

Department of Administration

Alaska State Hospital and Nursing Home Association



Presented by

Leslie Ridle, Commissioner
Emily Ricci, Health Care Policy Administrator

What is AlaskaCare?

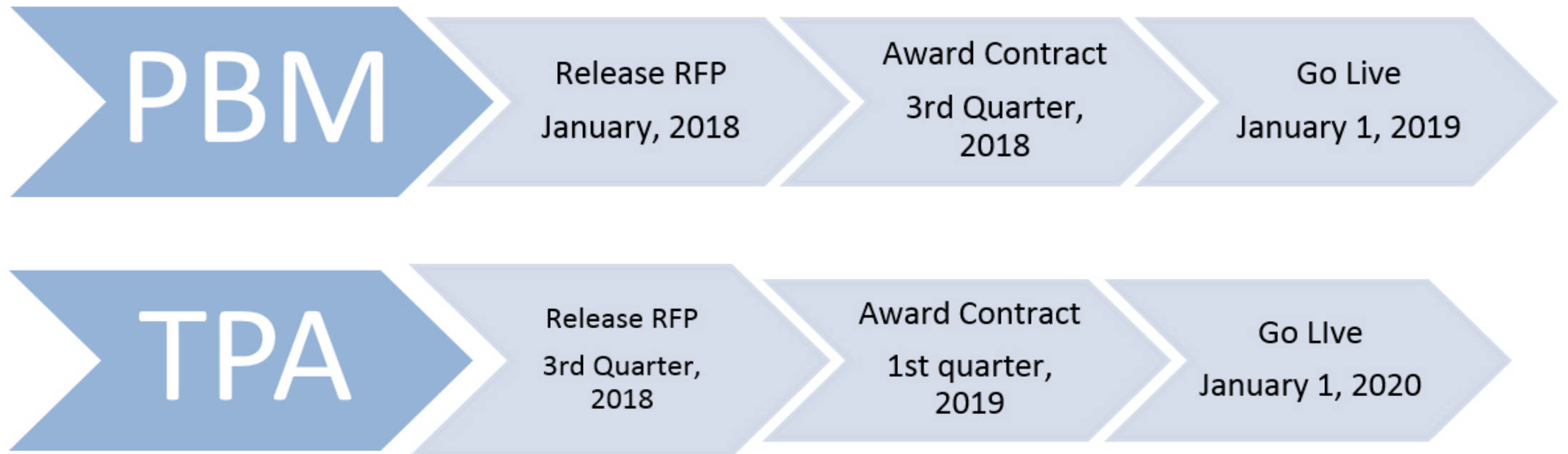
- AlaskaCare is a term used to describe the State of Alaska self-insured health plans managed by the Division of Retirement & Benefits.
 - AlaskaCare Retiree Plans including:
 - Defined Benefit Medical Plan
 - Defined Contribution Retiree Medical Plan
 - Dental, Vision, and Audio Plan
 - Long Term Care Plan (not referred to as AlaskaCare)
 - AlaskaCare Employee Plans
 - Medical Plan
 - Dental Plan
 - Vision Plan

Basics

- Commissioner of Administration is the plan Administrator
- Division of Retirement and Benefits manages the health plans
- The AlaskaCare plans are self-insured
 - Aetna Medical Third-Party Administrator
 - CVS/Caremark Pharmacy Benefit Manager (PBM), subcontractor to Aetna
 - Moda is the dental plan Third-Party Administrator
 - CHCS is the long-term care plan administrator.

Procurement Plan

- Occasionally the Division competitively bids the health plan contracts.
- The Division's RFP timeline is below:



Retiree Plan Overview

AlaskaCare Retiree Plan Overview

AlaskaCare Retiree Plans

- Defined Benefit Health Plan
 - 71,600+ covered lives
- Defined Contribution Health Plan
 - 22 covered lives
- Dental, Vision & Audio Plan
 - 54,600+ covered lives
- Long Term Care Plan
 - 21,000 covered lives

- \$607.2 million annual spend in FY 17:
 - \$550.2 million Health plan
 - \$41.5 million Dental, Vision & Audio plan
 - \$15.5 million Long-Term Care plan

