

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

1714.4 SCOMM 68: HEALTH CARE COST CONTAINMENT TASK FORCE, 1989-91

SCOMM

68:5



Official Business

COMMITTEE:

DATE: 3-14-89

SIGN-IN

Subject of meeting:

Health Care Costs

PLEASE PRINT!

NAME

ADDRESS

PHONE

REPRESENTING

DO YOU WANT
TO TESTIFY?

MICHELLE CASTANEDO	POB 22130 JUNEAU AK 99802	463-4949	ASEA/AFSCME	
Bruce Cummings	Box C-0220, Juneau 99811	465-4404	Dept. Administration	
Karen Pendue	Box H, Juneau 99811	465-3030	Dept of HSS	
GREG O'CLARAT	124 FRONT ST JUN 99801	586-6090	MTD AFL-CIO	
Mike Savane	Box V Juneau, AK	465-3718	Legis.	
M. Boyer	" "	3466	"	
Sam Lunca	Box r Juneau AK	465-4766	Legis.	



Alaska Court System

State of Alaska

303 "K" STREET
ANCHORAGE, ALASKA
99501

ARTHUR H. SNOWDEN II
ADMINISTRATIVE DIRECTOR

(907) 274-8611

March 17, 1989

Senator Tim Kelly
Senate President
Alaska State Legislature
P. O. Box V
Juneau, Alaska 99811

Re: Health Care Cost Containment

Dear Senator Kelly:

The Department of Administration, the Alaska Court System and the Legislature Affairs Agency comprised the Health Benefits Task Force in June, 1988. We understood the purpose of the task force was to gather information about state employee health benefits and make recommendations for change to the Department of Administration. The task force met once each month, gathered a myriad of information, listened to consultants, Aetna representatives, other public agency employers and reviewed several position papers and documents about the state health care system. It was the expectation of the Alaska Court System that the task force would make specific recommendations that would be implemented by the Department of Administration. Unfortunately, the Department of Administration felt that it could not implement any recommendations due to the constraints of various collective bargaining agreements, so the chair of the task force, Chuck Taylor, terminated the task force in December, 1988.

While working with the task force, the court system reviewed the health benefit plans of the Municipality of Anchorage, the Teamsters Health and Welfare Trust and the University of Alaska. We also met with their representatives to determine their plans' potential application to state employees. We also examined

health plans from the private sector as well as from other states. To better inform ourselves of the issues facing the state, we reviewed cost containment studies and attended seminars sponsored by the International Foundation of Employee Benefit Plans. We also obtained materials on health promotion and wellness to assist in planning for future cost containment. I'm enclosing a copy of a bibliography of materials we gathered if you would like more information on individual topics.

Our research led us to the conclusion that the state did not have sufficient demographic information about its employees to make reasoned health care benefit choices. Although the task force asked the state's consultant and Aetna for employee demographics, the information they provided was generally insufficient. We strongly suggested that the state work with a consultant who could assist in gathering the necessary cost data and demographic information.

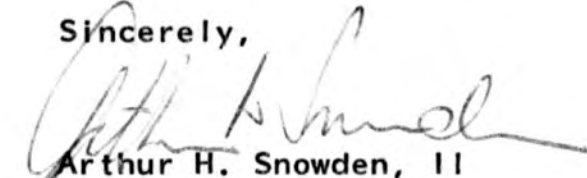
In researching cost information, the Legislative Affairs Agency conducted a survey of dental costs in Juneau to determine the variation in pricing as well as the average cost for certain standard procedures. The court system conducted a similar survey in Anchorage, a copy of which is enclosed. We believe that surveys of this type should be conducted statewide with most health care providers and that the results be made available to all employees.

During the first few meetings of the task force we asked that representatives of the bargaining units be invited to participate. The Department of Administration did invite them, but not until the final two meetings. Given the complexity of the issues and the need for all employees to be informed of the significant problems in the present health benefits plan, participation by union representatives is essential. After considerable research we believe that the state's plan can best be managed by an employer-employee health benefits trust. A trust comprised of people with the necessary expertise to make informed choices would provide both management experience as well as continuity for the state. It would also remove health benefits from the bargaining process, so that long term planning for all state employees can be achieved. These trusts have worked well in the private sector in Alaska.

When the task force was dissolved, I reiterated the court system's approach to the health care benefits problem in my December 14, 1988 letter to Deputy Commissioner Taylor. It was, and still remains, our position that costs should be contained first through management of the health care system and, second, by making those changes that will least impact the employees. We also made specific recommendations in the letter, a copy of which I have enclosed.

Although the court system is not a member of the new task force, we would appreciate the opportunity to share with its members our concerns and information. If you have any questions with regard to our work to date on this issue, please contact either Jan Strandberg or me.

Sincerely,



Arthur H. Snowden, II
Administrative Director

Attachments

cc: Senator Jim Duncan
Representative Mike Navarre
Representative Mark Boyer
Jan Strandberg

HEALTH BENEFITS RESOURCES

STATE OF ALASKA

1. Health Insurance Costs. Five-year summary of costs to state (Alaska).
2. An Analysis of Healthcare Cost Management Alternatives for Alaska. Division of Retirement & Benefits in conjunction with Mercer-Meidinger. Jan. & Feb. 1988.
3. Discussion Paper Presented to State of Alaska Task Force on Employee Health Care Benefits. Mercer-Meidinger-Hansen. Sept. 1988.
4. State of Alaska Task Force on Employee Healthcare Benefits Meeting. Prepared by Aetna Life Ins. Oct. 1988.

HEALTH PLANS FROM PUBLIC & PRIVATE SECTOR

A. Municipality of Anchorage

1. Flexible Benefits Plan. Municipality of Anchorage memo to employees. 5/2/88.
2. MOA - CHAMP. March 1988; Letter of Agreement between MOA and AMEA.

B. Private Companies

1. Employee Benefits Programs for: Bank of America, Quaker Oats and First Chicago Bank.

C. States

1. California PERS. Adverse Selection in a Large Health Benefit Program.
2. "The Call to Rome and Other Obstacles to State-Level Innovation." Public Administration Review. March/April 1987.
3. State Efforts at Health Care Cost Containment: 1986 Update. National Conference of State Legislatures.

HEALTH PROMOTION & WELLNESS

1. "Workplace Health Enhancement." INTER ALIA Journal of the State Bar of Nevada. Jan. 1982-83.
2. "Using Healthcare Data to Direct Risk Reduction Efforts."

The National Center for Health Promotion. 1988.

3. **Promoting Prenatal Health in the Workplace. Prepared by March of Dimes. Washington Business Group on Health. Nov. 1986.**
4. **Preventing Alcohol & Drug Abuse Through Programs at Workplace. Washington Business Group on Health. Feb. 1987.**
5. **Health Promotion and the Labor Union Movement. Washington Business Group on Health. July 1986.**
6. **"Using Healthcare Data to Direct Risk Reduction Efforts." The National center for Health Promotion. 1988.**
7. **Using Incentives to Promote Employee Health. Washington Business Group on Health. Feb. 1986.**
8. **Worksite Wellness Media Report Research Update 1988. Washington Business Group on Health. Feb. 1988.**
9. **Worksite Wellness Media Report Research Update 1987. Washington Business Group on Health. Feb. 1988.**

COST CONTAINMENT STUDIES

1. **"Cost Management Case Study: State of Arizona." - edited version. ...By Design.**
2. **Healthcare Cost Containment in the Public Sector. A Mercer-Meidinger Survey. 1986.**
3. **Paying Physicians: Commentary. Case Western Reserve Law Review. 1986.**
4. **IBIS Conference Addresses Cooperative Efforts to Control Employee Benefits Costs. Employee Benefit Plan Review. Aug. 1984.**
5. **Taking Charge: A Buyer's Guide to Managing Health Benefits. Integrated Health Management Associates. 1985.**

MISCELLANEOUS

1. **"Self-Insured Health Plans." Health Care Financing Review. Winter 1986.**
2. **"Selecting a Utilization Review Organization - A Step by Step Process." Employee Benefits Journal. June 1987.**
3. **Management Hotline: Health Benefits for An Aging Workforce.**

4. Health Care - Employees Accept Health Care Changes, Study Finds. Journal of Accountancy. Nov. 1985.
5. Health Care Cost Management Conference. Sept.29-Oct.1, 1988.
6. Pooled Funds. William Jermain. Aug. 1988.
7. Alaska Employee Benefits Institute. International Foundation of Employee Benefit Plans. Aug. 31. 1988.
8. Section 89: "ERISA-fying" Health & Welfare Plans. International Foundation of Employee Benefit Plans. Sept. 1988.

