in 2016. This comprehensive criminal justice reform effort aims to reduce sentencing guidelines for non-violent offenders and reinvest savings into programs that increase the likelihood of success outside of the correctional system. The mandates in SB 91 are expected to appropriately increase the demand for community-based behavioral health services, including mental health and substance use disorder treatment and community-based recovery supports.

Similar to SB 74, criminal justice reform is intended to make changes that improve the success and sustainability of Trust investments at both the community and individual levels, resulting in improved lives for Trust beneficiaries. The Trust advocated for criminal justice reform because of the large number of Trust beneficiaries who are involved in the criminal justice system. Both of these system-level reforms strongly reinforce one another: without access to Medicaid coverage, many individuals re-entering their communities from prison will not be able to access the physical and behavioral health services necessary to support and maintain their recovery and mental health. Relapse or a return to crisis can often mean a return to a correctional facility for a Trust beneficiary. For example, a probation officer from a rural community recently described her caseload of 80 people; all but one have as a condition of their parole that they cannot use alcohol or illicit drugs. Access to substance use disorder treatment for these individuals may mean the difference between maintaining recovery and re-joining their community, or a return to prison.

The Department of Corrections estimates that 60 percent of Alaska inmates have diagnoses that qualify them as Trust beneficiaries. Many are incarcerated for low-level offenses that stem directly from their mental disorder. Others present a complex array of mental disorders, criminal thinking errors, histories of trauma, and environmental influences that promote criminal conduct. Unsurprisingly, inmates with the additional challenge of mental disorders serve longer sentences and recidivate more often than other inmates. Medicaid expansion provided a critical path to increase access to behavioral health supports and treatment, which can help Trust beneficiaries avoid criminal involvement in the first place or succeed in the community after they have been incarcerated.<sup>16</sup> Prior to expansion, most of these beneficiaries would not have been eligible for enrollment in the Medicaid program. This not only improves individual well-being for Trust beneficiaries, it also furthers a key strategy – reducing recidivism – for controlling costs and reducing the need for additional correctional facility capacity.

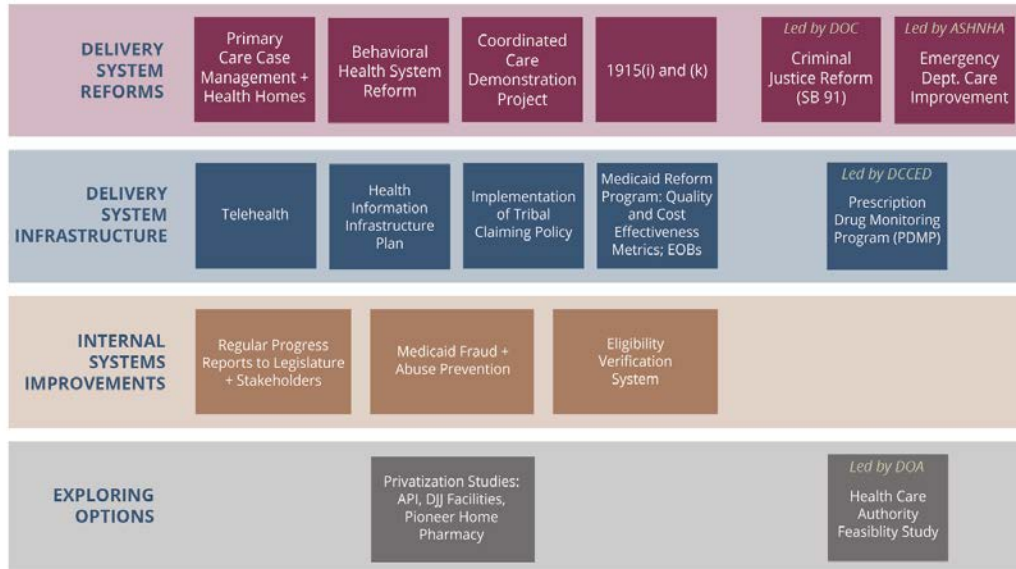
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<sup>16</sup> Alaska Mental Health Trust Authority, Letter to Legislators, September 9, 2015.

