

ALASKA DEPARTMENT OF ADMINISTRATION ALASKACARE EMPLOYEE PLAN

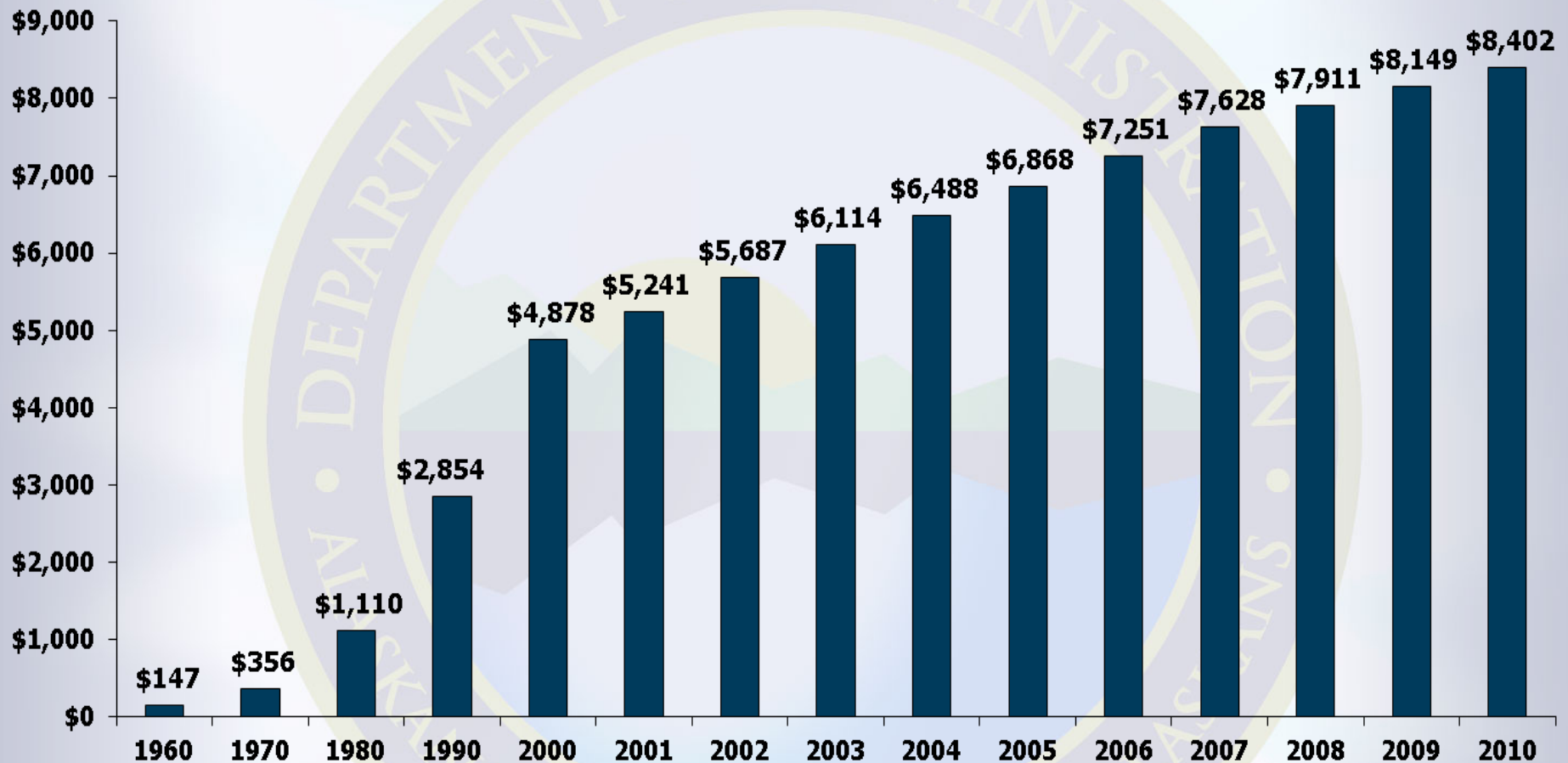


Presentation to
**Joint State Affairs
Committee**
February 7, 2013

Commissioner Becky Hultberg
Deputy Commissioner Mike Barnhill

HEALTH CARE SPENDING IN THE US

National Health Expenditures (NHE) per Capita, 1960-2010



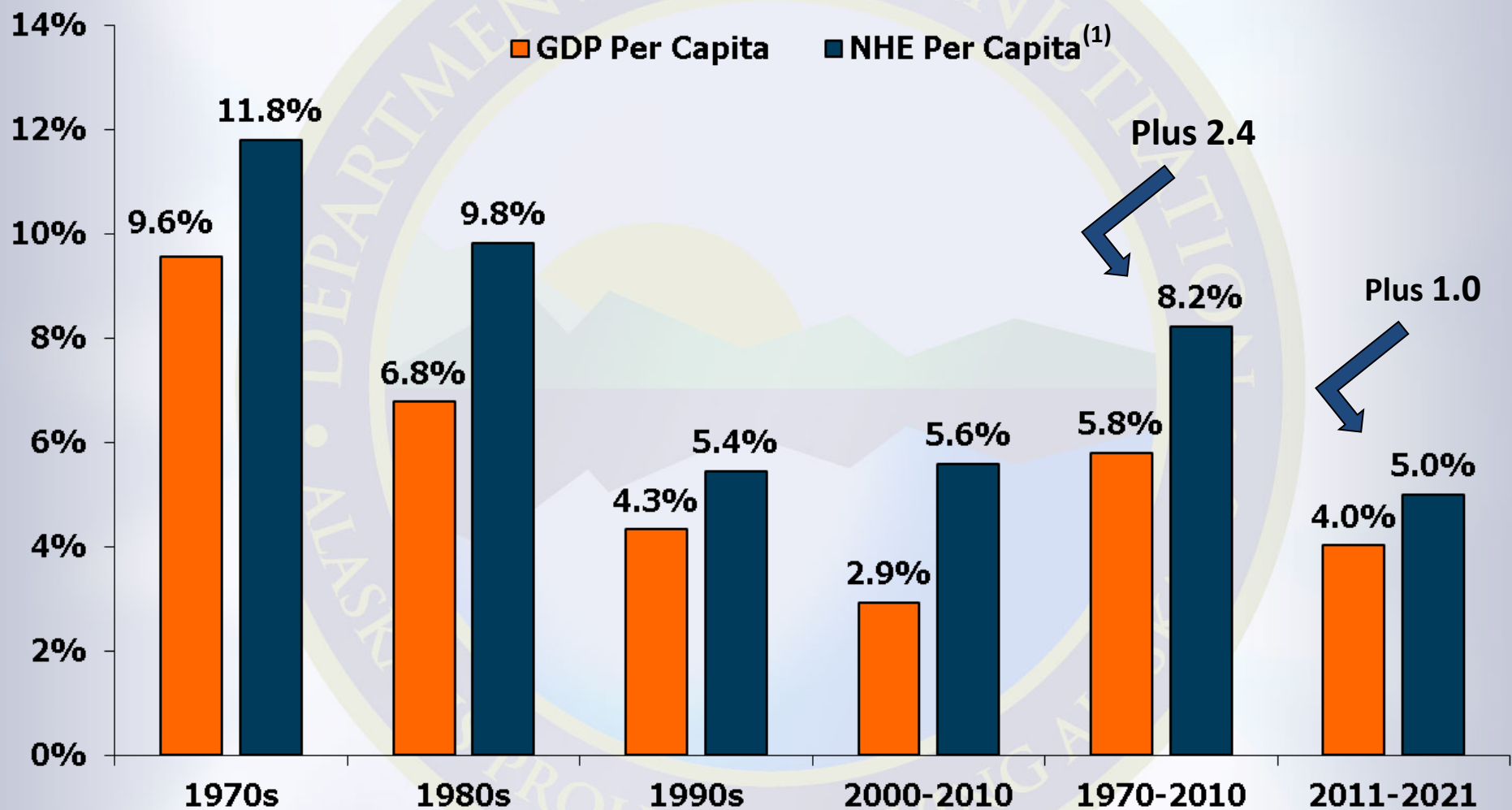
Notes: According to CMS, population is the U.S. Bureau of the Census resident-based population, less armed forces overseas and population of outlying areas, plus the net undercount.

