

SCR

12

Ken Humphrey's / DIR - Retiree Benefits -

Resol was amended in Senate HES & we can now support this.

Tischer - Expanded bill

Miller - \$ amt for Health Insurance

Humph - Gen. gov't members. = ~~317~~³¹⁷ per mo -
sel employees - 40 million per yr.

① Gonna to bid to see what market is willing to offer. Very comp health plan - benefits are extraordinary. The best avail from public employees anywhere. Therefore realistic price for coverage.

PERS & JRS - Same health benefit system = 157⁰⁰ per mo.

① Difference = audio visual dental not included

Miller - \$50 deductible - 90% up to 1950 then 100%

① Not fully self-insured - experience rated - level of premium dictated incidents.

Tischler: Why - need for Resolution -

Humphrey - We will pursue in any event - 1 hr
comp review rather than ongoing report.

Intert - Suggested by a gentleman who wanted to sell
a "stay well" plan to the State.

Health Costs: End party, piggy - no cost containment.

① Expand role of SBS - more basic level
of underlying coverage. It would not go to
annuity account.

Labor Relations w/in SOA does negotiate.

Fritz - Hold action on HB 225 until he can
return even if its tomorrow -

STATE OF ALASKA
FISCAL NOTE

Revision Date , 1983

I. REQUEST

Bill/Resolution No.: CSSCR 12
 Title: Health Insurance Task Force
 Sponsor: Josephson
 Requestor:

II. FISCAL DETAIL

Agency Affected: Administration
 Program Category Affected: Gen. Admin. Service
 BRU, Program of Subprogram(s) Affected: Retirement & Benefits

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		25.0				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		25.0				
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	25.0					
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: J.K. Humphreys, Director Phone: 465-4460
 Division: Retirement & Benefits Date: 5-18-83

Approved by Commissioner: Lisa Rudd, Commissioner Date: 5-18-83
 Department: Administration

Distribution:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

3/8/83

State of Alaska

Fiscal Note

CSSCR 12

IV Analysis: The \$25.0 expenditure is for benefit consultation
and research.

Alaska State Legislature

REP. MAE TISCHER
CO-CHAIRMAN

REP. MILO FRITZ
CO-CHAIRMAN

MEMBERS:
REP. MIKE MILLER
VICE CHAIRMAN
REP. BETTE CATO
REP. M KE DAVIS
REP. PETER GOLL
REP. NIILLO KOPONEN

House of Representatives

HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

POUCH V
STATE CAPITAL
JUNEAU, ALASKA 99811
(907) 465-3777

To: House HESS Committee Date: 5/16/83

From: Linda Otey, Committee Aide

Re: Summary/ CSSCR 12 (HESS) "Requesting the governor to direct that a study be conducted by the Dept. of Administration to investigate cost control alternatives for state employee health insurance plans".

The Senate HESS CS requests the Governor to direct that a study be conducted by the Dept. of Administration to investigate cost control alternatives and design modifications for state employee health insurance plans, including institution of a "stay well" health insurance plan for state employees.

The original resolution requested the Governor to establish a special task force to study the question. This version requires the Dept. of Admin. to report its findings to the Governor and the Legislature by Jan 16, 1984.

folder content

left

Resolution
Fiscal Note DHSS
Position Paper/DHSS

right

Summary
Ak. State Hosp. Assoc.
Amerigard-alternative approach



319 Seward St., Juneau, Alaska 99801 • (907) 586-1790

REPRESENTING ACUTE, LONG TERM AND OUTPATIENT FACILITIES

Chairman of the Board
Ronald A. Pavellas
Humana Hospital Alaska
Anchorage

Chairman-Elect
Mark Hawkins
Sitka Community Hospital
Sitka

April 1, 1983

Immediate Past Chairman
Tom Mingen
Fairbanks Memorial
Hospital
Fairbanks

The Honorable Joe Josephson
Senator
Pouch V
Juneau, Alaska 99811

Subject: SCR 12.

Secretary/Treasurer
Edward Zeine
Cordova Community
Hospital
Cordova

Dear Senator Josephson:

Delegate to the American
Hospital Association
Al M. Camasso
Providence Hospital
Anchorage

The Alaska State Hospital Association has reviewed SCR 12 and wishes to inform you of our support.

