

# State of Alaska Department of Administration

## Presentation to House Ways & Means Committee

- AlaskaCare Trends
- Emily Ricci, Chief Health Administrator, Division of Retirement and Benefits
- Betsy Wood, Deputy Health Official, Division of Retirement and Benefits
- March 3, 2022



# What is AlaskaCare?

- State of Alaska self-insured health plans
- Managed by the Division of Retirement & Benefits
- \$798.0 million combined FY21 spend
- Over 90,000 covered lives
- Employee Plans
  - Medical, Pharmacy, & Audio
  - Dental
  - Vision
- Retiree Plans
  - Defined Benefit & Defined Contribution Medical & Pharmacy
  - Dental/Vision/Audio
  - Long-Term Care



Source: FY21 Audited Financial Statements

# AlaskaCare Employee Plan

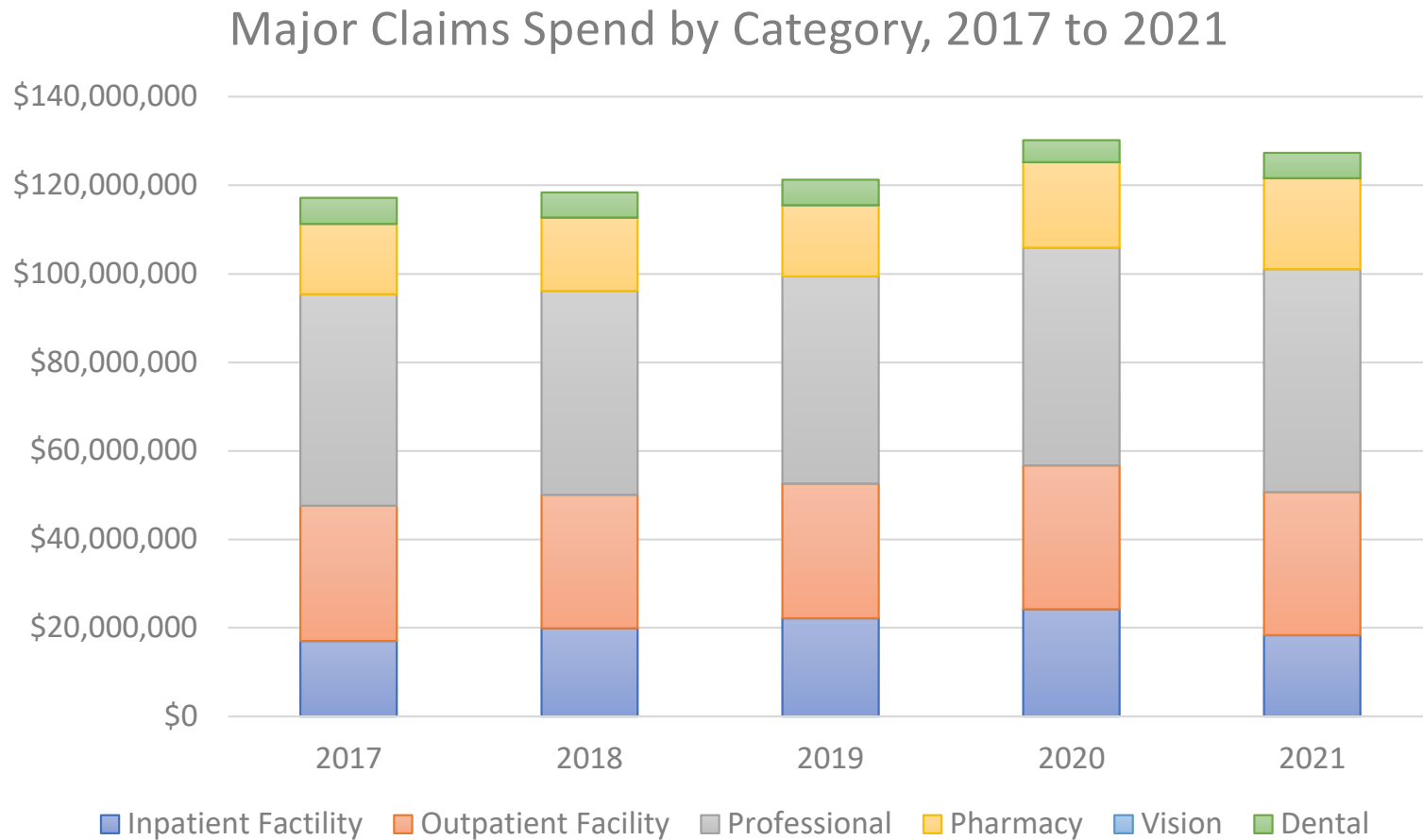


# AlaskaCare Employee Plan

- Employee plan covers approximately 16,000 members
  - 6,000 employees
  - 10,000 dependents
- Covers some, but not all employees:
  - Supervisory Union
  - Confidential Employee Association
  - AK Vocational Teachers Union
  - Correctional Officers
  - Marine Engineers Union
  - Mt. Edgecumbe Teachers Union
  - Inlandboatman's Union
  - Court system employees
  - Legislative employees
  - Exempt & partially exempt employees