Source: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, at <http://www.cms.hhs.gov/NationalHealthExpendData/> (see Historical; NHE summary including share of GDP, CY 1960-2010).



HEALTH SPENDING & GDP

Average Annual Growth Rates for Health Spending and GDP Per Capita

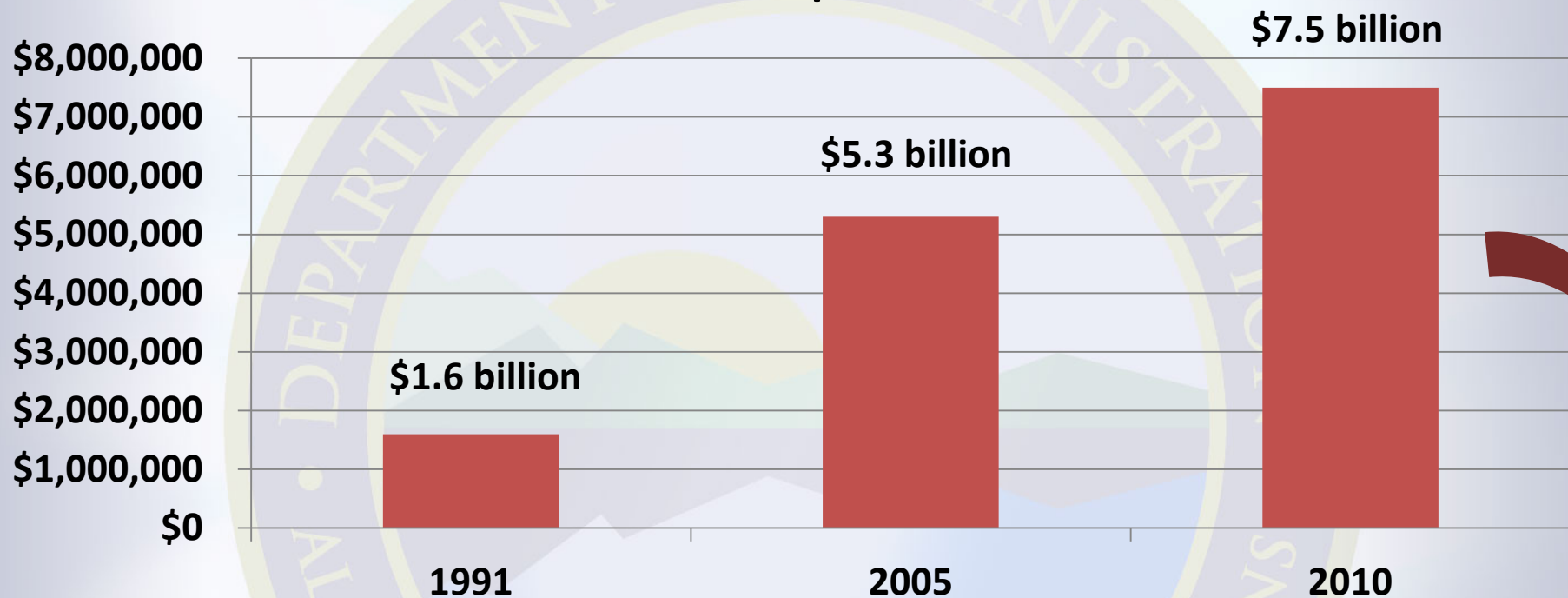


Source: Historical data from Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

