

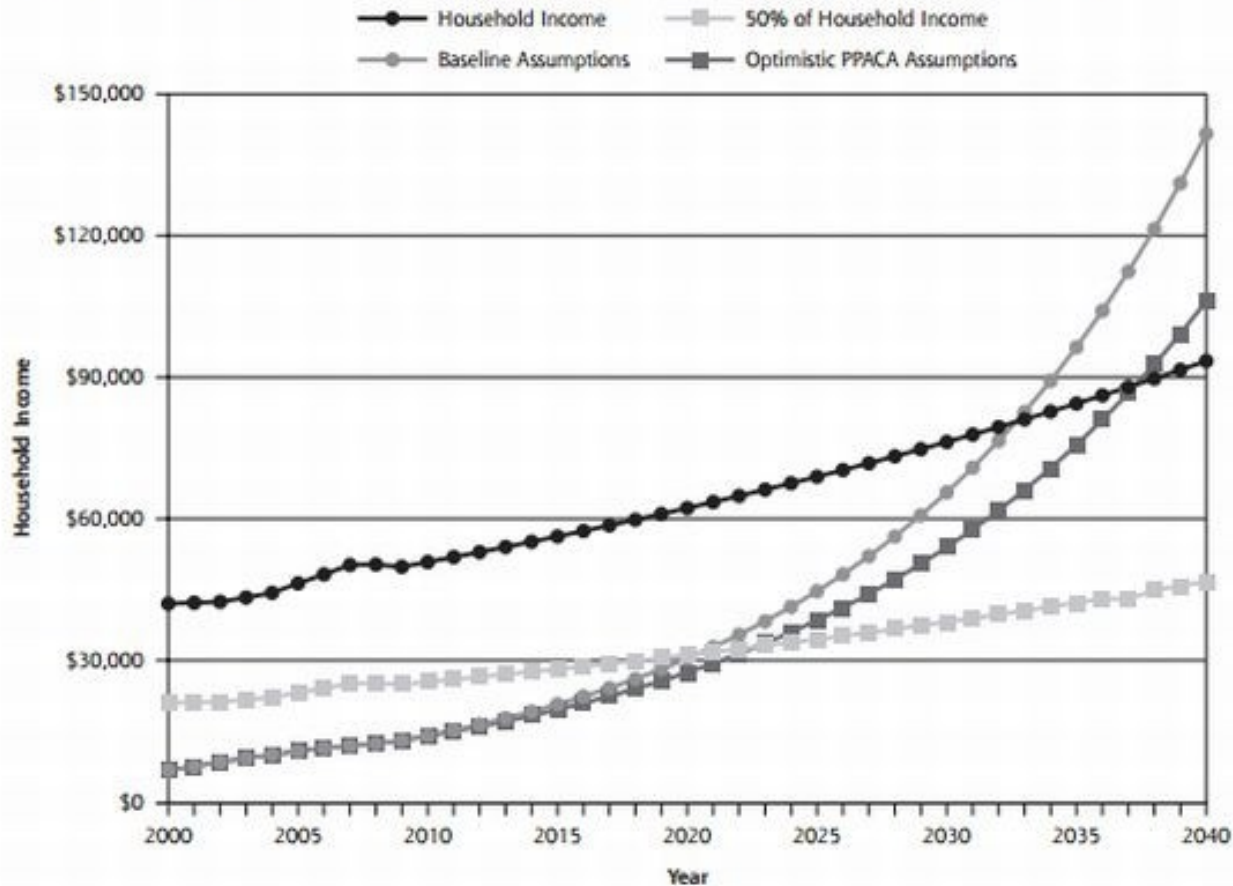
Health Care and Fiscal Sustainability



Commissioner Becky Hultberg
Commissioner Bill Streur

“By 2037, health insurance will swallow your entire paycheck”

Figure 4. Family insurance premiums with and without PPACA assumptions of cost savings.



PPACA = Patient Protection and Affordable Care Act.

Health care: 43% of Massachusetts state budget

“Between the Medicaid program, subsidized insurance under the 2006 health care access reform law, and investments in state employee health insurance and public health programs, **health care spending this fiscal year is on pace to rise to 43 percent of the overall state budget...**”

***Boston Herald
July 5, 2012***

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Health care, education consume 63 percent of planned state budget

By Michael Norton / State House News Service
Thursday, July 5, 2012 - Added 19 hours ago

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Between the Medicaid program, subsidized insurance under the 2006 health care access reform law, and investments in state employee health insurance and public health programs, health care spending this fiscal year is on pace to rise to 43 percent of the overall state budget, according to an analysis of the spending bill being reviewed by Gov. Deval Patrick.