Alternate Delegate to the
American Hospital Assoc.
Michael Lockwood
Central Peninsula Hospital
Sitka

The "stay well" program proposed in this measure has the potential to draw the consumer back into a consideration of the economics of seeking health care services. This will, in our judgement begin to address the problem of ever increasing utilization in general and specifically such problems as inappropriate use of hospital emergency rooms. When the consumer feels no economic difference in the use of a physician's office or an emergency room, all too often the consumer opts for the one most likely available at the consumer's convenience, the emergency room. When insurance pays for either the physician or emergency room visit there is no effective difference to the consumer. The "stay well" program you suggest would offer some incentive, even if minor and indirect, it would be a great improvement.

Delegate to the American
Health Care Association
Jack Guck
St. Ann's Nursing Home
Juneau

Alternate Delegate to the
American Health Care
Association
Emma G. Ivy
Wrangell General Hospital
Wrangell

Delegate to the Association
of Western Hospitals
Michael Herring
South Peninsula Hospital
 Homer

While there are many facets to the cost of health care, the misuse and over use by the consumer is a major part of the problem. We believe that SCR12 begins to address that part of the problem. We are anxious to help secure its passage.

Alternate Delegate to the
Association of Western
Hospitals
Daniel Van Wieringen
Kodiak Island Hospital
Kodiak

Trustee Delegate to the
American Hospital Assoc.
Moe Kadish
Trustee, Providence
Hospital
Anchorage

Sincerely,

Alternate Trustee Delegate
to American Hospital
Association
Robert Jensen
Central Peninsula Hospital
Sitka

Dennis L. DeWitt
President

Physician Member of
the Board
Keith Brownsberger, M.D.
Anchorage

DLD:hb

President
Dennis L. DeWitt
Juneau



520 SW YAMHILL ST., SUITE 424 PORTLAND, OREGON 97204 503/224-2555

**AMERIGARD'S
"STAY WELL"
PROGRAM**

An alternative approach for
providing Health Care Benefits.

INTRODUCTION

The Amerigard STAY WELL program is one which puts the responsibility for the use and administration of health care funds back where it belongs -- with the employee.

By dividing the usual expenditures for health care benefits between special Amerigard accounts and premiums for a high deductible major medical policy, the cost to an organization for providing these benefits may be substantially reduced. This is accomplished by

- offering incentives to employees for staying well
- allowing employees to administer their own health care funds
- eliminating much of the paperwork required by traditional health insurance programs.

FACTS about the current situation

- Health insurance costs are exploding upward
- The associated administrative burden is also increasing
- Business and industry are caught between increasing employee demand for health care coverage and soaring costs

To cope with this situation, most organizations are pursuing one or more of the following options:

- Continuing "business as usual" and absorbing the added costs.
- Tightening controls on current programs by making staff cuts, etc.
- Deferring additional benefits and cutting existing programs.
- Seeking alternatives to traditional health care programs.

Amerigard's Stay Well program is NOW AVAILABLE and provides the alternative that many managers have been looking for. Amerigard is a not-so-traditional program whose features include:

- Sharing responsibility with employees for their own health care plan.
- Providing incentives to employees to stay well and on the job.
- Simplifying the administrative system so that paying for care received is as simple as writing a check.

The Bottom Line Results

- Reduces costs, administrative burden, and time away from work (as much as 40% in some cases).
- Provides an improved benefit plan with first dollar coverage.
- Boosts worker and organization productivity.
- Improves employee morale.

Why Does Amerigard Work?

Amerigard's STAY WELL program is NOT another insurance program. It invokes a different principle, that of Free Enterprise. Everyone benefits when costs are reduced and employees are kept on the job.

In traditional programs, the only way to get anything out of the benefit is to use it! The more you use it, the more you gain! With Amerigard's STAY WELL Program, participants have first dollar coverage when they need it and are given cash back when they do not.

Does Amerigard keep people from going to the doctor when they are sick? Newsweek doesn't think so. Nor does Larry Parcell, Vice President of Blue Shield of California, who holds that "(STAY WELL) is probably the most innovative concept since major medical insurance caught on in the 1950's." (Newsweek, August 25, 1980)

Savings accrue with the reduction of unnecessary doctor visits, which health economists agree is at least 50%.