⁽¹⁾ NHE stands for National Health Expenditures

HEALTH CARE SPENDING IN ALASKA

Estimated Health Care Expenditures in Alaska

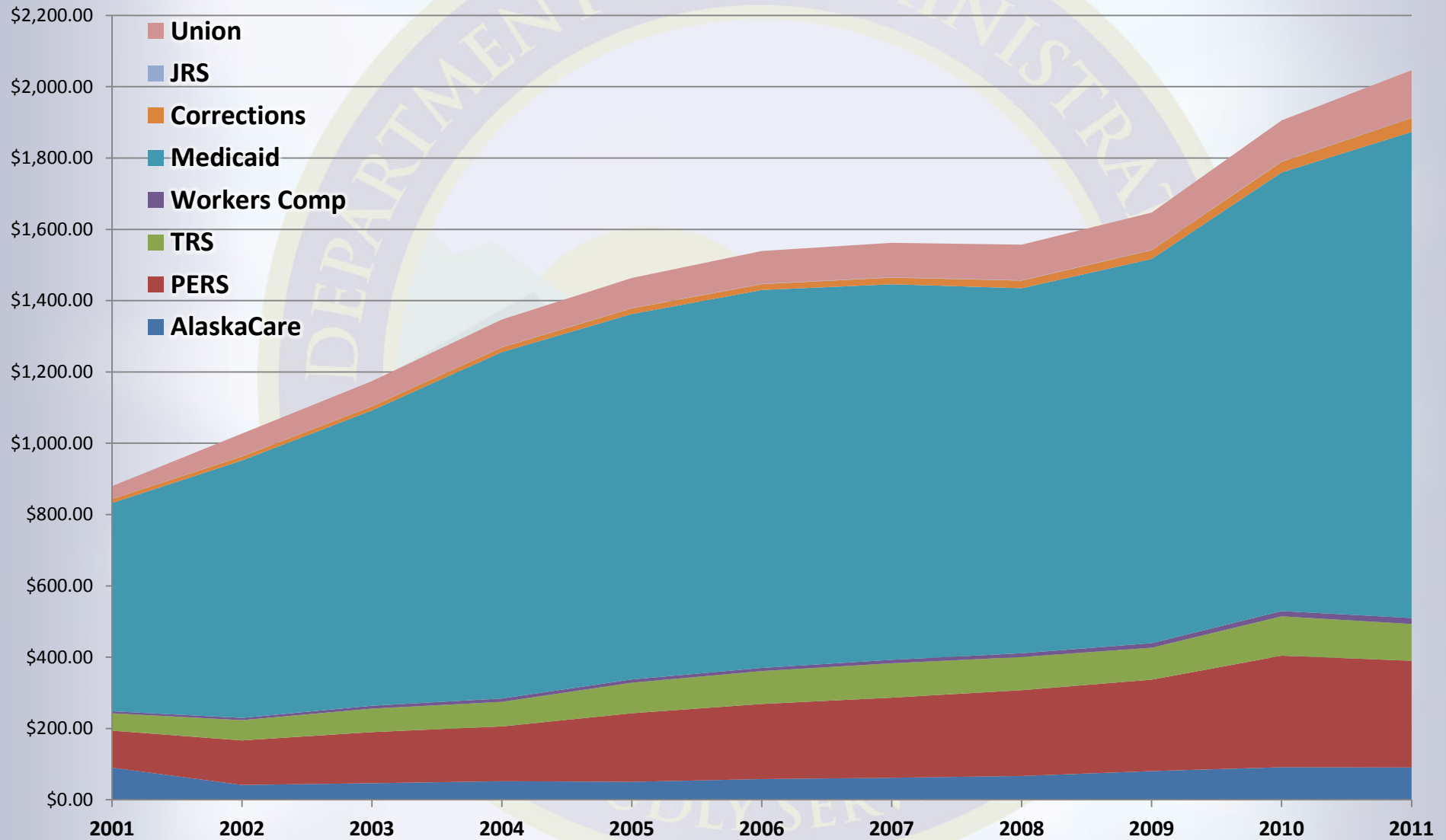


Source: Institute of Social and Economic Research (ISER), 2011

This equates to:

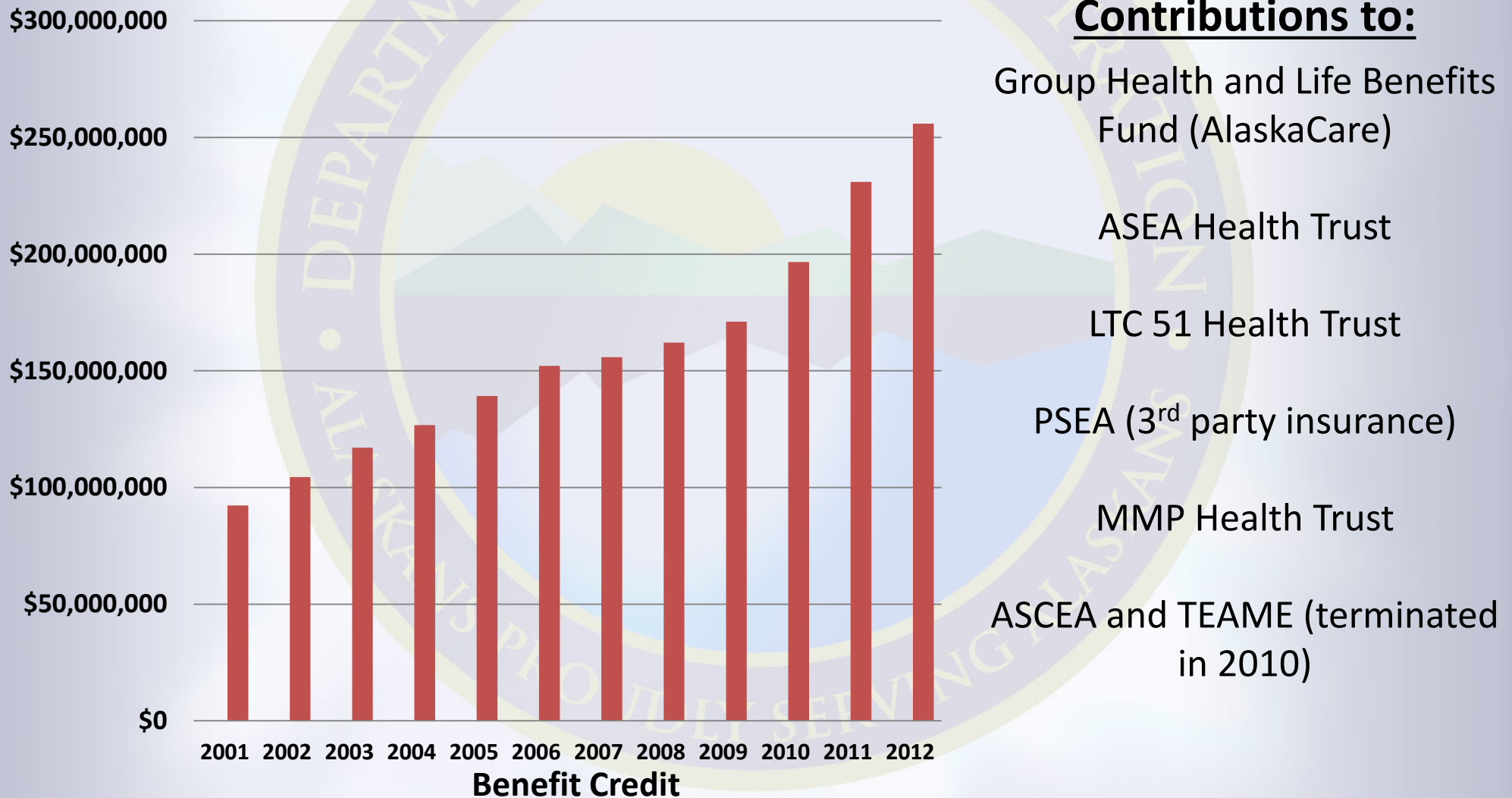
½ wellhead value of oil produced in AK in 2010
½ of Alaskan wages in 2010