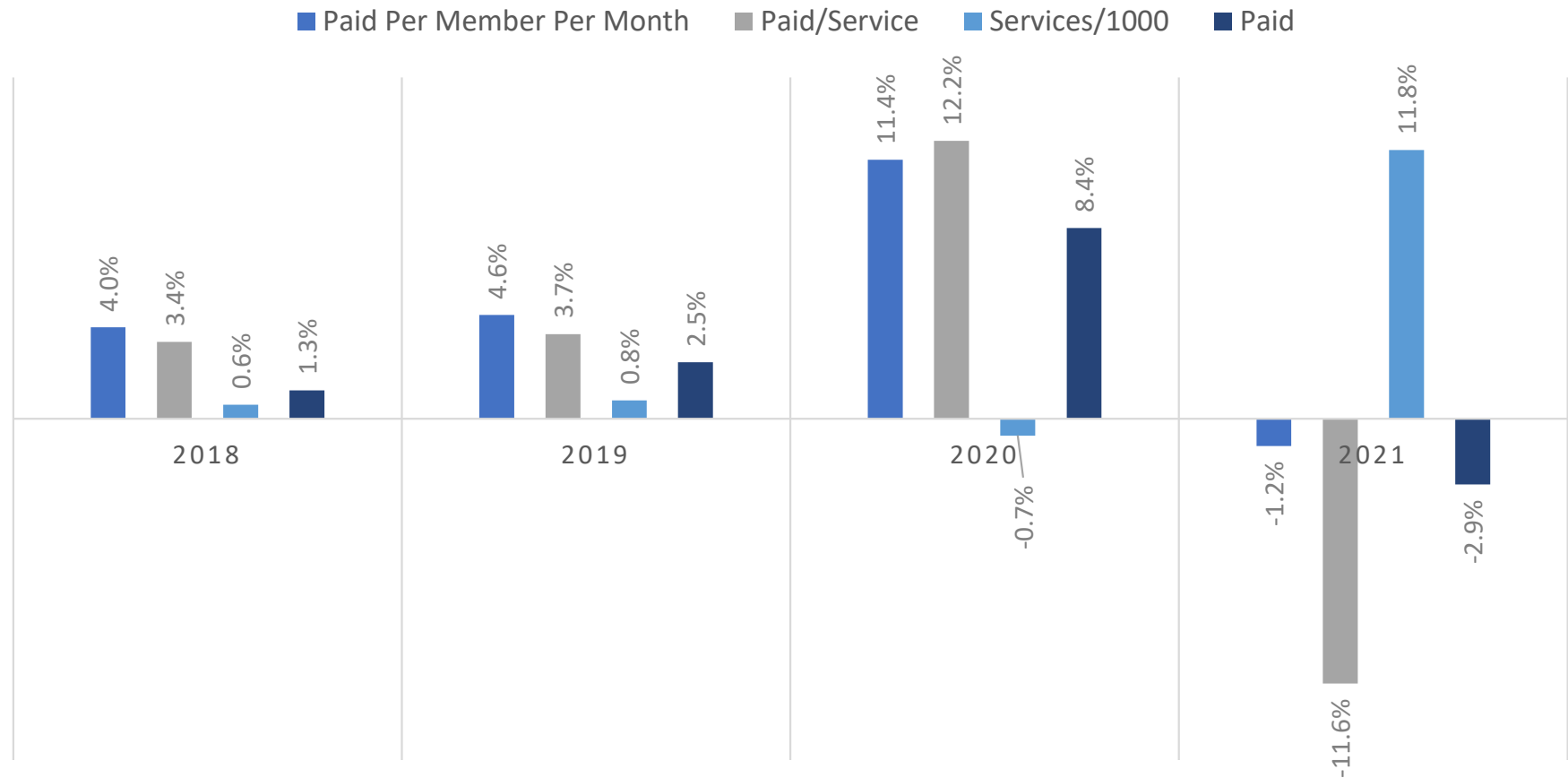
# AlaskaCare Employee Plan 5-Year Claims Spend



Source: HDMS data warehouse; based on a rolling 12-month period December - November

# AlaskaCare Employee Plan Multi-Year Trend

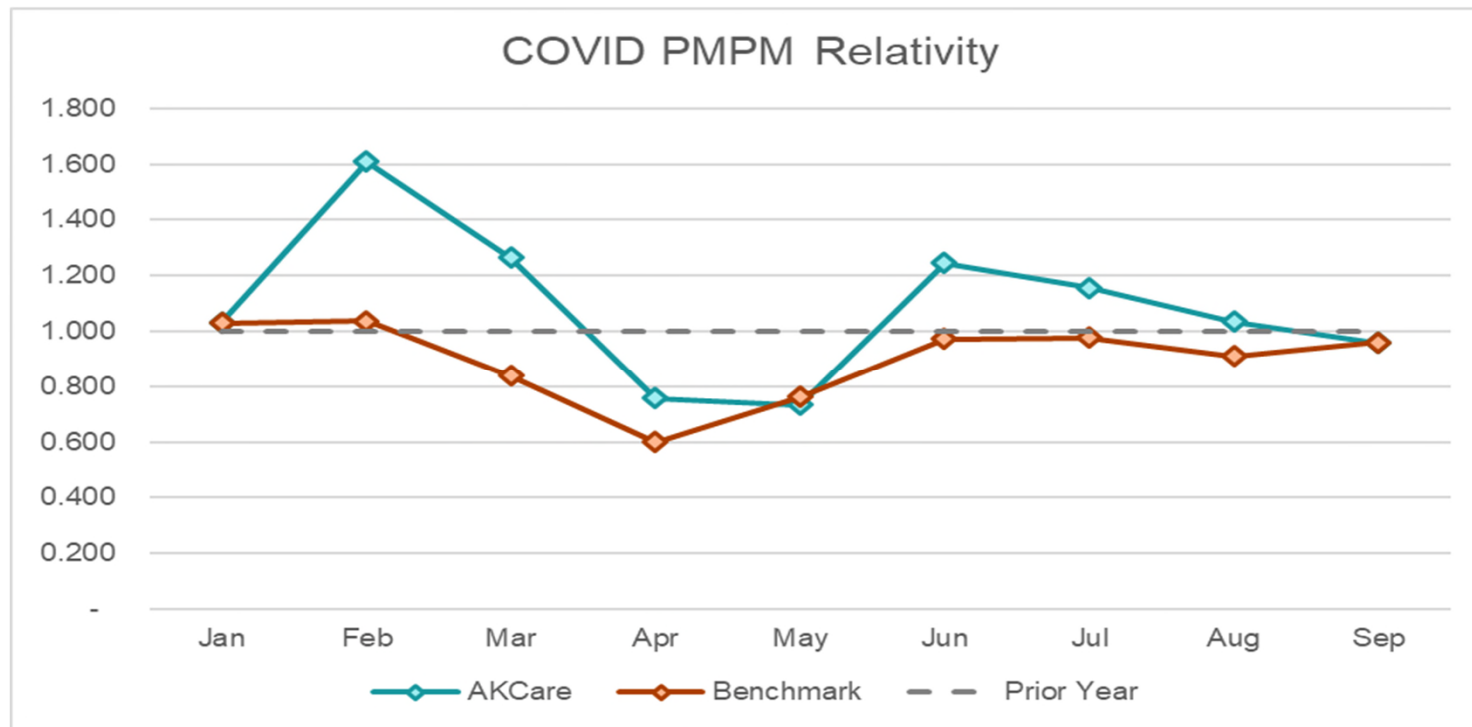
## TREND BREAKDOWN



Source: HDMS data warehouse; based on a rolling 12-month period December - November