The results with Amerigard are:

- Much less time lost due to "illness".
- Substantial savings to the organization.
- First dollar coverage when needed.
- Cash back to the participant for staying well.

How Amerigard Works

In traditional programs, all premiums paid are lost; all fees paid go directly to the insurance carriers. Such programs are usually accompanied by lots of forms, many restrictions and hassles in payments to the concerned parties.

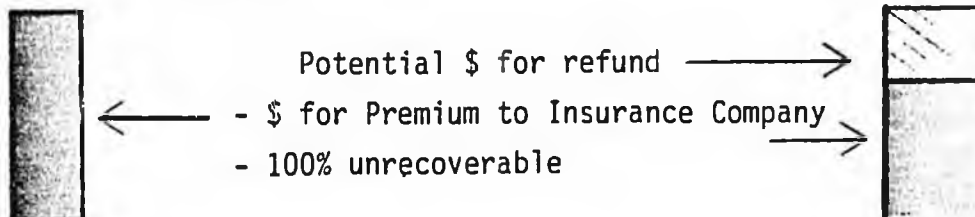
With the Amerigard Program, the usual expenditure is divided-- with a portion, the employer pays for a high deductible major medical policy which is less expensive. The balance is deposited into special accounts that have been established, by Amerigard, for each participant. Especially prepared checks, designed so that they can be used only for medically related expenses, are given to each participant. The participants "administer" THEIR OWN account just as they do their personal checking account.

- When services, such as doctors visits, medication, laboratory and x-ray procedures, are received, they are paid for by check from the Amerigard account. PAYMENT IS IMMEDIATE, WITHOUT FORMS.
- Should charges reach the deductible limit, the participant follows the procedure established by the major medical carrier.
- Cancelled checks and monthly statements provide proof of payment toward the deductible limit.
- Funds remaining in the Amerigard accounts at the end of the year are returned to the employer and employee in the manner determined when the program is established.

TYPICAL EXAMPLES

Traditional Program

Amerigard Program



Example 1

No benefit used. Amerigard account balance is divided between employer and participant.

Major Medical Premium. Fixed cost; unrecoverable

Example 2

Balance in account after a portion of the account has been used. Divided and refunded.

Portion used for medical care. Unrecoverable.

Major Medical Premium. Fixed Cost; unrecoverable.

Example 3

Account balance entirely used; unrecoverable.

Major Medical Premium. Fixed Cost; unrecoverable.

What are the other benefits?

In addition to the benefits that were listed previously, consider the fact that:

- The local economy is stimulated. Amerigard account funds are deposited by the employer in local banks just as regular deposits are, thus increasing local capital reserve and allowing banks to be of greater service to businesses and individuals in the community.
- There is no reward for fraud. Participants who do not cheat get money back anyway!
- With no third party involvement, medical matters are private once more, between the physician and the patient.
- By keeping employees well and on the job, productivity gains may well surpass the premium savings realized.
- And remember, none of those time consuming forms are necessary!

Who likes Amerigard?

Employees like it because of the first dollar coverage; cash back if they stay well; they manage the program; medical matters are kept confidential.

Employers like it because it saves money; increases productivity by keeping people on the job; cuts down on administrative burden; it makes employees happy.

Doctors like Amerigard because bills are paid immediately (most spend one third of their money collecting the other two thirds); there are no forms so their administrative burden is reduced too; and, almost all patients they see are those who are really sick.

Does anyone Not like Amerigard?

So far, we have not heard of anyone who disapproves of the idea of saving money while providing improved benefits to their employees; or of a doctor who does not care to be paid promptly.

How much does the Amerigard service cost?

We charge an initial enrollment fee of \$10.00 per employee plus an annual fee of \$10.00 per participating employee thereafter. That is the total charge for our services.

Health care costs in America are going to be controlled. We believe strongly that control should come by way of the FREE ENTERPRISE system and WITHOUT GOVERNMENT INTERVENTION which is our only alternative.

APPENDIX

DAVID J. OR HELEN B. DOWNING
4321 MOUNTAIN DRIVE 825-4241
ANYWHERE, U.S.A. 80259

1034

19__

92-3/1251

Pay to the
order of _____

\$

_____ Dollars



Rocky Mountain Bank Note
Your Bank Title and Address



For _____

⑆ 10 20000000 ⑆

1 23 4 56 7 8

Rocky Mountain Bank Note B

Exploding Cost of Health Care

There's no letup in sight to the spiraling cost of preventing and treating Americans' illnesses and injuries.

