

2018 Alaska State HR Conference



September 20-21, 2018
 Pre-approved for 14 Recertification Credits (10 Business)
 Early Bird Rates April 14, 2018

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ALASKA SHRM STATE COUNCIL

Healthcare Costs in Alaska
 Rhonda Prowell-Kitter & Jennifer Bundy-Cobb

Program Handouts: <http://alaska.shrm.org/slides>

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Alaskans Should Not Have to Live with High Healthcare Costs
 Rhonda Prowell-Kitter, President
 Jennifer Bundy-Cobb
 March 23, 2018



Who We Are

Alaskans for Sustainable Healthcare Costs (ASHC) is a group of Alaskan employers who are concerned about the current healthcare environment and are working together to help the community understand and find solutions to the drivers that are affecting these rising costs, which in turn, affect employee benefits expenses and individual premiums. Armed with credible information and data, the coalition gives employers a common voice.



What We Know

Alaska has the highest cost of healthcare in the country – and the world – growing faster than anywhere else. Employers pay the majority of the cost burden, yet employers don't have a cohesive platform to address this ever increasing strain to their bottom line.



A Cost Study on Healthcare Services

- A summary of recent commercial healthcare provider payment rates and premium costs in Alaska.
- The report compares Alaska to other areas around the United States.
- There were 20 comparison areas included based on sharing ONE or MORE characteristics with Alaska.
 - Area is considered to have high-costs
 - Mainly rural, remote or sparsely populated
 - Having some geographic proximity to the Pacific Northwest
 - Areas with and without strong system owned provider owned professional practice
- Some of the areas included in the comparison are:
 - Idaho, Honolulu, Washington D.C., Chicago, Seattle, Maine, New York, N.Y., Vermont, San Francisco
 - (Comparison owned areas vary due to data availability)
- Data Time Period - 2014 detailed claims data and published 2016 premium rates. The report was commissioned by Premera.

Source: 2016 Milliman study on the Costs of Commercial Services in Alaska



A Cost Study on Healthcare Services

- Commercial provider payment levels are 76% higher than nationwide levels
 - Physician payment levels are 148% higher in AK
 - Hospital payments are 56% higher
- Commercial provider payment levels have grown faster in AK than in comparison areas over the last five years.
 - AK physician payment level grew by an excess of 15%
 - Hospital payment levels have increased in excess of 6%
- Professional discount level has remained relatively unchanged in the last five years
 - This means payment rates have increased at the same rate as billed charges

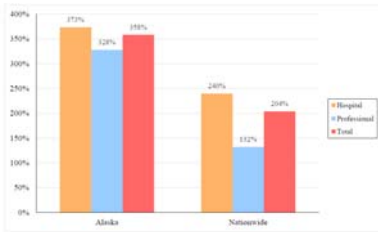


What is Causing these Variances?

- Alaska's regulation requiring usual, customary, and reasonable (UCR) charge payments to be at least equal to the 80th percentile of charges by geographic area for non- contracted providers may be partially driving high professional payment rates, especially for some specialties
 - One result of this regulation is that if a provider has over 20% of market share, the UCR fee schedule effectively gets set equal to that provider's billed charges
 - This regulation requires payment schedules to be adjusted twice per year, further compounding the inflationary effect of the rule.



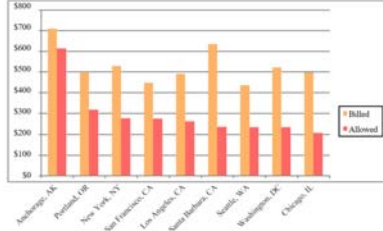
2014 Commercial Provider Payment as a Percentage of Nationwide Base Medicare



Source: Milliman Study, 2016



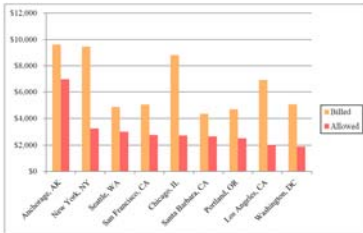
Physician Emergency Room Visit (procedure 99284) Average Unit Cost



