

Transforming Health Care in Alaska

Health – Quality – Cost

DHSS Subcommittee House Finance

Deborah Erickson, Executive Director

Alaska Health Care Commission

December 2, 2013

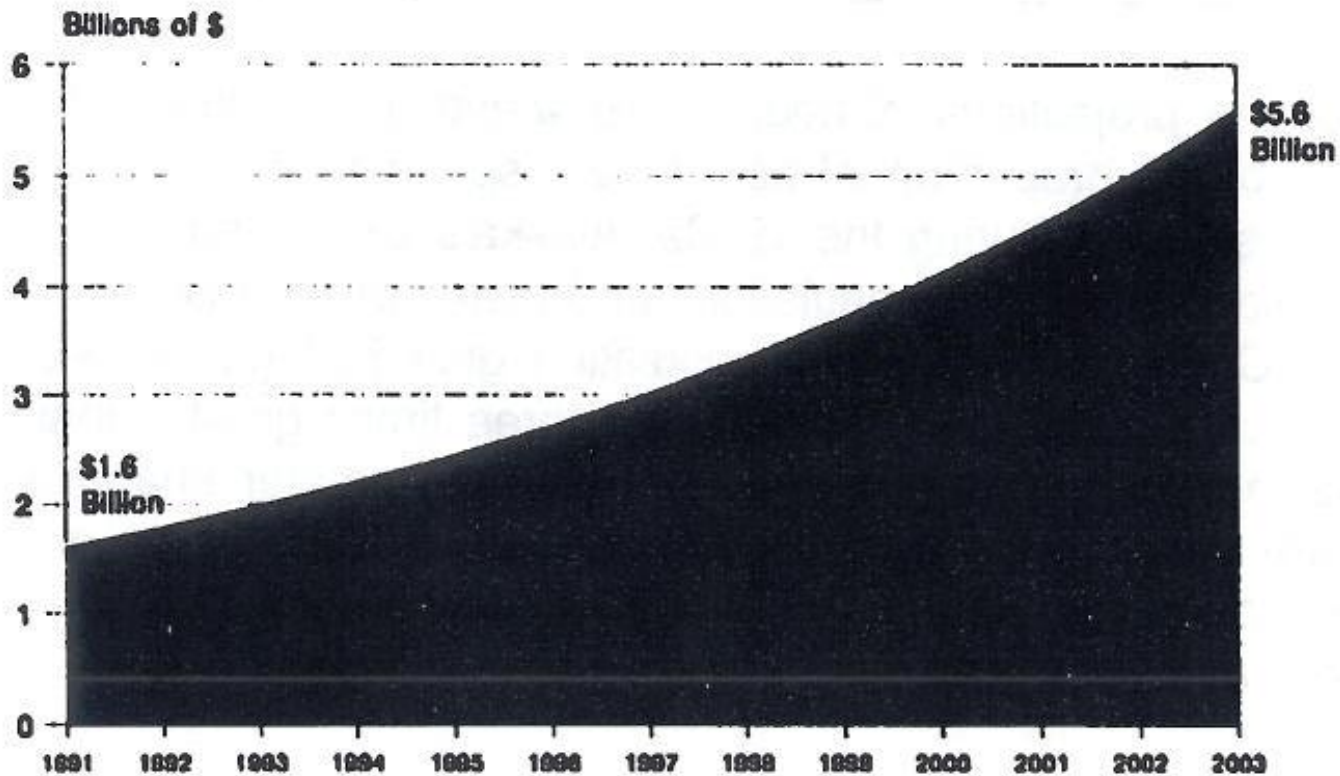


Presentation Overview

- Introduction — Health Care Costs & Cost Drivers
- 2013 Findings & Recommendations (*draft 'til Dec. 6)*
- Plans for 2014
- Legislative Support & Action Required
- Appendix:
 - Commission Background
 - Overview of Prior-Year Recommendations



Figure 2-1
Projections of Health Care Expenditures in
Alaska under the Current System, 1991-2003

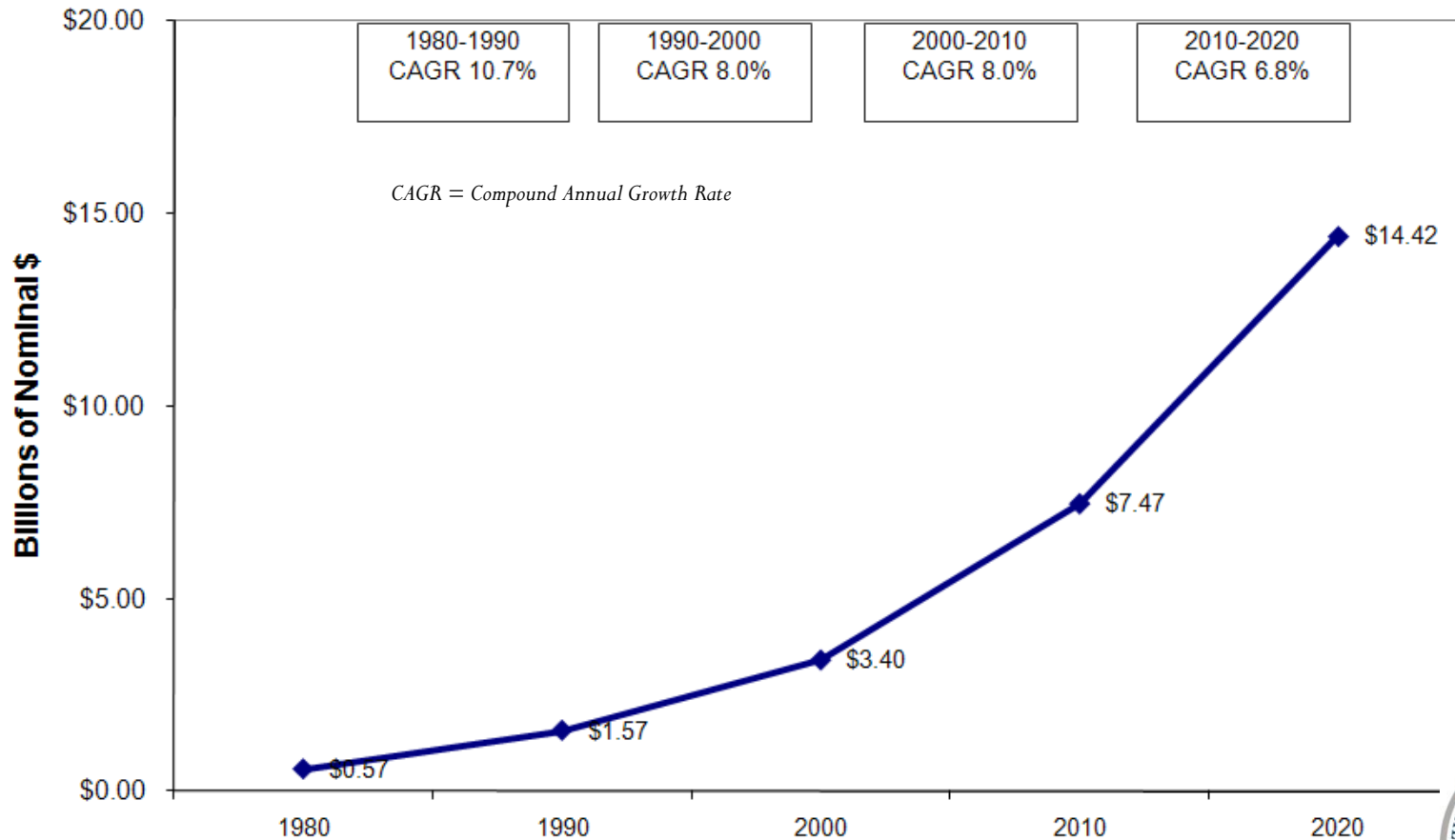


Source: Health Systems Research, Inc.