HEALTH CARE SPENDING BY THE STATE



EMPLOYEE HEALTH PLAN SPENDING

State of Alaska Contributions to Active Employee Health Plans



EMPLOYEE HEALTH INSURANCE

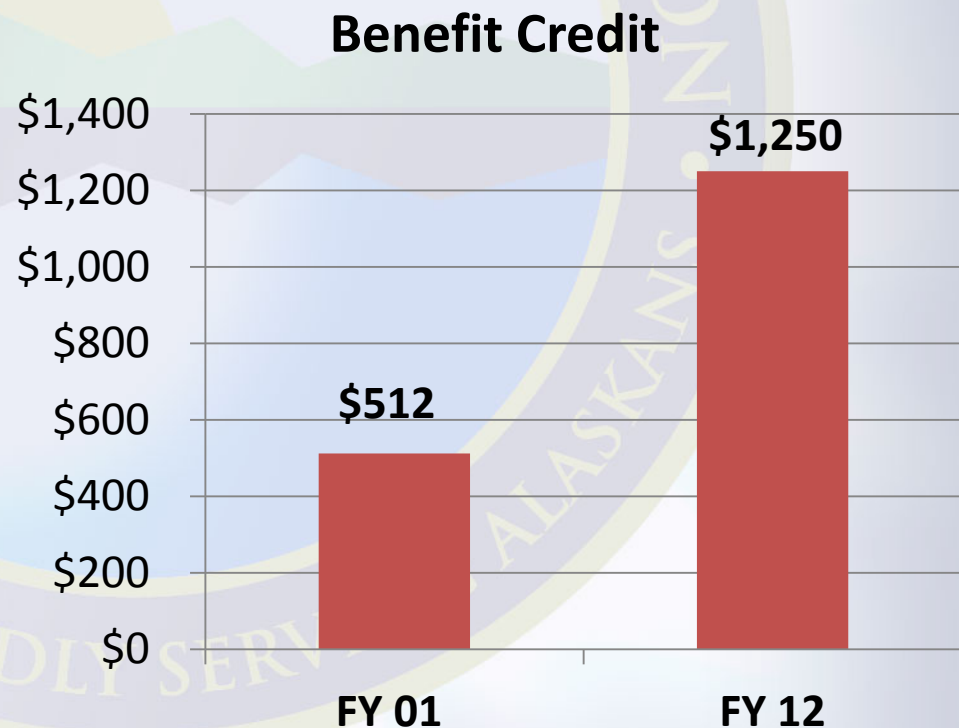
Not all State of Alaska employees receive health insurance through AlaskaCare.

AlaskaCare Health Plan	Union Health Trusts
<u>Employees: 6,400*</u>	<u>Employees: 10,500*</u>
AVTEC	General Government (GGU/ASEA)
Confidential Employees	Labor, Trades and Crafts
Correctional Officers	Public Safety Employees Association
Marine Engineers	Masters, Mates & Pilots
Mt. Edgecumbe Teachers	
Supervisory	
Inland Boatmen's Union	
Exempt/Partially Exempt Employees	

*Population counts are approximate

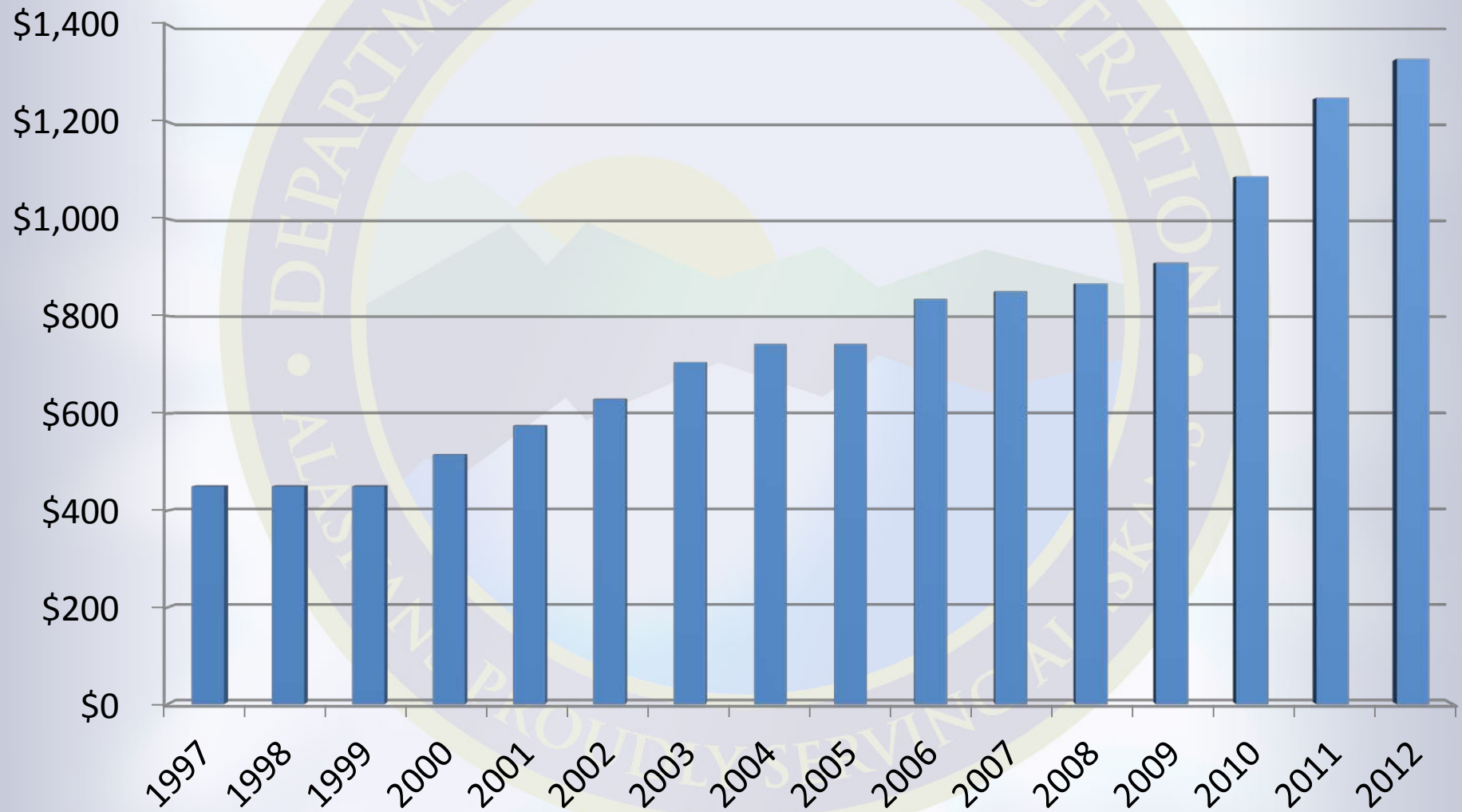
BENEFIT CREDIT

- Amount State contributes per employee per month
- Subject to negotiations
- Historically based on AlaskaCare premiums and plan experience
- FY 14 benefit credit:
 - \$1,389 per month
 - \$16,668 per year
(medical & dental)



BENEFIT CREDIT

Benefit Credit (medical & dental)



PLAN HIGHLIGHTS

- Self-insured plan
- Uses Third-Party Administrator to process claims
- Approximately 16,400 members
 - 6,400 covered employees
 - 10,000 dependents
- Three medical plans: economy, standard and premium
- Three types of dental coverage: preventive, standard, premium
- Two types of vision coverage: standard, managed care

PLAN HIGHLIGHTS

	Economy	Standard	Premium
Deductible	\$500 individual \$1,000 family	\$250 individual \$500 family	\$250 individual \$500 family
Coinsurance	70%	80%	90%
Annual Out-of-Pocket Maximum	\$2,000 per person after deductible	\$1,000 per person after deductible	\$300 per person after deductible
Lifetime Maximum	Unlimited		
Emergency Room	\$100 each incident for nonemergency use		
Preventive Care	Covered at 100% with no deductible		
Dependent children	Covered up to age 26		

PREMIUM RATES FY 13

	Economy	Standard	Premium	Premium EE/ Standard Family
Medical Premium* (includes preventive dental)	\$1,330	\$1,447	\$1,945	\$1,657
State pays: (benefit credit)	\$1,330	\$1,330	\$1,330	\$1,330
Employee pays: (payroll deduction)	\$0	\$117	\$615	\$327

*Actual premiums may be higher depending on the level of vision and dental coverage selected.