*Source: 2017 Audited Financial Statements

Retiree Health Plan: Challenges

- Older plan design
 - No preventive coverage
 - Dependents only until age 23 if in school
 - \$2 million lifetime max
- Changes subject to stringent legal evaluation:
 - Benefits protected by constitutional diminishment clause
 - Changes must be evaluated within that context
- Lack of meaningful cost saving measures

Retiree Plan: Solutions

- Retiree Health Plan Advisory Board - IMPLEMENTED & UNDERWAY
 - Hear concerns, address issues, and collaborate.
 - Provide a meaningful way for the Department to evaluate and discuss possible benefit changes to modernize the plan.
- Evaluate coverage changes - MODERNIZATION PLAN UNDER DEVELOPMENT
 - Modernization elements include:
 - Discuss preventive care & other benefits.
 - Implement Employer Group Waiver Program to leverage additional federal subsidies.-IMPLEMENTATION UNDERWAY. GO LIVE 1/1/19

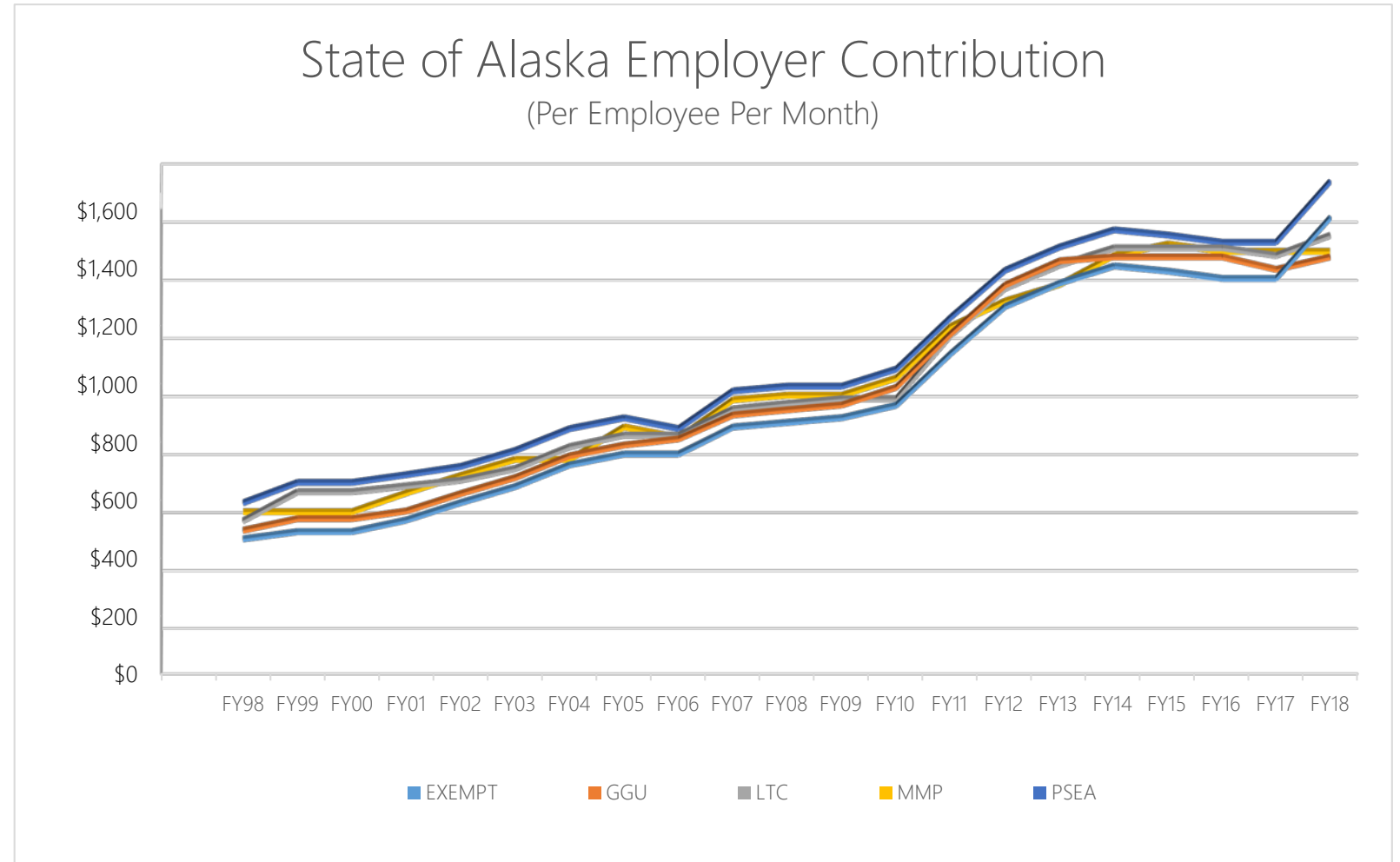
Employee Plan Overview

The State of Alaska provides health care to its employees through a state health plan and union health trusts.

AlaskaCare Health Plan	Union Health Trusts
<ul style="list-style-type: none"> • AVTEC 	<ul style="list-style-type: none"> • General Government (GGU/ASEA)
<ul style="list-style-type: none"> • Confidential Employees 	<ul style="list-style-type: none"> • Labor, Trades and Crafts
<ul style="list-style-type: none"> • Correctional Officers 	<ul style="list-style-type: none"> • Public Safety Employees Association
<ul style="list-style-type: none"> • Marine Engineers 	<ul style="list-style-type: none"> • Masters, Mates & Pilots
<ul style="list-style-type: none"> • Mt. Edgecumbe Teachers 	
<ul style="list-style-type: none"> • Supervisory 	
<ul style="list-style-type: none"> • Inland Boatmen’s Union 	
<ul style="list-style-type: none"> • Exempt/Partially Exempt Employees -Includes Court System & Legislature 	

Employer Spend on Health Care

- The State provides health care to its employees through a state health plan and union health trusts.
- Its funded on a Per Employee Per Month (PEPM) basis.
- In FY16, the total employer & employee contributions were \$290 million+