Alaska Court System
Anchorage Dental Survey
12/88

Provider code ---->		Service Category:			2	3	4	5
Service:		Max	Min	Avg				
Routine exam	(adult)	\$110	\$10	\$31	\$30	\$25	\$25	\$20
	(child)	45	15	29				
Oral prophylaxis	(adult range)	84	25	60	60	50	55	60
	(child range)	80	22	45	45		45	
4 bitewing x-rays	(adult)	58	10	28	10	25	24	20
	(child)	58	10	29				
Stannous flouride	(adult)	23	5	13	*	*	*	*
	(child)	21	5	12				
1 surface amalgam filling	(adult)	100	40	66	60	60	65	70
	(child)	80	42	68				
2 surface amalgam filling	(adult)	125	64	86	76	70	90	90
	(child)	105	55	83				
Root canal: "ant."	(adult)	350	135	271	250	225	270	260
"bicus."	(adult)	450	275	335			345	
"molar"	(adult)	575	250	404	395	325	395	440
1 surface composite	(adult range)	137	40	78	75	60	85	85
Porcelain/gold crown	(adult range)	700	205	511	510	475	480	525
Full gold crown	(adult range)	700	425	515	510	475	480	545
Complete upper denture	(adult range)	1,500	395	783	750	650	800	650 725

Notes:

- * included with cleaning
- ** service not provided
- *** children only

Alaska Court System
Anchorage Dental Survey
12/88

Provider code ---->		6	7	8	9	10	11	12	13
Service:									
Routine exam	(adult) (child)	\$35	\$35	\$30 20	\$25 20	\$20	\$35	\$22	\$25
Oral prophylaxis	(adult range)	60	60	60	60	60	65	65 70	55
	(child range)	50	40 45		25	45	50		50
4 bitewing x-rays	(adult) (child)	20	30	25	25	10	20	40	30
Stannous flouride	(adult) (child)	20	*		20	13	10	*	*
1 surface amalgam filling	(adult) (child)	65 60	55	65	65	80	50	65	65
2 surface amalgam filling	(adult) (child)	80 75	80	85	80	90	75	92	75
Root canal: "ant."	(adult)	225	275	300	225	250	325	280	195
"bicus."	(adult)	275	325	350	300	300	350		
"molar"	(adult)	400	450	400	350	350	400	430	250
1 surface composite	(adult range)	90	75	85	70	80	75	60	75
Porcelain/gold crown	(adult range)		480	525	485	450	500	510	485
Full gold crown	(adult range)	425	480	525	485	450	500	510	485
Complete upper denture	(adult range)	700	750 900	800	550	750	650	850	625

Notes:

- * included with
cleaning
- ** service not
provided
- *** children only

Alaska Court System
Anchorage Dental Survey
12/88

Provider code ---->		14	15	16	17	18	19	20	21
Service:									
Routine exam	(adult)	\$20	\$35	\$35	\$15	\$40	\$35	\$33	\$46
	(child)	15							
Oral prophylaxis	(adult range)	60	60	55	60	80	65	64	46
	(child range)	45			48	55	50	50	
4 bitewing x-rays	(adult)	20	45	25	35	40	30	26	20
	(child)								
Stannous flouride	(adult)	*	10	15	*	15	*	*	*
	(child)					10			
1 surface amalgam filling	(adult)	70	75	55	58	54	70	62	58
	(child)								
2 surface amalgam filling	(adult)	80	85	85	65	78	90	82	78
	(child)								
Root canal: "ant."	(adult)	300	275	225	325	275	285	256	**
	"bicus." (adult)	375	325	300	395	325	365	332	
	"molar" (adult)	457	450	425	425	400	445	464	
1 surface composite	(adult range)	90	100	60	58 65	66	80	62 102	78
Porcelain/gold crown	(adult range)	575	525	480	525	510	565	496	485
Full gold crown	(adult range)		525	480	525		565	496	485
Complete upper denture	(adult range)	875	850	650	850	900	825	856	**

Notes:

* included with
cleaning

** service not
provided

*** children only

Alaska Court System
Anchorage Dental Survey
12/88

Provider code ---->		22	23	24	25	26	27	28	29
Service:									
Routine exam	(adult)	\$20	\$40	\$25	\$30	\$25	\$20	\$30	\$110
	(child)		30	25		18	20		36
Oral prophylaxis	(adult range)	60	58	60	60	56	60	50	65
	(child range)		40	45		46	45 50		41
4 bitewing x-rays	(adult)	30	30	40	25	28	32	25	58
	(child)						20		58
Stannous flouride	(adult)	*	10		10		*	10	21
	(child)								21
1 surface amalgam filling	(adult)	60	60	65	70	58	80	60	65
	(child)						80		65
2 surface amalgam filling	(adult)	85	103	80	80	78	105	75	82
	(child)						105		82
Root canal: "ant."	(adult)	250	200	250	250	265	325	275	302
"bicus."	(adult)	310	289	300	300	330	375	325	450
"molar"	(adult)	410	325	368	375	405	450	425	496
1 surface composite	(adult range)	70	68	65	70	78	90	60	88
		90	137				90		88
Porcelain/gold crown	(adult range)	500	468 489	500	535	488	550	495	588
Full gold crown	(adult range)	500	489			505	550	495	588
Complete upper denture	(adult range)	700	750	750 800	1,000	750	850	850	875

Notes:

- * included with cleaning
- ** service not provided
- *** children only

Alaska Court System
Anchorage Dental Survey
12/88

Provider code ---->		30	31	32	33	34	35	36	37
Service:									
Routine exam	(adult)	\$32	\$35	\$26	\$25	\$55	\$60	\$15	\$35
	(child)	32	35	25		45		15	35
Oral prophylaxis	(adult range)	60	55 65	65	84	60	60	60	60
	(child range)	50	50	48		45		50	40
4 bitewing x-rays	(adult)	20	48	28	35	20	25	30	25
	(child)	20	48	26				30	15
Stannous flouride	(adult)	5	10	15	10	*	*	*	15
	(child)	5	10	*					15
1 surface amalgam filling	(adult)	70	80	75	57	70	58	75	70
	(child)	70	80	75				70	70
2 surface amalgam filling	(adult)	80	90	102	79	80	70	85	90
	(child)	80	90	102			85	80	90
Root canal: "ant."	(adult)	270	270	295	295	275	265	250	250
"bicus."	(adult)	365	320		325	300	295	300	300
"molar"	(adult)	445	380	345	425	325	395	370	450
1 surface composite	(adult range)	80	100 100	82 75	79	75	65 85	85 85	70 70
Porcelain/gold crown	(adult range)	565	510 510	525	485	495	525	495	545
Full gold crown	(adult range)	565	510	525	485	525	525	495	545
Complete upper denture	(adult range)	850	700	700	900	775	750 800	695	800

Notes:

- * included with cleaning
- ** service not provided
- *** children only

**Alaska Court System
Anchorage Dental Survey
12/82**

Provider code --->		38	39	40	41	42	43	44	45
Service:									
Routine exam	(adult)	\$45	\$25	\$32	\$45	\$40	\$45	\$51	\$45
	(child)	45			45	30	30		25
Oral prophylaxis	(adult range)	60	60	65	60	58	50	64	55 60
	(child range)	45 50	45		45 50	40	35	48	50
4 bitewing x-rays	(adult)	*	30	34	*	30	50	25	*
	(child)						35	20	
Stannous flouride	(adult)	*		5	*	10	*	*	*
	(child)								
1 surface amalgam filling	(adult)	**	70	**	**	60	55	60	70
	(child)						42		70
2 surface amalgam filling	(adult)	**	90	**	**	103	70	119	95
	(child)						55		95
Root canal: "ant."	(adult)	315	270	310	315	200	225	**	300
"bicus."	(adult)	375	365	355	375	289	300		375
"molar"	(adult)	435	445	440	435	325	375		395
1 surface composite	(adult range)	78 90	75	95	78 90	68 137	55 42	60 65	95
Porcelain/gold crown	(adult range)	550	545	550	550	468	450	205 210	490
Full gold crown	(adult range)	550	545	550	550	489	450	529	490
Complete upper denture	(adult range)	800	745	800	800	750	650	1,500	750

Notes:

- * included with cleaning
- ** service not provided
- *** children only

Alaska Court System
Anchorage Dental Survey
12/88

Provider code ---->		46	47	48	49	50	51	52	53
Service:									
Routine exam	(adult)	\$35	\$20	\$10	\$35	\$33	\$34	\$34	\$26
	(child)	35						15	
Oral prophylaxis	(adult range)	80	60	25	58	35 80	65	62	60
	(child range)	80	45 50	22			49	38	45
4 bitewing x-rays	(adult)	30	25	10	30	20	17	30	16
	(child)	30				55			
Stannous flouride	(adult)	*	*	5	15	18	16	*	23
	(child)								9
1 surface amalgam filling	(adult)	65	55	49	75	100	95	61	65
	(child)								
2 surface amalgam filling	(adult)	80	75	77	105	125	110	72	85
	(child)								
Root canal: "ant."	(adult)	330	265	275	295	235	340	236	250
"bicus."	(adult)	390	325	375	345		420	315	285
"molar"	(adult)	450	395	475	395	250	500	372	325
1 surface composite	(adult range)	70	75	64	85 90		95	84	65 75
Porcelain/gold crown	(adult range)	495	525	435	525	450 700	600	487	485
Full gold crown	(adult range)	495	525	435	525	450 700	600	487	485
Complete upper denture	(adult range)	840	755	395	700	750 1,300	1,000	782	750

Notes:

- * included with cleaning
- ** service not provided
- *** children only

Alaska Court System
Anchorage Dental Survey
12/88

Provider code --->		54	55	56	57	58	59	60	61
Service:									
Routine exam	(adult) (child)	\$20	\$15	\$15	\$35	\$20	\$22	\$35	\$20
Oral prophylaxis	(adult range)	60	60	62	60	60	58	55	60
	(child range)	45	50			45	38		
4 bitewing x-rays	(adult) (child)	35	30	20	25	20	18	35	20
Stannous flouride	(adult) (child)	*	*	15	*	*	*	*	*
1 surface amalgam filling	(adult) (child)	85	75 70	83 63	81	70	62	75	70
2 surface amalgam filling	(adult) (child)	105	85 80	103 73	64	90	92	85	90
Root canal: "ant."	(adult)	295	250	285	**	285	300	225	260
"bicus."	(adult)		300	325		385	365	285	
"molar"	(adult)		370	415		445	490	385	440
1 surface composite	(adult range)	95	85	113	64	75	84	75	85
Porcelain/gold crown	(adult range)	575	495	555	595	500	565	495	525
Full gold crown	(adult range)	575	495	545	595	500	565	495	545
Complete upper denture	(adult range)	750	695	950	750	600	750	850	650

