

Health Care and Fiscal Sustainability



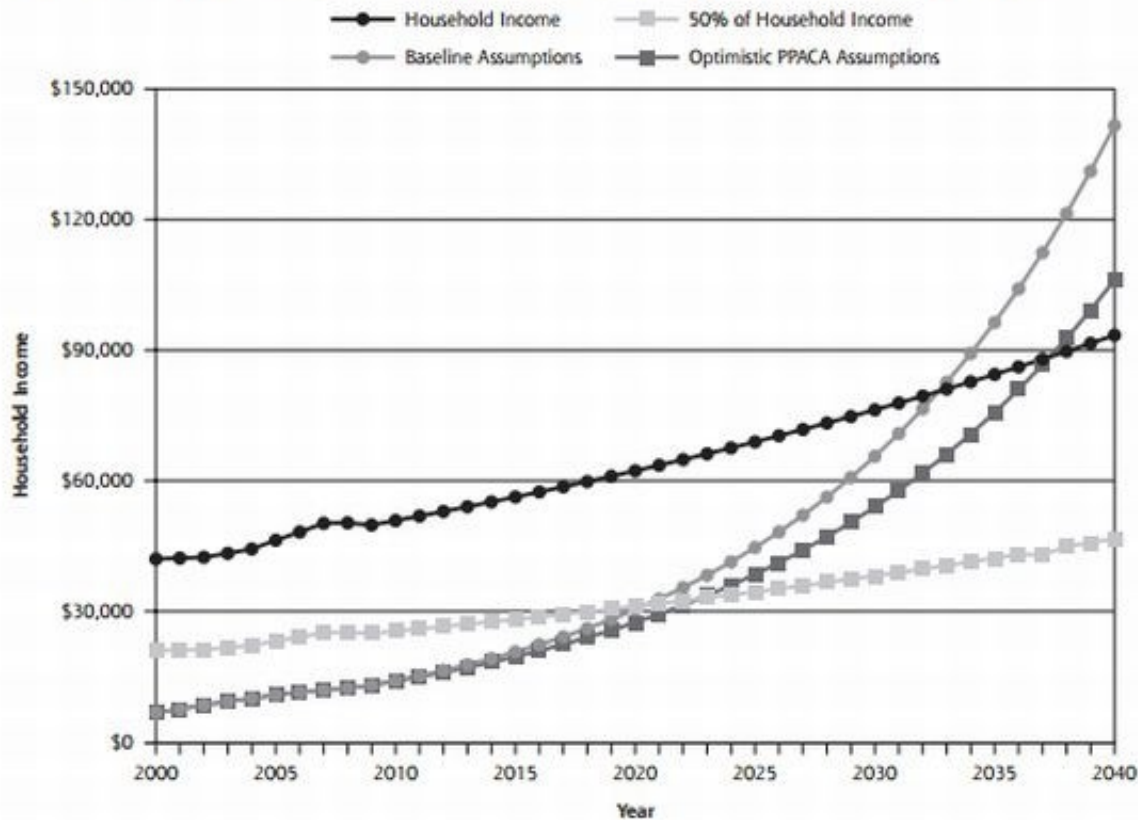
Commissioner Becky Hultberg
Commissioner Bill Streur

STATE OF ALASKA

“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.



Why are we here?

The State of Alaska is a significant health care consumer.

Active plan	16,346 members (includes dependents)	\$83.4 million total spend in FY11
Retiree plan	63,034 members (includes dependents) 40% live outside Alaska	\$413.5 million total spend in FY11
Medicaid	135,246 Alaskans covered (2010) 65% children, 28% adults, 7% elderly	\$1.2 billion total spend in 2010

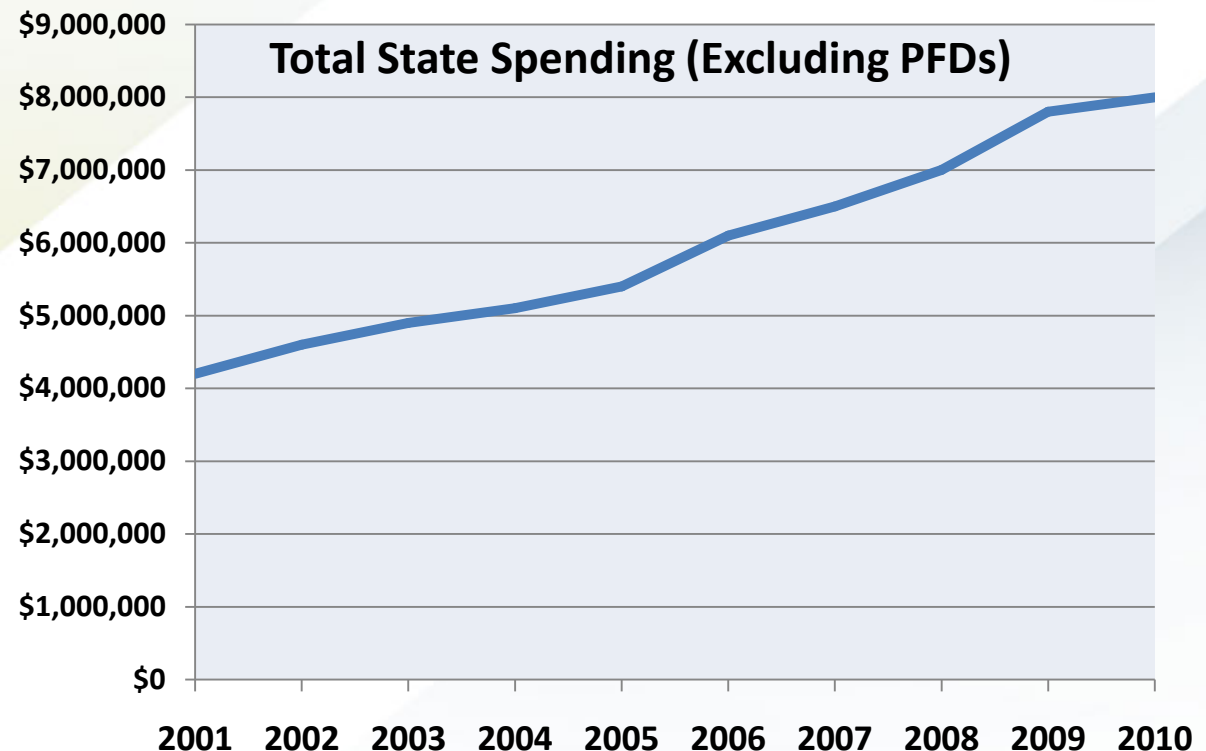
The state also spends money on health care for inmates, state employees who are members of union health trusts and for state workers' compensation claims.