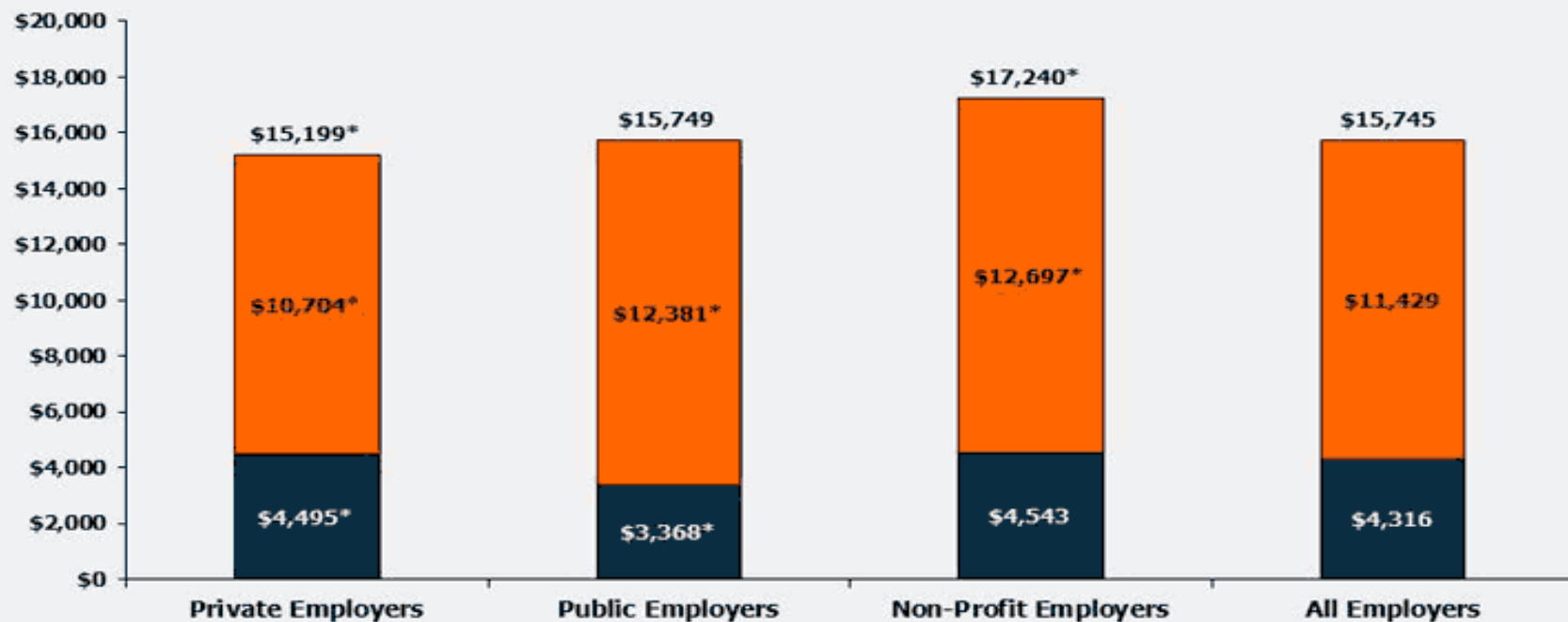
- In 2012, Alaska was one of only four states to cover 100% of the premium for the lowest cost family insurance policy

Source: National Conference of State Legislatures, 2012

- The premium rates do not reflect plan experience
- Employees in the economy plan heavily subsidize those in the premium and standard plan
- Does not offer employee only coverage

US EMPLOYER & EMPLOYEE CONTRIBUTIONS

Worker and Employer Premium Contributions for Family Coverage, by Firm Ownership Category, 2012

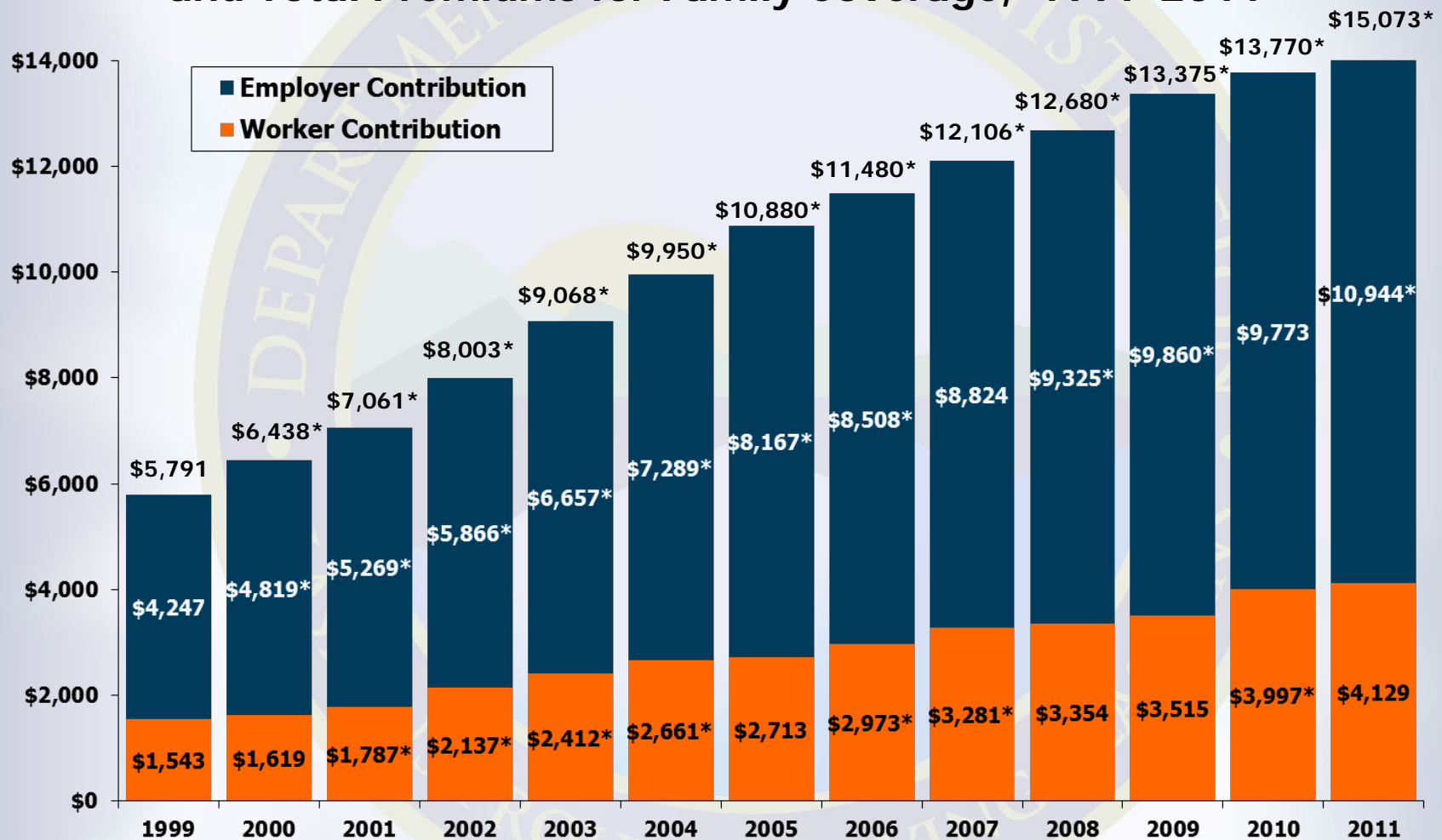


* Estimate is statistically different from firms not in the indicated ownership category (p < .05).