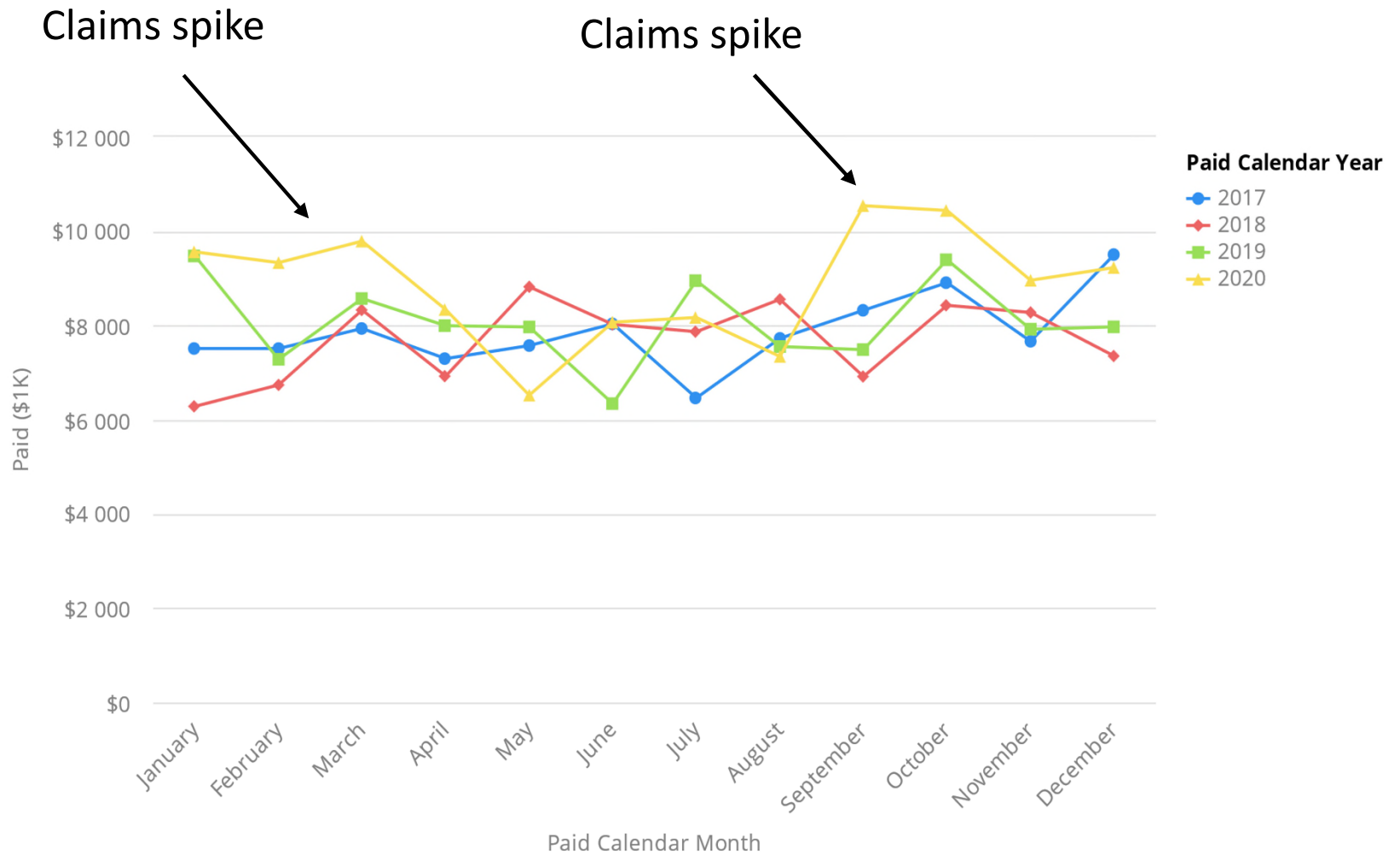
# AlaskaCare Employee Plan COVID-19 Impacts

- Employee Plan members deferred fewer services than other plans (“the dip”) and incurred higher claims afterwards.
- The surge in the Employee Plan in the summer/fall more than offset the dip.



Source: Segal Consulting

# 2020 Employee Plan Claims Experience



Source: HDMS data warehouse; based on a rolling 12-month period December - November





# Employee Plan Challenges & Next Steps

- New Gene Therapies (e.g. Zolgensma)
  - Implemented gene therapy network (eff. 2021)
  - Stop-loss coverage for gene therapy
- Inpatient facility costs
  - Negotiated new contract terms with broader facility access for members
- Increasing pharmacy costs
  - Negotiated improved contract terms
  - Implemented prescription drug formulary
  - Established pharmacy copay program