One in five Massachusetts residents will have their health care largely covered through the budget and taxpayer-supported health care costs next year will gobble up the majority of new discretionary state revenue, hitting \$15.14 billion, up from \$14.65 billion. But education accounts will also get a big boost, according to a Massachusetts Budget and Policy Center analysis of the budget lawmakers agreed to last week.

While lawmakers and the Patrick administration this year have described fiscal 2013 spending plans ranging from \$32.4 billion to \$32.5 billion, the center's analysis estimates total state appropriations and transfers at \$35.229 billion. Center officials say the higher figure reflects revenues collected and spent on transportation, school construction, public employee pensions and health care based on directives that carve out such spending before deliberations on the rest of the state budget begin each year.

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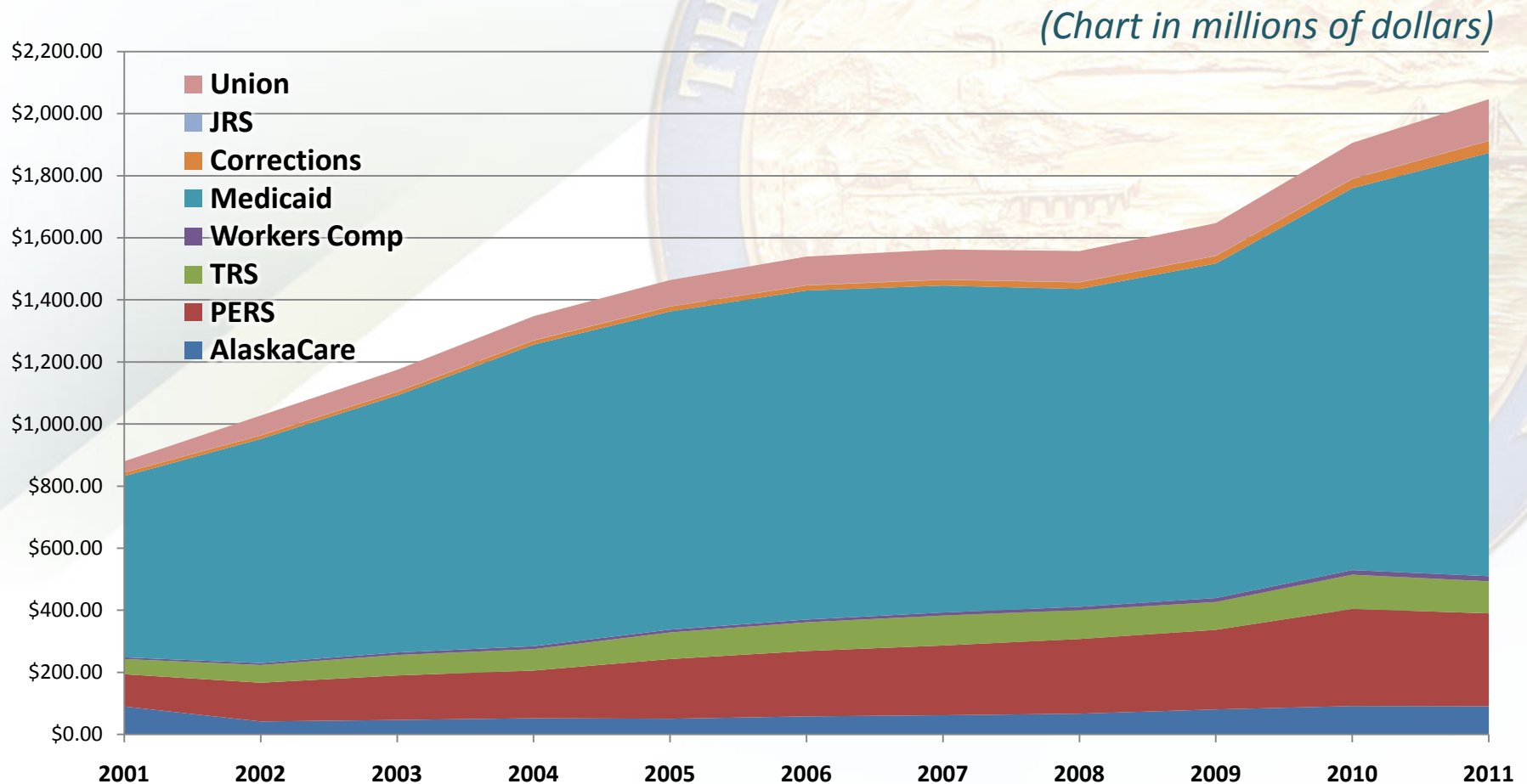
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The State of Alaska is a significant health care consumer