State budget: 2001 - 2010

Total state spending (operating and capital, PFD excluded) has **doubled from \$4 billion to \$8 billion in 10 years.**

Spending per capita has increased from **\$6,639/person in 2001 to \$11,234/person in 2010.**



*The rate of spending growth over the last decade averaged **7.5% per year**, but inflation (Anchorage CPI) over the last decade averaged only **2.6% per year**.*



State revenue

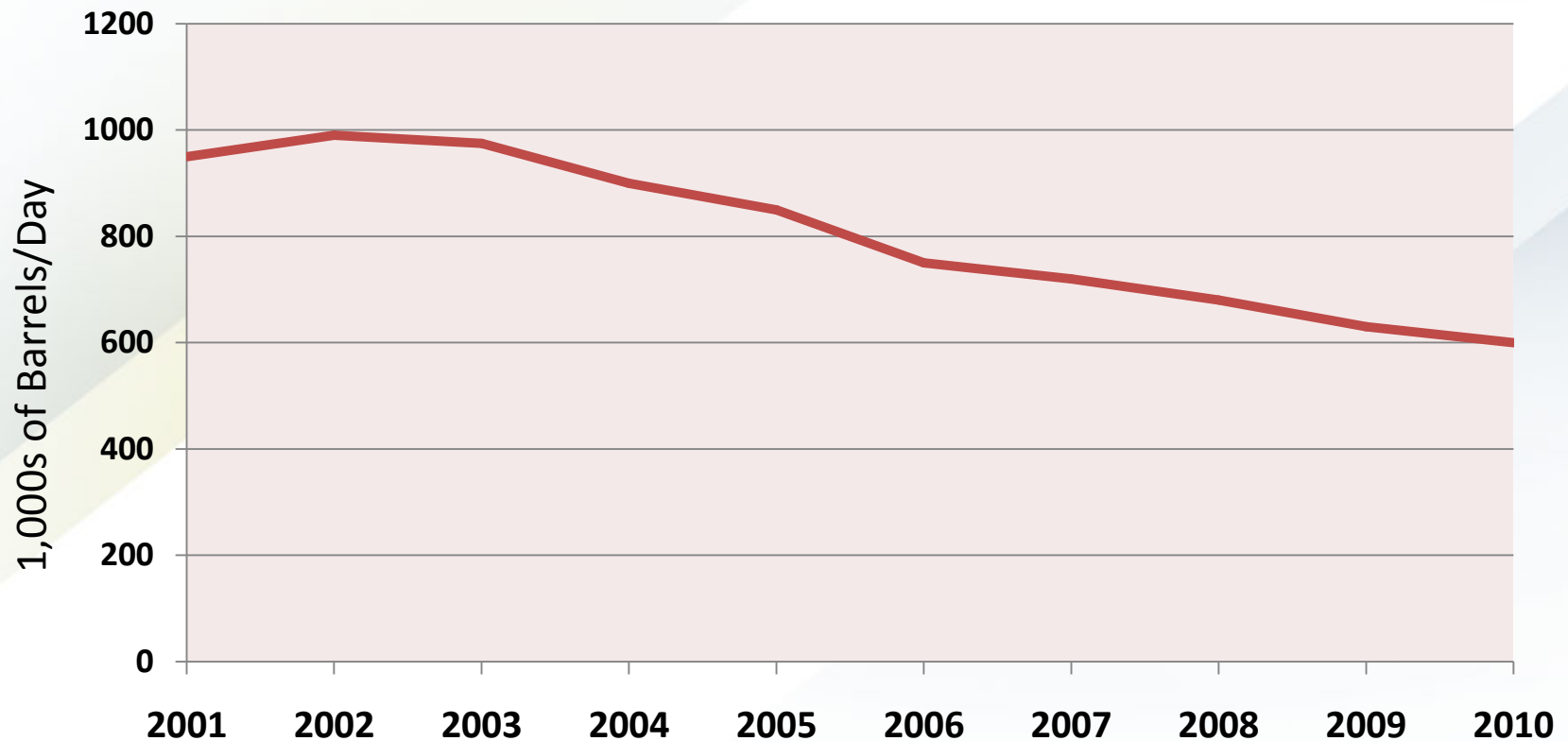
TAPS subsidizes much of modern life in Alaska