# AlaskaCare Retiree Plan



# AlaskaCare Retiree Plan

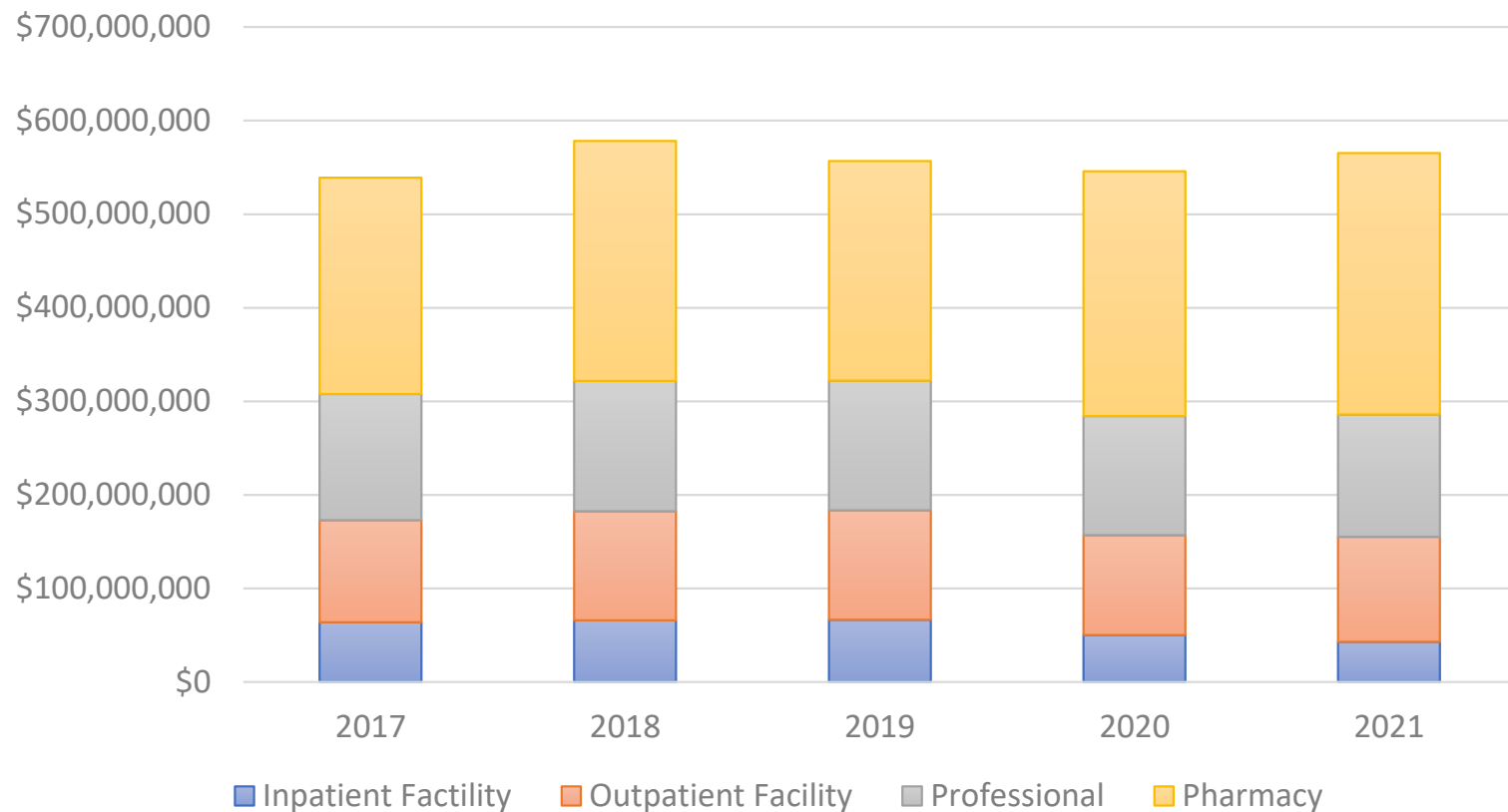
- **Defined Benefit Health Plan**
  - Eligibility: covers approximately 75,000 members
    - 45,000 retirees
    - 30,000 dependents (spouses, children)
  - Annual claims spend: \$571M in plan year 2021
- **Optional Dental, Vision, Audio Plan**
  - Eligibility: covers approximately 60,000 members
  - Annual claims spend: \$44M in plan year 2021
- **Optional Long-Term Care Plan**
  - Eligibility: covers approximately 21,000 members
  - Annual claims spend: \$14.6M in plan year 2021



Source: AlaskaCare quarterly reports, HDMS data warehouse

# AlaskaCare Retiree Plan 5-Year Spend

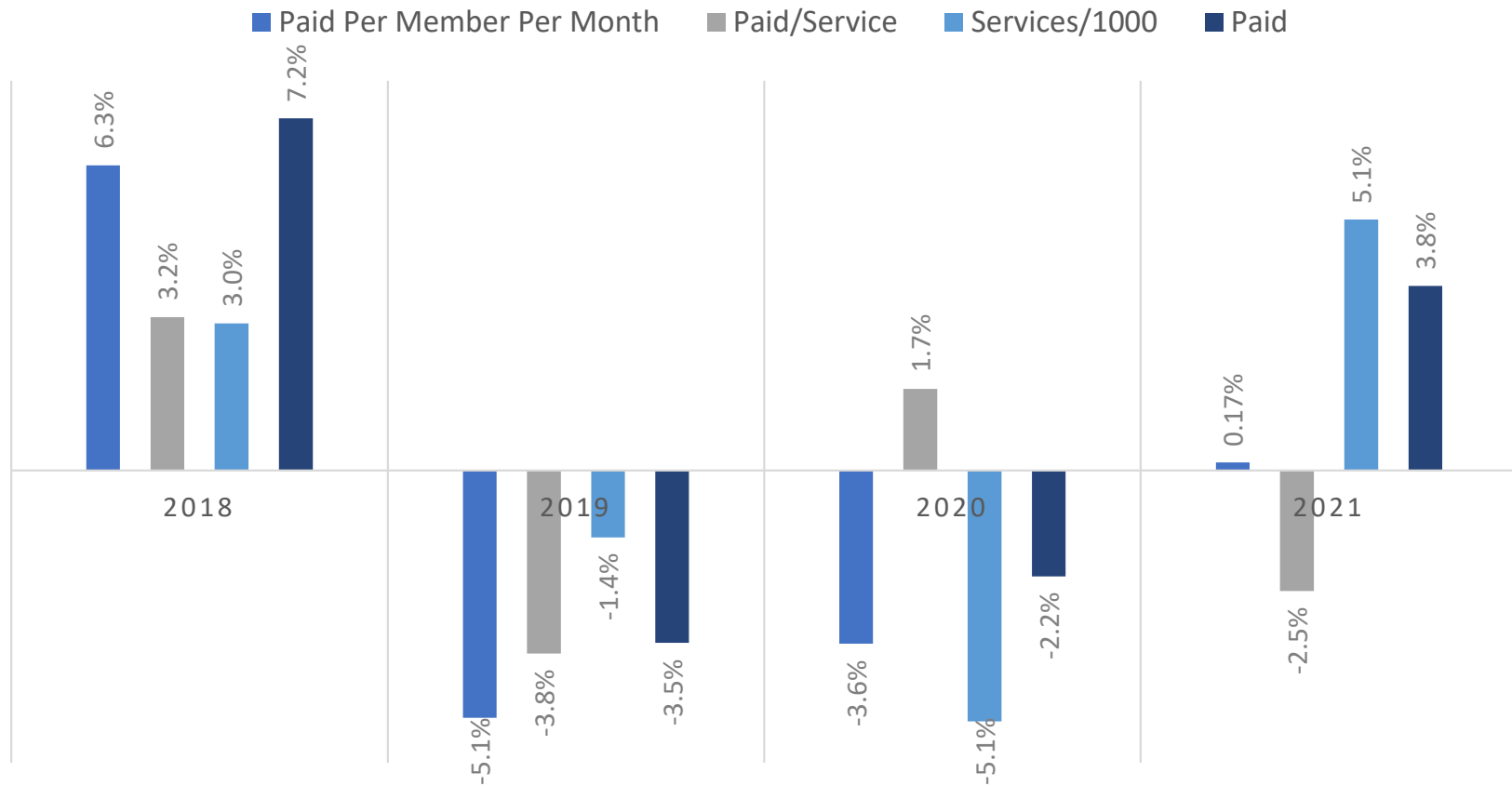
Major Claims Spend by Category, 2017 to 2021