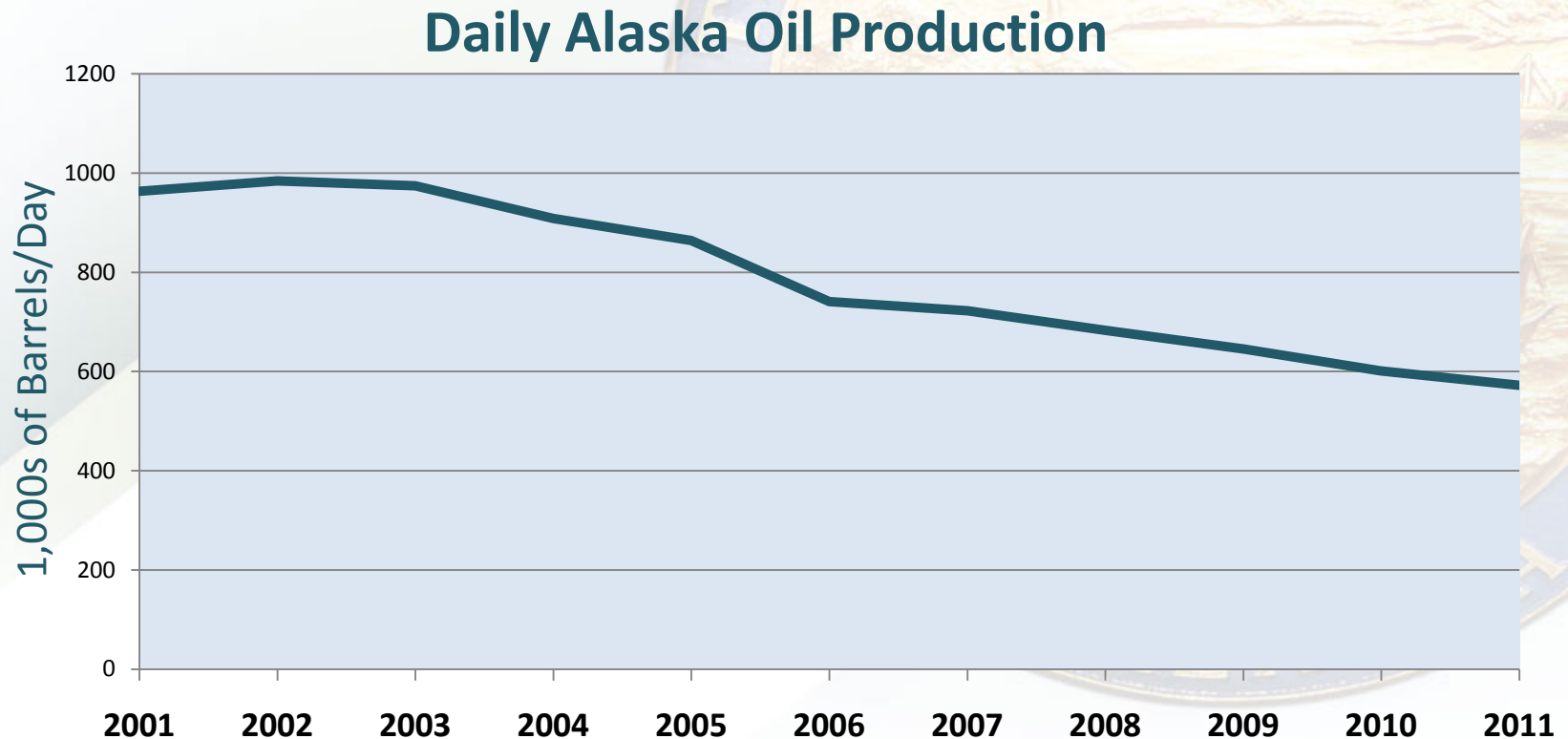
State revenue

TAPS subsidizes much of modern life in Alaska

- Schools - about 66% of K-12 spending
- State - about 90% of state general purpose unrestricted revenue
- PFDs - over \$900 million in payouts each year
- State capital projects



State oil production: 2001- 2010



Oil production has steadily declined by just over 5% per year.

