

February 22, 2023

Senator David Wilson
Chair, Senate Health & Social Services Committee
State Capitol Room 121
Juneau, AK 99801

Senator Wilson and Members of the Senate Health & Social Services Committee. I am writing today about SB8 Repeal the Certificate of Need Program. About 90% of Alaskans have some sort of health insurance coverage. About half of the insured population has insurance that is employer sponsored, or privately secured. The other half is government funded whether federal, state, or a combination of both. Government payers typically do not cover the full cost of care which then compels providers to offset expenses by shifting costs to payers with more flexibility in negotiating rates, i.e., commercial plans.

A market approach does not work in healthcare. Typical market systems are facilitated through supply and demand laws. When demand increases, price will increase accordingly. This makes sense for the sale of a T-shirt or laptop. However, the market for health care is price inelastic. Essentially, demand will stay the same for the most part, despite price fluctuations. Second, when you have no control over what half of your payers will pay, the ability of providers to compete based on price is severely limited. Finally, not all payers pay for a full array services. Some providers are almost fully reliant upon a single payer source such as Medicaid. There is no place for them to cost shift to to offset any losses due to frozen rates or actual cuts to the reimbursement rates. Disruptions to payments in one healthcare area affects the balance of the healthcare ecosystem. As an example, significant losses in the availability of home and community-based services can impact the ability of hospitals to discharge patients who are medically stable but still require some level of home care to be safe during their recovery and beyond. This has the effect of increasing costs in the most expensive part of our healthcare system.

Repeal of the certificate of need or the 80th percentile regulation or other one-off healthcare system remedies may help in slowing the healthcare cost growth rate but without current and accurate Alaska based healthcare claims data Alaskan payers, providers and policymakers will not be able to evaluate whether any of the policy levers are actually affecting the type of change we're seeking. There are funds in the FY23 budget for a health payment and utilization database which will provide Alaskans with much needed information on healthcare pricing, utilization, and trends. Until we have access to these types of data as a foundational part of healthcare reform in Alaska, our efforts, while seemingly well-intentioned, could be viewed as futile.

I fully support the utilization of current and accurate data on which to base policy decisions. I look forward to continued discussions about strategies that will improve access, quality, and manage cost growth rates of the Alaskan healthcare system.

Regards,

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