Source: HDMS data warehouse; based on a rolling 12-month period December - November

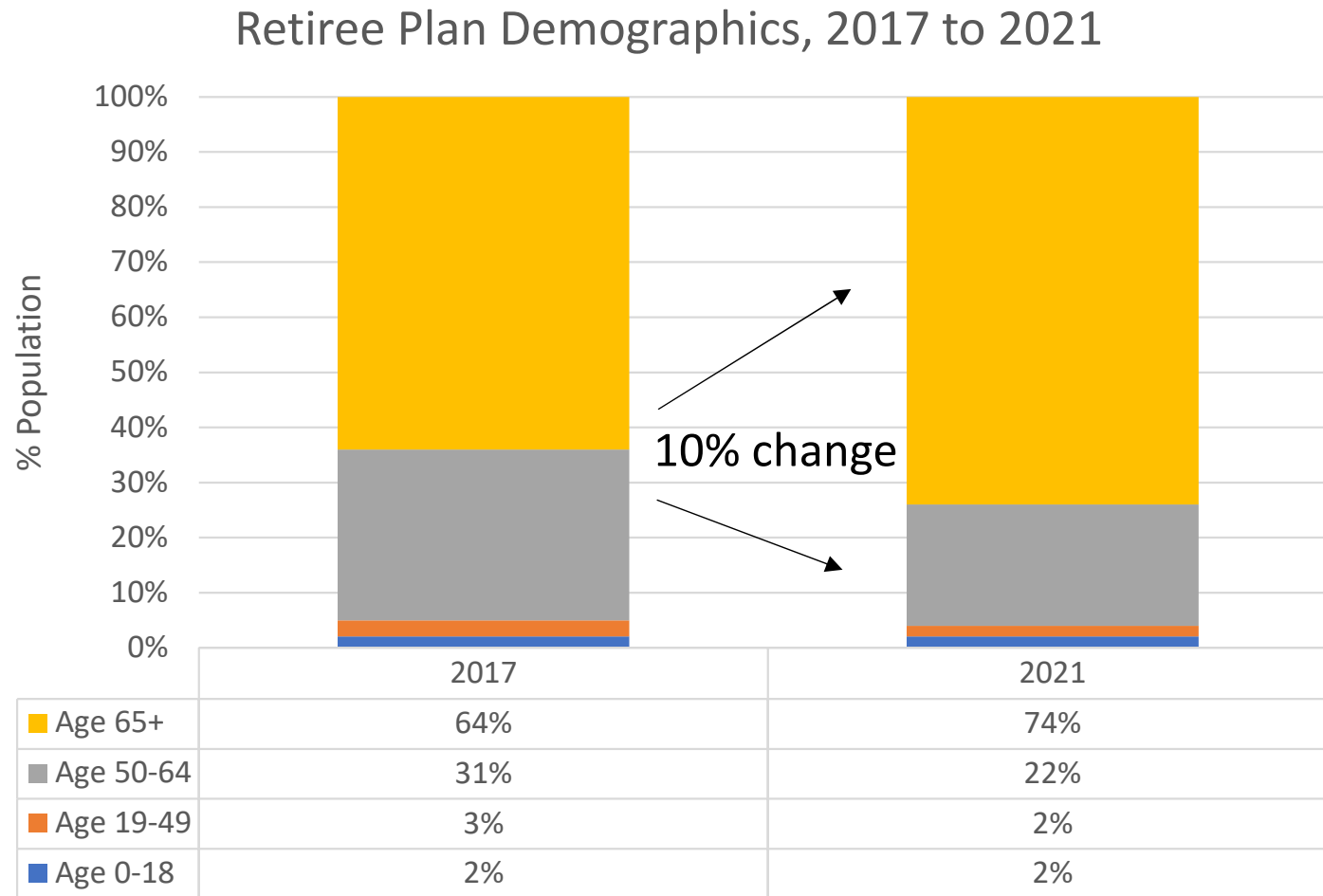
# AlaskaCare Retiree Plan Multi-Year Spend

## TREND BREAKDOWN



Source: HDMS data warehouse; based on a rolling 12-month period December - November