State Health Care Spend: 2001-2011

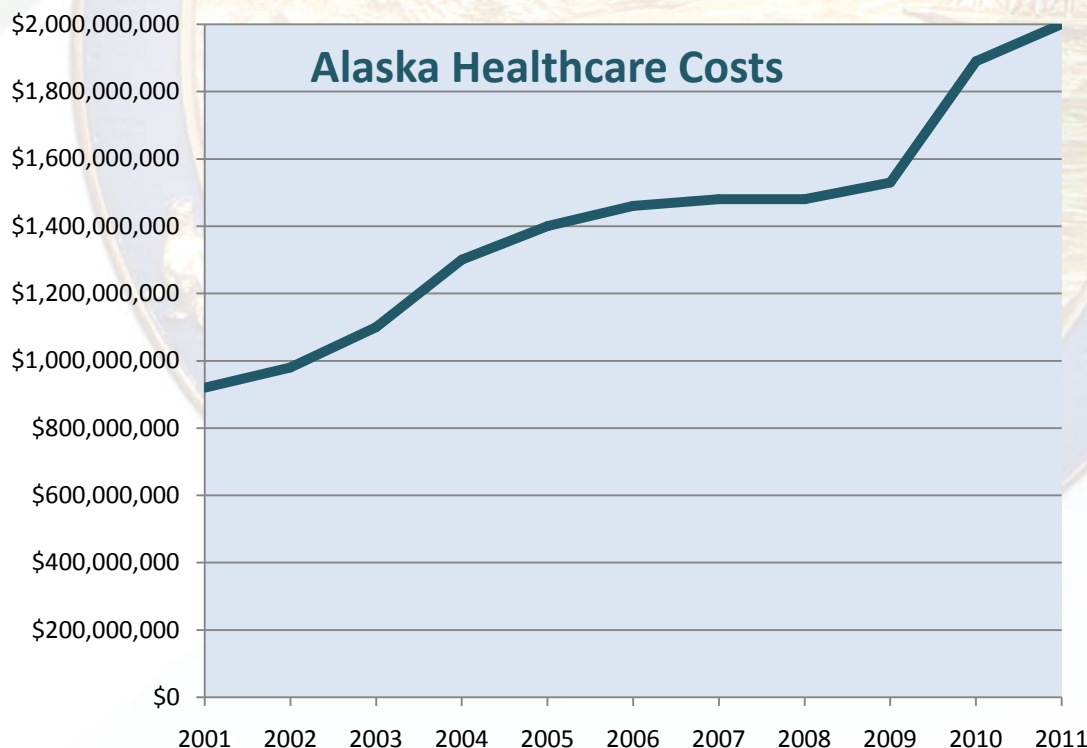
Medicaid, AlaskaCare active, AlaskaCare PERS/TRS, State Workers Compensation, Department of Corrections, union trusts

2001: \$886 million

2011: \$2 billion

This includes the federal portion of Medicaid.

