



ALASKA SHRM STATE COUNCIL



Exploring the True Cost of Healthcare for Employers in Alaska

Rhonda Prowell-Kitter

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Alaskans for Sustainable Healthcare Costs Coalition

SustainableHealthcareForAlaska.com | SustainableHealthcareAK@gmail.com

Agenda



Coalition Overview:

Who we are; Areas of Focus and Key Accomplishments

Analysis of the 80th Percentile (Provided by ISER)

A Look at the Cost of Healthcare by Retirement Location

Next Coalition Meeting and Closing



- **Leadership and Board Members**

- Ann Flister, PND Engineers
- Dale Fosselman, Retired –Community Member
- Eric Deeg, USI
- Jennifer Bundy-Cobb, Wilson Albers Company
- Jennifer Meyhoff, Marsh & McLennan Agency
- Joe Wahl, GCI
- Lisa Sauder, Community Member
- Lynn Rust Henderson, Premera
- Ellen Izer, Premera
- Mary Knopf, ECI
- Rhonda Prowell-Kitter, Public Education Health Trust
- Tiffany Stock, Alaska Association of Health Underwriters
- Jennifer Haldane, Alaska Railroad Corporation

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.

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Who We Are



Alaskans for Sustainable Healthcare Costs (ASHC) is a group of Alaskan employers, concerned about the current healthcare environment, and who 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.

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Key Healthcare Cost Findings



Provider payment levels in Alaska are 76% higher than levels nationwide.

- Physician payment levels are 148% higher
- Hospital payment levels are 56% higher

Hospital margins are high in Anchorage at 20.6% compared to 6.9% nationwide.

High provider payment levels are a driver of high premiums.

Source: Milliman Study, 2014

75% of Anchorage Business report that Cost of Health Insurance is a barrier to their growth.

68% of Anchorage Businesses report top 10 issues for Anchorage Economy is the Costs of Health Care

Source: 2019 Annual Business Confidence AEDC

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New Areas of Focus



80th Percentile Regulation

- 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.

Balance-Billing

- Unexpected billing of healthcare services to members/patients by providers over and above what health plans allow to be paid

Medevac

- Air ambulance fees have increased significantly in the last 10 years.

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Past Areas of Focus – Success!



Provider Cost Transparency

- When prices are displayed, consumers are informed.

MOA 2017-26– Transparency for healthcare services

SB 105 – Joint bill added signed by Governor Walker in August 2018 added transparency for certain healthcare services for entire state

Alaskans for Sustainable Healthcare Coalition Matters



Accomplishments

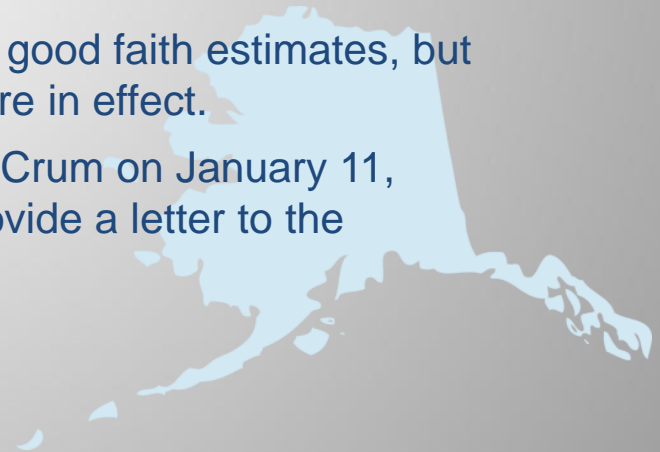
- Sent many letters to legislators during 2018 Session regarding transparency and 80th percentile
- Responded to DOI request for position and solutions to 80th Percentile (June 2018)
- Members participated in Senator Giessel's stakeholder sessions on 80th Percentile, Fall of 2018 and Spring of 2019
- Continue to host meetings, providing information and collaboration opportunities for employer supporters
- Fundraising activities continue to move forward