New government projections show that the per capita cost of medical care, estimated at \$1,078 this year, will almost triple to \$3,057 by 1990. From 4.5 percent of the nation's total output of goods and services in 1950, medical costs have grown to 9.5 percent today and could reach 11.5 percent a decade hence.

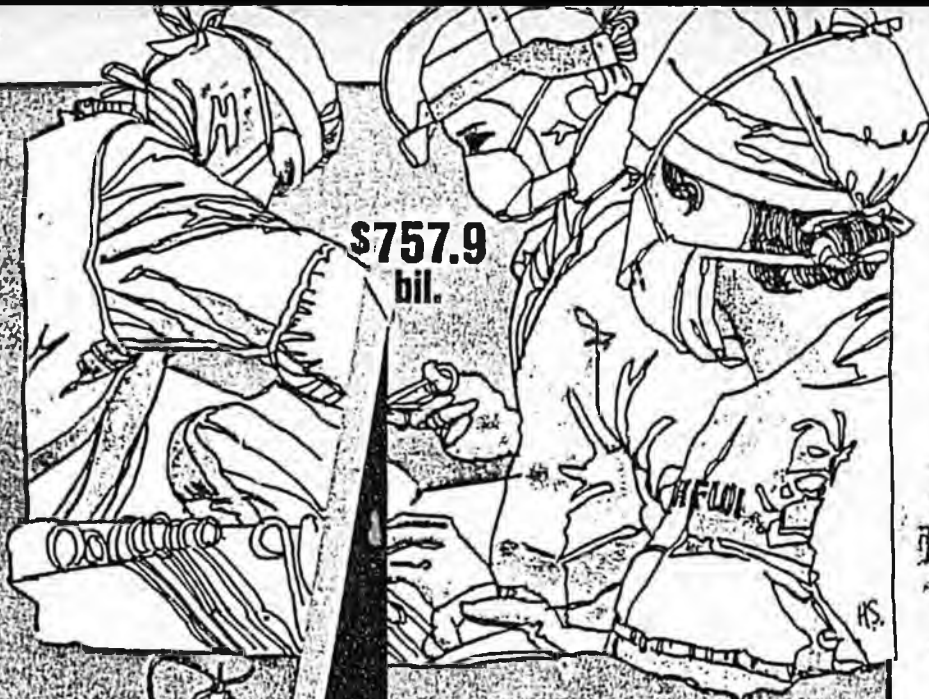
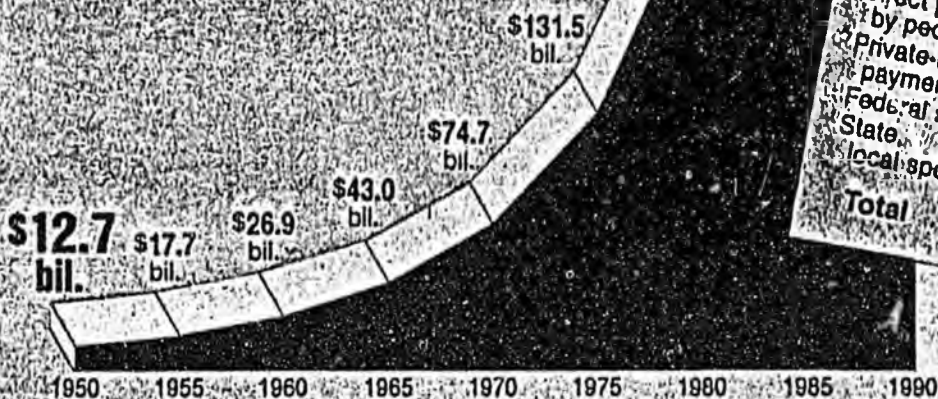
This rapid growth in costs is reflected in medical-care prices. Whereas consumer prices have risen 162 percent since 1965, the cost of a typical hospital room has skyrocketed 444 percent and physicians' fees have jumped 205 percent.

Beyond that, population growth, insistence on higher-quality care and use of such expensive innovations as coronary-care units and computerized X-ray scanners have contributed to the cost runup.