Notes:

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cleaning
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provided
- *** children only

Alaska Court System
Anchorage Dental Survey
12/88

Provider code --->		62	63	64	65	66	67	68	69
Service:									
Routine exam	(adult) (child)	\$33	\$20	\$20	\$30	\$40	\$22	\$35	\$22
Oral prophylaxis	(adult range)	60	60	40	55 60	60	65 70	65	58
	(child range)	50			40 45			50	38
4 bitewing x-rays	(adult) (child)	35	30	20	25	40	40	35	18
Stannous flouride	(adult) (child)	*	*	9 *	*	20	*	*	*
1 surface amalgam filling	(adult) (child)	65	60	40	60	50	65	55	62
2 surface amalgam filling	(adult) (child)	85	85	70	75	75	92	70	92
Root canal: "ant."	(adult)	350	250	350	275	300	280	295	300
"bicus."	(adult)	425	310	400	325	350		350	365
"molar"	(adult)	575	410	450	375	450	430	400	490
1 surface composite	(adult range)	75	90 70	40	75	60	60	65	84
Porcelain/gold crown	(adult range)	600	500	425	550	500	510	525	565
Full gold crown	(adult range)	600	500	425	550	500	510	525	565
Complete upper denture	(adult range)	800	700	550	775	600 900	850	900	750

Notes:

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cleaning
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- *** children only

Alaska Court System
Anchorage Dental Survey
12/88

Provider code --->		70	71	72	73	74	75	76	77
Service:									
Routine exam	(adult)	\$35	\$35	\$30	***	\$20	\$25	\$15	\$25
	(child)			25	35				
Oral prophylaxis	(adult range)	60	62	60	***	70	55	60	60
	(child range)	45		30	36				
4 bitewing x-rays	(adult)	30	20	10	***	20	35	40	30
	(child)			10	14				
Stannous flouride	(adult)		15		*		10		5
	(child)								
1 surface amalgam filling	(adult)	65	73	70	***	60	52	65	75
	(child)				68				
2 surface amalgam filling	(adult)	85	93	95	***	80	67	75	95
	(child)				78				
Root canal: "ant."	(adult)	295	285	275	135	225	295	325	205
"bicus."	(adult)	325	325	300		275	325	345	275
"molar"	(adult)	375	415	325		350	400	345	350
1 surface composite	(adult range)	75	83	70	***	65	85	85	85
				95	68		95		100
Porcelain/gold crown	(adult range)	550	545	525		515	500	465	450
Full gold crown	(adult range)	550	545	525		515	500	485	450
Complete upper denture	(adult range)	750	900	750		900	900	755	695

Notes:

* included with cleaning

** service not provided

*** children only

December 14, 1988

Charles E. Taylor
Deputy Commissioner
Department of Administration
P.O. Box C
Juneau, Alaska 99811

Dear Chuck:

The termination of the Health Benefits Task Force has left the other two branches of government in the unenviable position of waiting for the executive branch to negotiate a health benefits package with the unions before the determination of the package for other state employees.

I would like to restate the court system's approach to the health care benefits problem. We believe that costs should be first contained through management of the health care system and by making those changes that have the least impact on employees. As we agreed, at this time the state does not have sufficient demographic or cost information to make reasoned decisions about specific cuts. However, after reviewing and attempting to analyze the materials provided to us by Aetna and Mercer-Meidinger-Hansen, we want to reiterate these specific recommendations:

- (1) form a trust comprised of management and union officials as well as representatives of the other two branches of government that will be responsible for the provision and management of health benefits for state employees;
- (2) explore the feasibility of self-insurance;
- (3) implement utilization review, coordination of benefits and caps on mental health, substance abuse and chiropractic services;
- (4) manage the utilization of prescription drugs;
- (5) review the usual, customary and reasonable charges for Alaskan health services;
- (6) review the Mendocino plan as well as other health incentive and wellness programs for potential implementation in Alaska; and
- (7) gather the demographic and cost data necessary to determine whether other specific services should be capped or eliminated.

We believe that these recommendations should be implemented as

soon as possible. To the extent of our resources, we will assist in compiling information that you believe may be helpful. By separate cover, we will provide you with the results of our Anchorage Dental Survey. Our staff counsel will also provide you with the information she has gathered about employee incentive plans and wellness programs. Although we anticipate that we will support your legislative package, we cannot agree to support the concept of flexible benefits without a thorough cost-benefit analysis. Please let me know if you would like our assistance in other areas.

Very truly yours,

Arthur H. Snowden, II
Administrative Director

OFFICE OF THE PRESIDENT

MEMBER

TENTH ALASKA LEGISLATURE
ELEVENTH ALASKA LEGISLATURE
TWELFTH ALASKA LEGISLATURE
THIRTEENTH ALASKA LEGISLATURE
FOURTEENTH ALASKA LEGISLATURE
FIFTEENTH ALASKA LEGISLATURE
SIXTEENTH ALASKA LEGISLATURE



SENATOR TIM KELLY

P.O. BOX V
JUNEAU, ALASKA 99811
(907) 465-3822

P.O. BOX 210001
ANCHORAGE, ALASKA 99521
(907) 561-7612

April 29, 1989

MEMORANDUM

To: All members
Health Care Cost Containment
Task Force

From: Senator Tim Kelly, Chair *TDK*

Re: End of session report.

Much has happened since our meeting on April 12. Attached is a sequence of correspondence which chronicles the progress of our efforts. Included for your record is an excerpted transcript of the April 12 meeting that pertains to Barbara Huff's motion.

I am very pleased with the progress of the Task Force to date and all members' contributions to that success. Moreover, the prospects for significant accomplishments during the interim must be viewed with increased confidence. I am hopeful that the funding for this continued effort will be appropriated.

I expect our next meeting will take place in early or mid June. Note that there is a proposed work plan for your review and consideration in the attachments. I will be contacting you after the session to select a date that best accommodates Task Force members' schedules.

OFFICE OF THE PRESIDENT

MEMBER

TENTH ALASKA LEGISLATURE
ELEVENTH ALASKA LEGISLATURE
TWELFTH ALASKA LEGISLATURE
THIRTEENTH ALASKA LEGISLATURE
FOURTEENTH ALASKA LEGISLATURE
FIFTEENTH ALASKA LEGISLATURE
SIXTEENTH ALASKA LEGISLATURE



SENATOR TIM KELLY

P.O. BOX V
JUNEAU, ALASKA 99811
(907) 465-3822

P.O. BOX 210001
ANCHORAGE, ALASKA 99521
(907) 561-7612

April 29, 1989

MEMORANDUM

To: Rep. Sam Cotten, Speaker

Sen. John Binkley, Co-chair
Sen. Rick Uehling, Co-chair
Senate Finance Committee

Rep. Ron Larson, Co-chair
Rep. Lyman Hoffman, Co-chair
House Finance Committee

From: Sen. Tim Kelly, Chair TDK
Health Care Cost Containment
Task Force

Re: Significant progress on reducing FY 90 health care costs.

I am pleased to submit the attached report for your information. It signals additional success of the Task Force to focus on, encourage, and stimulate cost saving measures that will have a substantial effect on FY 90 and all future budget requirements for state employee health care.

While this is an important step, it by no means concludes or exhausts the opportunities for other savings and cost containment measures that could be equally significant. In this regard, I hope you share my confidence in the interim work of the Task Force to further realize our common goals.

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF LABOR RELATIONS

STEVE COWPER, GOVERNOR

P.O. BOX C
JUNEAU, ALASKA 99811-0220
PHONE: (907) 465-4404

April 28, 1989

Senator Tim Kelly
Chairman
Health Cost Containment Task Force
P.O. Box V
Juneau, AK 99811

Dear Senator Kelly:

Re: Health Insurance Negotiations

Please accept this letter as a status report on health insurance benefit negotiations between the State of Alaska (State) and the Alaska State Employees Association (ASEA).

The parties are proceeding with all haste in the negotiation of an interim agreement intended to take effect on July 1, 1989, or as soon thereafter as possible. The parties recognize and are making every effort to respond to the need for cost containment measures to take effect as early in FY 90 as possible.

To that end, ASEA presented a proposal to the State on April 13, 1989, and subsequently refined on April 25, as reflected in the attached conceptual proposal. The parties have met daily since in an effort to refine this proposal into acceptable contract language on those elements which are feasible for adoption in Alaska. The parties have, and continue, to confer telephonically with the State's insurance carrier (Aetna) regarding the practicality, mechanics and cost of implementing some or all of these containment measures on or about July 1.

Not surprisingly, we are finding that some of these measures can be taken, but perhaps not by July 1 (August 1 is more realistic). Nevertheless, we have every hope that adoption of these measures will produce savings exceeding ten percent (10%) of the current premium price.

April 28, 1989

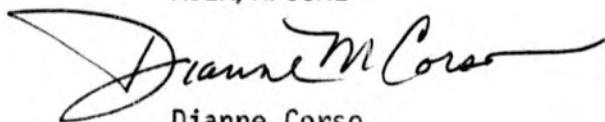
The parties will continue to pursue these negotiations with the intent of completing our negotiations by May 15, 1989.