# 4. Appendix

## Components of SB 74

Figure 4: Alaska Medicaid Redesign, Components of SB 74<sup>17</sup>



**Acronyms List**

API: Alaska Psychiatric Institute | ASHNHA: Alaska State Hospital and Nursing Home Association | DCCED: Alaska Department of Commerce, Community and Economic Development | DHSS: Alaska Department of Health and Social Services | DJJ: Alaska DHSS, Division of Juvenile Justice  
DOA: Alaska Department of Administration | DOC: Alaska Department of Corrections | EOB: Explanation of Benefits

*Prepared for Alaska Department of Health and Social Services by Agnew:Beck Consulting, September 2016*

<sup>17</sup> DHSS, Medicaid Redesign Stakeholder Engagement, 2016.

# A catalyst for change to improve the lives of beneficiaries

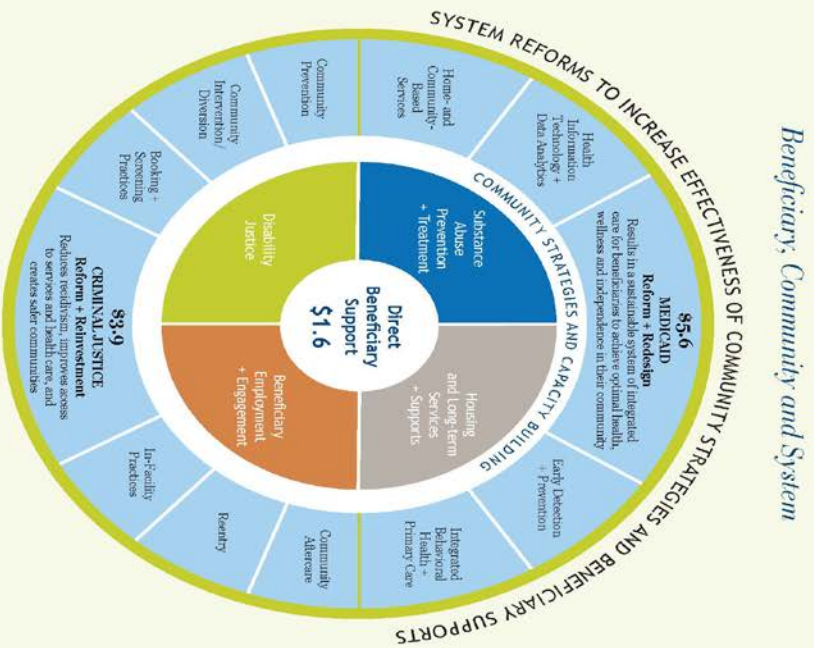
## Mission & Principles

The Trust's mission is to improve the lives of beneficiaries through advocacy, planning, implementing and funding a Comprehensive Integrated Mental Health Program.

### The Trust is committed to:

- Education of the public and policymakers on beneficiary needs
- Collaboration with consumers and partner advocates
- Maximizing beneficiary input into programs
- Continually improving results for beneficiaries
- Prioritizing services for beneficiaries at risk of institutionalization or needing long-term, intensive care
- Useful and timely data for evaluating programs
- Inclusion of early intervention and prevention components

## Investments



## Key Outputs

- Beneficiaries access quality, integrated, whole person health care
- Decrease in youth alcohol and substance use and adult binge drinking and illicit substance use
- Reduce adult and youth involvement in the criminal justice system and reduce criminal recidivism
- Beneficiaries achieve integrated employment and have access to quality peer support services
- Beneficiaries can access safe and affordable housing with appropriate community-based social services to maintain tenancy

## Results

- Beneficiaries have improved health
- Adults and children are free of the burdens created by alcohol and substance abuse
- Alaska's workforce meets beneficiary and employer needs
- The criminal justice system effectively accommodates the needs of victims and offenders who are Trust beneficiaries
- Beneficiaries are employed or meaningfully engaged in their communities
- Beneficiaries maintain stable, safe housing

# Trust Theory of Change

FY18 budget numbers in millions as approved September 8, 2016.