

Alaska State Legislature

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HB 227 Section 15: Page 9– Preterm birth reduction

A Purpose of Medicaid Reform is to save the state money.

Protect Our Children Now(POCN) is a health project model currently underway in South Carolina which is partially supported by SelectHealth, a private insurance company and Medicaid managed care organization. The project is also supported by cooperation with Eau Claire Cooperative Health Centers and the Medical University of South Carolina.

So what does it mean for Alaska?

- Each preterm birth costs Alaska about \$55,000 extra.
- The research which forms the basis for the POCN counseling/nutrition project model showed the S.C. preterm rate reduced by over 50%.
- Alaska's preterm birth rate is 8.5% so the potential reduction 4.25%.
- The Denali KidCare (Medicaid) annual birth rate is over 5,000.
- Potential avoided preterm births are $5,000 \times 4.25\% = 212$.
- Potential Direct expense avoided is $212 \times \$55,000. = \$11,660,000$.
- Total POCN counseling/nutrition cost is \$450,000 per 500 pregnancies.
- For the total 5,000 births the cost = \$4,500,000.
- **POCN potential savings equals \$7,160,000 per year (\$7.16 million).**

The reform initiative in HB 227 has the department design and implement a voluntary pilot project to lower the preterm birth rate for Alaska.

Of course the \$7.16 million annual savings will not occur in the first year with only a small population of participants. The savings may also be reduced by variables such as the compliance rate in the program and if AK experiences the 50% reduction as South Carolina. Perhaps there is another program that is more applicable or more effective for Alaska, but obviously preterm births are very expensive and at the current rate of 8.5% we have not yet found an answer.

The POCN model with paid care coordinator / local mentor was effective in South Carolina with the predominately poor, African American clientele and the culture of that southern state. That model may or may not translate to the Medicaid population of the northern-most state. That is why a demonstration project should be used to explore the potential Medicaid savings in Alaska.