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

US CONTRIBUTION TREND

Average Annual Worker and Employer Contributions to Premiums and Total Premiums for Family Coverage, 1999-2011



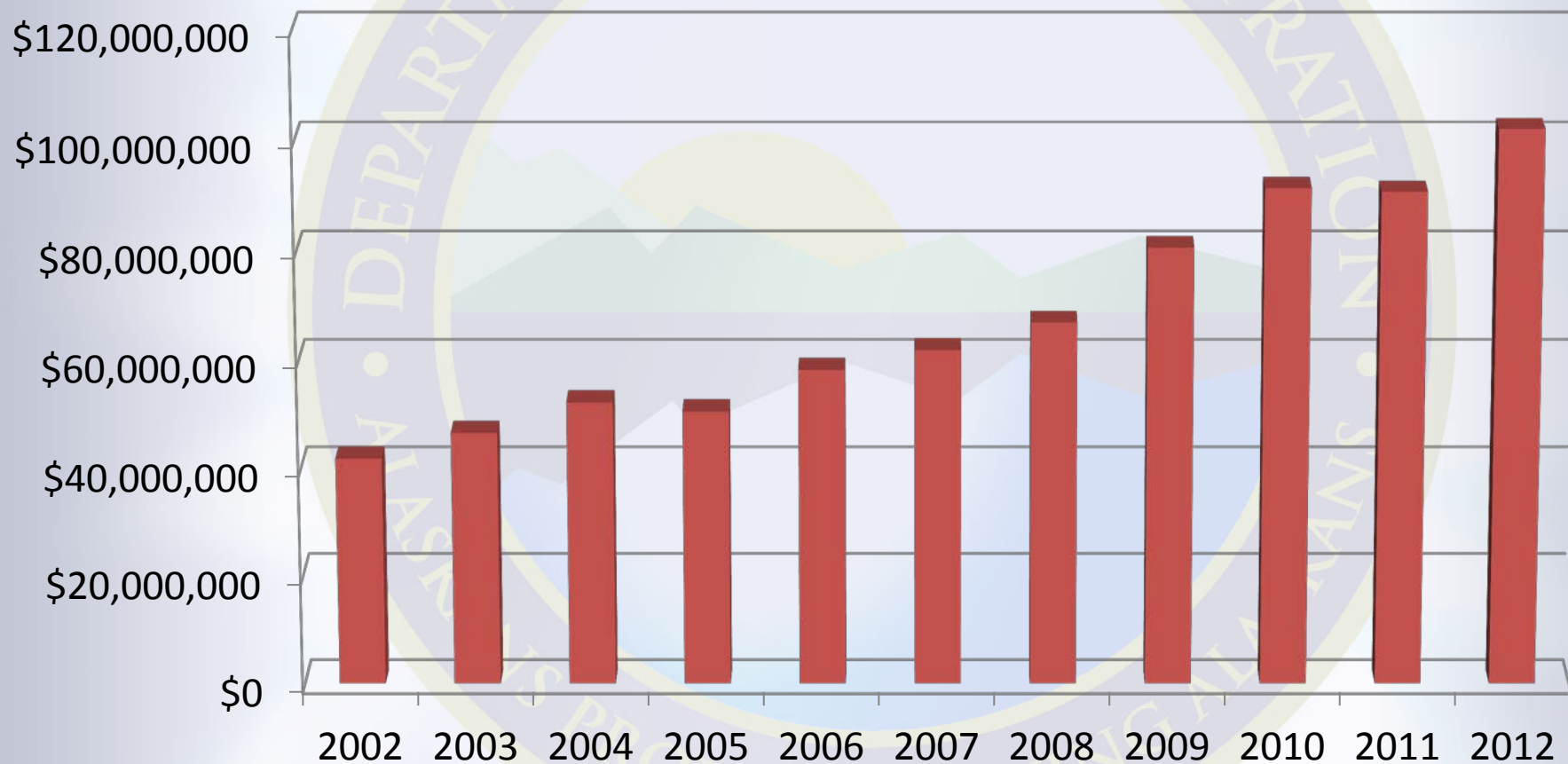
* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2011.



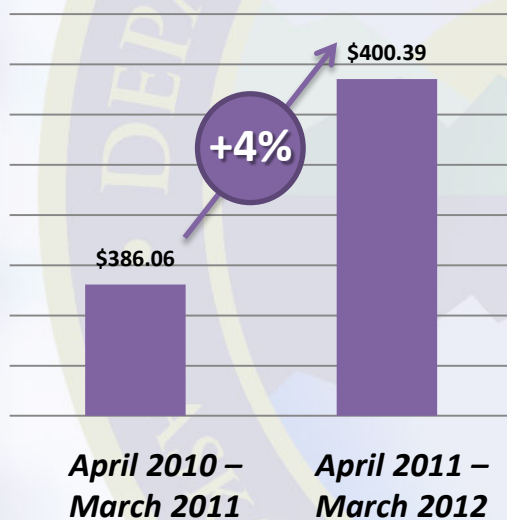
PLAN EXPERIENCE

FY 2012 medical plan expenses were \$102,168,590

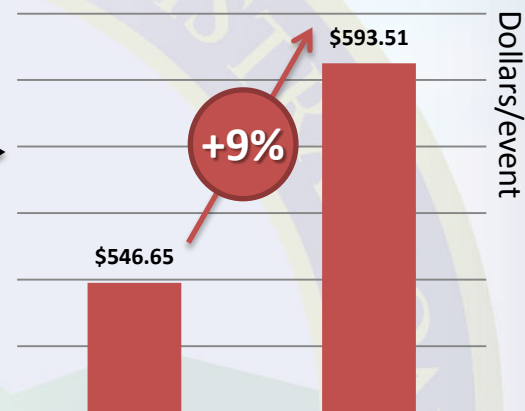


ACTIVE EMPLOYEE PRICE OF MEDICAL SERVICES

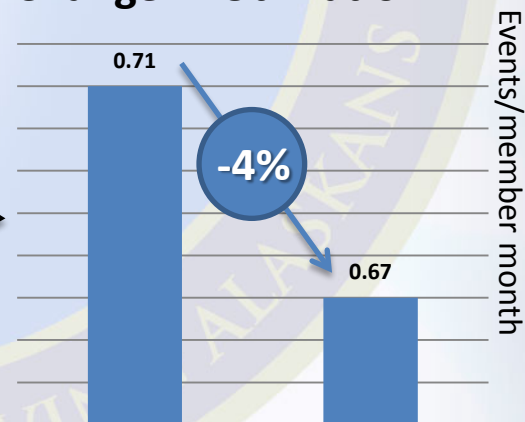
**Change in Medical
Per Member Per Month**



