

Rep Lynn and House State Affairs Committee.

I see that you have asked Commissioner Hultberg back again on the subject of Active Employee Health Care and specifically AlaskaCare.

I was able to attend the last meeting and received her presentation packet. There are just a couple of issues I would like to bring to your attention.

I believe it is somewhat disingenuous to state that one tier of the plan subsidizes the other tiers. It would be interesting to know how many employees were in each tier.

The structure as I understand it is that each department is charged \$1330 a month per AlaskaCare covered employee as a "premium" I use the term premium loosely because it is a self-insured plan. Depending on the tier, the employee pays an additional amount. So the system is starting with at least \$8,512,000 a month without the employee contributions. That seems like a large amount of money. Of course I know in the health care world that is not so. I believe Commissioner Hultberg's comments about subsidizing disregards the entire concept of insurance and risk pools. I know that you each know the concept, but I just want to discuss why I was dismayed by the comments. Especially because she indicated "it was not fair". It really is no different than insurance in the for profit market.

Insurance as a system; you pay in so that in the event you have a health problem you will receive a benefit later. When making a personal decision as to what level of coverage you choose, you are going to take into consideration what you think your possible exposure in the future will be.

If you consider yourself healthy and don't think you will need access to healthcare very much during a year, you may choose an option where you do not have to pay in or your initial buy in is less. The risk you are taking is if something does happen you will end up paying at the time of treatment/service in co-pays and deductibles, as opposed to making a down payment on those cost through a monthly premium amount. That is one reason some employees may choose economy. Another reason, I believe, is that the individual may be just getting by and can't consider reducing monthly take home pay for anything that is not mandatory.

The decisions to pick the standard or premium tiers are based on similar reasoning. If you know you or your family has health conditions that require routine or regular care, you may choose a tier where you do pay a monthly premium to reduce or spread out the ongoing cost.

Another question that perhaps should be asked is; what are the salary levels of the employees buying into each of the tiers

The system works on the structure that every risk pool is made up of those who will need very little care and those who will need more care. Therefore I was not surprised to see the graphic on page 17 that shows a very small percentage of employees have claims that are extremely high. Of course just from looking at the graphic I don't know how the AlaskaCare usage compares to a program that has similar demographics in the risk pool. I know when I was in the Supervisory Bargaining Unit; the joke was no one else wanted us in their risk pool because of our advancing age and the fact that SU has a high percentage of members who have chronic health issues. Oddly enough many stress related illnesses. That didn't seem that unusual with the work loads of middle managers. Sorry, I digress.

I agree with all concerned that health care costs are unsustainable, but I am not sure how to solve that problem absent drastic change to the entire health care system in the United States. However with Alaska having a population of less than 800,000 people perhaps looking at a single payer system for the state like Massachusetts could be part of the solution.

I currently believe that the health care providers hold the upper hand in the state of Alaska and they are not going to be easily convinced to change their ways. I encourage you all to continue to explore solutions and ask the difficult questions.

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