Source: Milliman Study, 2016



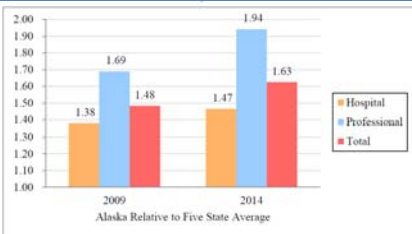
Physician Knee Replacement (procedure 27447) Average Unit Cost



Source: Milliman Study, 2016



Commercial Reimbursement Relativities 2009 vs. 2014



Source: Milliman Study, 2016



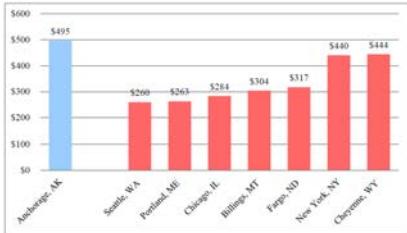
2016 Small Group SHOP Age 35 Member Premium, Second Lowest-Cost Silver Plan



Source: Milliman Study, 2016



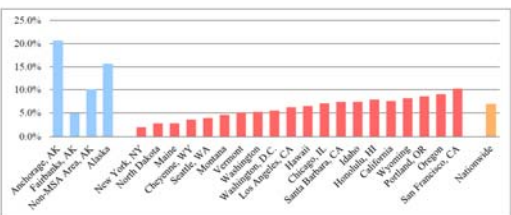
2016 Individual Exchange Age 35 Member Premium, Second Lowest-Cost Silver Plan



Source: Milliman Study, 2016

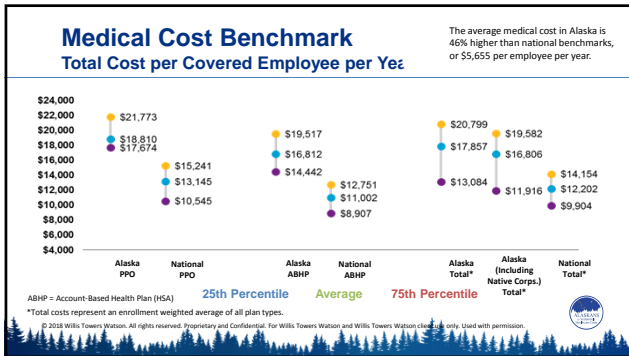


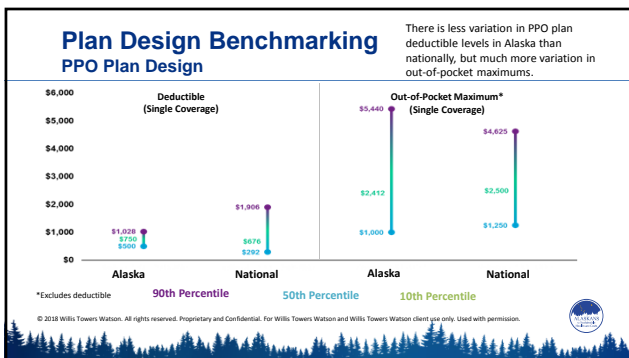
Hospital Margins by Area, FY 2012 to FY 2014 Average



Source: Milliman Study, 2016







- ### How We Find Our Voice
- Educating Employers:
 - About the issues and cost drivers in Alaska
 - On consumerism and employee engagement
 - Creating Informed Opinions on Legislative, Municipal and Regulatory Action:
 - HB123 – Transparency in healthcare costs
 - MOA 2017-26
 - DOI's 80th Percentile hearing
 - Providing Solutions to Legislative Bills and/or Regulations
 - Continue Stewardship for Healthcare-related Issues Impacting Employers and Consumers in Alaska
 - Quality
 - Fraud
 - Etc.
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Three Areas of Focus

1 Transparency

When prices are displayed, consumers are informed. An informed consumer can shop amongst providers' rack rates prior to seeking services.

2 Medevac

Air ambulance fees have increased significantly in the last 10 years. We need the State's assistance in reducing costs of air ambulance charges.

3 80th Percentile

The State of Alaska's mandatory allowable charge calculated at the 80th percentile for out-of-network providers is having an adverse impact on employers' premiums.

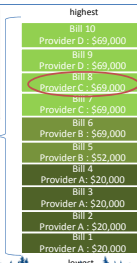


80th Percentile Example

3 80th Percentile

The State of Alaska's mandatory allowable charge calculated at the 80th percentile for out-of-network providers is having an adverse impact on employers' premiums.