- 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

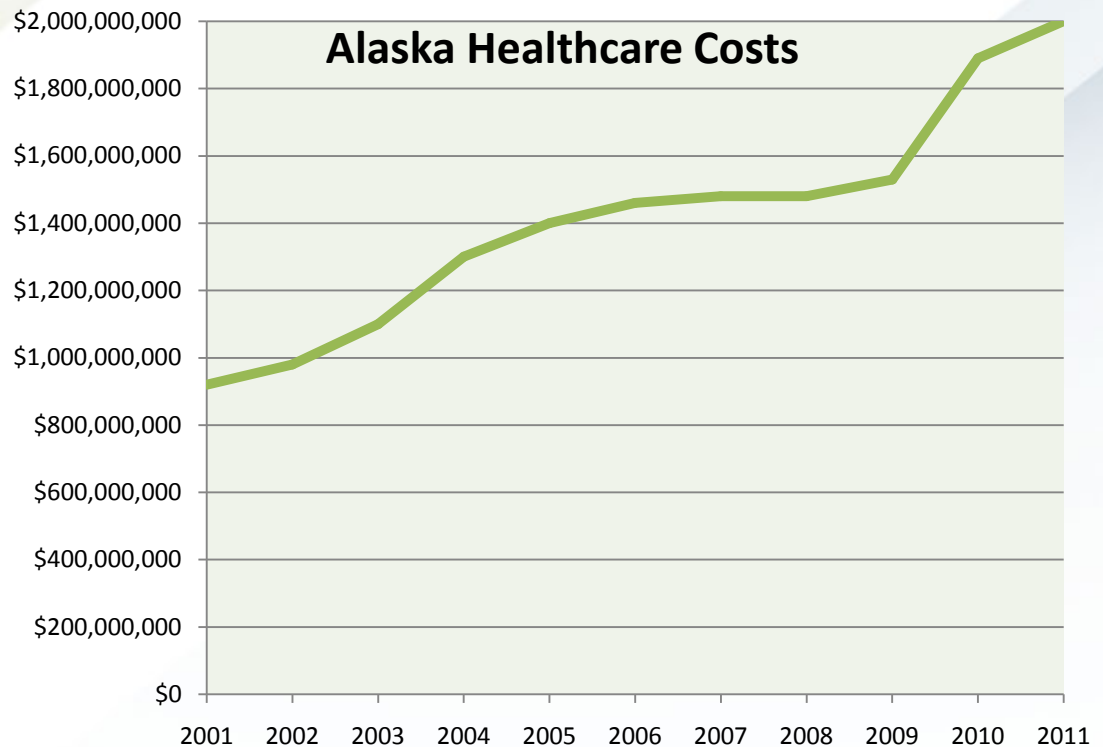
Medicaid, AlaskaCare active, AlaskaCare PERS/TRS, State Workers Compensation, Department of Corrections, union trusts

2001: \$886 million

2011: \$2 billion

This includes the federal portion of Medicaid.

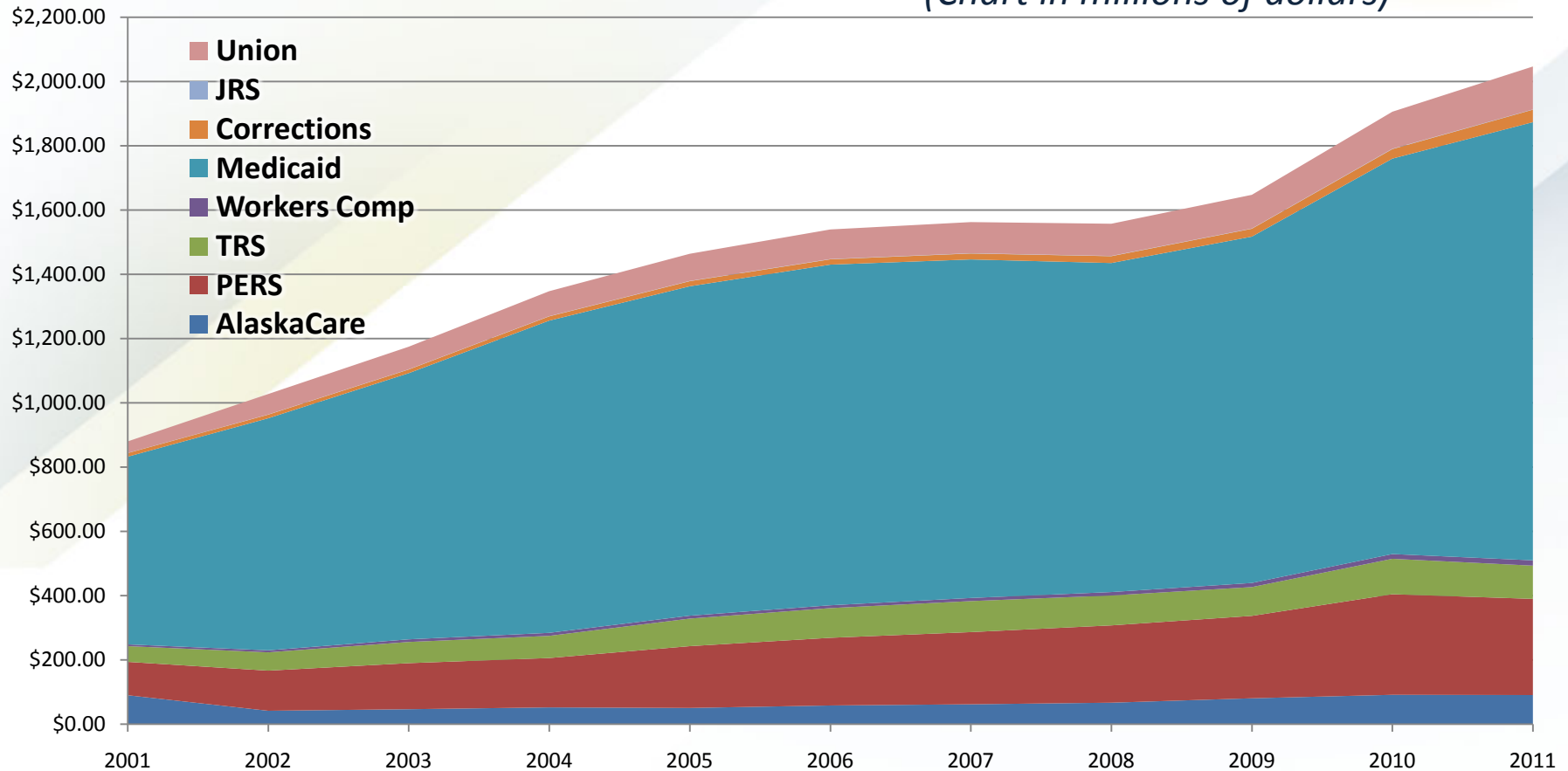
State health care costs grew at an average of 9%/year during FY01-FY10. 2011 showed improvement and the 10 year mean decreased to 7.9%.