+Source: Payroll data.

AlaskaCare Employee Plan Basics

- 15,700 total covered lives (active employees & dependents)
 - 6,050 employees
 - 9,650 dependents
 - About 5% decrease in covered lives from 2016.
- Approx. \$130 million annual spend across medical and dental plans
- Plan pays around 81% of medical & pharmacy claims
- Members pay around 11.5% of medical & pharmacy claims⁺

* Source: 2017 Aetna Annual Report

⁺The remainder 7.5% is paid by secondary insurance which could include an AlaskaCare plan.

Past Challenges & Solutions

Past Fiscal Challenges

- Employee plan costs exceeded revenues
- This was due to a combination of factors:
 - A spike in utilization following layoff notices
 - Reduction of employees, reducing employer contributions
 - Emergence of double-digit pharmacy growth
 - Health care cost growing faster than anticipated
- Using reserves to cover the difference is not sustainable
- Health care cost increases are pressuring plans across the state and nation
- DOA addressed these through significant plan changes to AlaskaCare in 2017

Addressing Fiscal Challenges

Four tools available:

1. Increase employee contributions - **IMPLEMENTED**
 - Increased deductible & coinsurance
 - Increased employee share of premiums in 2017 & 2018
2. Implement plan design changes - **IMPLEMENTED**
 - Three-tier pharmacy benefits
 - Facility steerage in Anchorage & outside of Alaska
 - Allow employees to opt-out of coverage
 - Eliminate Premium plan
3. Reduce cost of service - **IMPLEMENTED**
 - Renegotiate pharmacy contracts
 - Improve facility discounts
4. Increase employer contributions - **IMPLEMENTED**
 - Employer contribution rate increased to \$1,555

Impact of Solutions

- Changes implemented in 2017 appear to be working
- Full plan year 2017 data not yet available, but can look at rolling 12-month period
 - Overall 7.5% decrease in total paid (partially due to workforce reduction)
 - Only a 2% medical/pharmacy trend
 - Substantial decrease in utilization across inpatient services, reduction in average length of stay
 - No substantial change in high cost claimants