From Alaska Health Resources and Access Task Force 1993 Report

Health Care Spending in Alaska

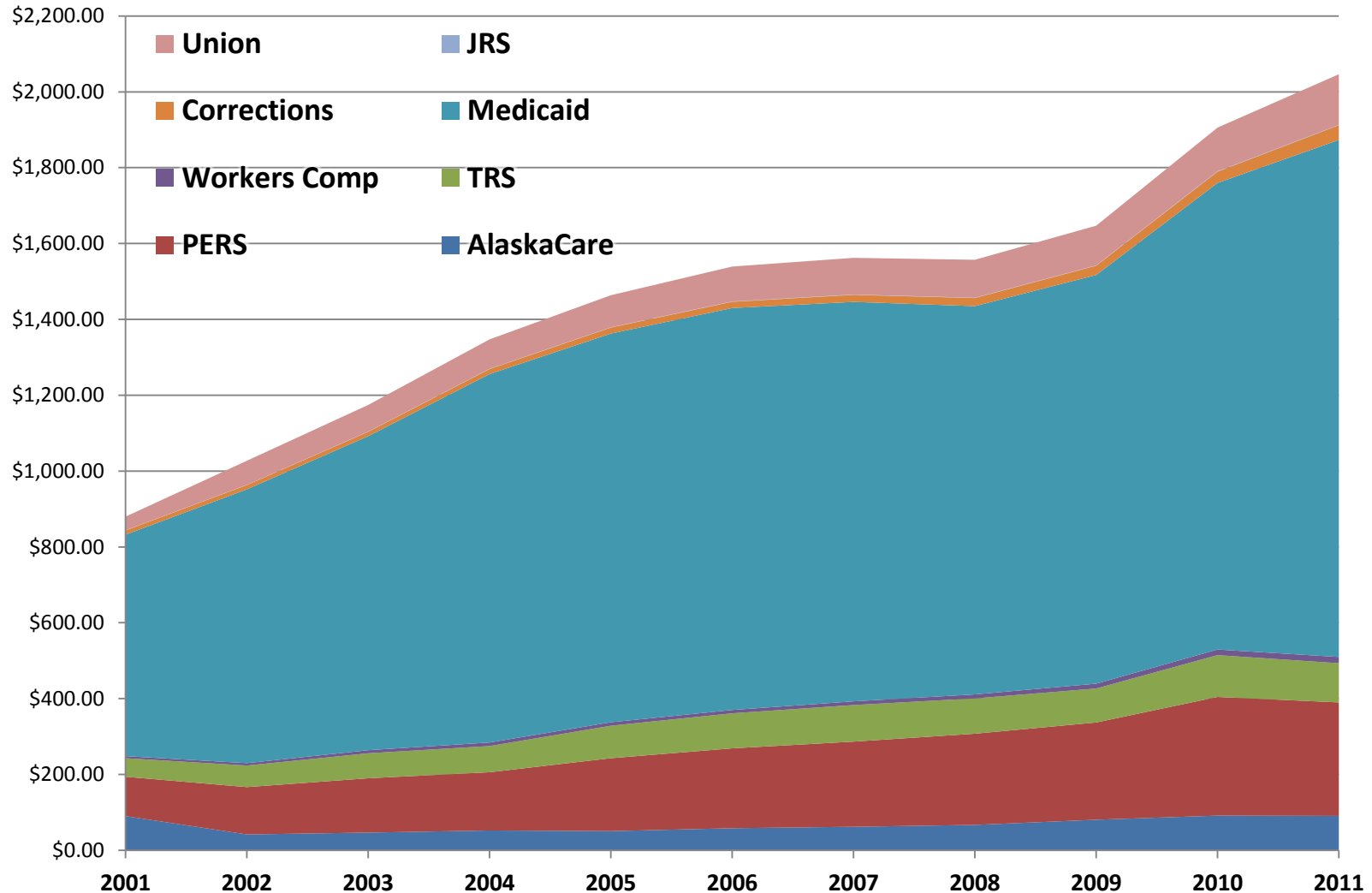
Alaska Health Care Expenditures History & Outlook