Change in Unit Pricing

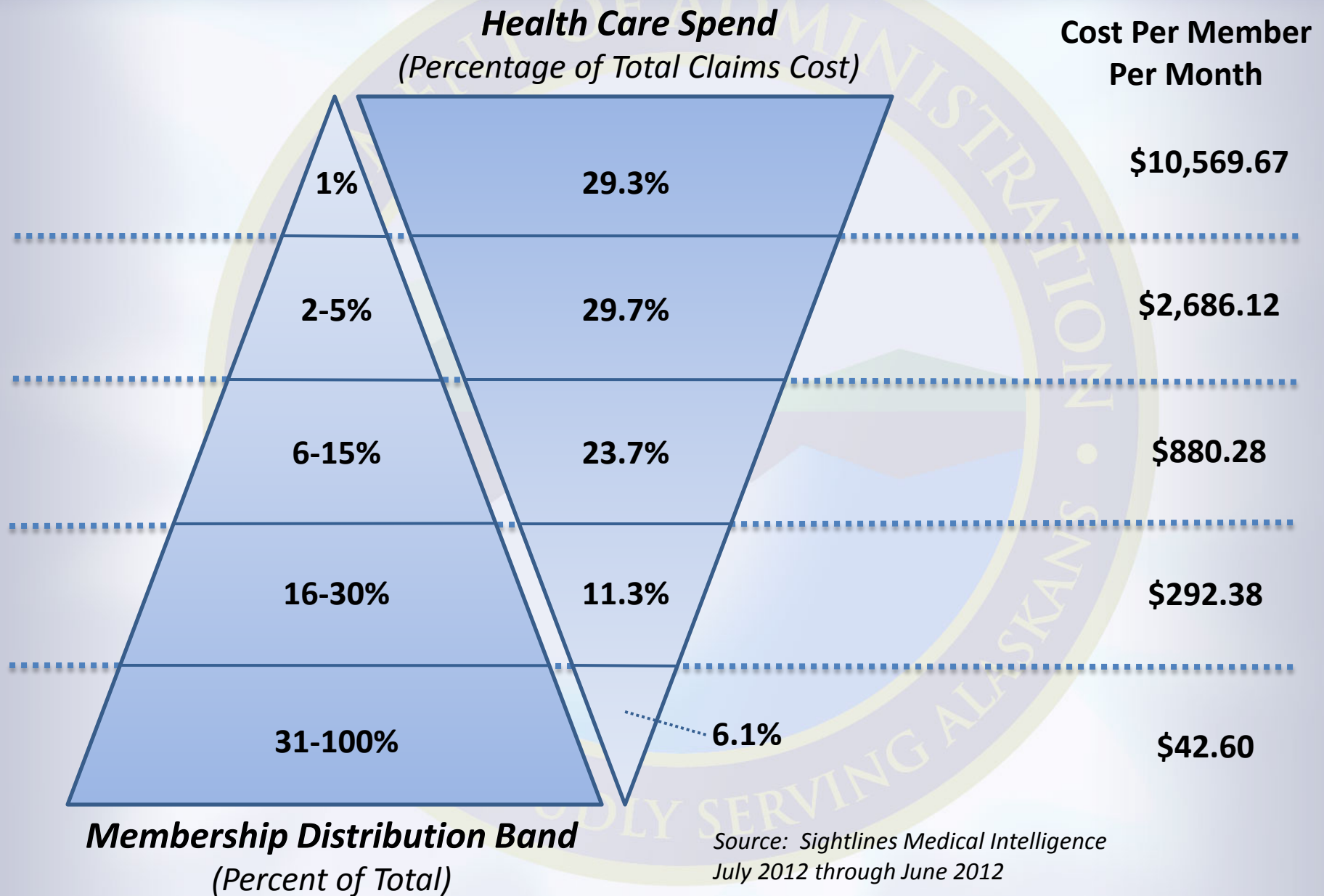


Change in Utilization



Source: Sightlines Medical Intelligence
July 2012 through June 2012

UTILIZATION OF SERVICES



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

PAYMENT COMPARISONS BY STATE

	AK	ID	ND	OR	WA	WY
Pediatrics	139%	91%	105%	128%	90%	86%
Family Practice	147%	96%	100%	118%	98%	88%
Internal Medicine	149%	96%	100%	117%	98%	90%
Lab	176%	89%	120%	88%	72%	131%
Ophthalmology	149%	95%	95%	122%	100%	87%
OBGYN	173%	94%	90%	112%	94%	111%
Chiropractic	172%	85%	105%	113%	89%	108%
Urology	183%	97%	95%	109%	92%	108%
Gastroenterology	191%	104%	84%	108%	87%	117%
Radiology	172%	107%	83%	88%	80%	143%
Neurology	186%	97%	100%	113%	95%	96%
Orthopedics	202%	96%	89%	104%	91%	121%
ENT	210%	98%	91%	106%	94%	109%
General Surgery	206%	95%	88%	104%	90%	125%
Cardiology	201%	98%	80%	108%	87%	124%
Cardiothoracic Surgery	N/A	N/A	N/A	106%	94%	N/A
Interventional Cardiology	474%	86%	104%	97%	84%	131%

Source: Milliman, Inc., 2011

MARKET CONSTRAINTS

- Lack of alignment in interests between payer, providers and patients
- Lack of transparency in price and quality
- Reduced competition and barriers to entry
- High percentage of government spending - 60% of market share

Source: Institute of Social and Economic Research, UAA , 2011

The seal of the Department of Administration, State of Alaska, is a circular emblem. It features a central illustration of a mountain range with a sun or moon rising behind them. The text "DEPARTMENT OF ADMINISTRATION" is arched across the top, and "ALASKANS PROUDLY SERVING ALASKANS" is arched across the bottom. Two small dots separate the top and bottom text on the left and right sides.

So is there a solution?

SERIGRAPH'S BACKGROUND

- Graphic parts manufacturing company in Wisconsin
- Costs increased 25% from 2002-2003
- Expected another 15% increase in 2004
- Used consumer driven approach to develop innovative solutions for health care

Source: The Company that Solved Health Care, 2010

SERIGRAPH'S PLATFORM

- **Consumer responsibility**

Established high deductible health care plan so employee had “skin in the game.”

- **Centers of Value**

Identified centers that provided service, quality, and competitive pricing and steered employees to those centers.