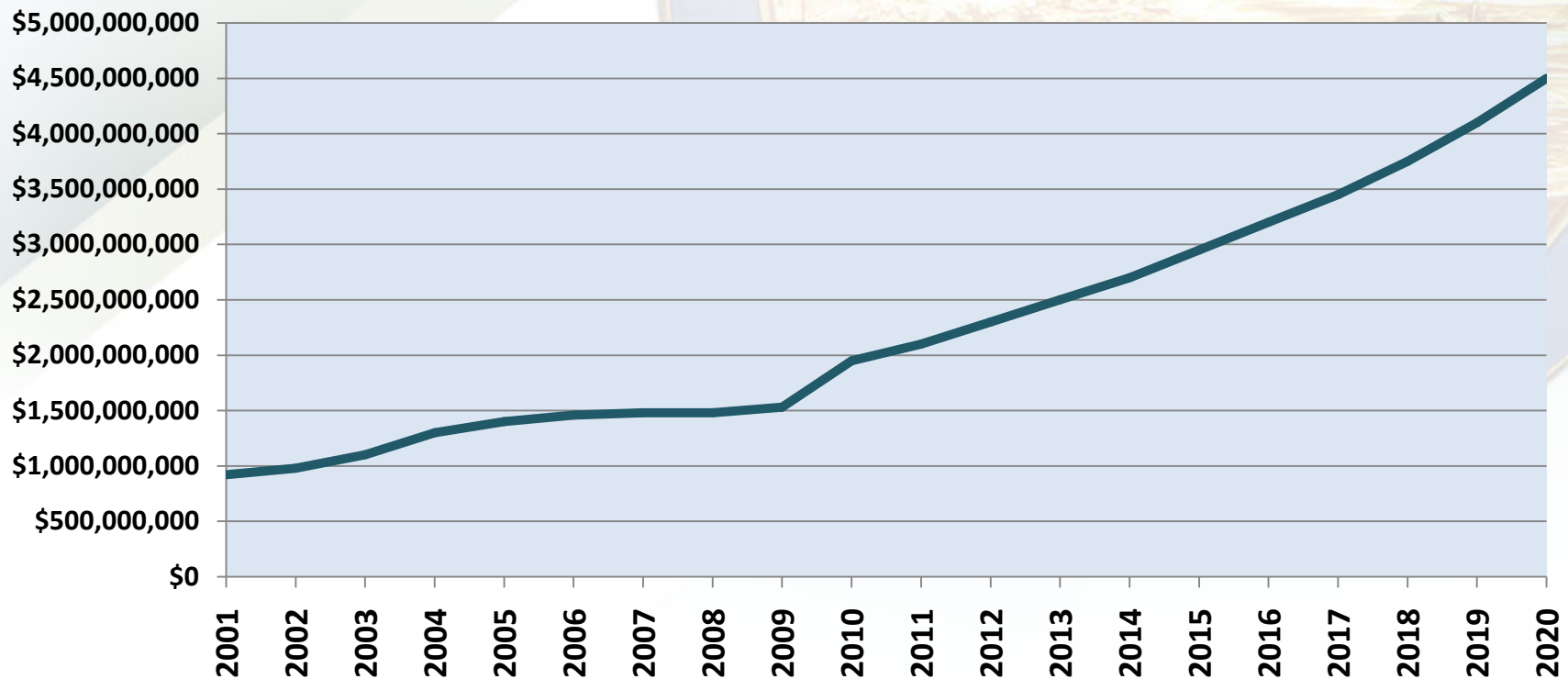
State health care costs grew at an average of 9%/year during FY01-FY10. 2011 showed improvement and the 10 year mean decreased to 7.9%.



Where does our current path lead?

If state paid health costs continue to increase at 9% per year, in FY 2020 they will exceed **\$4 billion** (before Medicaid reimbursement).

Alaska Health Care Costs to 2020



AK DHSS 10-Year plan operating budget

FY2013: \$2.6 Billion

Projected: FY2022 \$6.6 Billion

Unknowns

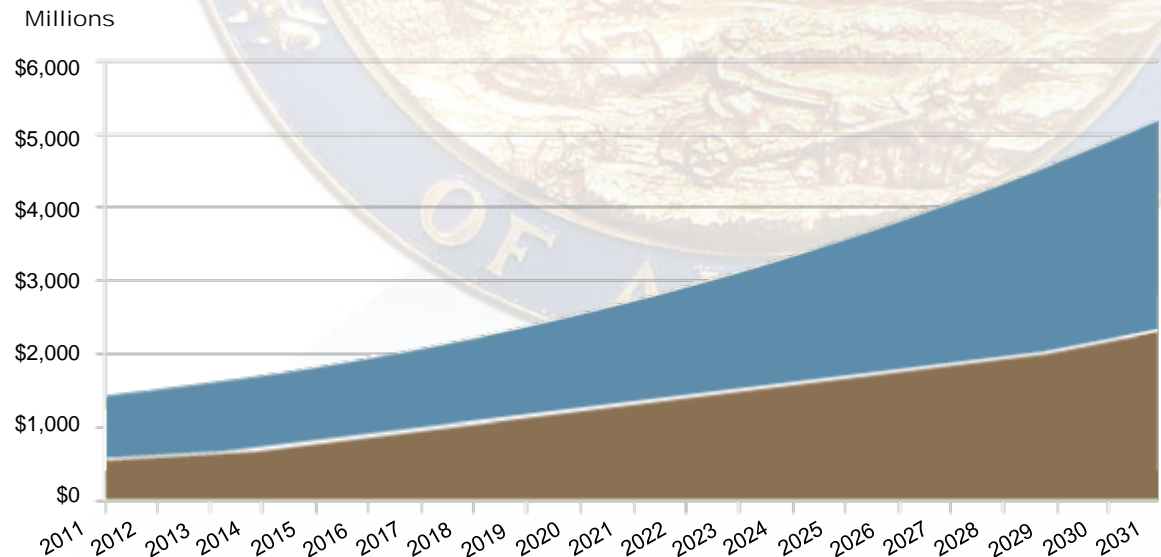
- Cost impact of the federal health care initiative
- Tighter federal and state budgets
- Broad economic problems – e.g. financial markets, energy costs, mortgage defaults, medical inflation