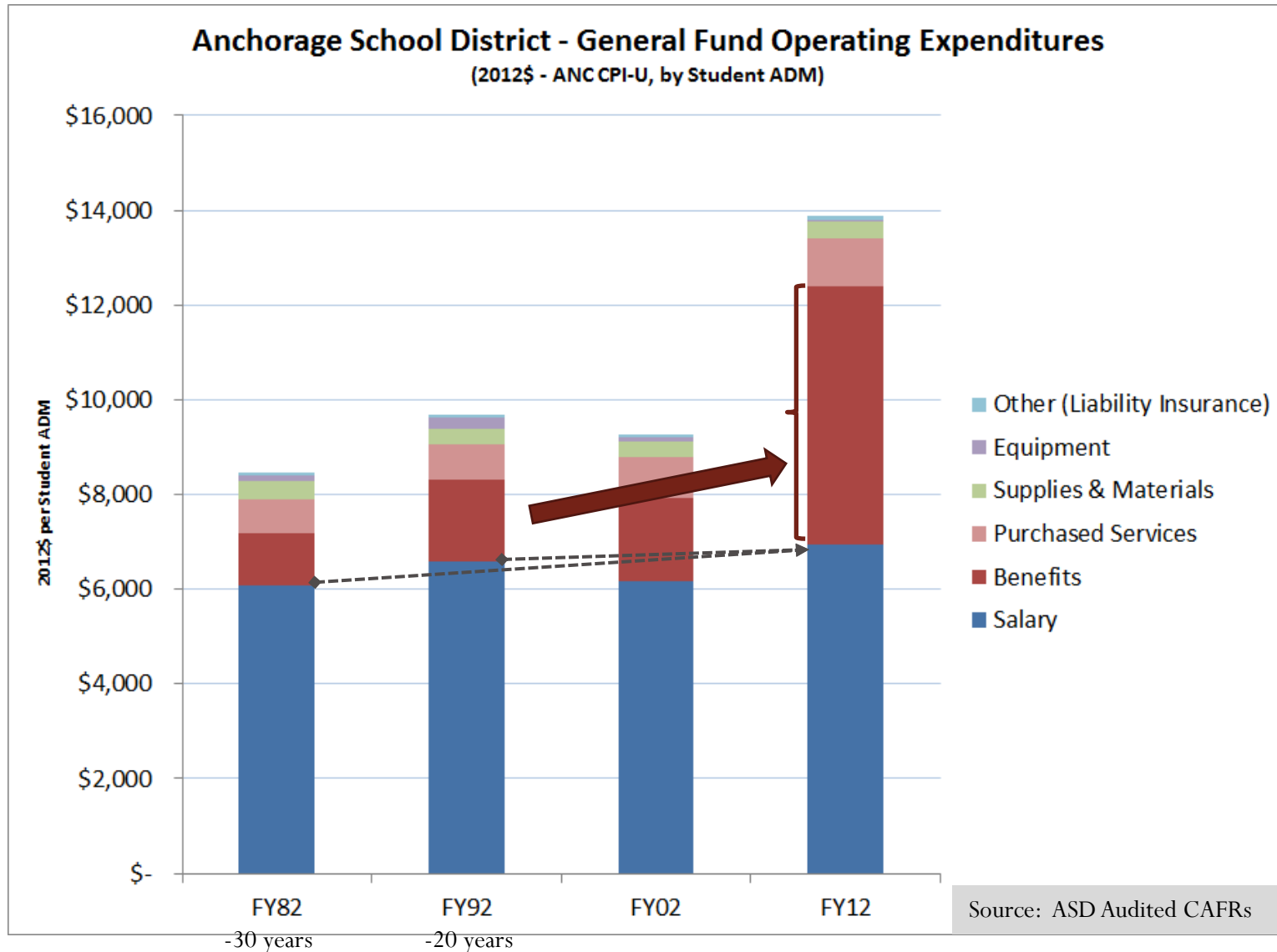
Institute for Social & Economic Research (ISER) at UAA with
Mark A Foster & Associates; 2010



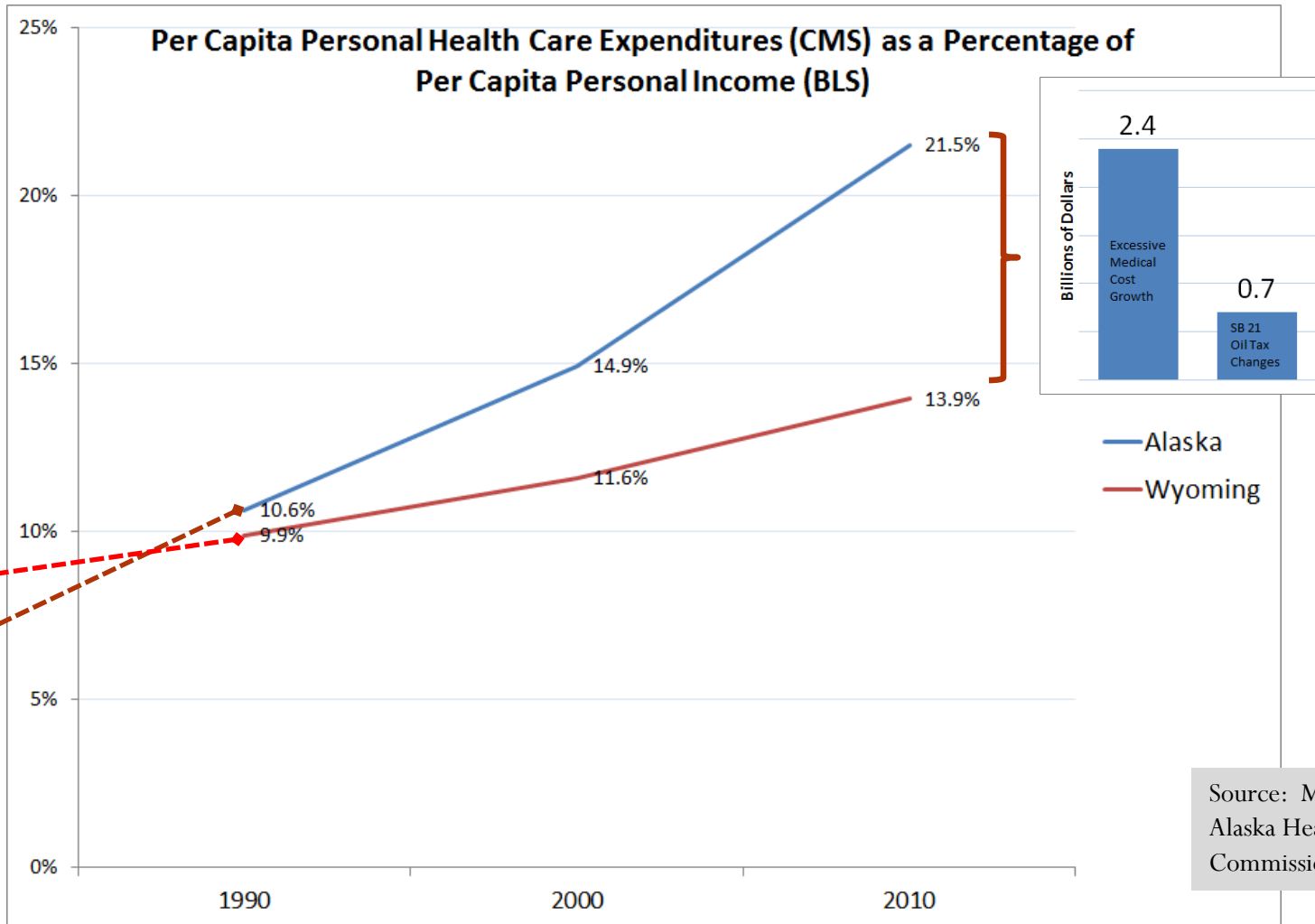
State Health Care Spending (millions)



Local Health Care Spending (example)



Medical Care Cost Driver Effects All Sectors and Is Well Above Benchmarks



Value Equation

Compared to the other 49 States:

- **Cost:** Alaska ranks 2nd for highest per capita spending ¹
- **Quality:** Alaska ranks 38th for best health care quality²
- **Outcomes:** Alaska ranks 34th for best health outcomes³

Data Sources:

1. 2009 US DHHS CMS Personal Health Expenditure Data through 2009
2. 2011 US DHHS Agency for Healthcare Research & Quality State Dashboard on Health Care Quality
3. 2012 United Health Foundation America's Health Rankings (Health Outcomes Rank)