10 provider bills for knee replacement



For most plans the required amount the health plan pays is \$69,000 for knee replacement



State of Alaska 30th Legislature Bill Overview

Bills	Sponsor	Short Summary
HB123	Spohnholz, Tuck, Drummond, Parish, Gara, Tarr, LeDoux, Wool, Glenn, Birch, Josephson, Sen. Bagich	An Act relating to disclosure of health care services and price information; and providing for an effective date.
HB176	Wool, Frazier, Gara, Talerico, Wilson, Thompson, Glenn, Kawasaki, Ortiz	Ground Emergency Medical Transport Payments (additional payment for Medicaid patient transport).
HB193	Glenn	An Act relating to insurance trade practices and frauds; and relating to emergency services and balance billing.
HB113	Glenn, Tuck, Eastman	An Act relating to payments to providers and covered persons and recovery of payments by health care insurers.
HB358	Spohnholz	Insurance coverage for telehealth (mental health).
SB119	Hughes	An Act relating to disclosure of healthcare services and price information; relating to healthcare insurers; relating to availability of payment information and estimates of out-of-pocket expenses; relating to an incentive program for electing to receive healthcare services for less than the average price paid; relating to filing and reporting requirements; and providing for an effective date.
SB129	Glassel	An Act relating to the determination by an insurer of a final payment for a covered service or supply; annulling regulations relating to determination by an insurer of a final payment for a covered service or supply based on geographical areas; and providing for an effective date.
SB209	Wolochowski	An Act relating to the practice of pharmacy; and relating to notifications to consumers regarding prescription drug pricing.



Federal Update

- Stabilization of the Individual Market
 - Tax credits –
 - Allow tax credit to be used on & off market. Secretary of HHS very supportive
 - Catastrophic coverage (anyone can purchase)
 - Reduce the premium payment grace period from 90 to 30 days
- Hybrid-High Risk Pool/Reinsurance
 - Alaska will need to renew
- Additional H S A Flexibility – to allow max up to OOP on Plan, limited number of office visits, employers pay to direct pay for primary care onsite clinics, allow those over 65 if still working to contribute.



Federal Update

- Employer-Based Market Reform
 - Tax Exclusion –Preserving
 - Employer Reporting – S.1908 – New voluntary reporting, reduce the number of individuals and amount of reporting info.
- Permanent Repeal of the Cadillac Tax
- 1332 Waivers
- Definition of Full Time Employees
 - 40 hours as full time – may settle between 35-37 hours



What We've Done So Far

Coalition Accomplishments

- Participation in the Division of Insurance's 80th percentile hearing
- Passing of MOA 2017-26 – Transparency for healthcare services
- Movement of HB123 – Disclosure of healthcare costs
- Invited testimony in front of Joint Committee Hearing
- Continue to provide robust educational forums for employers:
 - 80th percentile informed discussions
- Reviewed 2016 Milliman Cost Study



What We've Done So Far, cont.

- Facilitated a group of coalition supporters and crafted a response from the coalition on the HCA studies.
- Sen. Giessel received input on behalf of the coalition regarding her proposed 80th percentile bill. Current versions are being drafted and are in legal review now.
- Legislative presentation to the coalition from Sen. Von Imhoff and Rep. Spohnholz.
- Speaking Engagement Invitations
 - Make it Monday Forum, December 18, 2017
 - Downtown Rotary on January 9, 2018
 - Palmer Chamber of Commerce on February 21, 2018



Engage Employers and Become a Supporter

Employer Story

- Kyle Mirka, Allen & Peterson and Automated Laundry Services
- Marten Martensen, Continental Auto Group
- Lisa Sauder, Bean's Cafe

What Can I Do?

- Talk to your legislators. Get involved. Keep the conversation moving.

NEXT MEETING

- May 9, 2018

Website:

SustainableHealthcareforAlaska.com





Engage

Send Letters of Support

- SB 129 – Sen.Cathy.Giessel@akleg.gov
- HB 123 – Rep.Ivy.Spohnholz@akleg.gov
 - March 16 Senate HSS



Questions?





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SustainableHealthcareAK@gmail.com





Thank You!!
You may download your credit certificates at
<http://alaska.shrm.org/certificate>