State health care spend

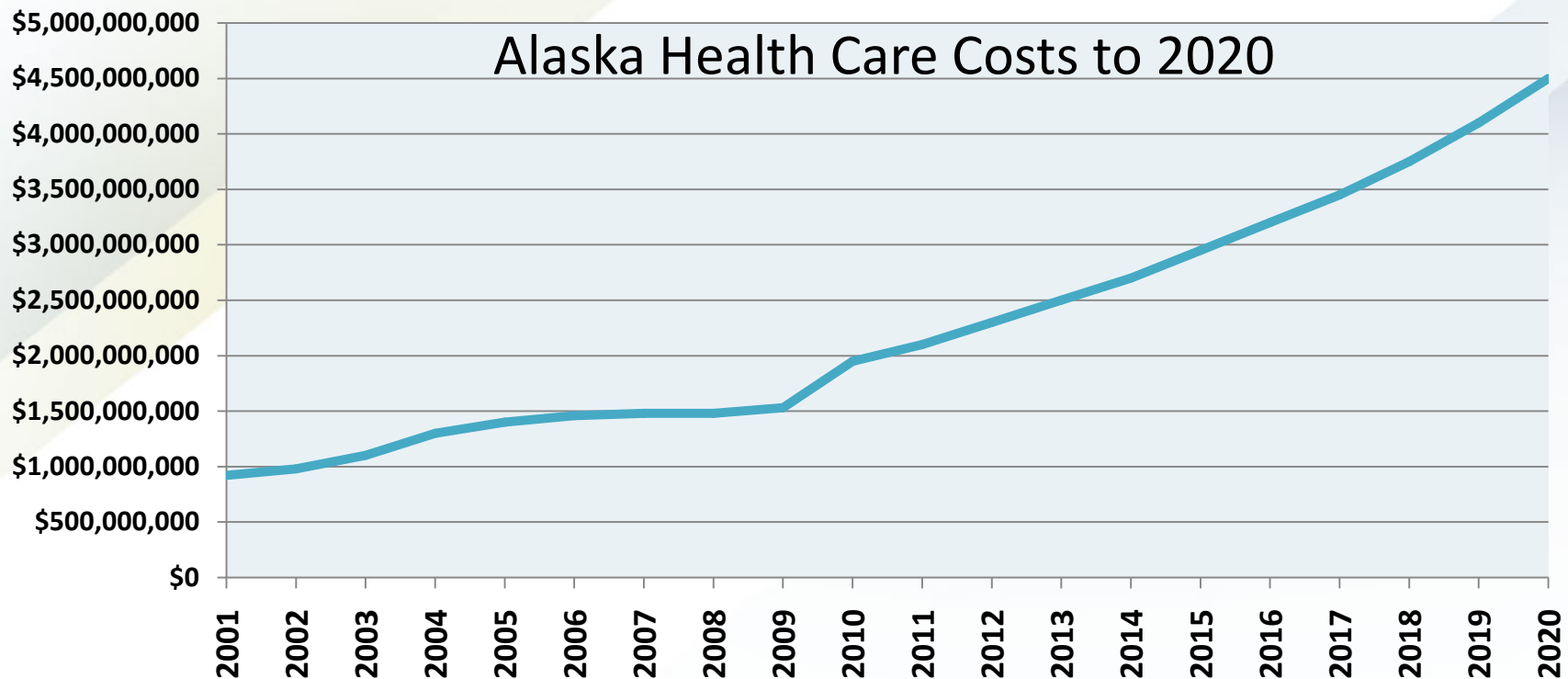
(Chart in millions of dollars)





Where does our current path lead?