State Price Comparison – physician services

Commercial Insurance Average Payment*

Description/ Code	AK	ID	ND	OR	WA	WY
Office/outpatient visit (99214)	194.83	133.62	140.11	164.90	140.23	117.70
Obstetrical care (59400)	4704.80	2457.25	2500.69	3183.41	2601.20	3061.87
Insert intracoronary stent 92980	4486.68	1391.33	1524.52	1555.88	1331.22	2496.38
Total knee arthroplasty (27447)	7264.91	2566.63	2269.14	2461.07	2288.07	5406.51
Total hip arthroplasty (27130)	10557.38	2266.18	2175.36	2390.15	2263.44	3343.42
Diagnostic colonoscopy 45378	1199.45	618.32	399.59	587.87	448.27	772.43

* Weighted average of actual reimbursement, including patient co-pay
(highest cost for each procedure highlighted red; lowest cost green)

Milliman, Inc., November 2011

Report for the Alaska Health Care Commission



State Price Comparison – physician services

Medicaid Fee Schedules (2011)

Description/ Code	AK	ID	ND	OR	WA	WY
Office/outpatient visit (99214)	150.83	98.08	100.41	101.63	107.25	102.45
Obstetrical care (59400)	2821.81	1539.21	2339.40	2018.09	2034.50	n/a
Insert intracoro- nary stent 92980	1398.93	775.80	1189.17	676.03	523.52	n/a
Total knee arth- roplasty (27447)	2410.07	1298.57	2009.69	1136.17	884.98	n/a
Total hip arth- roplasty (27130)	2254.09	1210.03	1879.52	1062.45	827.40	n/a
Diagnostic col- onoscopy 45378	579.70	338.69	512.69	304.18	227.86	n/a

Milliman, Inc., November 2011

Report for the Alaska Health Care Commission



State Price Comparison – physician services

Workers' Comp Fee Schedules (2011)

Description/ Code	AK	ID	ND	OR	WA	WY
Office/outpatient visit (99214)	216.25	197.74	186.44	206.48	167.13	n/a
Obstetrical care (59400)	5274.96	4515.39	3468.64	4590.19	3028.76	n/a
Insert intracoro- nary stent 92980	5295.65	1635.52	1591.86	1634.76	1394.57	n/a
Total knee arth- roplasty (27447)	9278.23	5929.68	2806.50	3589.22	2476.47	n/a
Total hip arth- roplasty (27130)	12671.59	5547.09	2625.64	3358.22	2317.09	n/a
Diagnostic col- onoscopy 45378	1494.59	962.91	721.60	956.36	646.92	n/a

Milliman, Inc., November 2011

Report for the Alaska Health Care Commission



Price Comparison – physician services

Within Alaska – by Payer

Description/ Code	Commercial Insurance*	Medicare	TRICARE	VA	Medicaid	Work Comp
Office/outpatient visit (99214)	194.83	130.96	182.64	150.83	163.18	216.25
Obstetrical care (59400)	4704.80	2354.90	3181.81	4231.13	2821.81	5274.96
Insert intracoro- nary stent 92980	4486.68	1110.09	1626.42	3639.24	1398.93	5295.65
Total knee arth- roplasty (27447)	7264.91	1934.46	2713.06	3832.63	2410.07	9278.23
Total hip arth- roplasty (27130)	10557.38	1810.11	2537.88	3560.16	2254.09	12671.5 9
Diagnostic col- onoscopy 45378	1199.45	474.49	651.17	978.47	579.70	1494.59

* Weighted average of actual reimbursement, including patient co-pay

Milliman, Inc., November 2011

Report for the Alaska Health Care Commission



State Price Comparison – hospital services

Private Sector Hospital Average Operating Margins

Region/State	2008	2009	2010
Hawaii	-1.3%	-2.7%	3.4%
Idaho	5.8%	6.8%	6.1%
North Dakota	-0.6%	2.1%	4.0%
Oregon	2.9%	3.7%	6.1%
Washington	4.2%	4.9%	5.8%
Wyoming	6.5%	2.6%	9.4%
COMP STATE AVG.	3.3%	3.9%	5.7%
NATIONWIDE AVG.	1.5%	3.8%	5.3%
Urban Alaska (Anch/Fbx/Mat-Su)	11.5%	13.4%	16.2%
Rural Alaska	5.4%	5.2%	6.1%
ALASKA	9.8%	11.2%	13.4%
AK relative to comp states	297.4%	289.0%	232.8%

Milliman, Inc., November 2011

Report for the Alaska Health Care Commission



Milliman's Cost Driver Conclusions

- Private Sector Hospitals
 - Prices in Alaska are high relative to comparison states
 - Operating costs drive higher prices in rural Alaska (86% higher)
 - Operating margins drive higher prices in urban Alaska (186% higher)
- Physician Services
 - Prices in Alaska are very high relative to comparison states
 - Low discounts indicative of high physician pricing power
 - High physician pricing power likely due to relative scarcity, particularly of specialists.

Milliman, Inc., November 2011
Report for the Alaska Health Care Commission



New Findings & Recommendations

From CY 2013 (*DRAFT UNTIL DECEMBER 6*)





Core Strategies 2013 focus highlighted

- I. Ensure the best available evidence is used for making decisions**
- II. Increase price and quality transparency**
- III. Pay for value**
- IV. Engage employers to improve health plans and employee wellness**
- V. Enhance quality and efficiency of care on the front-end**
- VI. Increase dignity and quality of care for seriously and terminally ill patients**
- VII. Focus on prevention**
- VIII. Build the foundation of a sustainable health care system**



2013 Findings Highlights

- Private and public health care sectors in the U.S. are demonstrating increased quality and lower costs through the application of evidence-based medicine. Key definitions include:
 - **Evidence-based medicine** is the use of scientific method to inform health care decisions.
 - **High grade evidence** is medical evidence determined through critical appraisal to be of high quality and clinically useful.
 - **Critical appraisal** is scientific evaluation of evidence for validity through review for clinical usefulness and errors resulting from bias and other sources.
- Market forces affecting pricing for health care services are influenced by:
 - The size and structure of the health care market
 - Partnerships among private and public employers and other payers could increase value in health care purchasing
 - State laws and regulations
 - Division of Insurance regulation requiring payment at 80% usual and customary charges
 - Assignment of Benefit law



2013 Findings Highlights

- Workers' Compensation costs in Alaska are the highest in the nation, primarily driven by the highest medical benefit costs
 - #s of occupational injuries have declined over the past 15 years
 - Premiums have been steadily increasing, driven by
 - The highest medical claims costs in the U.S.
 - The highest medical fees in the U.S.
 - High prescription drug costs driven by:
 - Over-prescription of opioids
 - Drug repackaging and sale with price mark-up by some prescribing clinicians
- Abuse of prescription opioid narcotics is a critical personal, employer and public health concern
 - Drug overdose death rates in the U.S. have more than tripled since 1990
 - Nearly 3 out 4 prescription drug overdoses are caused by opioids
 - Alaska ranks 5th in the U.S. for deaths due to prescription drug overdose



