**Senate Health, Education, Labor, Pensions Committee Field Hearing**
**February 20, 2007 – Anchorage, Alaska**
**"The Physician Shortage Crisis in Rural America: Who Will Treat Our Patients?"**
**Testimony by Karleen Jackson, Commissioner**
**State of Alaska Department of Health & Social Services**

Thank you for allowing Alaska to host this important field hearing to discuss access to health care in rural America. And, thank you, Sen. Lisa Murkowski, for your strong support for finding solutions to meet the health care needs of Alaskans, particularly those living in rural and frontier areas of our vast state.

According to data from the Alaska Department of Labor and Workforce Development, there are 670,053 people (Census Bureau and Alaska official estimates for 2006) living across the 570,374 square miles that make up our State. 518,000 people are connected by a road system – weather and conditions permitting -- while 152,000 people in 230 villages and communities (including Juneau, our Capital city) can only access services outside their area by air or water transportation

The Status of Recruitment Resources and Strategies (SORRAS II) report published in June 2006 found the annual cost of recruitment of health care workers in Alaska was over $24 million in 2005-6, with $15 million attributable to rural facilities. Average costs per physician hired were over $74,000, with rural costs per hire 44 percent higher than urban.

These facts help to explain some of the reasons the health care costs in Alaska are 70 percent higher that those in the contiguous states of the U.S. However, a number of studies and reports have been produced in the last few years to help further quantify the scope of the challenges we face in creating an affordable, accessible health care delivery system in Alaska.

In January 2006, University of Alaska President, Mark Hamilton and I commissioned the Alaska Physician Supply Task Force to identify the current and future need for physicians in Alaska, as well as strategies to meet those needs. The Task Force Report, published in August 2006 identified that 16 percent of rural Alaskan physician positions were vacant in 2004, with the shortages of physicians expected to increase over the next 20 years as the state's population ages and physicians retire. The aging of Alaska's population impacts our physician shortage in other ways, as well.

According to the 2006 Long Term Forecast produced by the Lewin Group and ECONorthwest, the number of people 65 and older in Alaska is projected to increase from 43,000 to 124,000 between 2005 and 2025. This will exacerbate the problems created by the expiration on Jan. 1, 2006 of the Medicare physician reimbursement formula that had helped encourage Alaskan physicians to accept Medicare patients. Inadequate Medicare rate reimbursements for physicians must be addressed both to encourage physicians to come to Alaska and to support their ability to care for elderly patients.

The Medicaid Program Review commissioned by the Alaska Senate Finance Committee and published in January 2007 reported that Medicaid provides health care coverage for nearly one in five Alaskan residents, including one in three children – making Medicaid the second largest health insurance payer in the state, while it ranks third nationally. Furthermore, Alaska has the largest Native American population served by Medicaid in the nation, with 52,000 American Indian or Alaska Native enrollees in fiscal year 2005 – representing nearly forty percent of Alaskan Medicaid recipients.

Several federal funding issues will significantly impact access to health care for low-income Alaskans unless they are addressed by Congress. First, the Deficit Reduction Act of 2005 set the Alaska Federal Medicaid Assistance Percentage (FMAP) rate at 57.58 percent until Sept. 30, 2007, at which time it will revert to the formula derived rate of 52.48 percent. However, the formula reduction does not take into account Alaska's high cost of care, instead considering only the relative personal income of Alaska residents compared to the national average. A reduction in Alaska's FMAP rate would decrease the federal government's ongoing contribution and commitment to Alaska's Medicaid program – requiring an estimated $37 million in state general funds for the nine months of state fiscal year 2008, and even greater levels of state general funding in future years.

In addition to the FMAP rate decrease, it should also be noted that President Bush's 2008 budget proposal requests that Medicaid administrative funding be reduced to 50%. Some current administrative activities, such as Medicaid Management Information System (MMIS) procurement is funded at 90 percent federal Medicaid; with other administrative activities at 75 percent. Estimates are that a drop to 50 percent in administrative funding would result in an additional loss of $14 million for Alaska. Widely fluctuating matching proportions severely impact budget stability for the department and hinder our ability to plan and fund future health care services.

