



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Office
of the Governor

OFFICE OF MANAGEMENT AND BUDGET
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September 19, 2017

The Honorable Anna MacKinnon
Co-Chair, Senate Finance Committee
12641 Old Glenn Highway, Suite 201
Eagle River, AK 99577

The Honorable Lyman Hoffman
Co-Chair, Senate Finance Committee
P.O. Box 886
Bethel, AK 99559

The Honorable Paul Seaton
Co-Chair, House Finance Committee
270 W. Pioneer Ave.
Homer, AK 99603

The Honorable Neal Foster
Co-Chair, House Finance Committee
103 E. Front St.
Nome, AK 99762

The Honorable Bert Stedman
Chair, Legislative Budget and Audit Committee
1900 First Ave., Suite 310
Ketchikan, AK 99901

Dear Senators MacKinnon, Hoffman, and Stedman, and Representatives Seaton and Foster:

I want to make you aware of an issue as we close out FY2017. Although the FY2017 Medicaid budget was accommodated in the supplemental appropriations in HB57, Medicaid expenditures exceeded the estimated amount. This reduces the FY2017 deposit into the Marine Highway Fund. ←

The operating appropriation bill passed by the legislature on June 22, 2017 provided additional UGF expenditure authority for Medicaid. In early June, based on my guidance, the Department of Health and Social Services (DHSS) continued to pay claims incurred in FY2017 rather than delaying payments into FY2018 as was done last year. I provided the guidance to DHSS after assessing the budget provisions being considered a month prior to the bill being finalized. Although there was open-ended Medicaid language for FY2017 there was also a cap on the total FY2017 supplemental spending.

Supplemental spending for FY2017 was capped at \$100 million by the CBR vote associated with the SLA 2016 enacted budget (HB256). Late in the budget process several other specific FY2017 supplemental items were added to the budget which limited how much would be available for Medicaid within the \$100 million cap. Per section 49(h) of HB57, the \$30 million deposit into the Alaska Marine Highway System fund was reduced to \$7.3 million to accommodate the CBR cap of \$100 million.

The Honorable Anna McKinnon, the Honorable Lyman Hoffman, the Honorable Bert Stedman,
the Honorable Paul Seaton, and the Honorable Neal Foster
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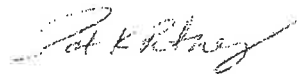
DHSS worked diligently to reduce the amount of UGF needed for Medicaid by maximizing federal collections prior to the year-end closing. Providers were paid timely and no FY2017 payments needed to be pushed into FY18 because of these efforts.

Medicaid expenditures were higher than anticipated because of several factors. FY2016 payments pushed forward into FY2017 totaled \$26.8 million and were accounted for in a specific supplemental appropriation. Enrollment grew 23 percent from FY2016 to FY2017, with non-expansion (traditional Medicaid) accounting for 55 percent of the increase. Additionally, a Federal payment for certification of the Medicaid information system expected to be \$10 million is delayed and expected to be received in FY2018.

I want to make it clear that Medicaid expansion did not contribute to this shortfall. Medicaid expansion allows the State of Alaska to offset costs for programs that were previously funded with 100 percent UGF, including funding for behavioral health grants, the chronic and acute medical assistance program, and health care costs for those who are incarcerated. Just for health care covered by Medicaid for those who are incarcerated, the State of Alaska saved \$6.24 million in FY2017 while the Medicaid expansion population UGF cost was \$5.8 million.

The Administration will request a supplemental appropriation for the shortfall in the Alaska Marine Highway System fund in order to assure the stability of the fund. If you want additional detail or wish to discuss this issue, please feel free to contact me.

Sincerely,



Pat Pitney
Director

cc: Darwin Peterson, Director, Governor's Legislative Office