Medicaid

- Population
- Medical inflation

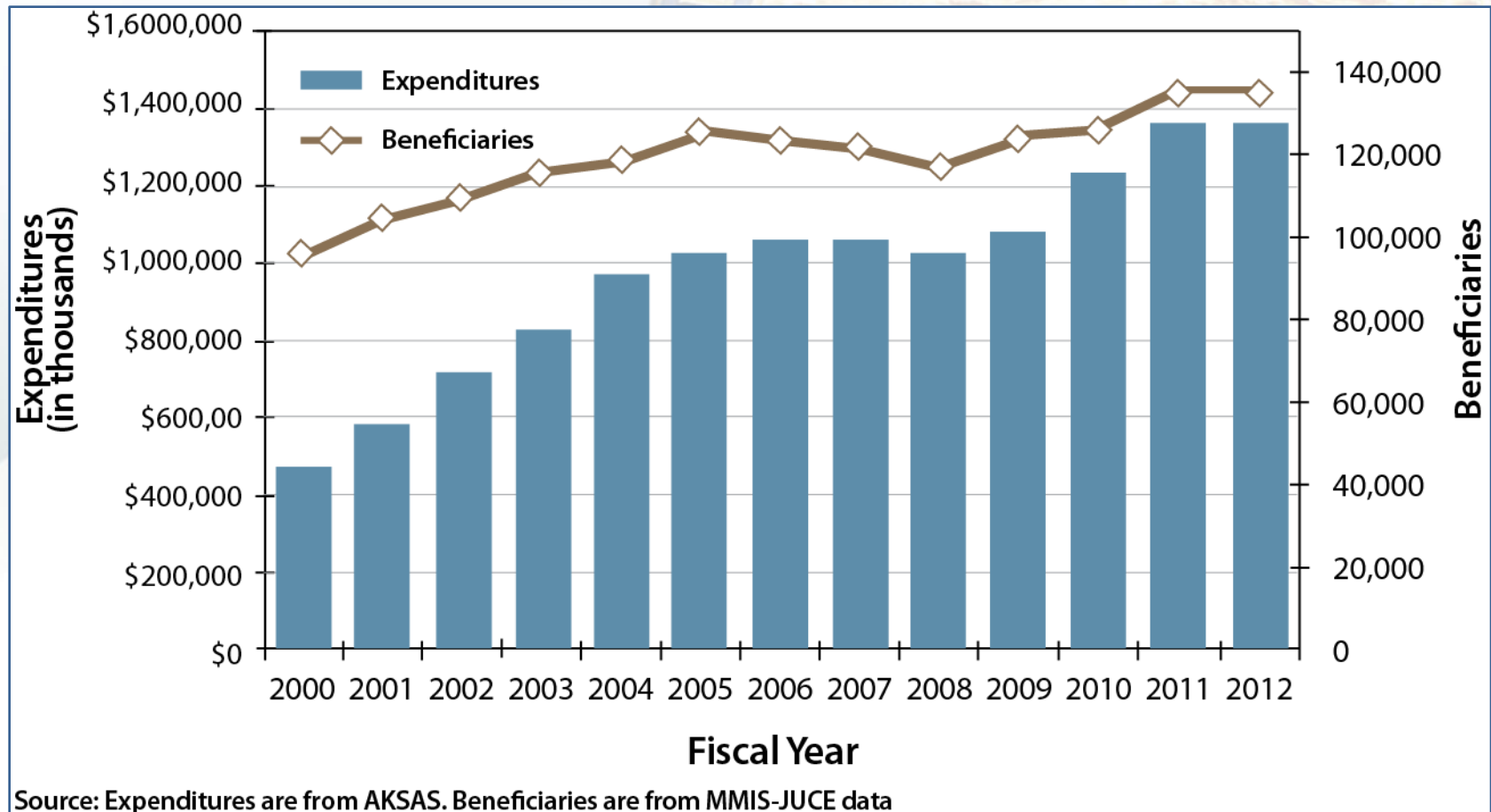
Public Assistance

- Inflation
- Population growth in population 20-34 years
- Population growth 65+ years of age –
- Adult Public Assistance