Please do not hesitate to contact representatives of either party if you have any questions regarding this matter.

Sincerely,



Don Wasserman
Chief Spokesman
ASEA/AFSCME



Dianne Corso
Chief Spokesman
State of Alaska

DW/DC/vcy

P0428bac

Enclosure:

cc: All Members

Health Care Cost Containment Task Force

PROPOSED CHANGES

- | | |
|-----------------------------------|---|
| Savings:
Unknown | 1. Annual re-enrollment, identification of spouse and dependents with birthdates. Issue new enrollment cards annually. |
| Savings:
Unknown | 2. Eliminate dual enrollment (husband and wife both employed by state). State pay Plan 1 SBS premium. |
| Savings:
6% | 3. Utilization Review (Aetna's Healthline).
\$400 reduction for noncompliance. |
| Savings:
3% | 4. Outpatient Precertification (provided by Aetna).
\$400 reduction for noncompliance. |
| Savings:
.5% | 5. Cover skilled nursing care at 100% when used in place of in patient hospital stay. |
| Savings:
1-1.5% | 6. Managed second surgical opinion (Aetna provided through "Healthline")
\$400 reduction for noncompliance. |
| Savings:
\$260,000
per site | 7. On site concurrent review (provided by Aetna). |
| Savings:
Unknown | 8. Managed mental health (provided by Aetna) |
| Savings:
Unknown | 9. High risk pregnancy management (Provided by Aetna) |
| Savings:
Unknown | 10. Travel/ambulance provisions revised to allow transportation costs to place that is determined to be more appropriate and cost effective |
| Savings:
.25% | 11. Place a \$750 annual maximum for care provided by chiropractors. |
| Savings:
1%+ | 12. Prescription drug card program.
\$5.00 co-pay name brand drugs,
\$0.00 co-pay generic drugs. Mail order drug program \$0.00 co-pay. |

Page 2
Union Proposed Changes

- | | | |
|------------------------------|--|--------------------|
| Savings:
1% | 13. Dollar limit for alcoholism/drug abuse treatment, a maximum per admission and a lifetime maximum. | ? To BE
REFINED |
| Savings:
Unknown | 14. Provide for plan to subrogate claims | |
| Impact:
Unknown | 15. Provide for deductible to be \$100 for employee, \$100 for spouse and combined deductible of \$100 for all children | |
| Savings:
.3% | 16. Patient audit program with employee sharing in savings. Employee to receive 50% up to \$400 per year. | |
| Cost:
2% | 17. Provide orthodontia at 50% of U.C.R. with lifetime maximum of \$1,500. | |
| Savings:
Unknown | 18. Provide for a mandatory pretreatment plan to be submitted to the carrier for authorization when dental care is expected to exceed \$500. | |
| Impact:
Unknown | 19. Remove \$400 lifetime maximum on medically required contact lenses. | |
| Impact:
Perhaps
Slight | 20. Modify effective date of coverage for seasonal employees. Option for employee to delay start of coverage and have coverage extend past date of layoff. | |

13.55%	Total Savings
2.0%	Cost

11.55%	Net Savings + Unknown Savings
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OFFICE OF THE PRESIDENT

MEMBER

TENTH ALASKA LEGISLATURE
ELEVENTH ALASKA LEGISLATURE
TWELFTH ALASKA LEGISLATURE
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April 13, 1989

MEMORANDUM

To: Senator John Binkley, Co-chair
Senator Rick Uehling, Co-chair
Senate Finance Committee

From: Senator Tim Kelly, Chair
Health Care Cost Containment Task Force

TOK

Re: Funding for the Task Force interim activities.

Attached is the proposed work plan for the Health Care Cost Containment Task Force. The initial phase has been successfully completed and we are well toward achieving success in phase two.

Management and ASEA have agreed to take up cost containment items adopted by the Task Force (attached) as a priority in their current negotiations. They have also agreed to report back to the Task Force by April 29 on the mutual acceptance of these cost containing measures. Any collective bargaining success at that juncture could have an immediate affect on the \$17,500,000 health care cost increase proposed for FY 90. We estimate that implementation of these initial cost containment measures alone could save a minimum of \$6,500,000 annually.

I believe that it is most important that the Task Force continue this initial success during the interim and through next session. Without the focussed attention and active legislative presence and involvement in this area, I fear that the attainment of substantive health care cost reductions will lag or just not be realized. In that view, the health care cost issue for next session will be much more unacceptable.

I also want to mention that I believe it is imperative that we take a look at all of the health care costs being defrayed by the general fund. This will include the more than \$95 million expended by the Department of Health and Social Services on medicare/medicaid programs.

Page 2
April 13

I estimate the cost for this effort as \$150,000 and will provide whatever detail you may need. I would appreciate a reappropriation of this amount to the Health Care Cost Containment Task Force, with an immediate effective date, so we can continue the progress made.

Health Care Cost Containment Task Force

Work Plan

Initial Phase March/April 89

Review and recommend areas for implementation to reduce FY 89 costs (Supplemental).

Identify areas for review that could be used to reduce future year costs.

Phase Two May - End of Session 89

Receive reports from administration, and bargaining units regarding initial cost containment provisions negotiation.

Establish plan to implement initial cost containment provisions.

Identify additional areas for consideration to control Health Care Costs.

Phase Three June - August 89

Monitor progress on initial cost containment implementation.

Start to formulate plan of action for second level cost containment measures (i.e.: p.p.os, delivery systems, monitoring)

Phase Four Sept. Oct. Nov. 1989

Take testimony from participants, providers and other interested parties on Health care delivery, quality and costs.

Review and recommend cost management techniques that the State could use to reduce Health Care Costs (all methods medicaid etc.)

Phase Five Dec 89 - Jan 90

Work towards implementation of second level cost containment techniques.

Identify level three Health care cost management techniques.

Phase Six Jan 90 - Forward

Continue to review health care cost management strategies.

4/12/89 Health Care Cost Containment Task Force

Passed

I MOVE THAT THE TASK FORCE ADOPT THE HEALTH CARE COST CONTAINMENT MEASURES SUBMITTED IN THE GALLAGHER MARCH 29, 1989, REPORT AS FOLLOWS;

UTILIZATION REVIEW ★
OUTPATIENT PRECERTIFICATION
MANAGED SECOND SURGICAL OPINION
MANAGED MENTAL HEALTH
HIGH RISK PREGNANCY MANAGEMENT
ONSITE CONCURRENT REVIEW
WELLNESS PROGRAMS
MAIL ORDER PRESCRIPTION DRUG PLAN

IN ADDITION TO;

HOSPITAL AUDITS ★
PARTICIPANT INCENTIVE PLAN

AND THAT THE TASK FORCE RECOMMEND THE STATE AND THE RESPECTIVE UNIONS ADDRESS THESE IMMEDIATELY AS A PRIORITY ISSUE IN AN ATTEMPT TO REDUCE COST FOR FY 89/90.



Official Business

Alaska State Legislature

P.O. BOX V
State Capitol
Juneau, Alaska 99811

April ¹²~~11~~, 1989

MEMORANDUM

To: Rep. Sam Cotten, Speaker

Sen. John Binkley, Co-chair
Sen. Rick Uehling, Co-chair
Senate Finance Committee

Rep. Ron Larson, Co-chair
Rep. Lyman Hoffman, Co-chair
House Finance Committee

From: Sen. Tim Kelly, Chair *TDK*
Rep. Mike Navarre, Vice Chair *Mike*
Health Care Cost Containment
Task Force

Re: FY 89 and FY 90 health care cost reductions.

At today's meeting of the Task Force Commissioner Andrews, Department of Administration, agreed that the FY 89 supplemental appropriation could be reduced by two administrative actions identified by the Task Force. The general fund reduction amounts are as follows:

Premium Tax Refund	\$1,300,000
Extended Liability Reserve	<u>2,400,000</u>
Total Reduction	\$3,700,000

There is some difficulty on how to allocate the reduction among the budget units, but we are assured that it can be done.

With these savings the health care cost supplemental should be in the neighborhood of \$8,100,000 from general funds. It should be noted that this is nearly a 50 % reduction from what was originally requested.

The Task Force has initiated additional efforts to reduce FY 90 health care costs. Union and management groups will be meeting to attempt agreement on specific cost containment measures prior to the end of this session. A successful report back to the Task Force could have immediate FY 90 budget implications.

HEALTH CARE COST CONTAINMENT TASK FORCE

April 12, 1989

1:05 p.m.