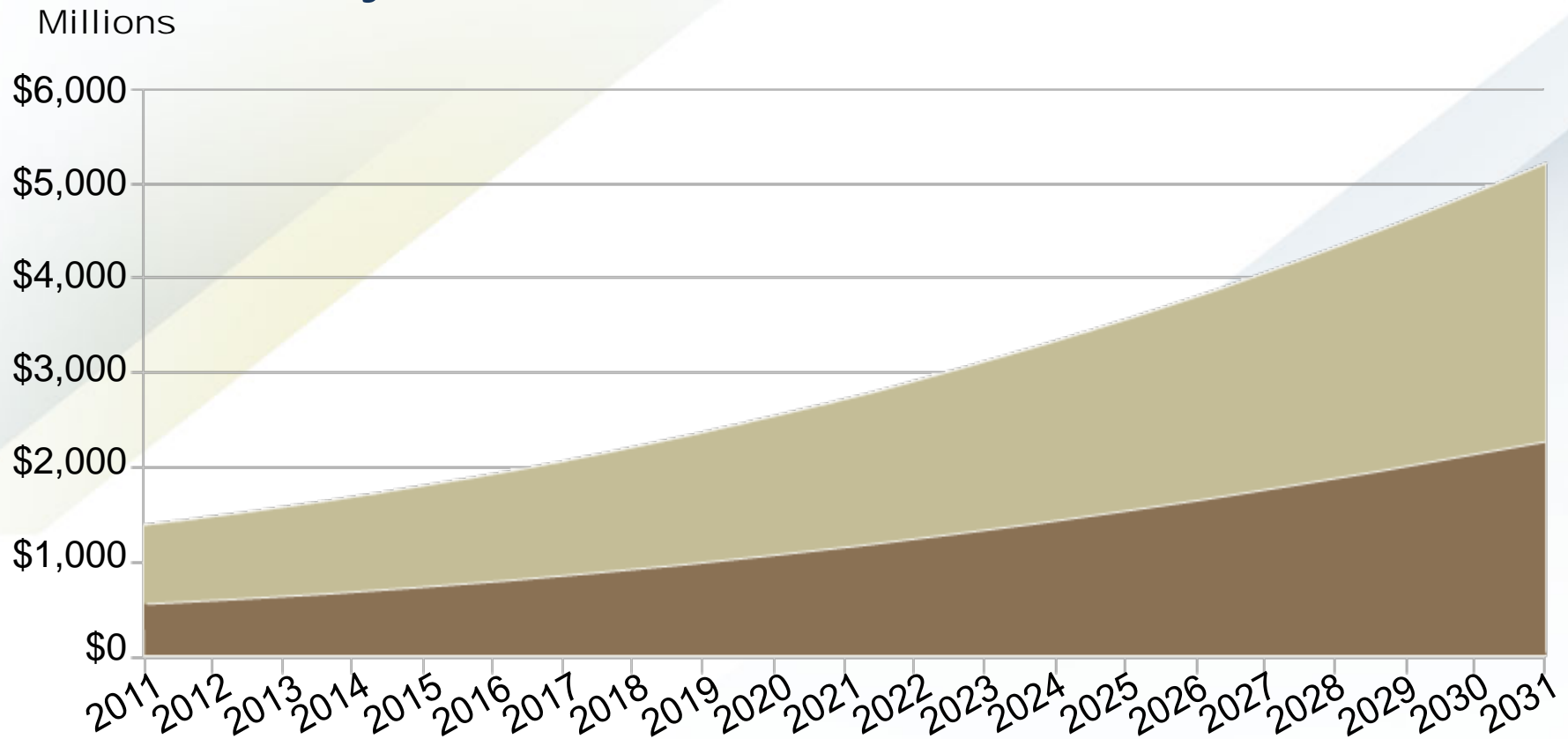
If state paid health costs continue to increase at 8.95% per year, in FY 2020 they will exceed **\$4 billion** (before Medicaid reimbursement).