2013 Findings Highlights

- Statewide All-Payer Claims Databases (APCDs) are becoming an important tool for patients, payers and providers to improve health outcomes and health care cost and quality. APCDs:
 - Aggregate medical claims data from payers (e.g., insurers, third-party administrators, Medicaid, Medicare)
 - Minimize burden on providers --- data collection from a few payers is an efficient alternative to data collection from numerous individual providers
 - Are used for multiple purposes, including:
 - Price and quality transparency for the public
 - Utilization and cost analyses for policy makers, employers and other payers
 - Clinical quality improvement initiatives by and for providers
 - Understanding population health trends for public health purposes
 - Would provide a tool for supporting multiple Core Strategies recommended by Commission, including Transparency, Payment Reform, and Prevention



2013 Recommendations

I. Ensure the best available evidence is used for making decisions

- Commissioners of State agencies responsible for purchasing medical services should:
 - Apply evidence-based medicine in payment methods and benefit design
 - Provide training in critical appraisal for staff and providers
 - Provide patient decision-support tools
- The University should incorporate evidence-based medicine and critical appraisal principles in clinical and health administration curricula



2013 Recommendations

IV. Engage and Support Employers

- The Department of Administration and University of Alaska in their employer role should:
 - Implement elements of successful employee health programs
 - Evidence-based medicine (benefit design; precertification processes)
 - Price sensitivity (consumer directed health plans)
 - Price and quality transparency (patient decision-support tools)
 - Pro-active primary care (patient-centered medical homes; on-site clinics)
 - Healthy life-style support (worksite wellness)
 - Partner with other large employers to share learning opportunities and align strategies



2013 Recommendations

IV. Engage and Support Employers

- Legislature should increase price and quality transparency
 - Establish an All-Payer Claims Database in legislation
 - Consider additional transparency legislation
- Division of Insurance should modify regulation that creates adverse commercial insurance pricing consequences



2013 Recommendations

IV. Engage and Support Employers

- Legislature should reform Workers' Comp Act to contain medical costs and improve quality of care and outcomes
 - Implement evidence-based treatment guidelines
 - Restrict reimbursement for repackaged pharmaceuticals
 - Restrict reimbursement for opioid narcotic drugs
 - Revise payment methodology
- Legislature should support upgrade of controlled substances prescription database to real-time and provide support for ongoing operation
- Medical Professional Licensing Boards should:
 - Establish guidelines for:
 - Prescription drug repackaging and sale by clinicians
 - Appropriate dosage of opioid narcotics
 - Require continuing education regarding opioid abuse



2013 Recommendations

II. Increase Price & Quality Transparency; and,

VIII. Strengthen Foundation: Health Information Infrastructure

- DHSS Commissioner should:
 - Require participation in the Hospital Discharge Database through regulation
 - Data source: Providers
- Legislature and DHSS should:
 - Establish a Statewide All-Payer Claims Database in legislation
 - Data source: Payers



Commission Plans for 2014

- Support and Track Employers' Efforts to Increase Health Care Value
 - Complete ISER/Dept of Labor Study of Employer Health Offerings
 - Collaborate with Alaska Human Resource Leadership Network
- Explore additional Transparency Legislation Options
- Explore Opportunities to Improve Fraud & Abuse Prevention
- Continue Study of Current Conditions
 - Quality and safety of medical services
 - Health insurance coverage and access
 - Alaska's military and veterans' health care system
 - Medevac transportation access and cost in Alaska
 - Pharmacy benefit management
 - Track Implementation of Federal Health Care Reform
- Foster Development of the Alaska Health Care Transformation Plan
- Coordinate with the Alaska Medicaid Reform Advisory Group

What Can the Legislature Do?

Recommendations Requiring Legislation or Legislative Support



Legislative Support Required

- Support State agencies as they strive for increased health care value through
 - More competitive pricing
 - Spending strategies that drive higher quality and improved outcomes
 - Focus on prevention
- Examples of recommended agency action
 - Implementation of evidence-based medicine
 - Coverage and authorization changes
 - Collaborative learning with employers and providers
 - Payment reform and competitive pricing strategies
 - Modification of Division of Insurance payment regulation
 - Rules regarding use of generic pharmaceuticals
 - Delivery system improvement
 - Care Coordination/Case Management
 - Patient-Centered Medical Homes
 - Primary Care – Behavioral Health Integration
 - Public health prevention priorities: 1) obesity & overweight, 2) tobacco, 3) immunizations, 4) unintentional injury, 5) water fluoridation
 - Development of the Alaska Health Care Transformation Plan
- Recognize that these changes will be a challenge for providers



Legislative Action Required

- Public policy change requiring direct legislative action
 1. Establish All-Payer Claims Database Legislation
 2. Explore additional Transparency Legislation
 3. Reform the Workers' Compensation Act
 4. Support upgrade to real-time and operation of drug database
 5. Extend the Health Care Commission's Sunset Date
 6. Increase choice, dignity and quality of care for seriously and terminally ill patients *(from 2012 recommendations)*
 - a) Evolve Comfort One legislation to include "POLST" (Physician Orders for Life Sustaining Treatment)
 - b) Establish an advance-directives electronic registry
 7. Support prevention - public health priorities





Thank You!

NEXT COMMISSION MEETING

December 6, 2013

For more information, visit the Commission's website

<http://dhss.alaska.gov/ahcc/>

**For periodic updates, join the Commission's listserve
via our website**

Appendix:

Commission Background

Authority, Membership, Process



Statutory Authority

- “The purpose of the commission is to provide recommendations for and foster the development of a statewide plan to address the quality, accessibility and availability of health care for all citizens of the state.” AS 18.09.010

- Statute enacted 2010; Sunsets June 30, 2014 if not extended
(Division of Legislative Audit recently recommended extension)
- Advisory in nature
- 14 members, appointed by Governor except for 2 legislators
- Policy recommendations due annually (January 15) to Governor and Legislature



Membership (seats designated in statute)

