



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Administration

LESLIE RIDLE, Commissioner

10th Fl. State Office Building
PO Box 110200
Juneau, AK 99311-0200
Main: 907.465.2200
Fax: 907.465.2135
www.doa.alaska.gov

March 27, 2018

The Honorable Ivy Spohnholz, Co-Chair
Health & Human Services Committee
Capitol Room 421

RE: CSHB 193 Health Care; Balance Billing

Dear Representative Spohnholz:

During the House Health and Social Services committee hearing on March 8, questions were raised about the impacts of the Committee Substitute for HB 193, which includes language attempting to apply this legislation to State public employee health plans. We are providing the following information in response.

It is the position of the Department of Administration (DOA) that CSHB 193 does not apply to the state employee or retiree health plans administered by our department; ie, the AlaskaCare plans. Section 2 references "a health insurance plan obtained under AS 39.30.090 or 091." The AlaskaCare employee, defined benefit retiree, and defined contribution retirement health plans are provided under a self-funded arrangement in accordance to the statute. These arrangements are not insurance, nor does the state enter into an insurance contract. Therefore, the bill as written does not apply to plans administered by DOA.

As a self-insured plan, we do not fall under Title 21, which regulates commercial insurance plans and is overseen by the Department of Commerce and Economic Development (DCCED). DCCED does not have authority over plans administered by DOA; rather, the Commissioner of DOA is the Plan Administrator. Please see the attached "Policy Implications" white paper for more information.

The plan sponsor has indicated the bill should only apply to emergency services or for treatment of an emergency medical condition. However, we read the draft CS as written to have broader implications.

DOA does not oppose the balance billing concepts put forward by HB 193. The AlaskaCare plans cover balance bills received in an emergency setting at 100% of billed charges, and do not subject members to different cost share provisions (i.e. deductible and out-of-pocket maximums).

We balance member protection from balance billing with retaining incentives for providers to participate in the plan network. The network savings received by the health plans are tremendous. In 2014, when the state switched from HealthSmart to Aetna, the difference in network discounts was around \$40 million.

Were the section 1 provisions of this bill applied to the AlaskaCare plans, we would expect to see increased costs, as 350% of Medicare is substantially higher than our non-network reimbursement policies, and substantially higher than many providers currently bill. This could encourage providers to leave the networks and could result in a long-term growth in the cost of services.

DOA has taken active steps to use steerage to negotiate better rates with providers and reduce the cost of care, especially in the employee plan. CSHB 193 could erode those gains. Furthermore, including the retiree plan will increase the unfunded liability on the plan and impact the associated state assistance payments. Additionally, the provisions could be protected in perpetuity.

We have discussed our concerns at length with the bill sponsor, and have requested section 2 be deleted from the CS. We would be happy to meet with you for further discussion.

Thank you for your consideration of DOA's concerns.

Sincerely,

A handwritten signature in blue ink that reads "Leslie D. Ridle". The signature is written in a cursive, flowing style.

Leslie Ridle, Commissioner

CC: Darwin Peterson
Rep. Jason Grenn