

AlaskaCare Health Plan Savings

Division of Retirement & Benefits
Department of Administration



Presented by

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What is AlaskaCare?

- "AlaskaCare" is a term used to describe the State of Alaska self-insured health plans managed by the Division of Retirement & Benefits (DRB)
- \$674.4 million combined FY18 spend
- Nearly 90,000 covered lives

AlaskaCare Retiree Plans Include:

- Defined Benefit Medical Plan
- Defined Contribution Retiree Medical Plan
- Dental, Vision, and Audio Plan
- Long-Term Care Plan

AlaskaCare Employee Plans Include:

- Medical Plan
- Dental Plan
- Vision Plan

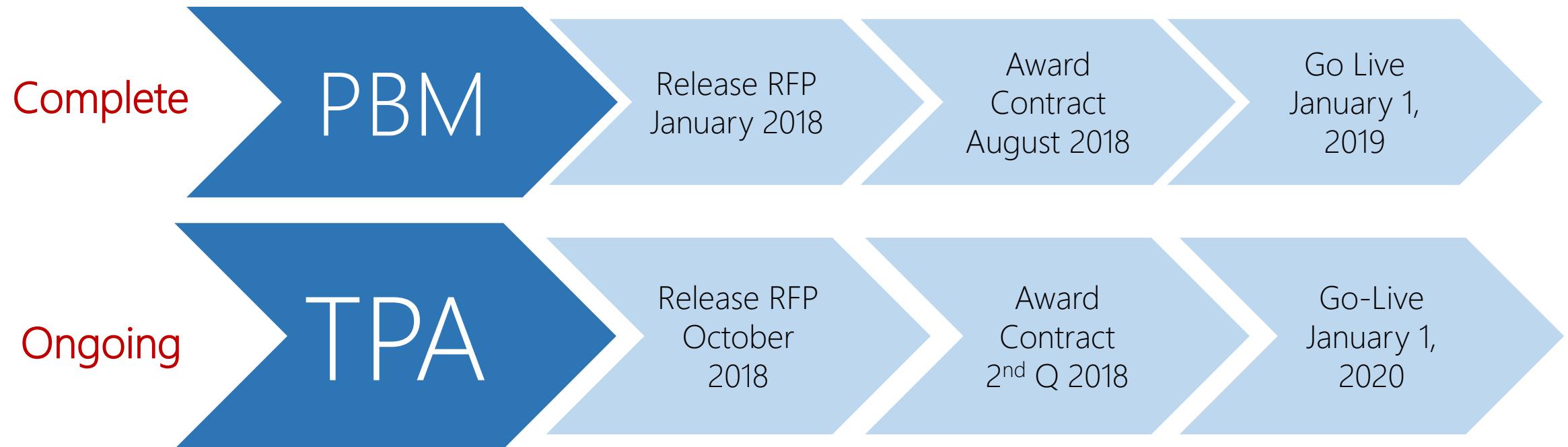
Basics

- Commissioner of Administration is the Plan Administrator
- Division of Retirement & Benefits manages the health plans
- The AlaskaCare plans are self-insured, hires contractors to pay claims:
 - Aetna is the Medical Third-Party Administrator (TPA)
 - OptumRx is the Pharmacy Benefit Manager (PBM)
 - Moda is the dental plan TPA
 - CHCS* is the long-term care claims administrator

*CHCS is not an acronym, it is the name of the company.

Procurement Plan

- Occasionally the Division competitively bids the health plan contracts
- The Division's procurement timeline is below:



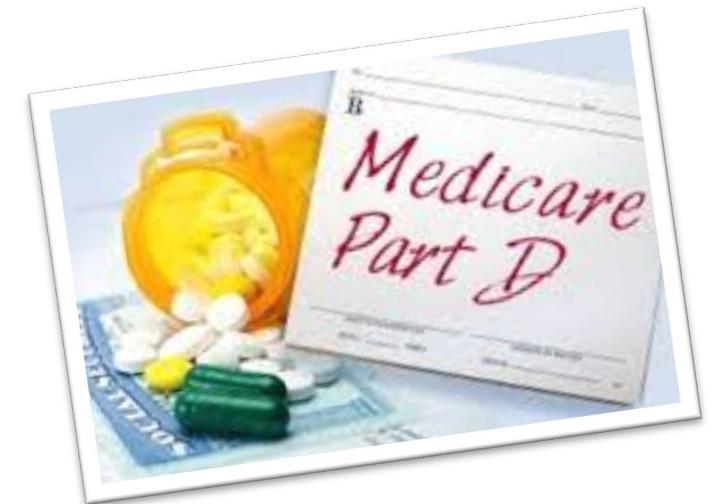
AlaskaCare Savings

- Employee Plan:
 - Implemented changes that saved an estimated \$32 million from FY16 – FY19
 - FY20 savings estimated to be \$13.9 million
 - Established strong fiscal reserve
 - Maintain trends under 3.5% for two fiscal years
- Retiree Plan:
 - Implemented changes that saved an estimated \$56.2 million from FY17 to FY19
 - FY20 savings estimated to be \$49 million
 - Changes implemented January 1, 2019 will reduce pension system liability and state assistance payments

