

# AlaskaCare Health Plan Savings

Division of Retirement & Benefits  
Department of Administration



Presented by

Ajay Desai, Director

Emily Ricci, Chief Health Policy Administrator

# What is AlaskaCare?

- “AlaskaCare” is a term used to describe the State of Alaska self-insured health plans managed by the Division of Retirement & Benefits (DRB)
- \$674.4 million combined FY18 spend
- Nearly 90,000 covered lives

## AlaskaCare Retiree Plans Include:

- Defined Benefit Medical Plan
- Defined Contribution Retiree Medical Plan
- Dental, Vision, and Audio Plan
- Long-Term Care Plan

## AlaskaCare Employee Plans Include:

- Medical Plan
- Dental Plan
- Vision Plan

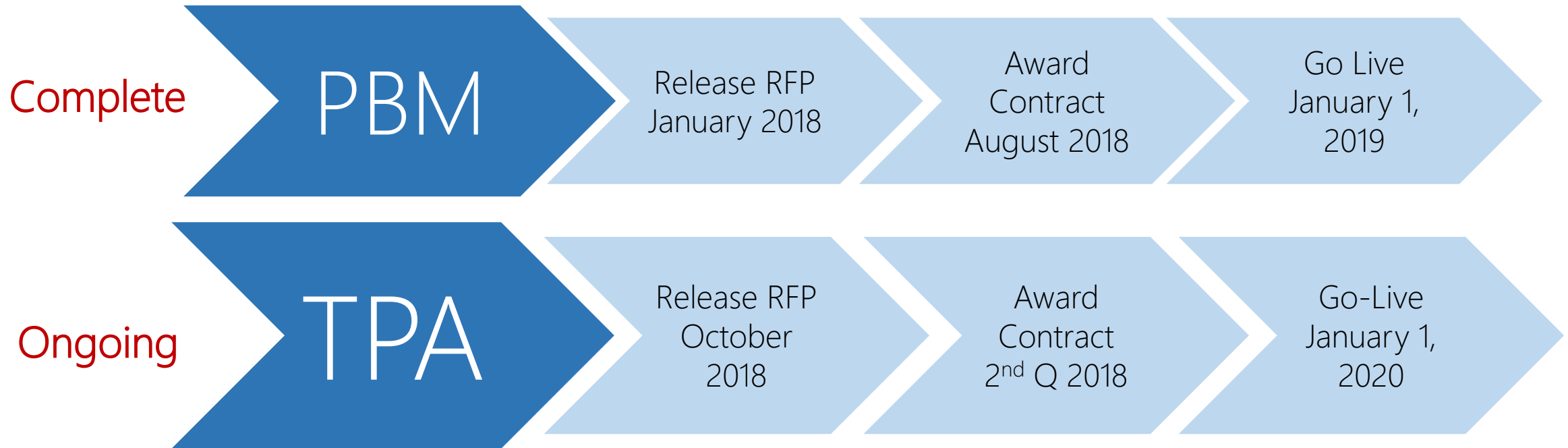
# Basics

- Commissioner of Administration is the Plan Administrator
- Division of Retirement & Benefits manages the health plans
- The AlaskaCare plans are self-insured, hires contractors to pay claims:
  - Aetna is the Medical Third-Party Administrator (TPA)
  - OptumRx is the Pharmacy Benefit Manager (PBM)
  - Moda is the dental plan TPA
  - CHCS\* is the long-term care claims administrator

\*CHCS is not an acronym, it is the name of the company.

# Procurement Plan

- Occasionally the Division competitively bids the health plan contracts
- The Division's procurement timeline is below:



# AlaskaCare Savings

- Employee Plan:
  - Implemented changes that saved an estimated \$32 million from FY16 – FY19
  - FY20 savings estimated to be \$13.9 million
  - Established strong fiscal reserve
  - Maintain trends under 3.5% for two fiscal years
- Retiree Plan:
  - Implemented changes that saved an estimated \$56.2 million from FY17 to FY19
  - FY20 savings estimated to be \$49 million
  - Changes implemented January 1, 2019 will reduce pension system liability and state assistance payments

# Retiree Plan Highlights

# Retiree Pharmacy Subsidies: EGWP

- Before 2019, the Division received pharmacy subsidies through a program called the Retiree Drug Subsidy Program (RDS)
- On January 1, the Division implemented an enhanced Medicare Part D Employer Group Waiver Plan (EGWP)
- Administrative change to increase federal subsidies **without reducing benefits**
- Only applies to Medicare eligible members
- Expands coverage of Medicare Part B vaccines



