

State of Alaska Department of Administration

- AlaskaCare Health Plan Savings
- Presentation to House Finance Admin. Subcommittee
- Emily Ricci, Chief Health Administrator, Retirement & Benefits
- February 11, 2020



What is AlaskaCare?

- State of Alaska self-insured health plans
- \$735.3 million combined FY19 spend*
- Over 90,000 covered lives

Employee Plans:

- Medical
- Dental
- Vision

Retiree Plans:

- Defined Benefit Medical
- Defined Contribution Retiree Medical

Retiree Optional Plans:

- Dental Vision Audio
- Long Term Care

*based on audited financial statements.



Retiree Plan Savings

Focusing on prescription drug spend:*

- ✓ Implemented new Rx subsidy program
 - \$30+ million in trust savings
 - \$1 billion reduction in Other Post-Employment Benefits (OPEB) liability
 - \$60 million cost avoidance in state assistance payment
- ✓ Leveraged contract negotiations
 - \$27 million in savings from FY17 to FY20

*These savings are rounded.



Retiree Pharmacy Subsidies: EGWP

- Before 2019, the Division received pharmacy subsidies through a program called the Retiree Drug Subsidy Program (RDS)
- In 2019 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 D vaccines



2020 EGWP Projected Subsidy

- ✓ \$52.9 million in 2020 subsidies
- ✓ \$32.9 million in net savings

Types of Funding	\$ (Millions)
Direct Subsidy	\$1.3
Coverage Gap Discount*	\$32.2
Catastrophic Reinsurance*	\$18.2
Low Income Premiums Subsidy	\$0.2
Low Income Cost Sharing Subsidy*	\$1.0

*Projected LICs, Catastrophic Reinsurance, and Gap Discount amounts are rough estimates due to the dynamic nature of claims.



Illustrative EGWP Estimated Savings

\$30 million estimated annual savings
to retiree health trusts



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



Approximately \$60 million impact to State Assistance Payment



Retiree Modernization

- In collaboration with the Retiree Health Plan Advisory Board (RHPAB), the Division is working to modernize the 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



Proposals

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)
- Other items not listed here



Employee Plan Savings

Smart savings through targeted strategies:

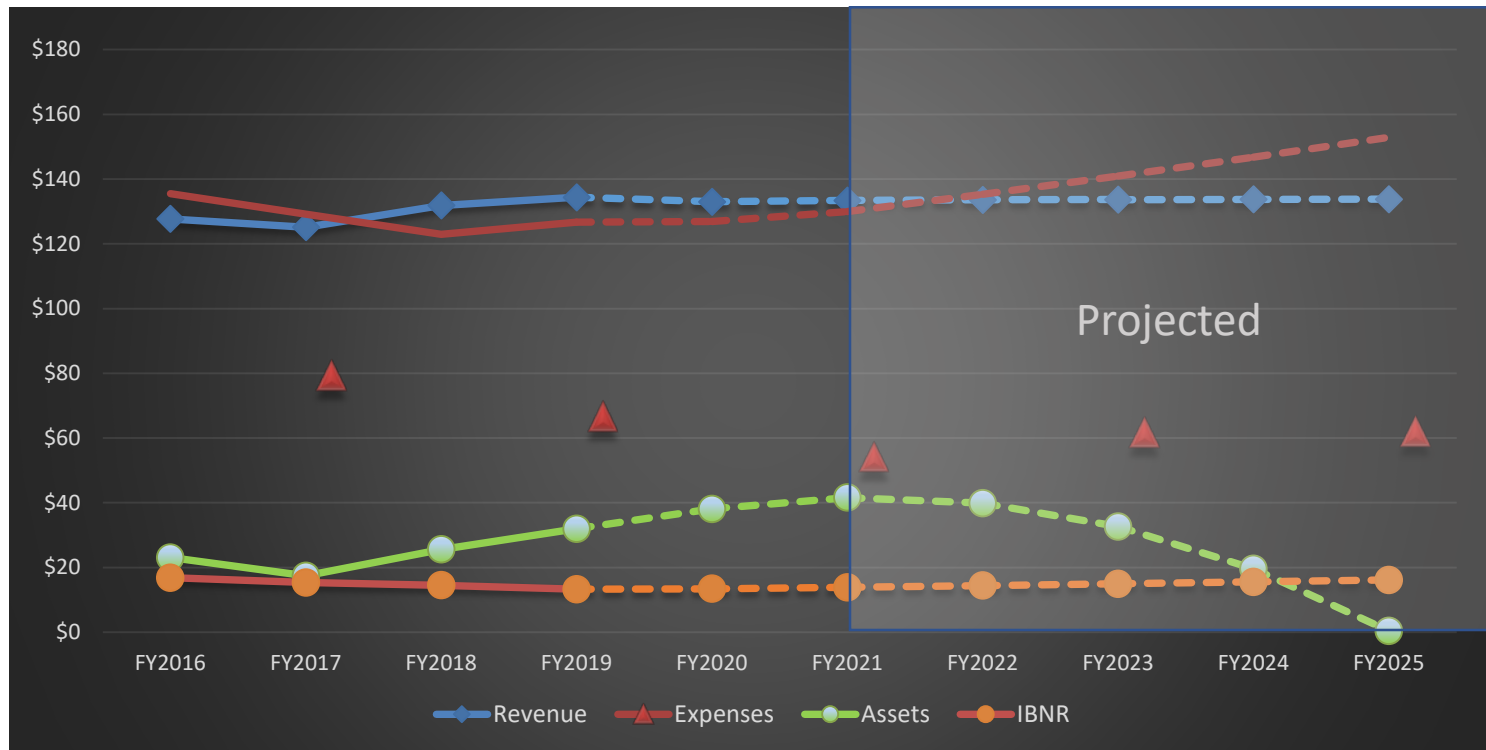
- ✓ \$11.4 million FY21 savings estimate
- ✓ Saved an estimated \$48 million from FY17 – FY20
- ✓ Maintained 5-year annualized expense trend <2.5%