Challenge: Medicaid

Projected Medicaid Cost Growth





AK DHSS 10-Year plan operating budget

FY2013: \$2.6 Billion

Projected: FY2022 \$6.6 Billion

Unknowns

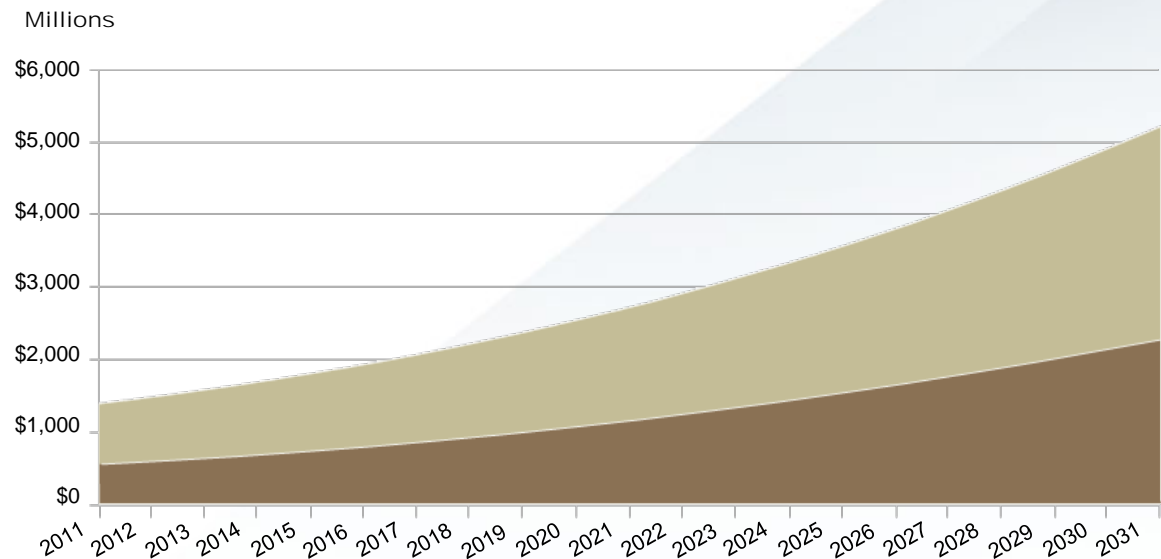
- Cost impact of the federal health care initiative
- Tighter federal and state budgets
- Broad economic problems – e.g. financial markets, energy costs, mortgage defaults, medical inflation

Medicaid

- Population
- Medical inflation

Public Assistance

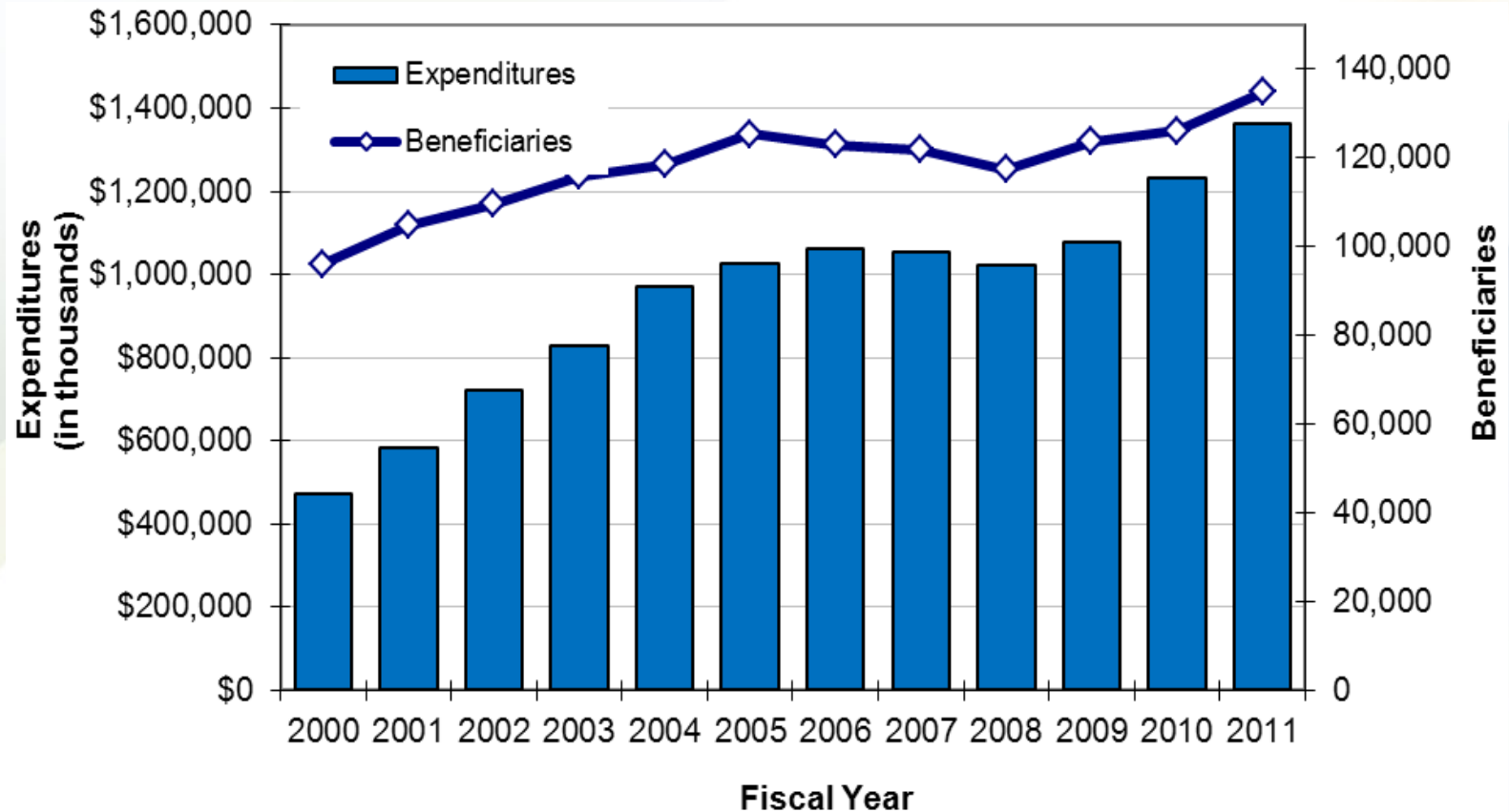
- Inflation
- Population growth in population 20-34 years
- Population growth 65+ years of age –
- Adult Public Assistance