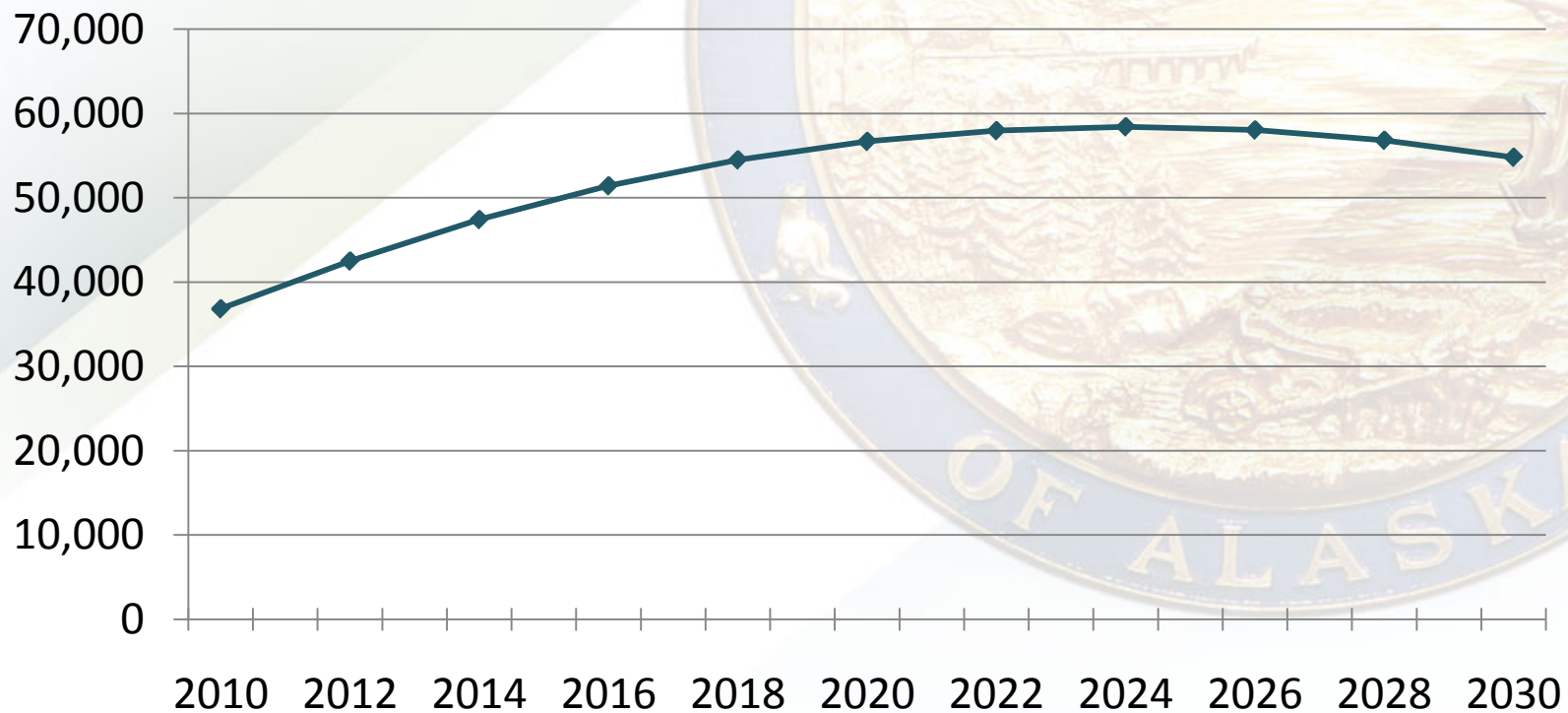
Medicaid direct services

Beneficiaries and expenditures



Challenge: PERS/TRS

Projected Retirement System Growth



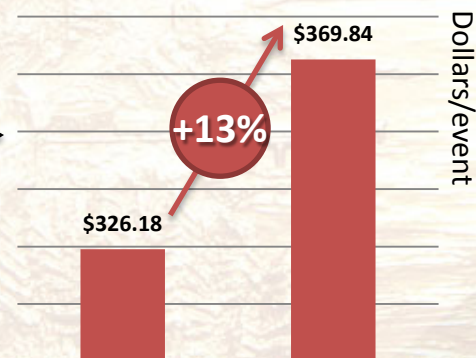
Retiree medical expense growth

**Change in Medical
Per Member Per Month**

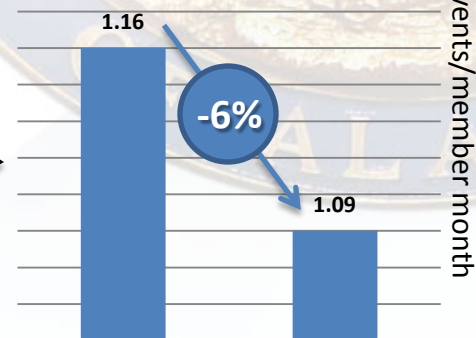


Source: Sightlines Medical Intelligence

Change in Unit Pricing



Change in Utilization



Controlled growth in AlaskaCare

Options	AlaskaCare retiree plan	AlaskaCare active plan	Union trusts	Political subdivisions
Covered Services	Yes*	Yes	No	No
Utilization controls	Yes*	Yes	No	No
Premiums	Yes*	Yes	Yes*	No
Innovations in Service Delivery	Yes*	Yes	No	No
Eligibility	No	No	No	No
Wellness	Yes*	Yes	No	No

Controlled growth in Medicaid

Under the current system, the options are limited.

- Eligibility

- Compliance/Anti-Fraud

- Covered Services

- Innovations in Service Delivery

- Rates

- Technology

- Utilization Controls

- Maximize Revenue

Medicaid services

Mandatory

- Inpatient hospital
- Outpatient hospital
- Physicians
- Nurse midwives
- Lab and X-ray
- Advanced Nurse Practitioners
- Early Periodic Screening, Diagnosis, and Treatment
- Family planning services
- Pregnancy-related services
- Nursing facility (NF) services
- Home Health (NF qualified)
- Medical/surgical dental services

Optional

- MH Rehab/Stabilization
- Diagnostic/Screening/Preventive
- Therapies (OP, PT, SLP)
- Inpatient psychiatry <21 years
- Drugs
- Intermediate Care Facility for the Intellectually Disabled
- Personal care
- Dental
- Other home health
- Other licensed practitioners
- Transportation
- Targeted Case Management

Payment comparisons

	Payment Levels Office Visit (99215) (59400)	Obstetrical Care
Alaska Medicaid	\$221.58	\$2821.81
Alaska Medicare	\$177.40	\$2354.90
Alaska Commercial Mean	\$290.64	\$4704.80
Washington Medicaid	\$76.86	\$2034.50
Washington Commercial Mean	\$183.24	\$2601.20
North Dakota Medicaid	\$186.19	\$2339.40
Idaho Medicaid	\$117.01	\$1539.21

Milliman Client Report: Physician Payment Rates in Alaska and Comparison States prepared for Alaska Health Care Commission 2011