MEMBERS PRESENT

Senator Tim Kelly, Chairman
Alaska State Senate
P.O. Box V
Juneau, Alaska 99811
(907) 465-3822

Representative Mike Navarre, Vice Chairman
Alaska House of Representatives
P.O. Box V
Juneau, Alaska 99811
(907) 465-3779

Senator Jim Duncan
Alaska State Senate
P.O. Box V
Juneau, Alaska 99811
(907) 465-4766

Representative Mark Boyer
Alaska House of Representatives
P.O. Box V
Juneau, Alaska 99811
(907) 465-3466

Bruce Cummings, Director
Division of Labor Relations
Department of Administration
P.O. Box C
Juneau, Alaska 99811
(907) 465-4404

Michelle Castanedo, Representative
Alaska State Employees Association
240 Main Street, Suite 200
Juneau, Alaska 99801
(907) 463-4949

Don Hitchcock, Director
Division of Risk Management
Department of Administration
P.O. Box C
Juneau, Alaska 99811
(907) 465-2180

Barbara Huff, President
Anchorage Municipal Employees Assoc.
P.O. Box 100392

Anchorage, Alaska 99510
(907) 269-4236

Karen Purdue, Deputy Commissioner
Department of Health
& Social Services
P.O. Box H
Juneau, Alaska 99811-0601
(907) 465-3030

MEMBERS ABSENT:

Greg O'Claray, Representative
Marine Engineers Beneficial Assoc.
124 Front Street
Juneau, Alaska 99801
(907) 586-6040

COMMITTEE CALENDAR

WITNESS REGISTER

ACTION NARRATIVE

Excerpted from Health Care Cost Containment Task Force meeting dated 4/12/89.

BARBARA HUFF: What I would like to do to kind of wrap up the second portion of this agenda is make a motion, which I do have in writing so that if we need to get photo copies for everybody to take a look at is have me read it into the record and maybe we can get it passed around. But I think in general what it's doing is tying in with, I guess the comment that Jeff has made, looking at the various cost containment issues that have been bounced around. I guess I feel real comfortable speaking on this and advocating this process because myself did go through this with the Municipality of Anchorage. It was a very, very successful process, one that both of the parties bought into and we've got some happy folks out there as far the employees that

are under that particular program. I think that the process that the state and the unions involved here are looking at, this can be very, very keyed, because whatever kind of changes are implemented out there, everybody has got to be a part of that process to look at a positive implementation. And part of the motion that we're looking at laying on the table here would actually tie that all together and get everybody on the right direction here.

SENATOR DUNCAN: Why don't we just hold until we get your motion back then, unless there is some further discussion, so that we can look at the motion and then, perhaps, if you want to offer it, we can discuss it at that point. Are there any other comments prior to doing that?

BARBARA HUFF: I will go ahead and read this motion into the record. [reads]

I move that the task force adopt a health care cost containment measure submitted in the Gallagher March 29, 1989 report as follows:

Utilization review; outpatient precertification; managed second surgical opinion; managed mental health; high risk pregnancy management; onsite current review; wellness programs; mail order prescription drug plan.

In addition to that, there were two items that we had originally discussed, at least within labor, and I had thought that the entire task force had talked about them

and that was to include the hospital audits and participant incentive plans and that the task force recommend the state and the respective unions address these immediately as a priority issue in an attempt to reduce cost for FY 89/90.

SENATOR DUNCAN: Are you making that as a motion? Okay, we have the motion up. Are there any questions or discussion on what Barbara is proposing?

REP. BOYER, et al. Discussion on premium and deductible implications.

CUMMINGS: Yes, if I may Mr. Chairman. Although I don't take any offense to this motion, I want the record to reflect that the State and various and sundry units have been reviewing most if not all these issues for the last two years. Essentially without resolution at this point, but been an awful lot of work done. And,....its been in two respects. The monetary contribution that the state would make to a plan. And then given that contribution, whatever that may be, what the plan would look like. What you suggest sounds like a form of self insurance (BOYER discussion above). That is a concept that merits some exploration. But at this time we are focussing our attention on the bargaining process, at the level of contribution being paid by the state. And then within that, what the benefit structures look like. I would the

record reflect that the parties have not been idle in examining many of these over the last two years.

HUFF: Clarification. We have a motion on the table here. There's not been a second, but yet we seem to be going into discussion.

SEN. DUNCAN: Actually, a second is not needed. I understand what Mr. Cummings point is. Perhaps I could ask Barbara or even Michelle, as the unions were involved I guess in putting together this motion, what does it mean (pause) what does the bottom statement mean that the task force recommends the state respectively address immediately as a priority issue. What does that mean?

HUFF: Senator, maybe I can address this, and correct me if I'm wrong here. I guess where I'm going back to is what I have gone through with the municipality, and I don't take any offense to the two years that the parties have been trying to reach some sort of agreement. I don't want to get into the middle of it. I don't know what's been going on, but I guess what we wanted to see happen here, at least from our perspective, the way that we were able to get through the process was to take health care cost containment, take it over here, set it down and deal with that particular issue, separate from all the other negotiating processes out there, recognizing that ASEA is

currently in the contract negotiations. We've got some substantial problems out there; they do need to be addressed. I don't think anybody has two more years to be dealing through that process. The intent of my motion was to take the cost containment issues, put them on the table, and have the unions and the Administration sit down and go through those particular areas where they can agree on. Their conceptual agreement on the utilization review, which there are a lot of items on here that I think can be put together and be put together rather quickly and, of course, for the education process of the membership, and so on and so forth. I think you've got at least an avenue here to make something real positive come out of this process. I'm just real concerned that this task force will disband and the union will go one way, the Administration will go another way, and what have we accomplished here? No offense to either of the parties sitting here, but I think it was the intent of the motion was to assure and maybe some sort of report or something coming back to the task force as to what has been accomplished, either in a 15 or a 30-day or 60-day period of time so that [indisc.] is on both parties to come up with a project.

SENATOR DUNCAN: Michelle, do you concur, basically, with what Barbara is saying?

MICHELLE CASTANEDO: Yes, I want to make it clear that we do not want to take this out of the bargaining process. We want to make it a priority, we want to deal with this issue immediately, today, tomorrow, but we don't want to remove it from the table, but we are willing to put our entire focus on health care and resolving these issues of discussing cost containment immediately. And we are willing to come back in a time [indisc.] and report to this committee.

BARBARA HUFF: Maybe if I add too. The intent was not to remove it from the negotiating process but to put it as a very important separate item to be resolved immediately.

REPRESENTATIVE NAVARRE: I think what she is asking is that we make sure that we expedite this review and the savings that can be realized. She did leave one important factor out though, that while the Administration is going one way and the union is going another way, the legislature will go a different way.

BRUCE CUMMINGS: Well I think Barbara's points are real well taken as far as addressing it immediately, and I am particularly concerned with the correlation between this effort and the FY 90 budget process. So I don't know what sort of time line ought to be put on this amendment, but I [indisc.] we discuss [indisc.] left to the task force on at

least where the parties are and substantially there is only one set of negotiations going on at this time that deals with this issue -- that's a majority of employees where we don't have 12 different labor organizations actively negotiating this issue.

SENATOR DUNCAN: I agree that there should be a time limit but my thought, although Senator Kelly said he hoped the next meeting would be after the session over, it's my thought, unless it's going to be an impossibility, that we should have a report back on this particular cost containment item prior to that happening, prior to the legislature adjourning. It could be a very short meeting and then teleconference even if we had to.

MICHELLE CASTANEDO: I know that the state and ASEA have agreed to a negotiations schedule and I don't have that in front of me. I don't know -- I know we're meeting the rest of this week and I don't know beyond that when we're meeting. So it may be an impossibility to return with a report unless it fits in with the schedule that has been set forth. If not, then maybe we can meet, we can alter the schedule and meet, but at this point I couldn't say without looking at our schedule and talking to our negotiating committee.

BRUCE CUMMINGS: Mr. Chairman, I'd certainly permit that the state can make an appropriate schedule modification at this time so whatever we can work out with ASEA. I view this schedule as a plan, but like all plans it can be modified.

MICHELLE CASTANEDO: Be modified -- I agree.

KAREN PURDUE: I want to say that I think that this a positive step in the sense that these items here, for instance audits, are things that maybe can be easily dispensed with. There are certainly things that when we set out as a goal of this committee is to look at cost containment measures that wouldn't hit the pocket book of the employee and there are some things on here, I think, that are clearly in that category -- in fact, all of these are that way, so perhaps they would be quickly and easily dealt with.

MICHELLE CASTANEDO: Yeah, from the union's point of view, I don't see that any of these are going to take a whole lot of dialogue. I think we basically just need to agree that we agree that this is the way we are going to set forth implementing these, and I know that our parent union has adopted many of these cost containment measures all over the country, so it is not a new concept to them and they are agreeable.

REPRESENTATIVE BOYER: Is it anticipated that we would back out \$6.5 million from the FY 90 budget -- that's the dollar amount that I think was tagged to these particular cost containment items, and if so, does that provide enough opportunity in FY 89 for those negotiations or agreements to take place so that you don't actually result in a short fund of the 100 line that results in layoffs.

SENATOR DUNCAN: I think that can be inferred, however, until there's agreement between the unions and the Executive Branch that all these can be done that made up the \$6 million, you know. Those may not all happen, but from what I hear Michelle saying and what she said at the last meeting, as I recall, based on the initial presentation by Mr. Malek and the discussion with the unions, those first three or four items the health [indisc.], the precertification and whatever else was there didn't seem to be insurmountable cost containment [indisc.] -- that those were something that they could possible agree with. My understanding was that Aetna and Mr. Malek together had identified a possible \$6 million reduction -- is that correct that those were put into effect?

JEFF MALEK: I think the next step is as you outlined here is to get a general accord as to how you want to proceed the fundamentals and the general design of it and then ask the providers of service, Aetna, and how it's going to be

done, what the actual impact would be on the premium. In the past they've run through all these gyrations of costing out this option and that option without having a clear grasp of what do you really want to do, and now with that then we can come back, or with them, can come back and give you a definitive number as to the impact.