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Legislative Updates



- Rep. Spohnholz very appreciative of the efforts ASHC extended on HB123. Now encouragement is needed to have DHSS enforce.
 - SB105 was signed by Governor Walker. SB 105 contained transparency requirements for medical providers in Alaska, it also contained a provision for insurance payors to provide good faith estimates should a policy holder request. ASHC advocated for HB123, that was merged into SB105
 - It was to be effective January 1.
 - <https://aws.state.ak.us/OnlinePublicNotices/Notices/View.aspx?id=192498>
 - DHSS has announced they will not impose penalties on providers for failure to comply, until regulations are in effect.
 - DHSS expects that all will comply with providing good faith estimates, but will not impose any penalties. Until regulations are in effect.
 - ASHC provided a letter to DHSS Commissioner Crum on January 11, 2019. We encourage all business leaders to provide a letter to the commissioner. Copies are available.



Legislative Updates



- Sen. Giessel very appreciative of the participants of ASHC who attended four work sessions she and Director of the Division of insurance held related to 80th percentile.
 - Sen. Giessel SB37 – AVAP Program
 - Sen. Wilson SB1 – Repeal Certificate of Need Program
 - Rep. Claman HB21 – Contraceptive Coverage – 12 months
 - Rep. Spohnholz HB29 – Insurance coverage for Telehealth
 - Rep. Spohnholz is looking at three different scenarios for a transparency tool that would be driven by an all payers claim database.
 - Using Fair Health Data. Doesn't contain everyone's data. But is least expensive option
 - All Payers Claim Database – Colorado Model
 - Create Alaska's own database. Most Expensive.
 - A request was made for outreach to Fairbanks/Ketchikan/Mat-Su Chambers of Commerce
 - A request was made for the ASHC Road Show and presentation at a Make It Monday Forum
- Balance Billing 80th percentile Medevac Transparency



Federal Legislative Updates



- Sen. Murkowski – STOP Surprise Medical Bills. Removing the patient from the conversation. Providers and Payors must work together, with possible third party, external reviewer.

- President Trump – Prescription costs transparency. Drug companies must publish the costs of medications, including their advertisements. DHHS

- Tecfidera - \$55,000 a year
- Truvada - \$24,000 a year
- Wellbutrin - \$54,000 a year
- Humira - \$40,000 a year
- Ibrance - \$140,000 a year
- Tassigna - \$171,000 a year
- Ocaliva - \$82,620 a year
- Ocrevus - \$65,000 a year

- Members of both Senate and House are drafting legislation to amend Airline Deregulation Act to allow states to regulate air ambulances.

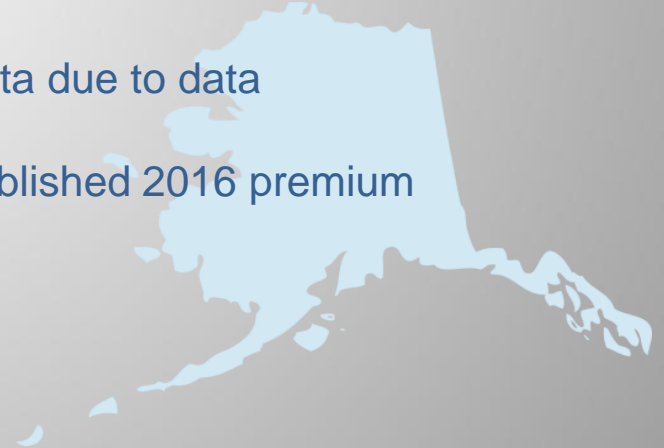
- 2018 Medevac – Anchorage to Arizona, billed at \$784,000 Alert, stable and mobile patient. Vitals only medical care provided during travel



What is the Milliman report?



- 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 practices
- 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 among the data due to data availability.)
- Data Time Period - 2014 detailed claims data and published 2016 premium rates. The report was commission by Premera.