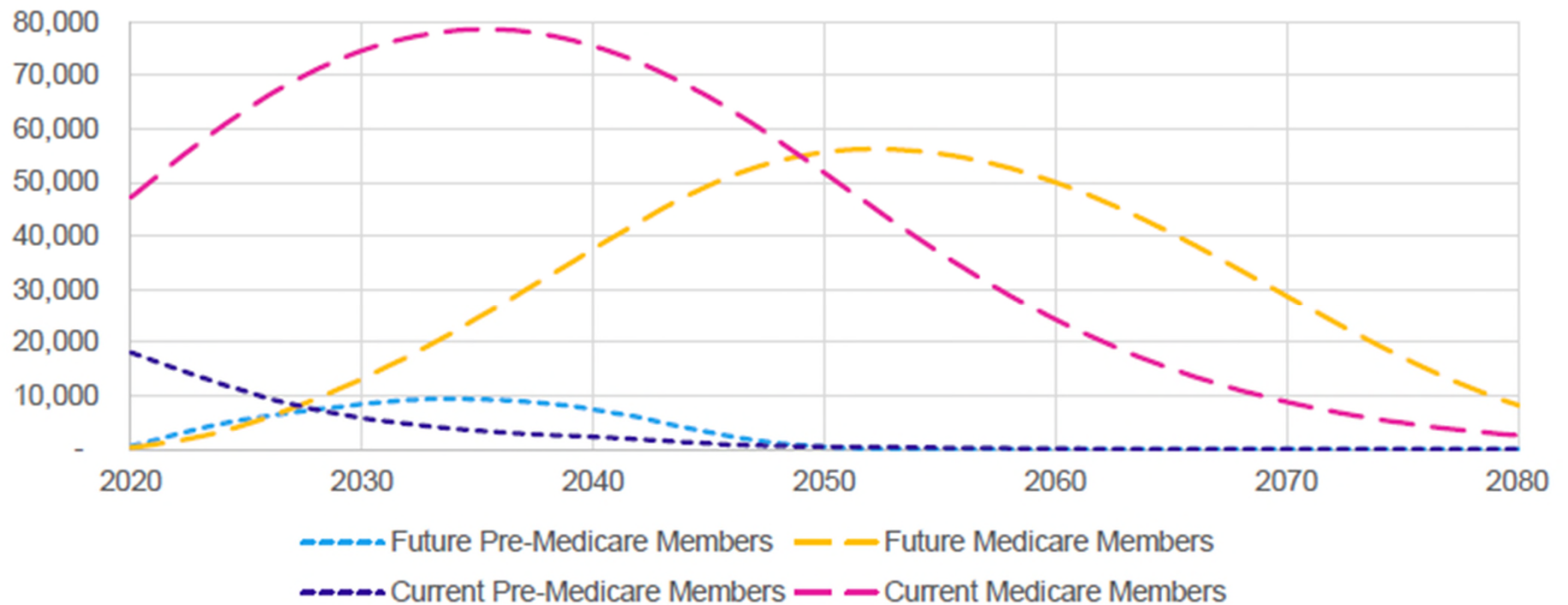
# AlaskaCare Retiree Plan Demographic Trend



Source: HDMS data warehouse; based on a rolling 12-month period December - November

# AlaskaCare Retiree Long-Term Membership Trends

Anticipated Total Defined Benefit Health Plan Members



Source: Buck Consulting

# Retiree Pharmacy Subsidies: EGWP

- Before 2019, the Division received pharmacy subsidies through a federal program called the Retiree Drug Subsidy (RDS) Program
- In 2019 the Division implemented an enhanced Medicare Part D Employer Group Waiver Plan (EGWP)
- Administrative change to increase federal subsidies for prescription drugs without reducing benefits
- Only applies to Medicare eligible members
- Expanded coverage of Medicare Part D vaccines to all retirees





# Employer Group Waiver Plan (EGWP) Savings

Types of Funding	\$ (Millions)		
	2019 (Actual)	2020 (Actual)	2021 ( Estimated*)
Direct Subsidy	\$ 1.30	\$ 0.04	\$ (2.64)
Catastrophic Reinsurance*	28.80	20.76	25.98
Low Income Premiums Subsidy	18.20	0.22	0.22
Low Income Cost Sharing Subsidy*	0.20	1.10	1.10
Coverage Gap Discount*	1.00	36.26	39.75
<b>TOTAL</b>	<b>\$ 49.50</b>	<b>\$ 58.38</b>	<b>\$ 64.41</b>

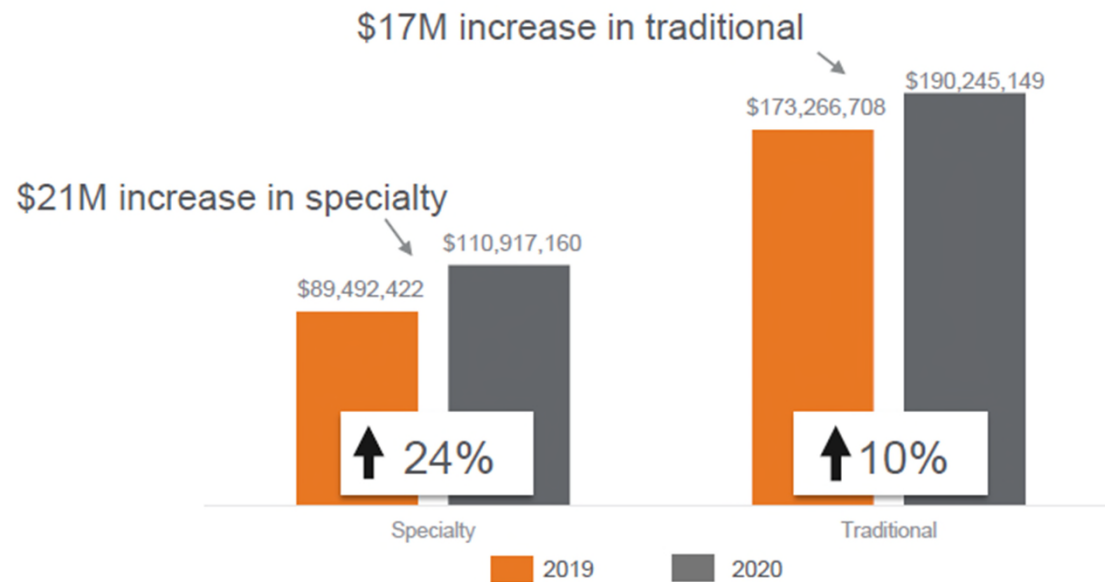
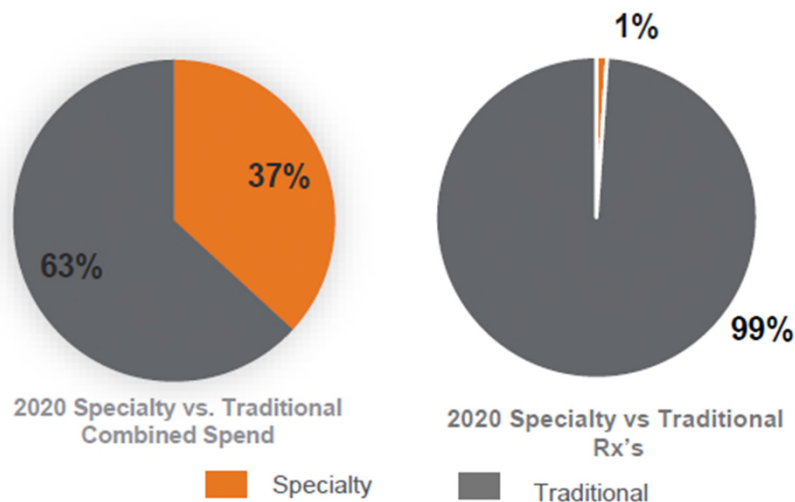
\* 2021 Amounts described above are estimates due to the dynamic nature of claims. Actual subsidy is subject to minor adjustment due to true-up.