SENATOR DUNCAN: Perhaps this motion could be worded such that we would ask the administration and ASEA to put together a schedule to talk about this, make that a priority, to get back to Chairman Kelly with that schedule. And when we get that, have a better means to schedule and review the results. Its pretty tough I guess, because you don't know your negotiating schedule for us to tell you to be back by May 8 or May 5 to have any assurance that that could be done.....But I think it is clear that it should be a priority. And that perhaps we could request that in the next day or two, you could work out that schedule for addressing these issues and get back to us. Would that be fair?

BRUCE CUMMINGS: Since the parties happen to be here this week, I presume that should not be difficult to talk to now. [indisc.] If I may in response to Rep. Boyer. Again correlating between what happens in negotiation with the budget, I would like to emphasize is what you see in all these areas are cost containment estimates. And we have

already received some information disputing the accuracy of the estimates. So I... You don't really know in one sense, what the effect will be until long after you have made the changes. That makes it difficult to budget predicated on those changes and certainly about what the actual affect would be. The legislature is going to have to do what it has to do and we'll try and respond for it.

KAREN PERDUE: But we are very clear that if we were attempting a utilization review, there would be substantial savings immediately. So, times' a wasting.

MICHELLE CASTANEDO: Yep. Let's move on with it. We have no problem putting a schedule together and getting back to Senator Kelly with that.

SENATOR DUNCAN: Perhaps we could ask to get back by the end of the week with that schedule, we could..(indisc.)

MICHELLE CASTANEDO: Do our best.

SENATOR DUNCAN: I think it is important to come to the process with

MICHELLE CASTANEDO: Sure.

SENATOR DUNCAN: Could you incorporate that into your motion, Barbara.

BARBARA HUFF: Sure.

SENATOR DUNCAN: I'm not sure you need to restate the whole thing. I guess just down at the bottom, where we're talking about is a priority issue, that we're asking ASEA and the administration to put together a schedule as to when they can address this. And inform the chairman by the end of the week, so that we can schedule another meeting.

REP. MIKE NAVARRE: Isn't there some administrative work that needs to be done by both the administration and by Aetna in order to implement some of this. So they ought to be involved in that discussion, I think.

SENATOR DUNCAN: I would assume the administration would. I think that is a very good point. Any other discussion on this motion.

KAREN PERDUE: Could I make one point. I've some questions on the hospital audit lines. By this, do you mean claim's audits, or would you infer in this, as a friendly amendment, audits provider services also. Was that your intent?

BRUCE CUMMINGS: And provider audits?

KAREN PERDUE: And provider audits. You mean excuse from the audit or the claim. [indisc] You didn't mean to only include hospitals in here.

BARBARA HUFF: No actually, I guess from our only personal experience, that has been one probably major substantial area, where we have found problems just in billing for things that were not utilized during the process or whatever.

KAREN PERDUE: We've certainly got our own mess to clean up to, but I just wondered.

MICHELLE CASTANEDO: Just for the record, these are just among the things we will discuss for cost containment. There could be others, this will not, this is not it. This isn't the beginning of, and the end. So,

SENATOR DUNCAN: This may be expanded.

MICHELLE CASTANEDO: This may very well be expanded.

SENATOR DUNCAN: So are we, I'm not sure, will we ever adopt this motion.

KAREN PERDUE: We haven't,

SENATOR DUNCAN: I don't think we have, is everyone comfortable, do they understand what the motion is. Would you request, Dave?

DAVE GRAY: If I can make a recommendation, if you want to have, it's kind of a written record, if you read that last sentence, the task force recommends the state and the respective unions address these immediately as a priority issue in an attempt to reduce cost and report back to the task force

SENATOR DUNCAN: Well, first yes, this is getting a little bit complicated, I'm not sure how we word it, but the first report back, the first request was that they work out a schedule to sit down and address these, and report back to the Chairman by the end of the week, what that schedule is. When they are going to be addressing these issues, because what the task force wants it as a priority. And then, based on that schedule, we can then determine when they, they can even make a recommendation how they think it would take them to come to resolving the issues and report back to the task force. On that basis [indisc] set the meeting. Where your open ended, but the problem is don't know when they can get together, I guess, basically. Bruce, do you have any other suggestion on that.

BRUCE CUMMINGS: No, of course, we, it's easier for us, we're here. I think at this point it's essential we shall [indisc] per principle on [indisc].

SENATOR DUNCAN: I think there's a clear understanding the bottom line is everybody has this as a priority, wants it to be addressed as quickly as possible and would like to report back to the task force as quickly as possible. If it could be done before the end of the legislative session, I think that would be most beneficial. If for some reason because schedules, etcetera, can't be, then that's understood also, but I think that the intent is that we try to get that report back as quickly as possible. Realizing the legislature is pretty busy in these last 15 days, 25 days or whatever it is, we wouldn't have a long meeting, but if we could get a report back, I think it would be worthwhile to have it.

BARBARA HUFF: Mr. Chair, just a, maybe a point of clarification here, the intent would not be that the parties would necessarily report with what they had already completed, but just a status report on how things were going. It's that basic.

SENATOR DUNCAN: If they've completed something, they can report back on that.

BARBARA HUFF: Well, that would even be more wonderful.

SENATOR DUNCAN: Well, that would be for you even more wonderful, right, I mean, I'm not prejudging, right, what they'll do, but whatever

BARBARA HUFF: It's a possibility.

SENATOR DUNCAN: Yea. Any other discussion on the motion.

REP. MIKE NAVARRE: Discussion with Barbara on notice to the employees on utilization of the Health Care plan.

SENATOR DUNCAN: I've think we've set, we've passed the motion. You did not object, right. [person unknown] No objection. That is taken care of.

Alaska State Legislature



SENATOR JIM DUNCAN

P. O. Box V JUNEAU, ALASKA 99811-3100
(907) 465-4766

COMMITTEES:
FINANCE
VICE CHAIR -
HEALTH EDUCATION
& SOCIAL SERVICES
BUDGET & AUDIT
BANKING &
ECONOMIC
DEVELOPMENT

July 27, 1989

MEMORANDUM

To: Senator Kelly, Chair
Health Care Cost Containment
Task Force

Mr. Miles Collins, Procurement Officer
Legislative Affairs Agency

From: Senator Duncan, member
Mr. Bruce Cummings, member
Ms. Michelle Castanedo, member
RFP No. 143 review committee

Re: Rating of proposals offered to Request For Proposals No.
143.

On June 30, 1989 the Legislative Affairs Agency issued RFP No. 143 for procuring consultant services necessary for the work and objectives of the Health Care Cost Containment Task Force. In accordance with legislative procurement procedures, public notice of the request was advertised in the major cities of the state. At the July 26 deadline for submittal, three firms had presented proposals for the consulting services. They are Richard Block & Assoc./Milliman & Robertson, Arthur J. Gallagher & Co., and Mercer Meidinger Hansen Inc.

The review committee applied a uniform set of evaluation criteria to determine the relative merit of each proposal. These criteria were specified in the RFP and pertained to the experience of the firm, the experience of individuals assigned to the consultation, knowledge of current cost trends and containment or reduction measures applicable to the State's health care situation, the fee schedule and the Alaska company bonus.

Consolidation of the review committee members' independent rating of the three proposals has determined that Arthur J. Gallagher & Co. has submitted the superior proposal. We therefore recommend that Arthur J. Gallagher & Co. be selected as the most responsible and responsive offerer to RFP No. 143.

HEALTH CARE COST CONTAINMENT TASK FORCE-----Consultant Proposal Rating

	A	B	C	D	E	Consolidated score of three reviewers
	EXPERIENCE OF FIRM	EXPERIENCE OF INDIVIDUALS	KNOWLEDGE OF WORK	SCHEDULE OF FEES	ALASKA OFFERER	
BIDDER NAME	Max. rating = 25	Max. rating = 30	Max. rating = 30	Max. rating = 10	5	TOTALS
Richard Block/ Milliman & Robertson	rating = (i) clients (ii) scope of svcs (iii) depth of exp. (iv) effectiveness	rating = (i) clients (ii) scope of svcs (iii) depth of exp. (iv) effectiveness	rating =	rating =	rating =	171
Arthur Gallagher	rating = (i) clients (ii) scope of svcs (iii) depth of exp. (iv) effectiveness	rating = (i) clients (ii) scope of svcs (iii) depth of exp. (iv) effectiveness	rating =	rating =	rating =	240
Mercer, Meidinger, & Hansen	rating = (i) clients (ii) scope of svcs (iii) depth of exp. (iv) effectiveness	rating = (i) clients (ii) scope of svcs (iii) depth of exp. (iv) effectiveness	rating =	rating =	rating =	187

HEALTH CARE COST CONTAINMENT

TASK FORCE

AGENDA

August 1, 1989 meeting
1:30 p.m.

1. Selection of contractor for professional services pursuant to RFP No. 143.
2. Work calendar and agenda for late August meeting.

