



COST OF HEALTH CARE IN ALASKA JANUARY 2014

Alaska hospitals and nursing homes save lives, help heal the sick or injured and keep families together by delivering health care close to home. Hospitals are located in just 21 Alaskan communities, including two military bases and 12 geographically isolated communities not on the road system. Most Alaskan hospitals have large service areas, and few have overlapping or competing markets. Alaskan hospitals often function as service hubs in a unique system of regionalized health care, designed to deliver high quality primary care, emergency care and inpatient services to people living in vast and sparsely populated areas of the Alaskan frontier.

Alaska Hospital and Physician Costs are Higher than Other States

The Alaska Health Care Commission studied hospital and physician payments in Alaska and six comparison states – Washington, Oregon, Idaho, Wyoming, North Dakota and Hawaii. The Commission’s study shows that Alaska hospital and physician payments are significantly higher than in the comparison states.

Alaska Costs Compared to Six Other Western States

Alaska’s cost of living 30% ↑

Alaska Hospital costs 38% ↑

Alaska Hospital payment from insurance companies 35% ↑

Alaska Physician payment from insurance and other payers 60% ↑

What Makes Alaska Health Care Cost More?

Cost of Living: The cost of living is significantly higher in Alaska than other states. Construction costs, housing, utilities, and transportation all impact the cost of care.

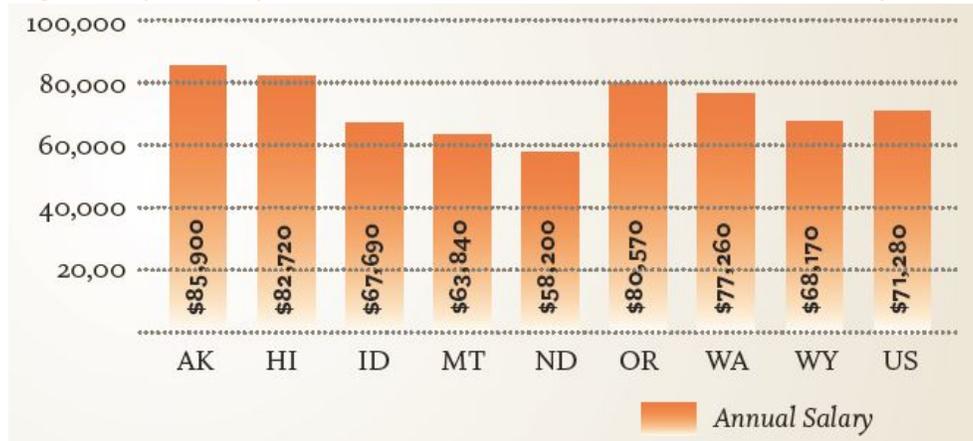
Cost of Living Index - 2010

URBAN AREA	COMPOSITE INDEX	GROCERY ITEMS	HOUSING	UTILITIES	TRANSPOR- TATION	HEALTH CARE	MISC.
Anchorage	128.4	134.5	142.9	94.1	122.0	135.7	128.4
Fairbanks	137.4	127.9	148.5	193.1	118.7	144.9	118.8
Juneau	136.5	133.1	165.7	135.1	121.2	144.4	116.1
Kodiak	128.7	149.4	127.8	131.9	143.4	143.4	115.4

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Workforce Recruitment and Retention: The harsh climate and geographic isolation of many hospital sites in Alaska make it difficult to recruit health care personnel. To recruit and retain top-notch staff in Alaska, many hospitals pay higher salaries, a higher portion of health insurance premiums, and offer more flexible time off programs than facilities in the lower 48 states.

State Wage Comparison for Health Care Practitioners and Tech Occupations - 2010



Small Markets: Although Alaska's rural hospitals serve large geographic areas, the populations served are relatively small. Ensuring high quality services in small markets is challenging and expensive. Staffing levels must be maintained, regardless of volume, to ensure access to emergency services. Alaska's urban hospitals have costs comparable to U.S. norms, but small rural critical access and PPS hospitals have much higher costs because of the small markets they serve.

Ancillary Costs: Radiology, laboratory, pharmacy, and supplies are more expensive in Alaskan hospitals, when compared to the average across the United States.

Ancillary Cost per Medicare Discharge - 2010

U. S. CAH	Alaska CAH	U.S. PPS	Alaska PPS
\$2,504	\$3,240	\$3,425	\$5,820

Capital Costs. Capital costs are a significant cost driver for Alaskan hospitals. This includes the cost of medical equipment, depreciation, and building improvements. Small markets exacerbate the cost per patient discharge; in 2010 capital cost per discharge was 51% higher in Alaska rural hospitals, and 11% higher in Alaskan urban hospitals compared to the U.S. average.