Source: OptumRx

# AlaskaCare Retiree Specialty Medication

- Specialty medication represented 37% of retiree pharmacy spend, or \$110M in 2020.
- This was an increase from \$89M, or 24% in 2019. This was driven by an increase in specialty prescriptions and more costly medications.



Source: OptumRx Quarterly Reports

# Retiree Modernization

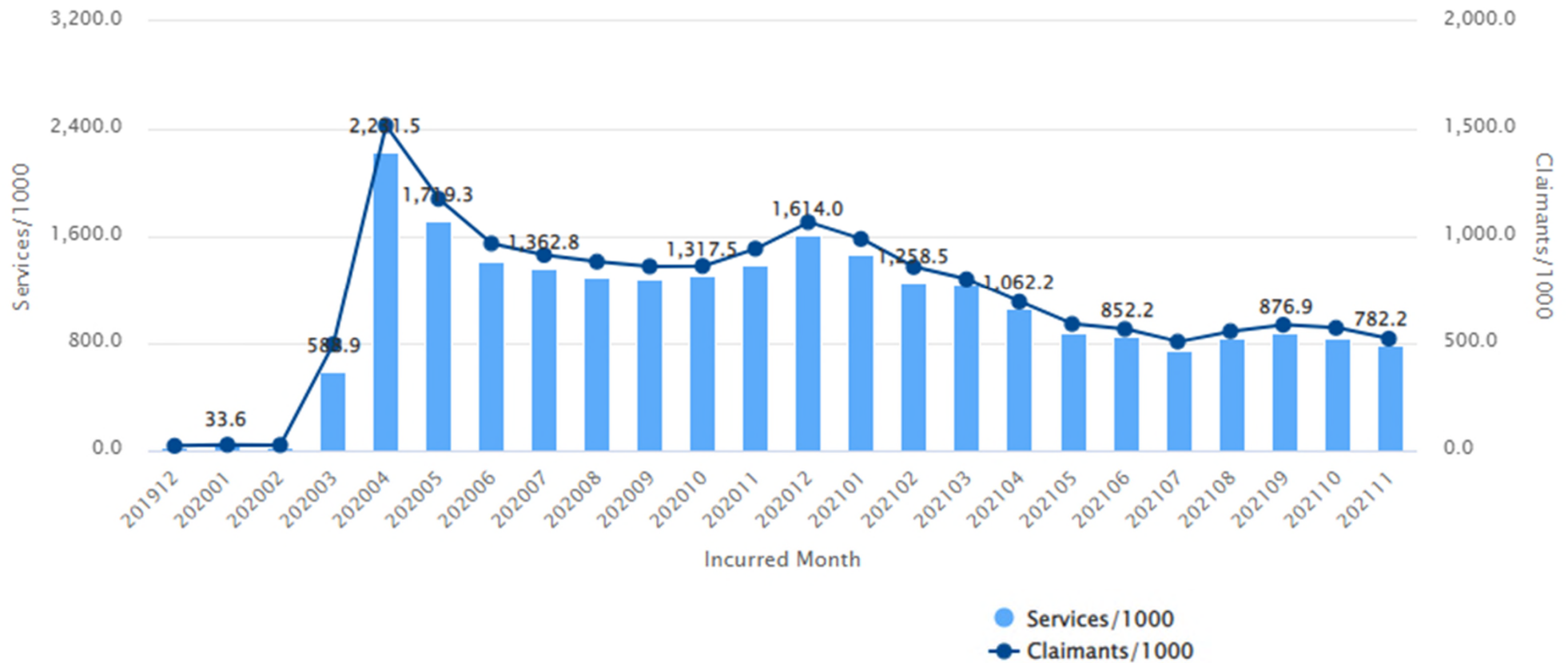
- In collaboration with the Retiree Health Plan Advisory Board (Board), the Division is working to modernize the plan to improve benefits and manage costs.
- In 2021 the Division, with Board support, implemented:
  - Addition of preventive care services, including colonoscopies and vaccines
  - Specialty medication prior authorization and clinical review