- **Voting Members**

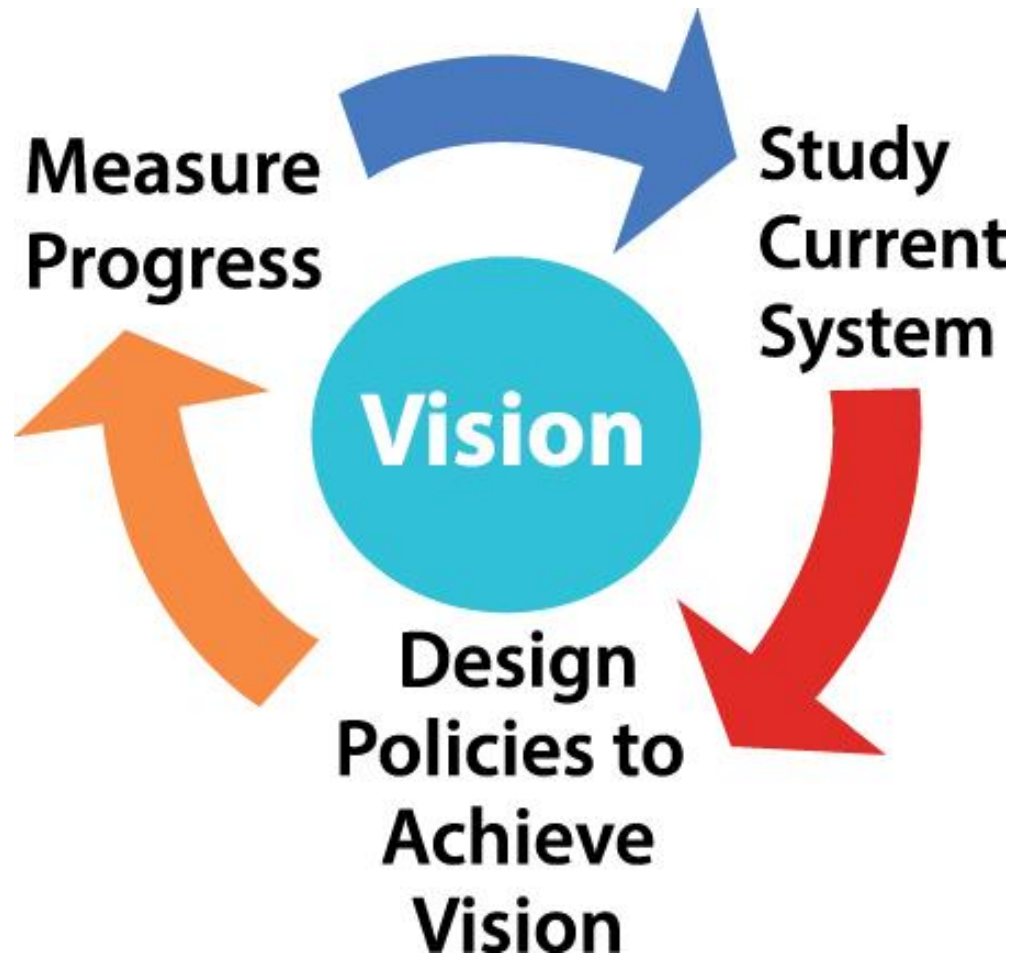
- **Ward Hurlburt, MD, MPH:** DHSS Chief Medical Officer (designated Chair)
- **C. Keith Campbell:** Health care consumer
- **Valerie Davidson:** Tribal health community
- **Jeffrey Davis:** Health insurance industry
- **Emily Ennis:** Alaska Mental Health Trust Authority
- **Col. Thomas Harrell, MD:** U.S. Dept. of Veterans' Affairs health care
- **Allen Hippler:** Statewide chamber of commerce
- **VACANT** (formerly Pat Branco; Ryan Smith): Alaska State Hospital & Nursing Home Association
- **Lawrence Stinson, MD:** Health care provider
- **Robert Urata, MD:** Primary care physician
- **David Morgan:** Community health centers

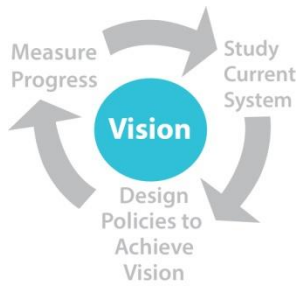
- **3 Ex-Officio Members**

- **Wes Keller:** House of Representatives
- **John Coghill:** Senate
- **Jim Puckett** (Director, Division of Retirement & Benefits): Governor's Office



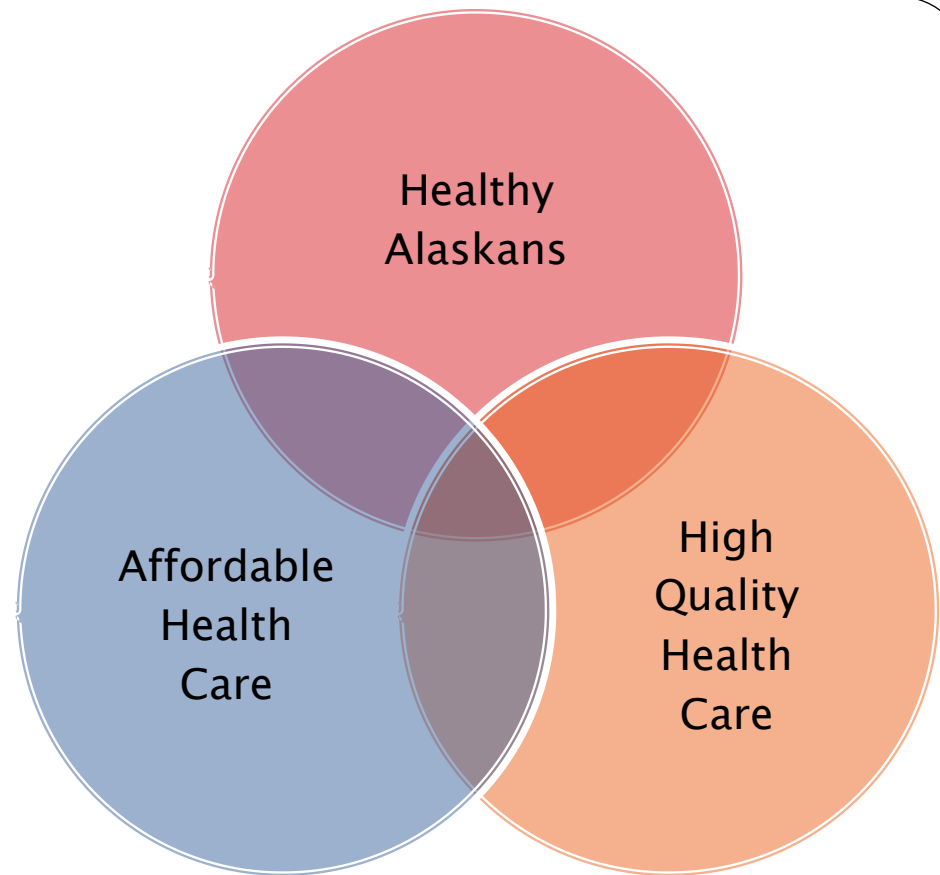
Planning Process





Vision

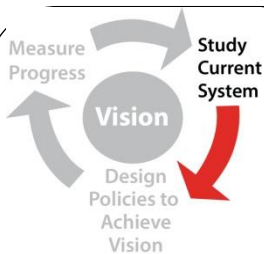
By 2025 Alaskans will be the healthiest people in the nation and have access to the highest quality most affordable health care.