Payment comparisons: by procedure

Procedure	Area 981 90% UCR (Washington) % Medicare	Area 995 90% UCR (Anchorage area) % Medicare
Total Hip Arthroplasty	\$5,409 305.2%	\$12,155 685.9%
Fragmenting of Kidney Stone	\$2,120 183.6%	\$8,200 710.1%
Nasal/Sinus Endoscopy, Surgery	\$871 235.4%	\$2,620 708.1%
Inject Spine L/S (CD)	\$683 312.4%	\$1,260 576.3%
RPR Umbil Hern, Reduc > 5 yr	\$1,229 232.1%	\$3,385 639.4%

Source: Ingenix claims data

The hidden cost of health care

As health care costs consume a larger and larger percentage of the state budget, they will crowd out other items, like **roads, public safety, schools and other public services**



So what can we do?



Innovations in service delivery/payment

Medicaid

- Medical Home
- Tribal Health
- Bundled services
- Integrated BH/Primary care services
- Utilization review and management (radiology, Rx)
- Community based long-term care
- Disease/Case Management
- Managed Care



Innovations in service delivery/payment

AlaskaCare

- Better leverage our purchasing power and continue to aggressively pursue contractual discounts
- Implement retiree “plan B” to provide enhanced benefits and ability to impact steerage
- Consider expanded travel benefits or Centers of Excellence for certain services
- Develop a robust employee wellness program
- Align contracting strategies around innovative care delivery and payment models (patient-centered medical home, bundled payments)
- Encourage consumerism
- Change benefit design to incent healthy behavior and support contracting strategy
- Align plans based on best practices



The State's approach

Our challenge:

*We must lower the rate of growth of our health care spend.
Our current path is not sustainable.*

Our approach:

- Work together with the hospital and physician community
- Support high-quality, cost-effective health care delivery in Alaska
- Develop and support innovative solutions to our health care challenges

Thank you!

For more information:

www.DOA.alaska.gov and www.HSS.alaska.gov

Questions?