HEALTH CARE COST CONTAINMENT TASK FORCE

Membership

Sen. Tim Kelly, Chair
Alaska State Senate
Box V
Juneau, Ak. 99811
Phone: 465-3822

Sen. Jim Duncan
Alaska State Senate
Box V
Juneau, Ak. 99811
Phone: 465-4766

Michele Castanedo
Representative
Alaska State Employees Assoc.
240 Main St., Suite 200
Juneau, Ak. 99801
Phone: 463-4949

Bruce Cummings, Director
Division of Labor Relations
Dept. of Administration
Box C
Juneau, Ak. 99811
Phone: 465-4404

Don Hitchcock, Director
Division of Risk Management
Dept. of Administration
Box C
Juneau, Ak. 99811
Phone: 465-2180

Rep. Mike Navarre, V. Chair
House of Representatives
Box V
Juneau, Ak. 99811
Phone: 465-3779

Rep. Mark Boyer
House of Representatives
Box V
Juneau, Ak. 99811
Phone: 465-3466

Barbara Huff, President
Anchorage Municipal
Employees Assoc.
P.O. Box 100392
Anchorage, Ak. 99510
Phone: 269-4236

Greg O'Claray
Representative
MEBA
124 Front St.
Juneau, Ak. 99801
Phone: 586-6040

Karen Perdue
Dep. Commissioner
Dept. of Health &
Social Services
Box H
Juneau, Ak. 99811-0601
Phone: 465-3030

OFFICE OF THE PRESIDENT

MEMBER

TENTH ALASKA LEGISLATURE
ELEVENTH ALASKA LEGISLATURE
TWELFTH ALASKA LEGISLATURE
THIRTEENTH ALASKA LEGISLATURE
FOURTEENTH ALASKA LEGISLATURE
FIFTEENTH ALASKA LEGISLATURE
SIXTEENTH ALASKA LEGISLATURE



SENATOR TIM KELLY

P.O. BOX V
JUNEAU, ALASKA 99811
(907) 465-3822

P.O. BOX 210001
ANCHORAGE, ALASKA 99521
(907) 561-7612

August 1, 1989

MEMORANDUM

To: Representative Davis, Chair
Legislative Council

From: Senator Kelly, Chair
Health Care Cost Containment
Task Force *SK*

Re: Selection of consultant services pursuant to Request For
Proposals No. 143.

On June 30, 1989 the Legislative Affairs Agency issued RFP No. 143 for procuring consultant services necessary for the work and objectives of the Health Care Cost Containment Task Force. In accordance with legislative procurement procedures, public notice of the request was advertised in the major cities of the state. At the July 26 deadline for submittal, three firms had presented proposals for the consulting services. They are Richard Block & Assoc./Milliman & Robertson, Arthur J. Gallagher & Co., and Mercer Meidinger Hansen Inc.

A proposal review subcommittee of the Task Force applied a uniform set of evaluation criteria to determine the relative merit of each proposal. These criteria were specified in the RFP and pertained to the experience of the firm, the experience of individuals assigned to the consultation, knowledge of current cost trends and containment or reduction measures applicable to the State's health care situation, the fee schedule and the Alaska company bonus. Consolidation of the review committee members' independent rating of the three proposals determined that Arthur J. Gallagher & Co. had submitted the superior proposal.

At the August 1 meeting of the Task Force, Arthur J. Gallagher & Co. was selected as the most responsible and responsive offerer to RFP No. 143. As chair of the Task Force, I am responsible for all expenditures of funds for this type of committee. Pursuant to legislative procedures,

Memo to Rep. Davis
Aug. 1, 1989
Page 2

expenditures above \$5,000 require Legislative Council approval. I therefore recommend that the Legislative Council approve a contract with Arthur J. Gallagher & Co. for professional services to the Task Force. The contract is not to exceed \$75,000 for professional services rendered and \$20,000 reimbursement for travel, lodging and other expenses approved by the project director.

HEALTH CARE COST CONTAINMENT TASK FORCE
Juneau, Alaska
January 4, 1990 -- 10:30 a.m.

MEMBERS PRESENT

Senator Tim Kelly
Senator Jim Duncan
Representative Mike Navarre
Representative Mark Boyer
Michelle Castanedo
Don Hitchcock
Greg O'Claray
Bruce Cummings
Barbara Huff

DRAFT

MEMBERS ABSENT

Karen Perdue

OTHERS PRESENT

Jeff Malek, Consultant to the Task Force,
Gallagher & Co.

Patrick McConnell, Bartlett Memorial Hospital, Juneau

Patrick Pechacek, Touche Ross & Co.

Mike Coughlin, Deputy Director,
Division of Retirement & Benefits, Department of
Administration

Lynn Withrow, Aetna Life Insurance Co.

Reid Stoops, representing Aetna, Juneau

Emmitt Wilson, representing Humana Hospital, Anchorage

Ray Gillespie, representing Charter North, Anchorage

Dr. Patricia Conners-Allen, representing Alaska Chiropractic
Society

Dave Gray, Senator Kelly's office

NARRATIVE (Because of a defective tape recording system, the following is reconstructed from notes taken by the recording secretary and Dave Gray, Senate Aide).

Senator Kelly called the meeting to order in the Senate Finance Committee room at 10:47 a.m. and called the roll of the Task Force members present. Jeff Malek was requested to begin his report to the Task Force.

Jeff Malek presented an overview of two states, Utah and Hawaii, that have pooled the health care coverage of all state and local government employees. The Utah health plan, established in 1977, covers over 70,000 state, county, city and school district employees, retirees and their dependents. Hawaii's plan was established in 1962 and pools 110,000 employees, retirees and their dependents of the same government categories. Also presented were funding, coverage, and management features distinct to each plan (see written report).

Ensuing questions and discussion by Task Force members centered on the implications for the collective bargaining process of each states' multi-union representation and on premium cost comparisons. In the first case it was observed that Hawaii has only one school district whereas Alaska has fifty four, each with a set of one or more different collective bargaining units. Greg O'Claray said that at an earlier meeting it was thought that a pool could offer several levels of benefits so that there was the ability to pick and chose in various negotiations. Senator Duncan expressed the importance of collective bargaining and the need to have further knowledge and understanding on how it could be accommodated in a pool.

In the second case, the quoted \$500 per employee per month premium cost of the Hawaii plan with 40% paid by the employees stimulated lengthy discussion. It was observed that to make a relative comparison with Alaska's current premium cost would require a side by side analysis of the two plans benefit structure and utilization. Senator Duncan said it would also require a relative comparison of the two areas' health care provider charge and fee structures. Jeff Malek said this will be done.

Jeff Malek proceeded with the second topic of the agenda, provider payment systems. In previous meetings there had been discussion of the diagnostic related group (DRG) payment system utilized by Medicare. The system pays physician charges in the 75th percentile of usual, reasonable and customary charges as opposed to the state plan which pays at the 95th percentile of UCR. The Medicare payment schedule can stimulate cost shifting to other public and private sector plans by individual hospitals in order to recover Medicare losses.

Medicare is changing from the DRG (hospitals only) system to a relative value system, called Resource Based Relative Value

Scale (RBRVS), that extends to all physician services. The new fee schedule will be determined by the product of the (1) the relative value for the service, (2) the conversion factor for the year, and (3) the geographic adjustment for the fee schedule area. The relative value for the service will be a combination of a work component, a practice expense component, and a malpractice component. No variation in conversion factors may be made on the basis of whether a physician is a specialist.

Jeff Malek said the most significant aspect of the new system is the possibility changing Medicare medical practice because of the new system's shift of economic incentives away from an invasive treatment bias. One study simulating the effects of RBRVS for the current volume and cost of Medicare projected a 56% increase of payments for evaluation and management services, a 42% decrease of payments for invasive procedures, a 30% decrease of payments for imaging services, and a 5% decrease for laboratory services.

Jeff Malek continued that the most important issue for the state would be what cost shifting effects will occur as a result of the reallocations imposed by the Medicare RBRVS. He said that a number of major insurers and states are considering adopting a relative value system approach to correlate to the new Medicare system.

Additional information on the state health plans' experience was presented in agenda item 3. The analysis included 1987 statistics with previous 1988 and 1989 information regarding inpatient and outpatient service expenditures, inpatient confinements in excess of \$50,000, and range of expense reports. Also presented were listings of the top 20 inpatient facilities, top 20 outpatient facilities, and top 50 non-inpatient providers ranked by submitted expenses.

Patrick McConnell asked if this latter information could also be presented to reflect the nature and cost of a hospital's submitted expenses in comparison with the other listed facilities, such as expenses per case. Lynn Whithrow said this could be done.

Jeff Malek presented correspondence regarding difficulties of implementation for Vision Services Plan in Juneau and their resolution.

David Gray presented an outline for the Task Force report to the legislature, due on January 31. The outline structured

the Task Force's activities and considerations into a short term, mid term, and long term format. Gray observed that while there is much achievement to be reported, many of the long term solutions being investigated are partially complete and lack sufficiency for hard and confident recommendations. There was discussion on finishing the work of the Task Force by January 31 on progress to date versus extending the life of the Task Force. With the latter, discussion focussed on the value of completion of work in progress and additional opportunities to achieve cost containment.

Senator Duncan moved that the Task Force recommend an extension of the deadline for completion of its work to February 15, 1991. The motion was approved without objection.

Senator Duncan moved that the Task Force contract with David Gray to provide executive director services during the extended time period. The motion was approved without objection.

Senator Kelly asked David Gray to research actions pending before Congress that would affect Medicare/Medicaid payment schedules and other financial obligations of the state and report to the Task Force members.

It was agreed that the next meeting of the Task Force will be on Monday, January 29. The meeting is for the review of the draft report to the legislature. The draft will be sent to members by January 25.

Senator Kelly adjourned the meeting at 12:16 p.m.

HEALTH CARE COST CONTAINMENT TASK FORCE

January 29, 1990

1:05 p.m.