Most Americans have escaped the direct impact of these soaring medical bills. Insurance companies and the federal government pay an ever larger share of medical expenses.

In the end, however, all comes back to the consumer through higher insurance rates and bigger tax bites.

In 40 Years, A 50-Fold Jump In Medical Costs



\$757.9 bil.

Today's Medical Bill

Hospital care	
Physicians' services	\$97.3 bil.
Dental, other professional services	\$45.0 bil.
Nursing-home care	\$23.6 bil.
Drugs and sundries	\$21.6 bil.
Insurance, administrative costs	\$18.1 bil.
Research, construction	\$11.6 bil.
Public-health activities	\$10.5 bil.
Eyeglasses	\$7.0 bil.
Other health services	\$4.7 bil.
Total	\$244.6 bil. (est.)

And Who Pays It

Direct payments by people	
Private insurance payments	\$68.4 bil.
Federal spending	\$75.7 bil.
State, local spending	\$70.4 bil.
Total	\$30.1 bil.
Total	\$244.6 bil. (est.)

Medical costs account for an increasingly large share of the economy—almost \$1 of every \$10 spent today, compared with \$1 of every \$20 in 1960—and that share is expected to keep expanding.

USNA 1178 chart—Basic data: U.S. Dept. of Health & Human Services

- As the originators of MasterCard, electronic calculators, and Xerox can tell you, even the best ideas meet some resistance. "Stay Well" is so simple, it's hard to understand, and people may have to hear it several times before the light comes on.
- Blue Cross, Blue Shield, and major insurance companies are trying to hold down health costs by attempting to influence the provider side of the equation by reducing the length of hospital stays, encouraging the pooling of expensive medical equipment, and providing health-related literature to their members.
- Amerigard applauds their efforts on the provider side but sees real benefit from influencing the demand side as well by seeking to reduce unnecessary lost time due to illness at the source, and by greatly simplifying the administrative system.
- Currently, Blue Shield, several major insurance companies, and even Crocker Bank of San Francisco are experimenting with variations of a "Stay Well" idea. They are learning what Amerigard knows--"Stay Well" works.

Making Good Health Pay Off—in Cash

The more people go to doctors, the higher the health-insurance premiums their employers must pay. Until last year health insurance ranked second only to salaries in the budget of the Mendocino County, Calif., Office of Education. But a new "stay well" plan that provides a cash incentive to avoid unnecessary doctor bills might help trim the exorbitant cost of health care.

Under the plan, employees are paid to stay away from doctors. The California agency used to spend \$105 a month for each of its 218 employees for insurance to cover nearly all medical expenses. The new plan eliminates this coverage and instead provides a \$500-deductible Blue Shield policy that costs the county \$65 for each employee. In addition, another \$40 a month is set aside to provide a pool to cover the first \$500 of the employee's bills. If the employee spends less than \$500 in any year, he can collect the difference in cash when he leaves his job. A worker who spent only \$100 annually for two years would collect \$800. "It's so simple that it's screwy nobody ever thought of it before," says Assistant Superintendent Ed Nickerman.

The idea seems to be working. After eleven months, nearly 100 employees had incurred no medical bills, 47 had spent less than \$200 and only 22 had exceeded their \$500 limit. "Before, I kind of overdid it," says teacher Dan Raner. "Now I feel I have an investment in my own health." Partly as a result of the plan, the county doesn't face a premium increase this year. "I think this is probably the most innovative concept since major-medical insurance caught on in the 1950s," says Larry Parcell, vice president of Blue Shield of California.

The stay-well plan promises to spread throughout California. Other school districts, the state administration and private businesses all are considering versions. The Bank of America, for example, soon hopes to start a pilot program among some of its 63,000 employees, who now contribute from \$10 to \$25 out of their own paychecks for health insurance. Under the bank's plan, employees who file no health-insurance claims during one year would get free coverage the next. None of the plans, experts seem to agree, would discourage anyone who is really sick from going to the doctor. But, health economists say, at least half of all physician visits are unnecessary.

MAY 17, 1981

Health insurance plan rewards well patients

A Beaverton doctor who sees "about 10,000 patients a year" has come up with a new health care insurance plan that "pays people not to be sick."