- **Prime role for Primary Care**

Developed on-site clinics to promote primary care and reduce inappropriate utilization of specialists.

Source: The Company that Solved Health Care, 2010

SERIGRAPH'S RESULTS

- Health care costs have dropped since 2004
- Cost curve averages 2.8% annual increase (parallel to inflation)

Compare to:

- National average annual increase is 7%
- AlaskaCare Employee plan average annual increase is 7% (from 2001 to 2011)

Source: The Company that Solved Health Care, 2010

INNOVATIVE APPROACHES

- Value-Based Health Plan
 - Uses financial incentives to encourage healthy choices and discourage unhealthy choices
- Consumer Directed Health Plan (CDHP)
 - Requires employee share in up-front costs
 - Provides lower monthly premiums
 - Increases price sensitivity by employees

VALUE BASED HEALTH PLAN

- In 2009, the State of Nebraska implemented the “Wellness Plan”
- Reduces employee’s share of costs for wellness, preventive and high-quality services
- Requires employees and spouses to complete series of tasks during prior 12 months
 - Health risk assessment
 - Health education course
 - Preventive visit to primary care physical

Source: Wellness Council of America, 2011

STATE OF NEBRASKA RESULTS

- Wellness plan offers much lower premiums than traditional plans
- 2010 & 2011 premium increase less than 1%
- Estimated ROI 2.7:1
- Savings attributed to reduced utilization of high cost services
- Employee participation above 30% in 2011

Source: Wellness Council of America, 2011

CONSUMER DIRECTED HEALTH PLANS

- In 2006, the State of Indiana implemented a Consumer Driven Health Plan (CDHP)
 - Individual deductible \$2,500
 - Family deductible \$5,000
 - State contributed 45% of deductible to Health Savings Account
- In 2007, a second CDHP plan was implemented with lower deductibles but higher premiums

Source: Indiana State Personnel Department

STATE OF INDIANA RESULTS

- Indiana saved money
 - CHDP 2010 savings were 10.7% or \$17-\$23 million
- Employees saved money
 - 2010 employees saved \$7-\$10 million
 - Unused funds were \$30 million
 - Average of \$2,000 per employee
- 2012 CDHP participation above 90%
- CDHP participants did not put off or avoid using important health care services

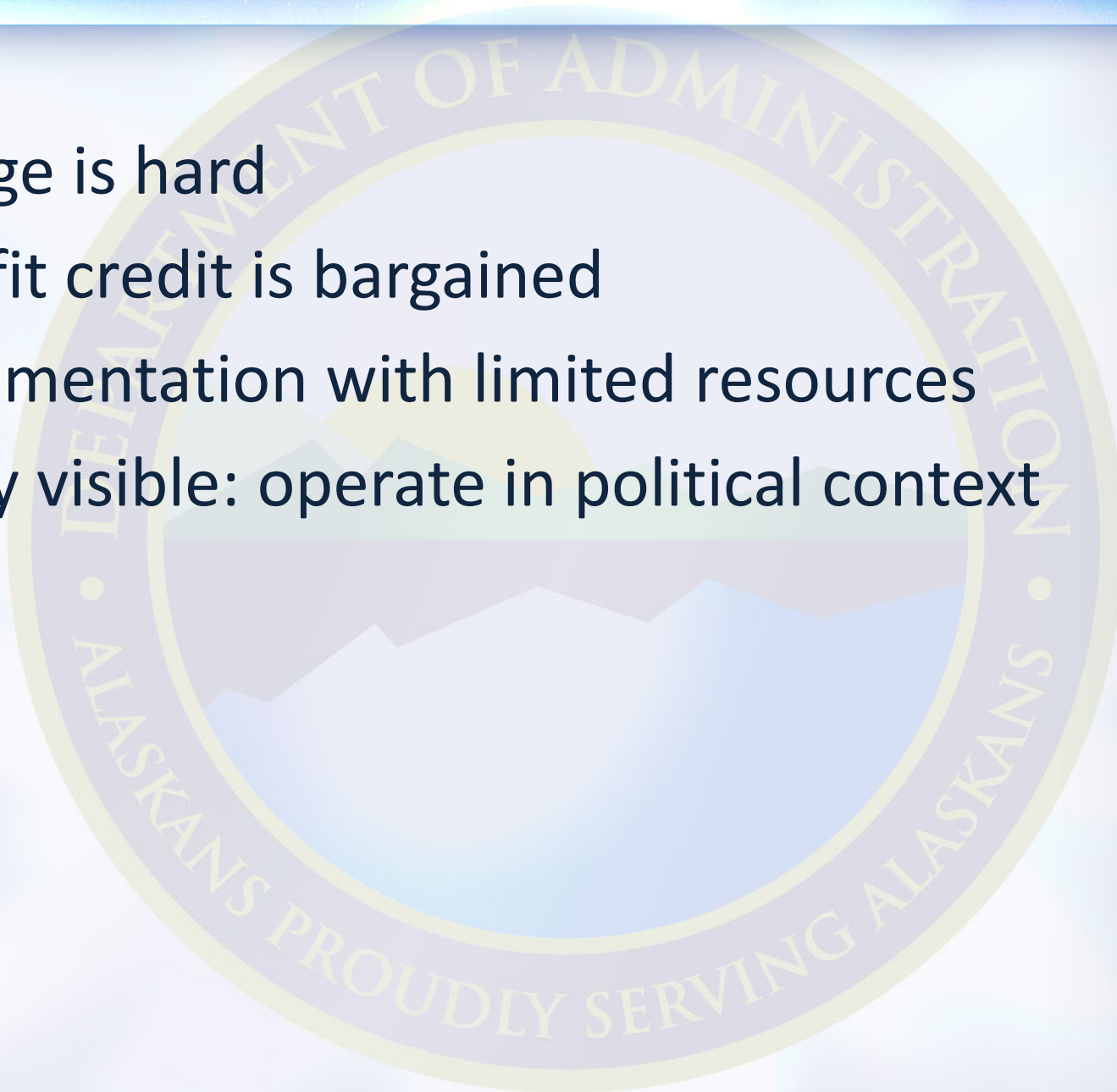
Source: Mercer Health and Benefits, 2010; National Governor's Association, 2012

OPPORTUNITIES FOR ALASKACARE

- Implementation of an employee wellness program
- Improved consumerism and appropriate utilization of services by our members
- Plan design changes to align payer, patient, and provider interests
- Contracting strategies
- Procurement of third-party administrator

BARRIERS TO SUCCESS

- Change is hard
- Benefit credit is bargained
- Implementation with limited resources
- Highly visible: operate in political context



VISION SLIDE

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

The background of the slide features a large, faint, circular seal of the Department of Administration, State of Alaska. The seal contains the text "DEPARTMENT OF ADMINISTRATION" at the top and "ALASKANS PROUDLY SERVING ALASKANS" at the bottom, with a central emblem depicting a mountain range and a sun.

Thank you!

Visit www.DOA.alaska.gov

for more information about our department.

Questions?