Summary of Milliman report findings



- Alaska has a larger differential between what physicians are paid versus hospitals relative to what providers are paid for commercial patients nationwide
- Hospital payment levels in AK are 56 times the national average at 371% of nationwide Medicare
- Physician payment levels are 2.4 times the nationwide commercial average at 328% of nationwide Medicare

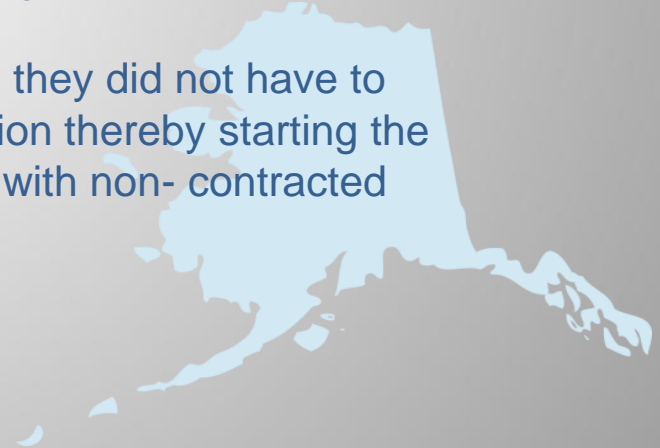
- Six specialties are all reimbursed at more than 400% of nationwide Medicare:
 - Orthopedics, neurosurgery, cardiology, emergency, and neurology
 - All of them other than emergency are reimbursed at more than 2.5 times the nationwide commercial average
 - All other specialties are paid at more than 2 times of nationwide average
 - Primary care is reimbursed at 283% of nationwide Medicare and 2.3 times the nationwide commercial



What is causing prices increases in AK?



- 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, and 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 contributes between 4% and 6% annual increases to the overall watermark for the cost of healthcare services in AK.
- Alaska also has a state statute, which requires plans to pay non-contracted providers directly rather than paying the patient, saving the provider from having to collect from the patient
 - In 2012, the Federal Employee Plan announced they did not have to adhere to state statutes and rejected this provision thereby starting the practice of sending payments for services done with non- contracted providers directly to the member



What is causing prices increases in AK?



- Other factors, which may still have some impact or contribution on driving costs higher than nationwide averages:
 - Remote location
 - Small population
 - Lack of provider competition
 - Provider leverage over health plans extremely significant compared to most all other L48
- However, consider these 2014 findings of provider payments vs nationwide
- Anchorage primary care 291% vs
 - Honolulu @ 110%
 - Maine @ 121%
 - Idaho @ 146%
 - Cheyenne, WY @ 142%
- Hospital margins for areas with 4 or less hospitals fiscal years 2012 - 2014
 - Anchorage 20.6%
 - Cheyenne, WY 3.7%
 - Santa Barbara, Ca 7.3%



Alaska Health-Care Spending



Research Matters No. 115 – Trends in Alaska's Health-Care Spending



UAA Institute of Social
and Economic Research
UNIVERSITY of ALASKA ANCHORAGE

The 80th percentile rule (3 AAC 26.110)

“A person that provides coverage in this state for health care services or supplies on an expense-incurred basis...shall...determine the final payment for a covered service or supply based on an amount that ...is equal to or greater than the 80th percentile of charges under (1) of this subsection.”



How Has the 80th Percentile Rule Affected Alaska's Health-Care Expenditures?