# Subsidy Comparison

- RDS (prior program):
  - \$18 to \$20 million in annual subsidies\*
  - Could not be considered when calculating pension system liability
  - Plan only received subsidies for members who filled prescriptions
- EGWP (current program):
  - \$40 to \$48 million in annual subsidies\*
  - Can be considered when calculating pension system liability
  - Three types of subsidies – plan receives an amount for every member
  - Higher administrative costs and complexity

\*These savings are net of administrative costs



# EGWP Financial Analysis

	Initial (2018)	Updated (2019)
EGWP		
Base Subsidy	\$10.0M	\$4.0M
Coverage Gap Discount	+ \$23.0M	+ \$28.0M
Catastrophic Reinsurance	+ \$14.0M	+ \$22.0M
= Total Subsidies	= \$47.0M	= \$54.0M
Additional Admin Fees	- \$6.8M	- \$5.2M
Medicare Part D Surcharge	- \$0.2M	- \$0.8M
= Net EGWP	= \$40.0M	= \$48.0M
RDS Subsidy	\$20.0M	\$18.0M
Estimated Savings	\$20.0M	\$30.0M

# Illustrative EGWP Estimated Savings

- Savings accrue in several different ways
- This is an example of the fiscal impact if EGWP savings had been applied to FY17

\$30 million estimated annual savings  
to retiree health trusts



Approximately \$1 Billion reduction in the  
Other Post Employment Benefit (OPEB) actuarial accrued liability



Estimated \$45 to \$58 million reduction in State Assistance Payment

# Retiree Plan Modernization

# Modernization Overview

- In collaboration with the Retiree Health Plan Advisory Board (RHPAB), the Division is working to modernize the retiree plan.
- The goal of the modernization project is to:
  - 1) provide value to the member through incorporating common benefits not currently available
  - 2) preserve the overall benefit of the plan
  - 3) implement standard cost saving mechanisms

# Key Topics

These items are proposals that are under evaluation. They may be adopted in part, in full, or not at all. Many came from the RHPAB.

- Expand preventive care
- Eliminate \$2 million lifetime maximum
- Modify/expand rehabilitative care provisions
- Add wellness benefits
- Enhance travel benefits
- Change out of network reimbursement
- Primary care co-payment
- Increase deductible and out-of-pocket maximum
- Change network coinsurance differential
- Partner w/independent pharmacists to develop high-quality, narrow network with additional covered services (e.g. blister packs)

# Information

- All retiree advisory board meetings are recorded and posted online, along with board packets
- Next modernization committee meeting is Wednesday, March 20<sup>th</sup>
- Visit <http://doa.alaska.gov/drb/alaskacare/retiree/advisory.html>