DRAFT

MEMBERS PRESENT

Senator Tim Kelly, Chairman
Alaska State Senate
P.O. Box V
Juneau, Alaska 99811
(907) 465-3822

Representative Mike Navarre, Vice-Chairman
Alaska House of Representatives
P.O. Box V
Juneau, Alaska 99811
(907) 465-3779

Senator Jim Duncan
Alaska State Senate
P.O. Box V
Juneau, Alaska 99811
(907) 465-4766

Representative Mark Boyer
Alaska House of Representatives
P.O. Box V
Juneau, Alaska 99811
(907) 465-3466

Bruce Cummings, Director
Division of Labor Relations
Department of Administration
P.O. Box C
Juneau, Alaska 99811
(907) 465-4404

George Masten, Representative
Alaska State Employees Association
3601 "C" Street
Anchorage, Alaska 99801
(907) 463-4949

Don Hitchcock, Director
Division of Risk Management
Department of Administration
P.O. Box C
Juneau, Alaska 99811
(907) 465-2180

Barbara Huff, President
Anchorage Municipal Employees Assoc.
P.O. Box 100392

HEALTH COST CONTAINMENT
TASK FORCE

- 1 -

JANUARY 29, 1990

Anchorage, Alaska 99510
(907) 269-4236

Greg O'Claray, Representative
Marine Engineers Beneficial Assoc.
124 Front Street
Juneau, Alaska 99801
(907) 586-6040

MEMBERS ABSENT

Karen Purdue, Deputy Commissioner
Department of Health
& Social Services
P.O. Box H
Juneau, Alaska 99811-0601
(907) 465-3030

OTHERS PRESENT

Jeff Malek
Gallagher Company
Consultant to the Task Force

Dave Gray, Senate Aide
Juneau, Alaska

ACTION NARRATIVE
TAPE 1, SIDE 1
Number 001

Senator Kelly called the Health Cost Containment Task Force to order at 12:30 p.m., and called the roll. He announced the task force would be addressing a report by Jeff Malek, Consultant to the task force, dated January 29, 1990.

Mr. Malek came before the committee members to address the report. He referred to Section 1, "Alternate Funding Arrangements" and said some of the arrangements that could be selected to meet state needs would be premium delay, minimum premium, self insurance employ. Mr. Malek explained that the state pays a set premium rate each month to AETNA for protection against all risks. He continued to

explain that AETNA reviews and pays the claims, and provides administrative services with the premiums. The state's plan is an experienced rated plan whereby, good or bad financial experience of a given year will affect the rating for the next year. He noted at the termination of the contract with AETNA, AETNA has the right to apply any deficit or surplus against deficit. He noted that in the back of Section 1, there are charts that illustrate how the funding mechanisms work. Mr. Malek continued to describe the charts.

Number 272

Mr. Malek explained page 7 of the report is a graph which illustrates the option of doing a minimum premium where the state would hold the reserves. The state holds the margin and reserves, pays the claims as they are presented, and pays purely the expenses.

Mr. Malek said page 8 addresses self-funding or self-insurance. He said there is a common misconception that self-funding means that the state takes all the risk. Most plans have some reinsurance or risk shifting at some point. If claims exceed a predetermined level, that risk would be shifted to a carrier. He noted there are two ways of self-funding or self-insuring. One is to completely self-fund and the other is self-funded with reinsurance.

Mr. Malek continued to explain the benefits of self-funding. He said pooling is a vehicle which allows the state to fund benefits in any way such as fully insured, partially insured, etc.

Number 314

Mr. Cummings discussed the suggestion of by self-funding, Alaska would be exempt from their own laws on mandatory coverage. Mr. Malek said there are many clients that have self-funded plans and declare themselves exempt from state mandated coverage laws. He noted there are self-funded plans that do follow state regulations.

Mr. Malek referred to funding arrangements and said the cash that would either be held in the reserves or for claims to be paid in the future, should be set aside in a separate account or trust and be accountable so that the money is there to pay benefits when they are due.

Mr. Malek continued to explain several charts in his report in relation to premiums, charges and interest credits from AETNA.

Mr. Masten referred to fully insured plans and said if the contract was terminated and if there was a run-out and

money left over in that reserve, would it still come back. Mr. Malek indicated it would.

Mr. Malek referred to reserves and said they are set aside in a separate fund. A deficit is created by more claims in administration expense versus premium intake. This year, there was more premium intake than claims and expenses, and that created a the surplus which allowed for a no rate increase on February 1. He discussed the processes followed in the past.

Greg O'Claray asked what the performance in investments has been with the general fund in terms of percentage of interest over the last year. Senator Kelly said this would be looked into.

Number 570

Mr. Malek explained Section 2 deals with State Employees Health Benefit Plans. He informed the members that some of the pacific region health plans are listed as to how many participants there are, who pays what part of the cost, and approximately the cost. Mr. Malek noted the data was compiled with figures from a national survey. It is very difficult to have 100 percent accuracy as many states have many plans. In 1989, rising costs of health plans were slightly over 20 percent. Mr. Malek said Section 2

discusses what portions of the state plan the employees pay. He said twenty-nine of fifty states currently pay 100 percent of the cost for employee coverage. Twelve out of fifty states pay the full cost for employees and their dependents. Mr. O'Claray asked Mr. Malek if he is discussing the premium dollar cost or the benefit level. Mr. Malek said it is the premium cost. Mr. Malek continued to discuss the coverage of health care in the U.S.

Number 623

Mr. Malek informed the members exhibit 8 outlines the number of employees covered by a plan. There was discussion regarding HMO's.

Exhibit 9 outlines the total cost paid by the employees in the state. He discussed a sample comparison between Alaska, California, Hawaii, Oregon and Washington. He said the California and the Hawaii plan asks for contributions from their employees on employee and family coverage.

Mr. Malek noted at the last meeting of Health Cost Containment Task Force he incorrectly reported the premium rate of Hawaii. The composite rate was added twice. Instead of it being \$500 per month it is approximately \$250 per month.

Number 676

Senator Kelly asked Mr. Malek how he accounts for the tremendous increases in rates in Alaska. Mr. Malek said the cost has been rising at 20 percent for the last five years. He said there has been no restrictions on utilization which has been changed through cost containment. He said if medical costs are rising at 20 percent, premiums will rise at least 20 percent.

Number 720

Mr. Malek referred to Section 3, "Mandated Group Health Insurance Coverage," and said it is important to understand that whenever laws are passed to mandate a benefit or health coverage, you must look at what the end result or end cost is to all parties. The argument against mandated health insurance benefits is that mandating will increase insurance costs unnecessarily. He continued to discuss the subject of mandated coverage. Mr. Malek noted that since 1983, Alaska has enacted eleven coverages and changes.

Number 827

Mr. Malek said Section 4 is titled "Pooling." He referred to Hawaii and how they deal with their unions. Approximately 90 percent of their active employees are

covered by bargaining units. He said a standard level of benefits is provided for all entities which allows the negotiators of labor and management to set what portion the state will pay. Mr. Malek continued to discuss the pooling concepts and administrative costs of Hawaii, and Utah.

TAPE 1, SIDE 2

Number 040

Mr. Malek explained states that have implemented pooling are saving considerable dollars through plan design and wellness programs. Cost containment provisions have been implemented that are similar to Alaska's provisions. He said Utah has a three phase wellness plan which includes screening, education and assistance. Mr. Malek said the report includes a description of Utah's Flexplan and a copy of their wellness plan which are long-term cost saving techniques. He continued to discuss Utah's insurance plan and the savings compared to Alaska's.

Number 368

Representative Navarre referred to the state paying a lot of money for medical costs in different areas of the state and as a result, medical companies and providers are enticed to come to Alaska. Once the companies come to Alaska, it drives a bigger demand on state dollars in order

to fund the provider costs. Mr. Malek agreed with Representative Navarre. He said what is confusing with pooling is you may not build a internal organization to pay the claims. AETNA or another firm may be hired to do it. He said a vehicle is needed to pull all the pieces together to collect the premiums that distribute benefits.

Senator Kelly stated he isn't convinced that the savings are real savings as he would perceive this working politically within the State of Alaska. If a perfect plan could be written, take the plan out of the public process and have solid control, it could work. It would depend on how the pooling plan is put together.

Mr. Malek referred to taking the plan outside of state run entities and said the legislature needs to set up an entity and, currently, there isn't a mechanism to do that. There was continued discussion regarding possible problems and advantages which may be encountered in implementing a pooling plan.

Number 532

At 1:45 p.m. Senator Kelly recessed the Health Cost Containment Task Force meeting. He noted the meeting would be called back to order at 4:30 p.m.

Senator Kelly called the Health Cost Containment Task Force meeting back to order at 4:38 p.m., January 29, 1990.

Mr. Malek explained to the members that pooling is a concept, it is multi faceted, and can become very confusing. Several of the ideas that have been discussed in the past regarding the authority that may be created by SB 254, introduced by Senator Duncan, may be the beginning step and would work towards a Hawaii or Utah based plan. He stated that until Alaska starts to become a buying group and works as a cohesive group in order to purchase health care at discounted rate, health care will continue to escalate beyond what the cost of inflation is for components. Therefore, if the authority provides a vehicle or mechanism for all the state entities to become a buying group, it would give the people in the authority to work with one payment schedule. If authority works on negotiating a set rate with doctors, hospitals and providers, the authority could then provide, to its members, the published rates of payment. Mr. Malek said the idea is to get appropriate care and appropriate utilization at an appropriate price. Mr. Malek noted SB 254 doesn't have the ability to hire staff. There was continued discussion between Mr. Malek and Senator Duncan in relation to SB 254.

Number 757