We will know we attained this vision when, compared to the other 49 states, Alaskans have:

1. The highest life expectancy (currently 29th)
2. The highest percentage population with access to primary care (27th)
3. The lowest per capita health care spending (49th)





Commission Studies of Alaska's Current Health Care System

Study	Consultants	Annual Report
Description of health care system structure & financing	AK DHSS Staff	2009
Discussion of current health care system challenges	AK DHSS Staff	2009
Overview of Affordable Care Act	AK DHSS Staff	2010
Impact of Affordable Care Act on Alaska	ISER/MAFA	2010
Economic analysis of health care spending and cost drivers	ISER/MAFA	2011
Actuarial analysis of physician, hospital, and durable medical equipment prices compared to other states and between payers; cost drivers of price differentials (3 reports)	Milliman, Inc.	2011
Actuarial analysis of prescription drug prices compared to other states and between payers	Milliman, Inc.	2012
Impact of malpractice reforms enacted to-date	Expert Witnesses	2012
Government regulation of the health care industry	AK DHSS Staff	2012
Business use case analysis of an All-Payer Claims Database	Freedman Healthcare	2013



Recommended Strategies

- I. Ensure the best available evidence is used for making decisions
- II. Increase price and quality transparency
- III. Pay for value
- IV. Engage employers to improve health plans and employee wellness
- V. Enhance quality and efficiency of care on the front-end
- VI. Increase dignity and quality of care for seriously and terminally ill patients
- VII. Focus on prevention
- VIII. Build the foundation of a sustainable health care system





Measuring Progress

I. Monitor Implementation of Recommendations

II. Measure Progress Towards Vision Attainment

We will know we attained this vision when, compared to the other 49 states, Alaskans have:

- 1. The highest life expectancy (currently 29th)*
- 2. The highest percentage population with access to primary care (27th)*
- 3. The lowest per capita health care spending (49th)*

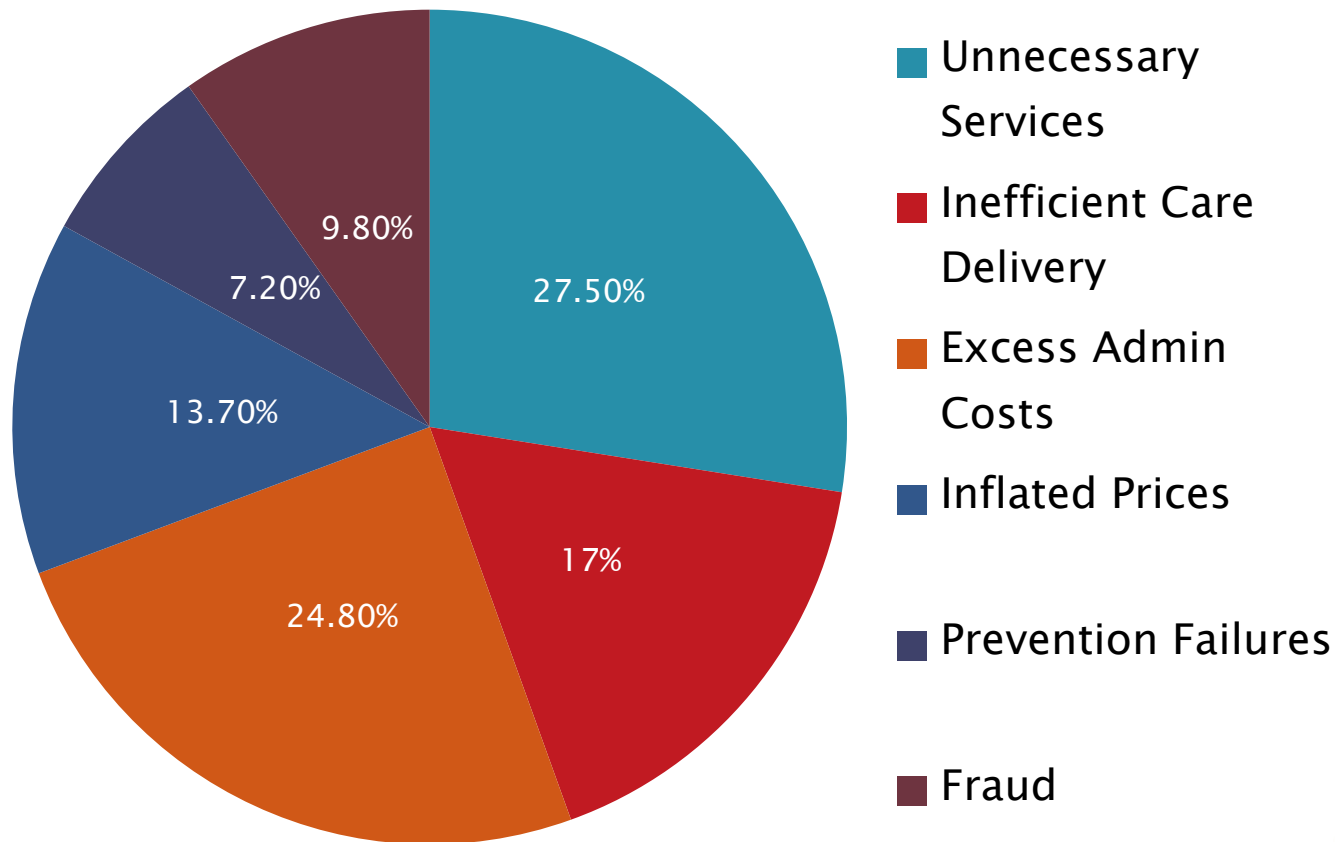
Appendix: Solutions Focused on Value

Overview of Commission Recommendations through CY 2012



Drive out the Waste

Sources of \$750 Billion Annual Waste in U.S. Health Care System



Institute of Medicine, 2012

Best Care at Lower Cost: The Path to Continuously Learning Health Care
September 6, 2012



Focus on Health & Value

*Provide high quality,
evidence-based care.
Prevent conditions
from worsening and
prevent
hospitalizations if
possible*

**Complex
Conditions**

*Provide Care
Coordination;
Care Management;
other needed Supports*

**Mild to Moderate
Illness & Conditions**

Healthy Population
Focus on Prevention





Recommended Strategies

- I. Ensure the best available evidence is used for making decisions
- II. Increase price and quality transparency
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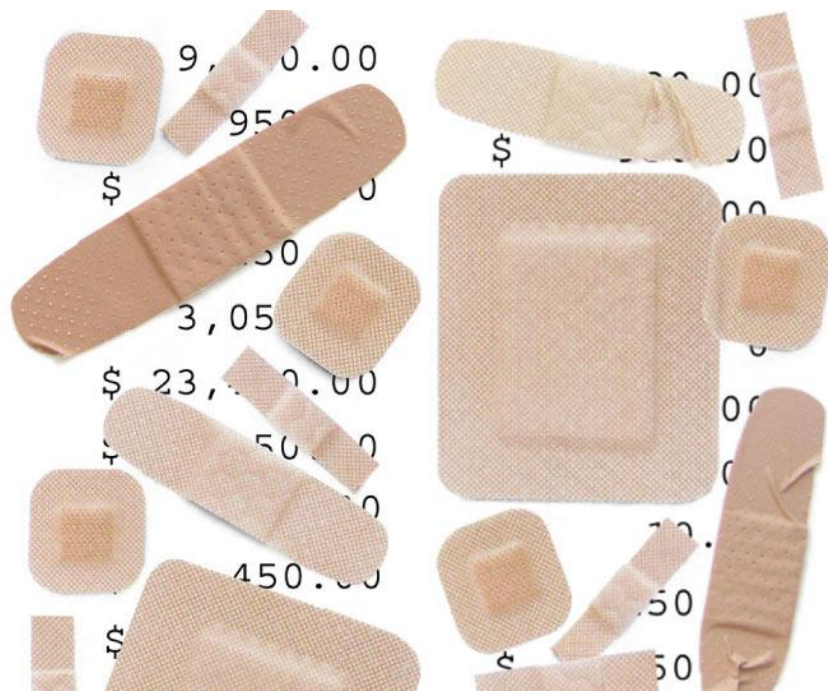
I. Ensure the best available evidence is used for making decisions