Retiree Plan Highlights

Retiree Pharmacy Subsidies: EGWP

- Before 2019, the Division received pharmacy subsidies through a program called the Retiree Drug Subsidy Program (RDS)
- On January 1, the Division implemented an enhanced Medicare Part D Employer Group Waiver Plan (EGWP)
- Administrative change to increase federal subsidies **without reducing benefits**
- Only applies to Medicare eligible members
- Expands coverage of Medicare Part B vaccines



Subsidy Comparison

- RDS (prior program):
 - \$18 to \$20 million in annual subsidies*
 - Could not be considered when calculating pension system liability
 - Plan only received subsidies for members who filled prescriptions
- EGWP (current program):
 - \$40 to \$48 million in annual subsidies*
 - Can be considered when calculating pension system liability
 - Three types of subsidies – plan receives an amount for every member
 - Higher administrative costs and complexity

*These savings are net of administrative costs

EGWP Financial Analysis

	Initial (2018)	Updated (2019)
EGWP		
Base Subsidy	\$10.0M	\$4.0M
Coverage Gap Discount	+ \$23.0M	+ \$28.0M
Catastrophic Reinsurance	+ \$14.0M	+ \$22.0M
= Total Subsidies	= \$47.0M	= \$54.0M
Additional Admin Fees	- \$6.8M	- \$5.2M
Medicare Part D Surcharge	- \$0.2M	- \$0.8M
= Net EGWP	= \$40.0M	= \$48.0M
RDS Subsidy	\$20.0M	\$18.0M
Estimated Savings	\$20.0M	\$30.0M

Illustrative EGWP Estimated Savings

- Savings accrue in several different ways
- This is an example of the fiscal impact if EGWP savings had been applied to FY17

\$30 million estimated annual savings
to retiree health trusts



Approximately \$1 Billion reduction in the
Other Post Employment Benefit (OPEB) actuarial accrued liability



Estimated \$45 to \$58 million reduction in State Assistance Payment

Retiree Plan Modernization

Modernization Overview

- In collaboration with the Retiree Health Plan Advisory Board (RHPAB), the Division is working to modernize the retiree plan.
- The goal of the modernization project is to:
 - 1) provide value to the member through incorporating common benefits not currently available
 - 2) preserve the overall benefit of the plan
 - 3) implement standard cost saving mechanisms

Key Topics

These items are proposals that are under evaluation. They may be adopted in part, in full, or not at all. Many came from the RHPAB.

- Expand preventive care
- Eliminate \$2 million lifetime maximum
- Modify/expand rehabilitative care provisions
- Add wellness benefits
- Enhance travel benefits
- Change out of network reimbursement
- Primary care co-payment
- Increase deductible and out-of-pocket maximum
- Change network coinsurance differential
- Partner w/independent pharmacists to develop high-quality, narrow network with additional covered services (e.g. blister packs)

