

FISCAL NOTE

STATE OF ALASKA 2011 LEGISLATIVE SESSION

Fiscal Note Number HB011\A
 Bill Version _____
 () Publish Date _____

HB011-DOA-HPA-03-16-2011
 Title An Act requiring that retiree health insurance coverage offered _____
 Dept. Affected _____
 Appropriation _____
 Allocation _____
 DOA _____
 Sponsor Representatives Gara, Gruenberg _____
 Requester House Labor and Commerce _____
 OMB Component Number 2152

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES							
Personal Services							
Travel							
Services	3,947.9		3,391.0	3,548.5	3,673.0	4,172.0	4,732.2
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	3,947.9	0.0	3,391.0	3,548.5	3,673.0	4,172.0	4,732.2
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)							
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other 1017 Benefits Systems Receipts	3,947.9		3,391.0	3,548.5	3,673.0	4,172.0	4,732.2
TOTAL	3,947.9	0.0	3,391.0	3,548.5	3,673.0	4,172.0	4,732.2

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by Jim Puckett, Acting Director
 Division Retirement & Benefits
 Approved by John Cramer, Deputy Commissioner
Department of Administration

Phone 465-4471
 Date/Time 3/15/11 8:55 AM
 Date 3/16/2011

Analysis

HB 11 will require the AlaskaCare Retiree Health Plan to extend its current medical coverage to include colorectal screenings, under AS 21.42.377. Examples of colorectal screening are Fecal Occult Blood Test (FOBT), Flexible Sigmoidoscopy, Barium Enema, and Screening Colonoscopies.

Currently, the retiree plan covers services when medically necessary to diagnose, care for, or treat a physical or medical condition. When services are performed to diagnose existing symptoms (like rectal bleeding or abdominal pain), the test would be considered medically necessary, and therefore already a covered service.

The increase in costs to provide the additional coverage will be paid from the Retiree Health Trust. These increases relate directly to the plan cost (i.e. health claims) and do not reflect the impact to the Other Post Employment Benefits (OPEB) liability. These additional costs will be reflected in future increases to the employers' contribution rates into the retirement systems.

The data used by the state's health consultants, Buck Consultants, covers the period of July 2009 through December 2010, and was extracted from Verisk Health, Wells Fargo's online claims analysis provider. The data covers all ages, and so people who are 65 or over are assumed to have Medicare, and are entitled to the examples listed above.

If the State decided to cover colorectal screenings, the utilization would be expected to increase. Buck assume that due to pent up demand, the number of tests performed in the first year of coverage would be double the number currently performed, which would increase the aggregate costs for these tests substantially. Once the pent-up demand for these tests was met during the first few years, the number of additional screenings is assumed to stabilize, but at a level that is higher than the current testing rate.

A study performed by the American Medical Association in 2000 found that compliance with routine testing (every 5 years from ages 50-85) could reduce the incidence of colon cancer by up to 60%. For the purpose of this analysis, Buck assumed a minimum incidence reduction of 40% and a maximum of 60%. The analysis determined that the cost of providing the tests exceeds any potential savings resulting from a reduction in colon cancer diagnoses.