What's next

- Initiatives implemented/underway in 2018
 - Increase employee contribution -IMPLEMENTED
 - High Deductible Health Plan option – IMPLEMENTED 1/1/18
 - Enhanced travel benefits – RFP UNDERWAY
 - Employee clinics in Anchorage & Fairbanks – IMPLEMENTED, ACCESS BEGINNING 3/1/18
- Changes underway or being considered for 2019
 - Move to % of Medicare fee schedule for out of network professional services – UNDERWAY
 - Expand telemedicine network – POTENTIAL FOR 2019
 - Enhanced Hi Tech Imaging review – POTENTIAL FOR 2019
 - Incorporate value-based plan provisions – UNDER DEVELOPMENT
 - Competitively bid targeted services – UNDER DEVELOPMENT

Health Care Authority Study

Study Overview

- In 2016, SB 74 directed Department of Administration (DOA) to procure a study evaluating the feasibility of a Health Care Authority.
- SB 74 requires the study to:
 - Identify cost-saving strategies that a health care authority could implement;
 - Analyze local government participation in the authority;
 - Analyze a phased approach to adding groups to the health care plans coordinated by the health care authority;
 - Consider previous studies procured by the Department of Administration and the legislature;
 - Assess the use of community-related health insurance risk pools and the use of the private marketplace;
 - Identify organizational models for a health care authority, including private for-profit, private nonprofit, government, and state corporations; and
 - Include a public review and comment opportunity for employers, employees, medical assistance recipients, retirees, and health care providers.

Important Dates

Timeline:

- August 30, 2017 PRM, PHPG, MAFA reports released
- September 1, 2017 Public comment process opens
- September 7, 2017 PRM webinar (12:30pm – 1:30pm)
- September 11, 2017 PHPG webinar (2:00pm – 3:00pm)
- September 13, 2017 MAFA webinar (2:30pm – 3:30pm)
- October 30, 2017 Public comment process closes
Extended to November 13, 2017
- December 4, 2017 Report addendum released
Extended in conjunction with the public comment extension to December 22, 2017

Public Comment Overview

- State received twenty-eight comments from diverse range of stakeholders
- Full list of commenters is available online
- Broad themes include:
 - Concern that admin burden could be higher than assumed
 - Need to understand and care for the overall impact of any management strategies to ensure they do not reduce access to in-state providers, particularly in smaller communities. This includes travel benefits, reference-based pricing, etc.
 - Satisfaction with current consolidated purchasing opportunities for self-insured plans
 - Concerns that public sector savings will shift cost to the private sector
 - Additional action needed to decrease costs (80th percentile, transparency, air transport)
 - More analysis needed to understand inclusion of the Medicaid program in an HCA
 - Concern of outward impact to private business current assisting existing health plans

Public Comment Overview

- If the state was to move forward with an HCA, stakeholders provided the following feedback:
 - Consider phased or multi-part implementation focusing on specific groups (e.g. start with consolidating all state employees)
 - Voluntary participation preferred, especially for political subdivisions
 - Strong desire to maintain level of existing benefit
 - Evaluate having an HCA undertake Pharmacy Benefit Manager (PBM) services
 - Support for opportunities to reduce administrative burden on providers through standardization
 - Support for exploring value-based benefit design models

Current Actions

- Implement Employee Group Waiver Plan (EGWP)
 - Increases federal subsidies for pharmacy benefits in the AlaskaCare retiree health plans through a Medicare Part D EGWP
 - Estimated savings in GF range from \$40 to \$60 million/year
 - Target implementation date is January 1, 2019
- Pharmacy Benefit Management (PBM) Carve Out
 - The Division of Retirement and Benefits (the Division) issued an Request for Proposal In January for PBM services
 - Target implementation date is January 1, 2019
- Travel Coordination Plan
 - The Division issued a request for proposals for travel coordination and assistance
 - Goal is to assist members seeking care outside their community through high-value, cost effective service
 - Target implementation date is July 1, 2018 for employee plan

Next Steps

- The fiscal year 2019 budget includes funding to evaluate and implement strategies to reduce the growth of state health care spending including:
 - Implementation of contractor recommendations- e.g. coordinated/integrated services, data analytics, clinical guidelines;
 - Voluntary participation of pooled purchasing of services (e.g. TPA); and
 - Developing recommended options on the governance structure of a health care authority that includes representation for employees and other stakeholders.

- Future Exploration
 - Analyze the ability for an established HCA to scale up and offer services to other groups including: individual market, private business, non-profits and the Medicaid expansion group on a cost neutral basis.

Questions?