Information

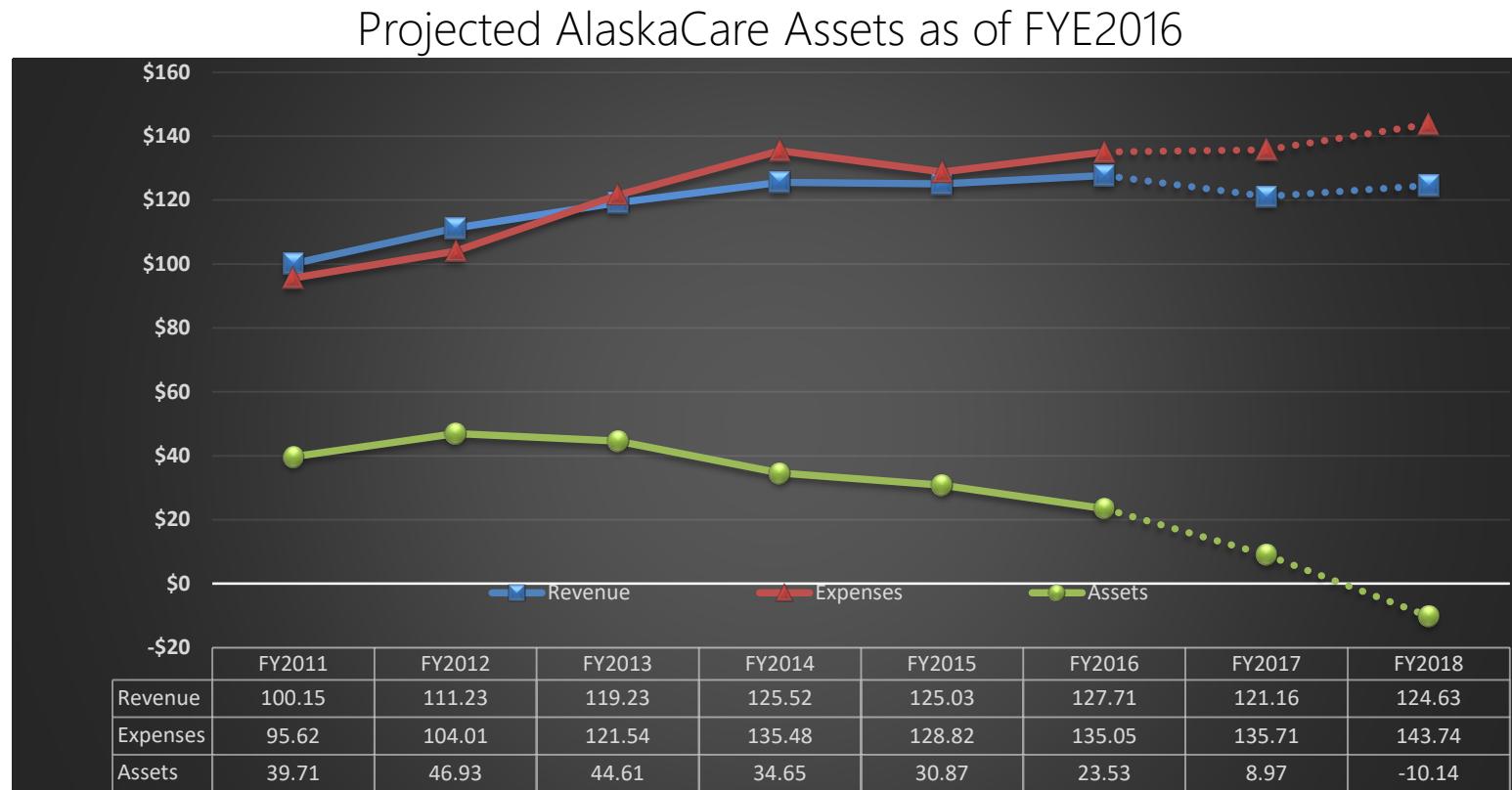
- All retiree advisory board meetings are recorded and posted online, along with board packets
- Next modernization committee meeting is Wednesday, March 20th
- Visit <http://doa.alaska.gov/drboffice/alaskacare/retiree/advisory.html>



Employee Plan Highlights

Employee Health Plan: Challenges

- In FY16 the employee plan faced significant challenges
- Costs exceeded revenues, and the difference was not sustainable



Employee Plan: Solutions

- The Division identified four strategic levers to address fiscal challenges in 2017:
 - 1) Implement plan design changes
 - 2) Reduce cost of services
 - 3) Increase employee contributions
 - 4) Increase employer contributions

Employee Plan: Savings

Initiative	Initiated (CY)	FY16-FY19 Savings (\$000)	Est. FY20 Savings (\$000)
Set employee premium as percentage of cost	2017	\$13,000	\$6,000
Hospital & Facility Steerage and Reference-Based Pricing (185% of Medicare's fee schedule)	2017	\$7,500	\$3,000
Three Tier Pharmacy Benefit	2017	\$4,400	\$1,800
Pharmacy Benefit Manager (PBM) Contracting	2017/2019	\$4,400	\$1,600
Increase deductible & out-of-pocket maximum	2017	\$2,200	\$0
Eliminate Premium plan	2017	\$1,500	\$600
Conduct dependent eligibility audit	2016	\$1,500	\$500
Allow Employees to Opt-Out	2017	\$600	\$300
Travel benefit (SurgeryPlus)	2018	\$400	\$800
Other pharmacy benefit design changes	2017	\$400	\$300
Add Consumer Directed Health Plan	2018	\$300	\$300
Telehealth services (Teladoc)	2018	\$100	\$200
Forfeiture of Grandfather Status	2017	+(\$3,800)	+(\$1,500)
Employee Plan Total		\$32,100	\$13,900

Employee Plan: Impact of Solutions

- Changes implemented in 2017 appear to be working
 - Projected spend in FY19 less than 2017 (\$125M : \$128.2M)
 - Overall trend from FY18 to FY19 is 1.9% (compare to national trend of 7%-9%)
 - The health plan achieved its target reserve levels 2 years faster than what was anticipated and is financially strong
 - No remarkably different utilization trends:
 - Inpatient utilization has decreased, including average length of stay
 - This decrease mirrors what the retiree plan is experiencing
 - Average 3.3% decrease in cost per high cost claimant

Next Steps

- Changes underway or being considered for 2019/20
 - Move to % of Medicare fee schedule for out of network professional services
 - Primary care co-pay instead of deductible & coinsurance
 - Incentive-based wellness & prevention program
 - Expand telemedicine network
 - Enhanced Hi-Tech Imaging review
 - Re-develop rehabilitative care plan provisions
 - Incorporate value-based plan provisions
 - Partner w/Independent pharmacies in Alaska for pilot project
 - Competitively bid targeted services

Questions?