Federal SCHIP funds support Alaska's Denali KidCare program – an important component of Alaska's health care system. However, it is critical to the success of this program, not only that SCHIP be reauthorized, but also that the funding formula be changed so that Alaska is not dependent on the redistributed funds from other states to ensure access to health care for low income children and families. Reauthorization that does not address the inequities of the current funding formula will severely disadvantage Alaska by reducing our ability to fund Denali KidCare.

The federal Continuing Resolution (CR) that has funded federal programs in lieu of budget bills has had a negative impact upon tribal health care corporations. In a usual year the annual Indian Health Service grant to tribes would increase by 1 to 2 percent and the payment would be received such that Alaska tribes could gain interest on the grant amount. This year the CR provided installment payments to tribes at federal fiscal year 2006 level, which included a 1 percent rescission. This decreased level of funding has resulted in many of the Alaska tribal health corporations securing short-term loans to maintain services, thus paying interest rather than earning interest. Certainly, not all tribal fiscal challenges are a result of the CR process – however, the current CR situation compounds other challenges such as the very high cost of energy in rural Alaska.

Several efforts are underway to address the challenges Alaska faces in recruiting and retaining physicians – especially in rural areas. For example, workforce development strategies outlined in the Physician Supply Task Force report (2006) which Congress could support include: Federal loan repayment programs which play a major role in bringing doctors and other providers to Alaska; support for the National Health Service Corps and the Indian Health Service; expansion of medical school classes, and funding for residency programs and teaching hospital activities can help improve Alaska's recruitment opportunities as well as support the national supply; and support for Senator Murkowski's proposal for a tax credit for physicians agreeing to practice in frontier areas would improve the situation for Alaska.

The Alaska Senate Finance Committee's recently released Medicaid Program Review (January 2007) provides useful guidance and information about policy and funding options including potential 1115 Waiver options which are currently under development to increase Alaska's strategies for improving prevention and disease management to save future health care costs.

Governor Sarah Palin, through Administrative Order No. 232 dated Feb. 15, 2007, created the Alaska Health Care Strategies Council to develop an action plan for Alaska to ensure access to quality, affordable health care. This Council will compile and analyze the current components of the health care system in Alaska; review the various planning reports compiled to address the gaps in service; develop short-term and long-term statewide strategies to improve health care access, control cost, and ensure quality of care; and draft performance measures to assess the success of implementing those strategies. Public involvement and input will be included as the Council prepares an action plan for the Governor and legislature by January 2008.

Finally, we appreciate the congressional support for the Alaska Native Tribal Health Consortium's Dental Health Aide Therapist program, as well as the funding efforts that support the health care delivery system in Alaska including: HRSA funding for the Community Health Centers program, National Health Services Corps, Rural Hospital Flexibility Program, Small Hospital Improvement Program, State Office of Rural Health, Outreach and Network Grants; USDHHS funding from the: Centers for Disease Control and Prevention, National Institutes of Health, and SAMHSA. These federal funds work together to support rural health facilities, pandemic flu preparedness, obesity and diabetes management and prevention, fetal alcohol syndrome treatment and prevention, HIV/AIDS monitoring, oral health, cardiovascular disease management, tobacco related illness reduction, EMS services, Residential Psychiatric Treatment Centers, Behavioral Health Aides, suicide prevention efforts, disease and risk surveillance, and state planning efforts to increase health care coverage for the uninsured.

In conclusion, the shortage of physicians in Alaska – particularly in our rural and frontier areas must be addressed within the context of our larger health care system challenges – including shortages of other health care professionals and para-professionals and funding decreases across several federal sources.

Sources:

Alaska DHSS, Status of Recruitment Resources and Strategies 2005-2006 (SORRAS II). June 2006.

Alaska Physician Supply Task Force, Securing an Adequate Number of Physicians for Alaska's Needs. August 2006.

Alaska Department of Labor and Workforce Development, Alaska Population Estimates online at www.labor.state.ak.us.

Lewin Group and ECONorthwest, Medicaid Long Term Forecast

Pacific Health Policy Group, Medicaid Program Review, January 2007.