- Encourage, support and coordinate health care program application of evidence-based medicine principles to health benefit design and provider payment





II. Increase price and quality transparency



- Investigate and support mechanisms for providing the public with information on price and quality of health care services
- Encourage (2013: *Require*) full participation in the Hospital Discharge Database
- Study the need and feasibility of (2013: *Develop*) an All-Payer Claims Database



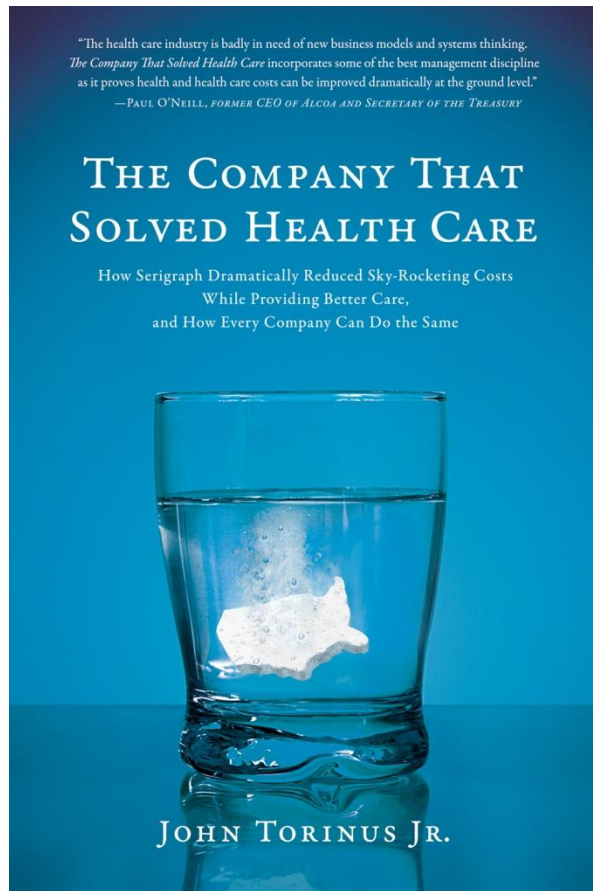
III. Pay for Value

- Redesign payment structures to incentivize quality, efficiency and effectiveness; move away from fee for service payment
- Take a phased approach; start with primary care payment enhancement
- Develop health data and analytics needed for design and negotiation of payment reform initiatives; (2013: *Start with All-Payer Claims Database*)
- Support collaboration between State agencies that purchase health care and private health care purchasers in multi-payer payment reform efforts






IV. Engage employers to improve health plans and employee wellness



- Investigate and support mechanisms for providing the public with information on price and quality of health care services
- Provide leadership for Alaskan employers
- Include essential elements of successful employee health management programs:
 - Price sensitivity
 - Price and quality transparency
 - Pro-active primary care
 - Healthy lifestyle support

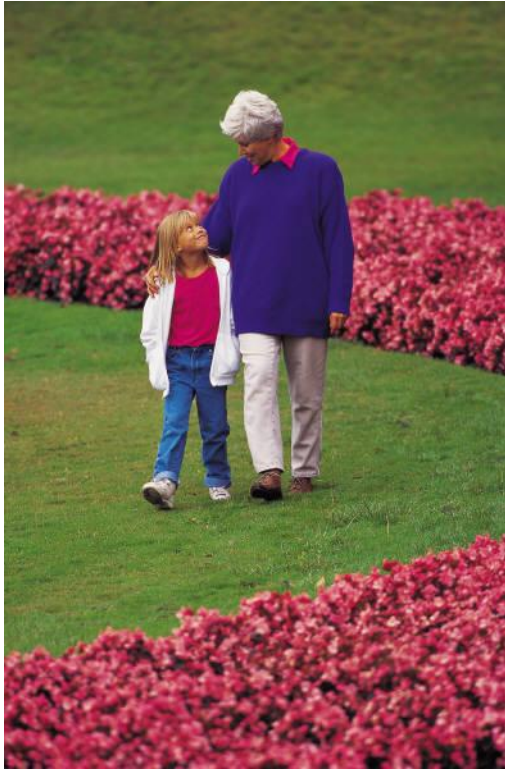


V. Enhance quality and efficiency of care on the front end

- Recognize value of primary care through appropriate reimbursement
 - Promote patient-clinician relationships
 - Support state health programs to implement patient-centric primary care models
- 
- A photograph showing a female healthcare provider with brown hair tied back, wearing a blue patterned scrubs top, smiling warmly at a young boy. The boy, wearing a red sweater and blue jeans, is sitting on an examination table and has his mouth open, showing his teeth. The provider is using a small dental tool to examine the boy's mouth. The background shows a typical clinical setting with a wall-mounted device and some papers.
- Support high quality, comprehensive, coordinated trauma care system



VI. Increase dignity and quality of care for seriously and terminally ill patients



- Support communication and education regarding end-of-life planning and resources
- Require continuing education in palliative care and pain management for clinicians
- Encourage clinical training programs to address death and dying
- Evolve Comfort One program to include POLST (Physician Orders for Life Sustaining Treatment)
- Create electronic registry for directives
- Pilot:
 - Tele-palliative care
 - Payment Structures



VII. Focus on Prevention

- Implement obesity prevention programs
- Insure adequate funding and support for immunization program
- Integrate behavioral health and primary care services



- ▶ Support screening for
 - History of adverse childhood events
 - Substance abuse
 - depression

Get out and Play. Every day.



*Raising healthy kids
in Alaska!*



VIII. Build the foundation of a sustainable health care system



Alaska Native Tribal Health Consortium
Telemedicine Cart

- **Health Information Infrastructure**
 - Support Electronic Health Records & Health Information Exchange
 - Foster Telemedicine
 - Encourage Hospital Discharge Data
 - Study All-Payer Claims Data

► **Health Workforce**

- Support workforce innovation and adaptation as care models evolve
- Target public investment to primary care workforce development



L to R: Danielle Boston, Daniel Kennedy, Sheena Nelson, and Christopher Evan.

1st Graduating Class of Alaska Dental Health
Aide Therapists