"My office is loaded with people who come in and the company says they are sick and have to see a doctor before they can come back to work," Dr. Charles K. Chapman said in an interview. "Individuals take sick leave and use their medical insurance at a cost to both the individual and the company. It costs the individual sick-leave time and the company the loss of the employee's services for a day."

Noting that most health insurance is prepaid, Chapman said: "The only way to derive benefit from the prepaid plan is to use the benefits, whether needed or not. 'It's paid for, so I may as well use it' seems to be the all too-human response."

Chapman has a program called the *Americare Plan, which "rewards you for being well." Basically, the plan returns a part of the premium to the individual for not using the insurance.

Using \$1,000 in premiums as an example, Chapman explained that it is divided into two \$500 parts. The first part of the premium is used to purchase a \$500 deductible major medical plan from any major insurance program. "This functions as any standard insurance plan would," he said, "covering costs in excess of \$500."

The remaining \$500 is deposited in a local bank as a "pool." This, according to Chapman, is the key to the plan because "the consumption or maintenance of these monies is in the hands of the patient." If the insured does not use any of the "pool" fund, he receives \$250 back in cash the first of December, the anniversary date of the plan.

"Thus, his self-restraint is rewarded in the most tangible form that Americans understand — cash payment," the doctor said.

If the insured used \$120 for health expenses, he would be returned \$190 in cash or 50 percent of the \$360 unused in the pool fund.



DR. CHARLES K. CHAPMAN

Money in the pool is used first. When that is exhausted, the major-medical part is tapped. If the pool is used completely, the insured does not receive any "reward."

Each participant is issued a credit card that is used when there are medical expenses.

"Charges at the doctor's office, lab costs and other expenses are charged against the account and the doctor is paid immediately," he said. "No forms. No hassles."

The company realizes productivity gains, he said. "With up to 50 percent less lost time due to illness, the potential impact to worker and organization productivity is staggering. The premium savings could be a drop in the bucket compared with the money made here."

It also represents a boost to the local economy because the program funds are held in local banks.

*Prior to July 1981, Amerigard Inc. was known as Americare Inc.

1 Department of Administration to report its findings to the governor and the
2 legislature before January 16, 1984.

3 A COPY of this resolution shall be sent to the commissioner of the
4 Department of Administration.

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: SCR 12
 Title: Health Insurance Task Force
 Sponsor: Josephson
 Requestor: _____

II. FISCAL DETAIL

Agency Affected: Administration
 Program Category Affected: Gen. Admin. Servs.
 BRU, Program of Subprogram(s) Affected: Retirement & Benefits

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		25.0				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		25.0				
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS: NONE

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: J.K. Humphreys, Director Phone: 465-4460
 Division: Retirement & Benefits Date: 4-7-83
 Approved by Commissioner: Lisa Rudd, Commissioner Date: 4-7-83
 Department: Administration

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- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

State of Alaska

Fiscal Note

SCR 12

IV Analysis: It is assumed that organizations represented on the task force would have Juneau representatives and there would be no travel and per diem expenses.

The \$25.0 expenditure is for benefit consultation and research.


Position Paper

Senate Concurrent Resolution No. 12

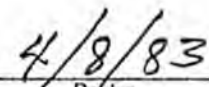
The Department of Administration is aware of so-called "stay well" programs and has already done some preliminary research on the feasibility of similar plans for the State of Alaska. We believe that SCR 12 might be fruitful if it were amended.

First, rather than establishing a task force to perform the original research work and develop alternatives, we suggest that this department develop the report which then could be circulated among and discussed with all concerned parties. Second, it is important that the scope of the report be broadened to include other possible cost containment alternatives such as modifying our existing cafeteria style Supplemental Benefits System. The approach should be well integrated and take into account possibilities such as federal taxation of employer-paid health insurance premiums and consider the tax consequences of any cash distributions under the program.

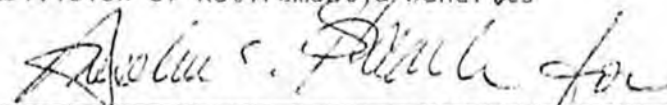
The department could support such an amended resolution but cannot support the existing version. Technical groundwork must be laid before informed decisions on alternative can be made.



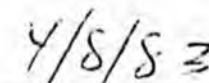
J.K. Humphreys, Director
Division of Retirement & Benefits



Date



Lisa Rudd, Commissioner of Administration



Date