



# Employer Coalition Discussing the Impact of the Cost of Healthcare Services on our Business and Employees in Alaska

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*Member : Kyle Mirka, Owner Allen & Petersen and  
Automated Laundry Systems & Supply*

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*Testimony for Joint Committee Hearing  
State Affairs - Health and Social Services*

## WHO: THE COALITION

Alaskans for Sustainable Healthcare Costs is a group of Alaskan employers that are concerned about the current healthcare environment in the state and are working together to help Alaskans understand and find solutions about the drivers that are affecting rising healthcare costs, which affect employee benefits expenses and individual premiums.

## WHY:

Alaska has the highest healthcare costs in the country and they continue to rise faster than anywhere else. Employers pay the majority of the cost burden, yet employers don't have a cohesive platform to address this ever increasing strain to their bottom line. Armed with credible information and data, the coalition gives employers a common voice.



# THE COALITION

## HOW

1. Employers educating employers:
  - a. The Coalition helps educate Alaska employers in understanding the issues and cost drivers at hand in Alaska.
  - b. Helps educate employers on consumerism and how they can help educate their employees on consumerism.
2. Creating informed opinions on legislative, municipal and regulatory action:
  - a. HB123 – Transparency in healthcare
  - b. MOA 2017-26
  - c. DOI's 80<sup>th</sup> Percentile hearing
3. Forming our own legislative bill or regulatory input
4. Acts as a steward of all things Healthcare that impact employers and consumers in Alaska
  - a. Quality
  - b. Fraud
  - c. Etc.



# Cost of Healthcare Services in Alaska

- Alaska has the highest cost of healthcare in the U.S., as verified by many readily available sources.
- Medical Consumer Price Index increase is about 4% per year in Anchorage compared to 2.2% in Seattle
- Many Alaskan are not aware of this phenomenon, which way *Cost Transparency* is critical in Alaska
- Logistics such as remote location, small population and the high cost of certain goods and services are not reason enough for the disparate cost of care between Alaska and the lower 48 states and Hawaii.
- The cost of medical professional services in AK averages 400% of Medicare reimbursement rates. Medicare reimbursement is already adjusted for Alaska by CMS.
- The 80th percentile regulation, which sets UCR, contributes 3 %– 5% annual inflation to the cost of healthcare services alone as well as drives up the waterline for the cost of healthcare services.

# Employer Coalition-Member Stories

Marten Martensen – Owner Continental Auto Motors

- In 1999 annual healthcare costs to cover my employees was \$400,000. \$0.00 deductible.
- In 2017 annual healthcare costs to cover same employees is \$1,600,000. \$5,000 deductible.
- As a direct result we are laying people off. If we don't get a grip on this expense, it will continue to get worse.

Kyle Mirka – Owner Allen & Petersen, Automated Laundry Systems & Supply

- Employ nearly 60 employees
- In 2016 – facing a 40% premium increase, I had the decision to continue offering employer sponsored healthcare or pay a penalty, which would have been cheaper. This would have left my employees without coverage.

Kris Ossenkop – Owner Northwest Auto Parts

- We have a catastrophic plan. But its reaching the tipping point where it's not economically feasible for us.

# Employer Coalition-Member Comments

Non-profit Industry – Healthcare costs are directly impacting budgets causing many to reduce services to the neediest segments of our population.

Construction Industry – We compete with other firms for Alaskan projects whose labor is less expensive because their insurance is provided in the Lower 48.  
Alaskans are losing jobs

Financial Institutions – We could have provided more loans last year but the increases in cost of our employees health insurance made that not possible.

Telecommunications – The rising costs of healthcare in Alaska is making it difficult to provide reasonable compensation and benefits.

Home Health Services Firms – Provide services to Medicaid and Medicare recipients. Required to purchase healthcare policies at Alaska rates yet our services are reimbursed at Medicare and Medicaid rates. We can't afford to stay in business.

# Newspaper Stories

- Alaska Railroad – A loss of export coal business and the “unsustainable rising costs of healthcare” were also contributing factors to the staff reduction.

<https://www.adn.com/business-economy/2017/02/10/with-revenue-struggling-alaska-railroad-cuts-nearly-50-positions/>

- Anchorage School District – ...”the district had tried to work with medical providers in the past to control costs, but were rebuffed:

<https://www.adn.com/alaska-news/education/2017/02/07/faced-with-increasing-health-care-costs-anchorage-school-district-is-contracting-for-clinic/>

# What are we doing?

- Doing - Raising Employees Premium Portion
  - Doing - Raising Employees out of pockets
  - Doing – Laying off employees
  - Doing – Raising costs of our products
- “We cannot continue to cost shift to employees and customers.  
This is not sustainable.”
- Doing – Medical Tourism, sending employees and dollars out of Alaska. Why? Rotator Cuff Repair in Anchorage billed charges \$87,000. Seattle \$17,000



# What do we need?

- State to initiate more authority over Medevac services and providers.
- Amend/Repeal/Replace the 80<sup>th</sup> Percentile Regulation.
- Provider requirement for consumer protection through transparency of the cost of healthcare services and procedures.

# Medevac

- Air Ambulance fees have increased significantly in last 10 years.
- One Employer/Member experienced two medevacs Juneau to Seattle. Each flight had a cost over \$127,000. No medical services provided in flight. This could have bankrupted the employer's plan.
- Need State's assistance in reducing costs of Air Ambulance Charges
- Montana House Advances Measure over Air Ambulance Charges  
<http://flatheadbeacon.com/2017/04/05/multiple-air-ambulance-bills-montana-house/>

# 80<sup>th</sup> Percentile

- The State of Alaska's mandatory allowable charge calculated at 80<sup>th</sup> percentile for out of network providers is having an adverse impact on employers premiums.
- This regulation alone is responsible for 3-5% annual increase to the cost of medical services.
- What was once a consumer protection has now become a consumer penalty. Providers are able to raise their fees, at will, which drives the 80<sup>th</sup> percentile up.
- Consumer testimony was provided at a public scope hearing held in January 2017. We continue to advocate for the regulation to be amended, repealed or replaced.

# Transparency

- When prices are displayed, consumers are informed.
- Healthcare is the only industry where a product is purchased before costs are disclosed. How can we ask our employees to be informed consumers if the costs are not provided?
- The rack or non-discounted amount drives the 80<sup>th</sup> percentile. An informed consumer can shop amongst providers' rack rates prior to seeking services.
- As business owners, prices charged is an everyday decision. Why is healthcare exempt?
- Yes it is complicated, so is every other industry. We have found a way to navigate, and we expect those delivering healthcare to navigate.