



May 7, 2023

House Finance Committee
Alaska State Capitol
120 4th Street
Juneau, AK 99801
House.Finance@akleg.gov

Subject: The Pacific Health Coalition Opposes HB 21 School/University Employee Health Insurance

Dear Co-Chairs Edgmon, Foster & Johnson, and Committee Members:

The Pacific Health Coalition (PHC) represents 49 participating plans, made up of around 250,000 individuals across Alaska and the Northwest region. Our mission is to assist workers and their families to gain access to value-based health care benefits and services. The Pacific Health Coalition seeks to make high-quality care available at a lower cost for its members by negotiating better rates with area hospitals, provider groups, and prescription drug service providers.

The PHC is writing in opposition of HB 21, School/University Employee Health Insurance as there are considerable fiscal implications that require a deeper dive in order to prevent unintended consequences. It would be prudent for AlaskaCare to analyze the financial impact for each group to ensure long-term sustainability. Testimony indicated millions would be saved, although no actuarial analysis has been done to date.

The PHC has been following the progress and testimony regarding HB 21, with interest. During the hearings in the House Labor and Commerce Committee, a question arose about other options to HB 21 in the form of existing health care cost mitigation opportunities that already exist, including membership in the Pacific Health Coalition. PHC has proven to be very effective in assisting our 49 unique self-funded health plans achieve historic savings while preserving access to quality healthcare. Each health plan retains its own plan design including co-pay & deductible structures, preferred provider, prescription benefit manager selection and determine the employer/employee cost sharing structure. Based on our years of experience, including specific knowledge of AlaskaCare's past practice, the PHC understands the challenges employers face when seeking to provide valuable healthcare benefits. While sympathetic with employers facing unusual spikes in rates due to a variety of root causes, this document highlights unanswered questions by the bill language, sponsor statements, testimony or fiscal notes to the extent that it's unclear whether the bill has the ability to solve specific challenges.

HB 21 carries the potential for unintended financial consequences for the State of Alaska and AlaskaCare participants; moreover, plan-switching under HB 21 risks destabilizing longstanding health trusts that provide coverage for thousands of public employees in the State of Alaska.

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There are too many unanswered questions regarding HB 21. The answers to these questions will prove critical to decision makers as the bill is further deliberated in the Legislature. A few of those we would ask you to consider are:

- The AlaskaCare Political Subdivision insurance plan is already provided for in statute and has been available for many years. Has this been explored by those who wish to join a State of Alaska sponsored plan? <https://www.akleg.gov/basis/statutes.asp#39.30.090>, Division of Retirement and Benefits web page: Ak DRB > Group Health & Life Plans for Political Subdivisions (Alaska.gov). Why is another option needed?
- If admitted to the AlaskaCare self-funded plan, what are the expected actuarial effects on costs to the State of Alaska, and to the State of Alaska employees?
- It is unclear whether the benefits offered would be the current AlaskaCare options, or other options yet to be determined.
- How would the plans be underwritten and rated? Would the claims experience be pooled with AlaskaCare, thus impacting (positively or negatively) the AlaskaCare pool? Or would the public entities be underwritten as a separate pool, which would be more volatile due to its smaller size?
- What would be the requirements for entry into the pool and exit from the pool? Without meaningful controls, groups would enter the pool when their experience is poor and exit if they could obtain better rates elsewhere. This adverse selection could destabilize the AlaskaCare group.
- Impact to collective bargaining:
 - How would employer contributions be determined?
 - How are employee contributions determined? To what extent with either of these be bargained?
 - Will passage of these measures require re-opening of collective bargaining?
 - If the employer & employee contributions amounts are unique for each entity, how much does this complicate administration?
 - Since the AlaskaCare self-funded and insured plans each have established plan design features regarding co-pays, deductibles, covered benefits/exclusions, each entity joining the plan would reasonably be expected to agree to the same plan design. Does this make the AlaskaCare plan less attractive to potential interested parties? Would changes require re-openers in collective bargaining?
- Who will bear the cost of the administrative work if transferred to AlaskaCare?
- Have the institutions advocating this measure considered purchasing insurance which would permit participation in a 'pool' much larger than AlaskaCare or any other 'pool' in Alaska? If not, why? Would the answers to these questions be revealing in terms of root cause and predictive in terms of true increase in costs that AlaskaCare members can expect?

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- Since AlaskaCare needed an infusion of approximately \$50M to prevent insolvency within the last 10 years, what commitment can the legislature make regarding unanticipated increase in claims due to the addition of new groups with unproven claims experience? What would the effect of a \$50M draw on the Public Education Fund be?
- What are the root causes of higher claims costs and therefore higher monthly contributions required at those institutions currently supporting this measure? Pooling as an explanation is insufficient. Is it likely that some advocates are already participating in pools larger than the AlaskaCare population not covered by Medicare?

Until these questions can be answered, it is likely that the actions contemplated here will do nothing to alleviate the financial stress experienced by advocates and increase costs through adverse selection.

We respectfully request that this bill receive a deep dive review of financial impacts and the committee consider unintended consequences to the State and to jointly managed health trusts. Thank you for your public service and consideration.

Sincerely,

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