

Medicaid expansion must be balanced with fiscal reality

by Rachael Petro

Alaska businesses will pay for uninsured Alaskans through the proposed Medicaid expansion or continue to pay through increased health care costs. It is for this reason the Alaska Chamber supports Medicaid expansion. The Chamber's support for Medicaid expansion ends when the federal funding ends, falls below its initial promise or if it exacerbates the State's fiscal situation.

As taxpayers, all Alaskans are subject to the increased federal taxes established to fund the national healthcare law. If Alaska does not expand Medicaid, Alaskan's taxes will pay for the uninsured in other states. Our concern is that Alaska businesses and all insured Alaskans will bear even higher insurance premiums and health care costs to cover those uninsured.

However, given the federal fiscal situation, and the dismal track record the federal government has with keeping commitments to Alaska and Alaskans, the Chamber supports Medicaid expansion with caveats. These caveats include support for a fail-safe provision and/or supporting an alternative to Medicaid expansion. A fail-safe provision means that if the feds renege on their funding commitment, Alaska *must* automatically contract the expansion.

The Chamber's top priority this year is reducing State spending. Alaskans overwhelmingly agree, it's time for the State to do what we as individuals and Alaska businesses do every day – live within our means. We support limiting total FY 2016 unrestricted General Fund spending to \$4.5B or less, and believe State budget reserves should be used to aid in the transition to a sustainable budget.

Medicaid expansion must go hand in hand with Medicaid reform, limiting the State's fiscal liability today and for future generations. This contrasts with the Walker/Mallott Transition Team goal of using Medicaid expansion as a catalyst for Medicaid reform. Alaska's Medicaid program is a key driver of State spending and is currently on an unsustainable path. We shouldn't need to create a too-big-too-fail Medicaid system before enacting sustainable reforms.

Currently Alaska's Medicaid system provides coverage not required by the Federal government and in many cases more generous coverage than employers are able to offer in employer-sponsored plans. In fact, optional services provided by Alaska's current Medicaid program that go above and beyond Federal requirements, cost the State \$481 million in FY 2013. Alaska doesn't need expansion as a catalyst, our fiscal situation is motivation enough to reform our unsustainable Medicaid program.



Earlier this month Governor Walker unveiled his *Healthy Alaska Plan* to expand Medicaid, and just this week submitted budget amendments reducing the budgeted increase in Medicaid spending in FY 2016.

What does all this mean for Alaska's businesses, which funds 95 percent of the State General Fund budget? It is a red flag warning to proceed with caution. Just like Alaska businesses cannot afford to pay twice for uninsured Alaskans; Alaskans cannot afford the unsustainable and increasing costs of our Medicaid program.

It is crucial we not aggravate the State's fiscal situation. Alaska's Medicaid program must be reformed; and any expansion of the program will need to heed the same reforms.

The Chamber views the State's fiscal situation as an opportunity to right size Alaska's Medicaid program to put it on a more sustainable path. The Chamber is encouraged by the active dialogue in Juneau and around Alaska on this topic – together we can find a solution.

Rachael Petro serves as the President and CEO of the Alaska State Chamber of Commerce. The Alaska Chamber's mission is to improve Alaska's business climate.

A handwritten signature in blue ink that reads 'Rachael Petro'. The signature is fluid and cursive, with a large loop at the end.