

HOUSE FINANCE COMMITTEE
February 8, 2005
2:00 p.m.

CALL TO ORDER

Co-Chair Chenault called the House Finance Committee meeting to order at [2:00:52 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Eric Croft (via teleconference)
Representative Richard Foster
Representative Mike Hawker
Representative Jim Holm
Representative Reggie Joule
Representative Mike Kelly
Representative Carl Moses

MEMBERS ABSENT

Representative Bruce Weyhrauch

ALSO PRESENT

Nicole Salinas, Accounting Executive, AETNA Life Insurance Company; Mike Wiggins, AETNA Life Insurance Company

PRESENT VIA TELECONFERENCE

Representative Eric Croft

GENERAL SUBJECT(S):

OVERVIEW - AETNA HEALTH CARE PREMIUM

The following overview was taken in log note format. Tapes and handouts will be on file with the House Finance Committee through the 24th Legislative Session, contact 465-6814. After the 24th Legislative Session they will be available through the Legislative Library at 465-3808.

TIME	SPEAKER	DISCUSSION
2:01:36 PM	NICOLE SALINAS, ACCOUNTING EXECUTIVE, AETNA LIFE INSURANCE	Related the history of AETNA's relationship with the State of Alaska since the first contract in 1982. She explained that there must be a competitive bid every 5 years, and AETNA has been able to come back each

	COMPANY	time. She noted that there are 52,000 retired members and 14,000 active members.
2:03:48 PM	Ms. Salinas	Explained aspects of the program and the types of claims paid. She reported that \$225 million in medical and pharmaceutical claims was paid for retirees and \$43 million was paid for active members. She pointed out that 1.2 million claims are processed annually. The plan is complex and benefits are often coordinated under multiple plans. AETNA partners with the Department of Administration to keep communication open, seek improvement, and review performance guarantees. She explained the bi-weekly benefit calls, and participation on various boards and committees.
2:05:43 PM	MIKE WIGGINS, AETNA LIFE INSURANCE COMPANY	Clarified a common misconception regarding AETNA. He explained that when AETNA insured the State of Alaska from 1982 until 1996, it actually set premiums and bore the financial risk for the coverage. In 1996 the State went out to bid on a self-funded basis and it has been self-funded on medical coverage since 1997. He explained several of the roles that the State bears, such as providing monthly lists of who is eligible for benefits. Unlike in 1982 to 1996, the benefits are determined by the State, and the Department of Administration writes the benefit booklets.
2:07:35 PM	Mr. Wiggins	Explained that the final level of appeals is borne by the State. AETNA deals with claims management, case management, provider-relations issues, and data reporting when requested by the State.
2:09:02 PM	Mr. Wiggins	Related that AETNA negotiates provider discounts. He provided information about the number of AETNA employees who work in Alaska.
2:09:49 PM	Co-Chair Chenault	Asked if Alaska is saving money by being self-insured.
2:10:23 PM	Mr. Wiggins	Replied that most plans this size are self-funded. He said he has seen no financial analysis about this issue.
2:10:58 PM	Co-Chair Chenault	Inquired about the availability of information regarding membership satisfaction, polls, and tracking. Mr.

		Wiggins replied that a membership satisfaction mail-out has been done, but not recently. He explained a new survey called "First Call First Claim", which asks about customer satisfaction, and is readily available to committee members.
2:12:11 PM	Vice-Chair Stoltze	Inquired who analyzes mandated coverage costs. Mr. Wiggins replied that AETNA has been asked for advice from time to time about newly mandated benefits, but it is ultimately the State's role. Vice-Chair Stoltze asked if AETNA would take suggestions for new benefits from the committee. Mr. Wiggins replied that he is not sure because AETNA has never worked with the committees directly.
2:13:56 PM	Co-Chair Chenault	Noted that since 1999, healthcare premiums for retirees have increased nearly 100 percent. He asked if AETNA has observed any trends relating to that increase. Mr. Wiggins related that pharmacy costs have gone up. He explained the difference in pharmaceutical costs for retirees under 65 and over 65. Pharmacy costs for retirees are about 30 percent of overall medical costs. He also noted that the population of retirees has increased by 25 percent, and most are under the age of 65 and not covered by Medicare.
2:16:28 PM	Co-Chair Chenault	Asked who is responsible for coverage verification for retiree dependents, AETNA or the State. He suggested that there has been some abuse of this situation.
2:17:47 PM	Mr. Wiggins	Explained that it is a State issue and was caused by a difference between the benefit booklet and the statute.
2:18:14 PM	Co-Chair Chenault	Referred to an earlier statement by Mr. Wiggins and clarified that genetic drugs are cheaper. Mr. Wiggins agreed.
2:18:36 PM	Representative Joule	Requested a prediction about pharmaceutical prices in the future. Mr. Wiggins explained that a Medicare Reform Bill was passed in 2004 at the federal level, which may provide some relief. He mentioned pending, expensive drugs, which will be a factor in the long term. Representative Joule suggested that there might be an

		increase in the cost of prescription drugs now that the elections are over.
2:20:27 PM	Representative Croft	Requested numbers about self-insurance costs and whether there has been a cost savings since 1996.
		<u>ADJOURNMENT</u> The meeting was adjourned at 2:22 PM