Medicaid direct services

Beneficiaries and expenditures

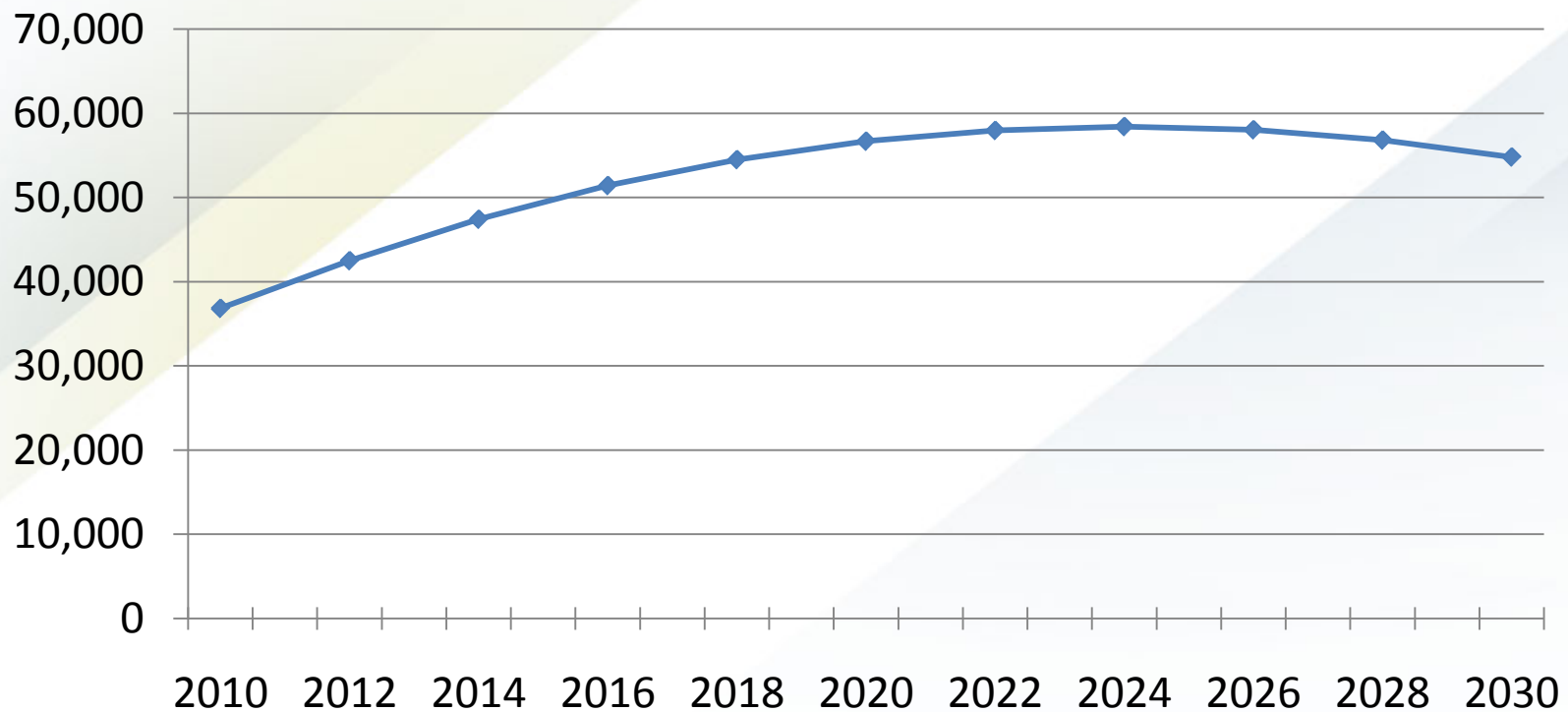


Source: Expenditures are from AKSAS. Beneficiaries are from MMIS-JUCE data.