# Shared Trends

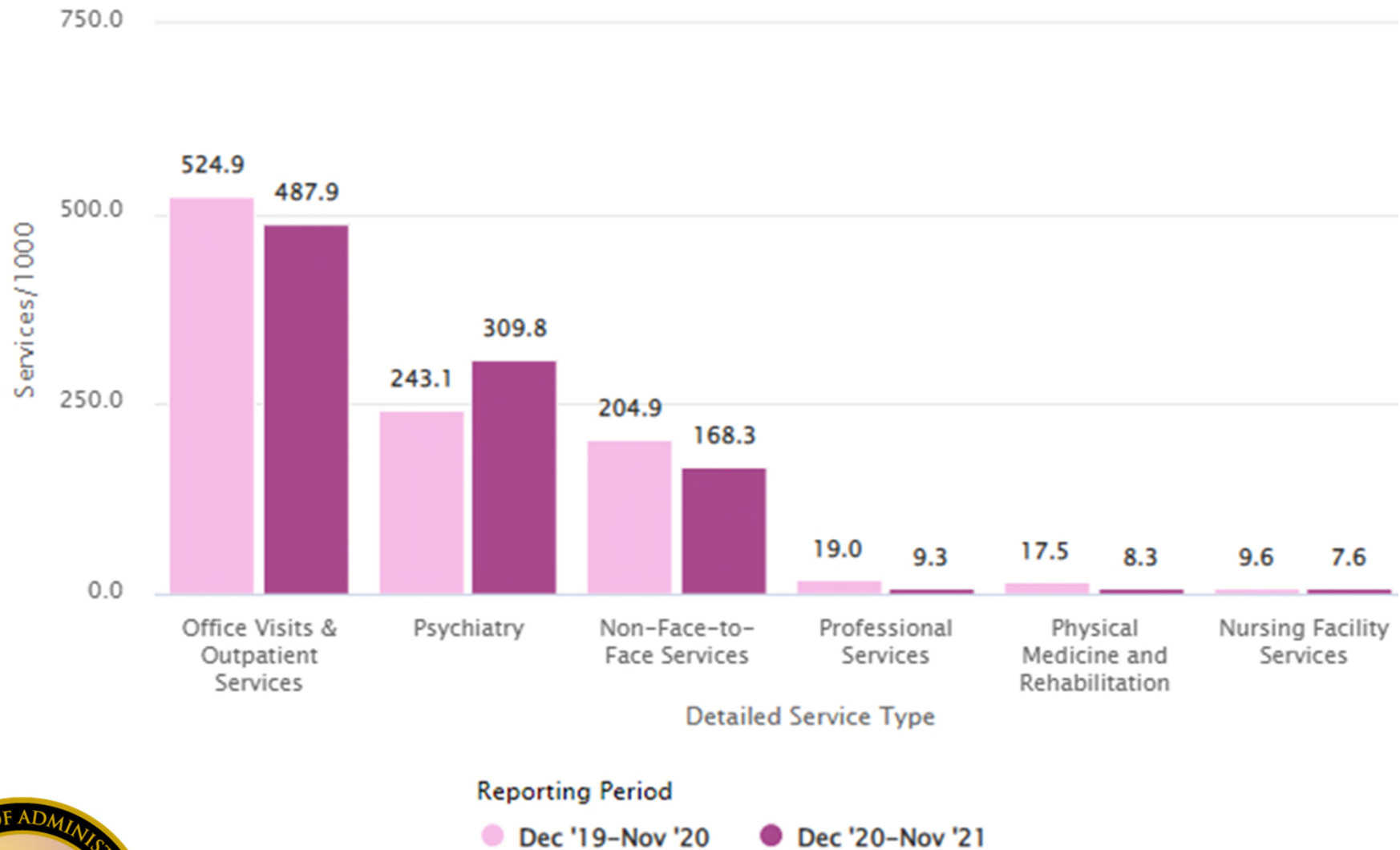


# Telemedicine Trends



Source: HDMS data warehouse; based on a rolling 12-month period December - November

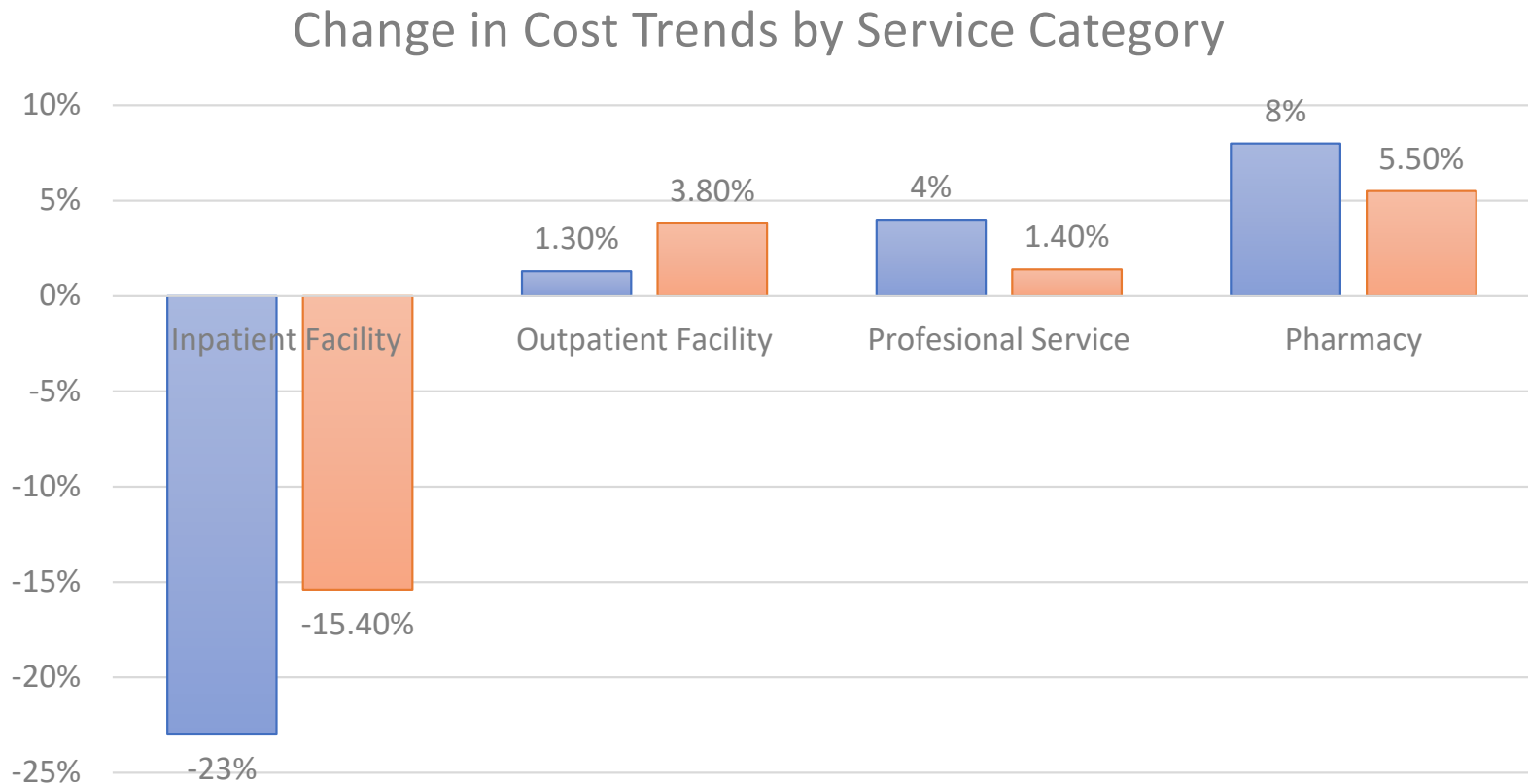
# Telehealth Utilization Trend by Service Type



Source: HDMS data warehouse; based on a rolling 12-month period December - November



# Employee & Retiree Plan Cost Trend



Source: HDMS data warehouse; based on a rolling 12-month period December - November



# **Department of Administration**

Championing improvement in the State's performance and results.



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