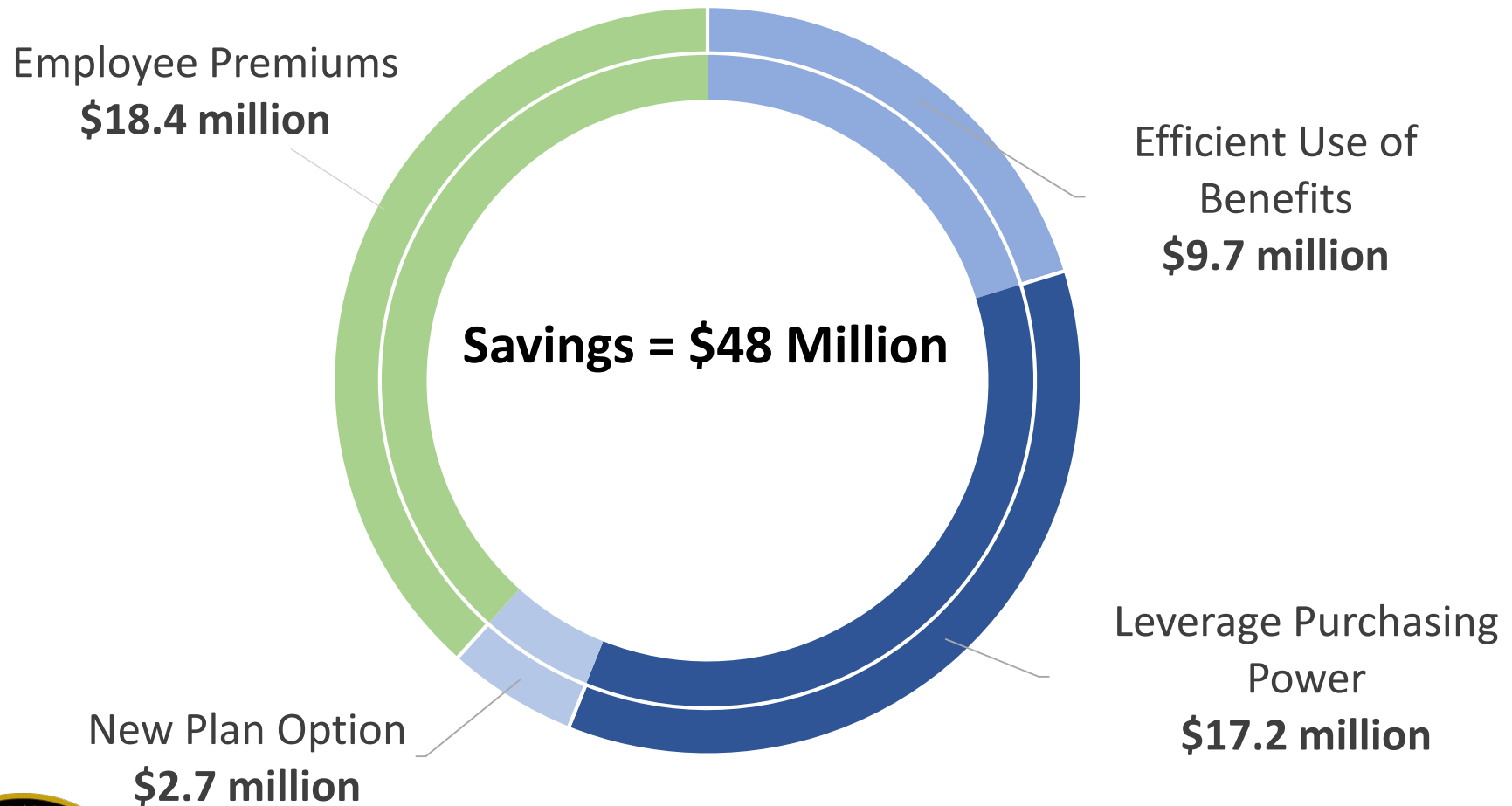
*based on audited financial statements.

Employee Plan Experience

AlaskaCare Employee Plan Experience and Assets as of FYE 2019



Solutions: 2017 to 2020



Impact

- Changes appear to be working:
 - ✓ Projected spend in FY20 is 1.8% less than in than FY2017 (\$126.9M : \$129.2M)
 - ✓ Overall trend from FY19 to FY20 is 1.7% (compare to national trend of 7%-9%)
 - ✓ The health plan achieved its target reserve levels 2 years faster than anticipated
 - ✓ No remarkably different utilization trends



Next Steps

- Changes underway or being considered for 2020/21
 - Explore targeted direct provider partnerships
 - Move to % of Medicare fee schedule for out of network professional services
 - Review additional facility savings opportunities
 - Incentive-based wellness & prevention program
 - Incorporate value-based plan provisions
 - Targeted pharmacy strategies



Department of Administration

Championing improvement in the State's performance and results.



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