Challenge: PERS/TRS

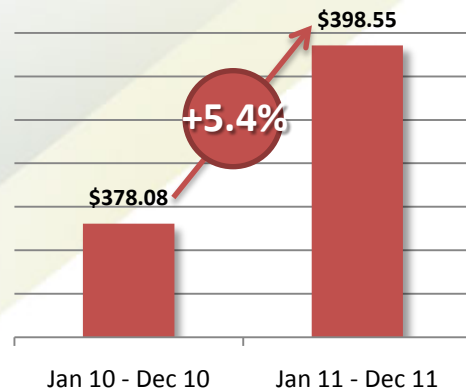
Projected Retirement System Growth



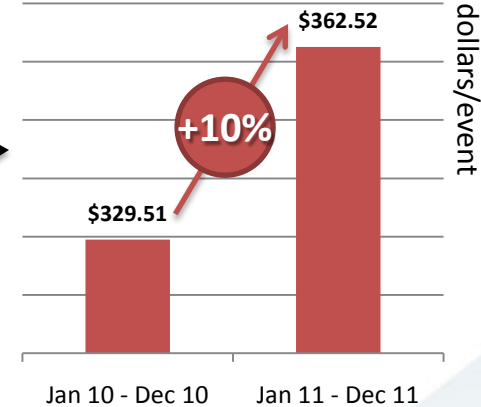


Retiree medical expense growth

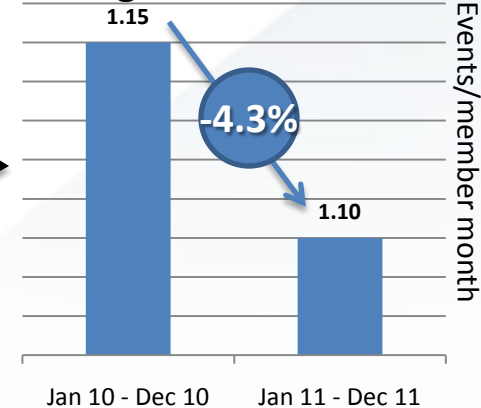
Change in Medical
Per Member Per Month



Change in Unit Pricing



Change in Utilization



Source: Sightlines Medical Intelligence



Controlled growth in Medicaid

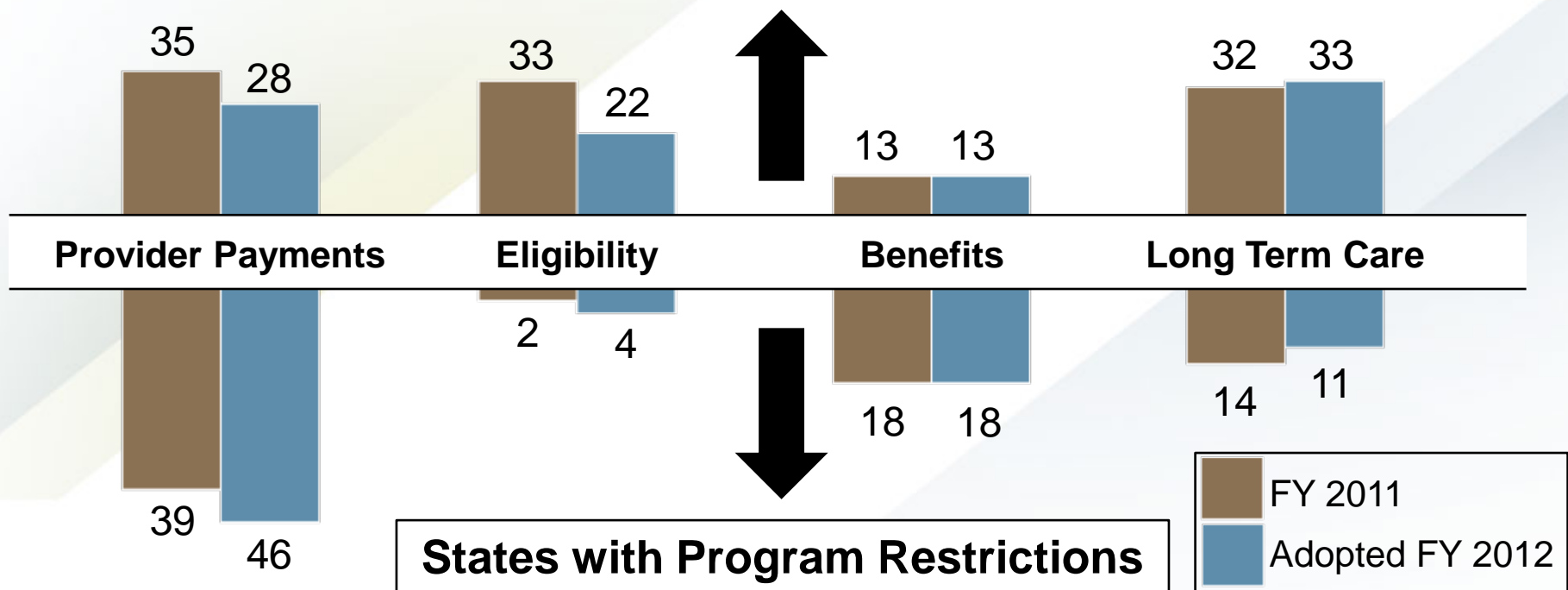
Under the current system, the options are limited.

- | | |
|------------------------|-----------------------------------|
| • Eligibility | • Compliance/Anti-Fraud |
| • Covered Services | • Innovations in Service Delivery |
| • Rates | • Technology |
| • Utilization Controls | • Maximize Revenue |



State policy actions implemented in FY 2011 and adopted for FY 2012

States with Expansions / Enhancements



NOTE: Past survey results indicate not all adopted actions are implemented. Provider payment restrictions include rate cuts for any provider or freezes for nursing facilities or hospitals.

SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, September 2011.



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



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



Payment comparisons

	Payment Levels	
	Office Visit (99215)	Obstetrical Care (59400)
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

Opportunity cost of dollars spent on health care:
roads, public safety, schools and other public services





So what can we do?



Innovations in service delivery/payment

Medicaid

- Medical Home
- Tribal Health – *exemplar of alternative provider types*
- Bundled services
- Integrated BH/Primary care services
- Pay for performance
- Utilization review and management (radiology, Rx)
- Community based long-term care
- Disease/Case Management
- Managed Care
- Dual eligibles



Innovations in service delivery/payment

AlaskaCare

- Better leverage our purchasing power
- Consider expanded travel benefits or Centers of Excellence for certain services
- Develop a robust employee wellness program
- Continue to aggressively pursue contractual discounts
- Align contracting strategies around innovative care delivery models
- Develop a comprehensive health management strategy





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?