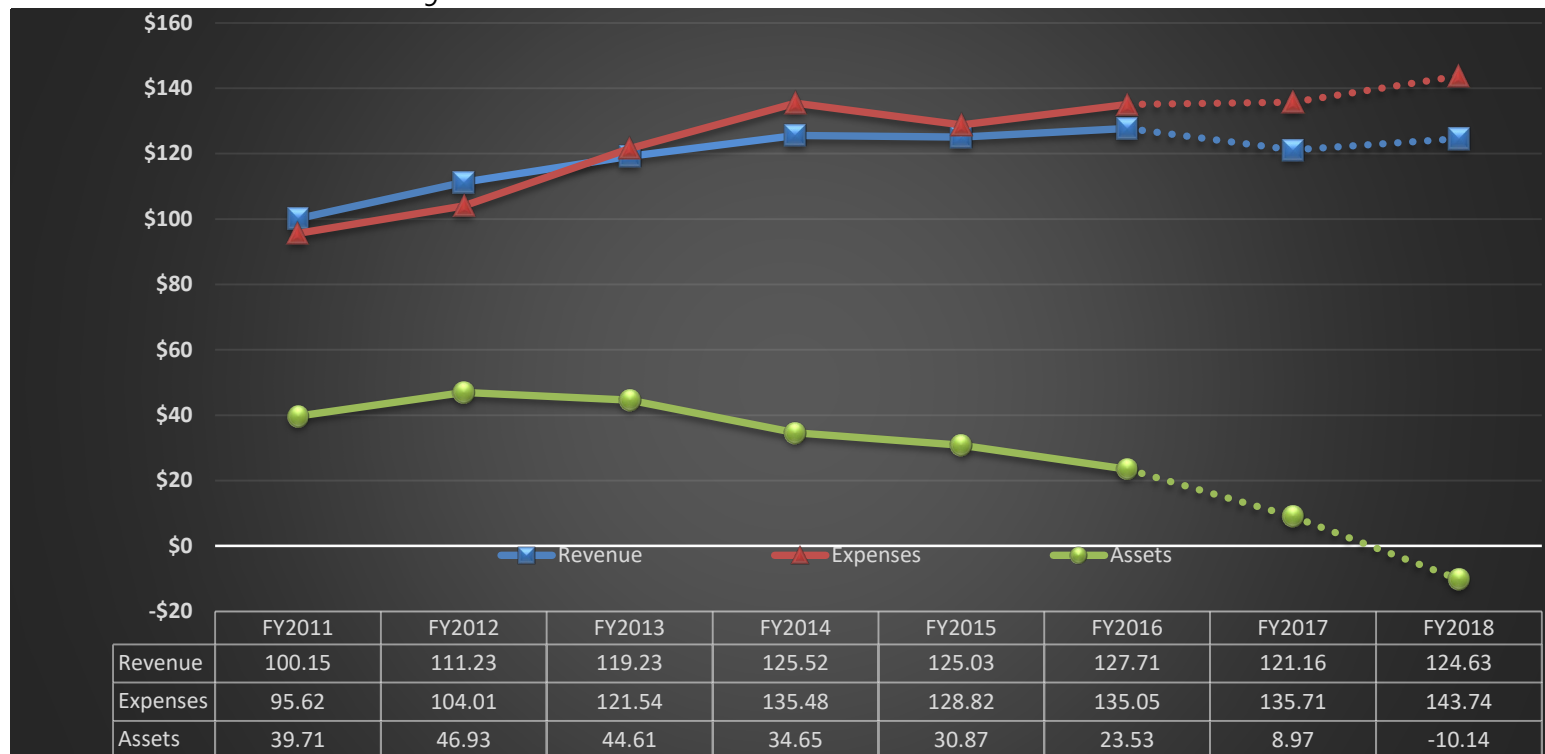


# Employee Plan Highlights

# Employee Health Plan: Challenges

- In FY16 the employee plan faced significant challenges
- Costs exceeded revenues, and the difference was not sustainable

Projected AlaskaCare Assets as of FYE2016





# Employee Plan: Solutions

- The Division identified four strategic levers to address fiscal challenges in 2017:
  - 1) Implement plan design changes
  - 2) Reduce cost of services
  - 3) Increase employee contributions
  - 4) Increase employer contributions

# Employee Plan: Savings

Initiative	Initiated (CY)	FY16-FY19 Savings (\$000)	Est. FY20 Savings (\$000)
Set employee premium as percentage of cost	2017	\$13,000	\$6,000
Hospital & Facility Steerage and Reference-Based Pricing (185% of Medicare's fee schedule)	2017	\$7,500	\$3,000
Three Tier Pharmacy Benefit	2017	\$4,400	\$1,800
Pharmacy Benefit Manager (PBM) Contracting	2017/2019	\$4,400	\$1,600
Increase deductible & out-of-pocket maximum	2017	\$2,200	\$0
Eliminate Premium plan	2017	\$1,500	\$600
Conduct dependent eligibility audit	2016	\$1,500	\$500
Allow Employees to Opt-Out	2017	\$600	\$300
Travel benefit (SurgeryPlus)	2018	\$400	\$800
Other pharmacy benefit design changes	2017	\$400	\$300
Add Consumer Directed Health Plan	2018	\$300	\$300
Telehealth services (Teladoc)	2018	\$100	\$200
Forfeiture of Grandfather Status	2017	+\$(\$3,800)	+\$(\$1,500)
<b>Employee Plan Total</b>		<b>\$32,100</b>	<b>\$13,900</b>

# Employee Plan: Impact of Solutions

- Changes implemented in 2017 appear to be working
  - Projected spend in FY19 less than 2017 (\$125M : \$128.2M)
  - Overall trend from FY18 to FY19 is 1.9% (compare to national trend of 7%-9%)
  - The health plan achieved its target reserve levels 2 years faster than what was anticipated and is financially strong
  - No remarkably different utilization trends:
    - Inpatient utilization has decreased, including average length of stay
    - This decrease mirrors what the retiree plan is experiencing
  - Average 3.3% decrease in cost per high cost claimant

# Next Steps

- Changes underway or being considered for 2019/20
  - Move to % of Medicare fee schedule for out of network professional services
  - Primary care co-pay instead of deductible & coinsurance
  - Incentive-based wellness & prevention program
  - Expand telemedicine network
  - Enhanced Hi-Tech Imaging review
  - Re-develop rehabilitative care plan provisions
  - Incorporate value-based plan provisions
  - Partner w/Independent pharmacies in Alaska for pilot project
  - Competitively bid targeted services

---

# Questions?