Prepared for
Alaska Office of Management and Budget

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May 16, 2018



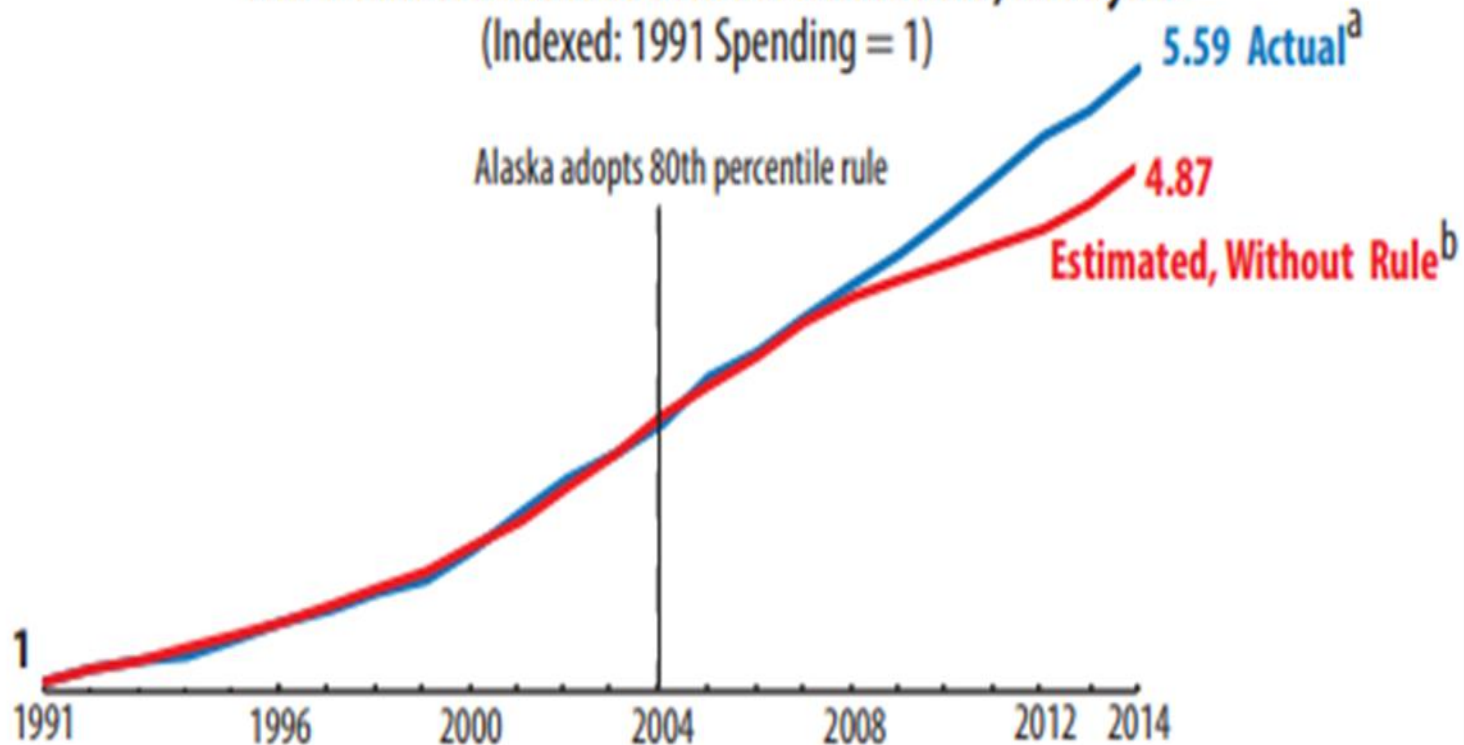
Research methodology

Basic idea: Use other states to predict a post-2004 Alaska. Compare what actually happened to this “synthetic” post-2004 Alaska.



Figure 2. Growth of Personal Health-Care Spending by Alaskans, 1991-2014, Actual and Estimated Without 80th Percentile Rule, All Payers

(Indexed: 1991 Spending = 1)



^aCenters for Medicare and Medicaid, Health Expenditures by State of Residence, 1991-2014

^bAuthor's estimate of growth in expenditures by all Alaska payers (private and public), based on results from a synthetic model—a model that estimates spending without the rule, using a combination of states where growth of health-care spending was similar to spending growth in Alaska from 1991 to 2004.



Examine 300 percent of Medicare alternative

- Fair Health Benchmark Reports
- 2013-2017 (1st quarter)
- Alaska, Seattle, and North Dakota
- 102 CPT codes



Key to messy slides that follow

- Alaska is upper left
- ND is upper right
- Seattle is lower left

Blue is average cost

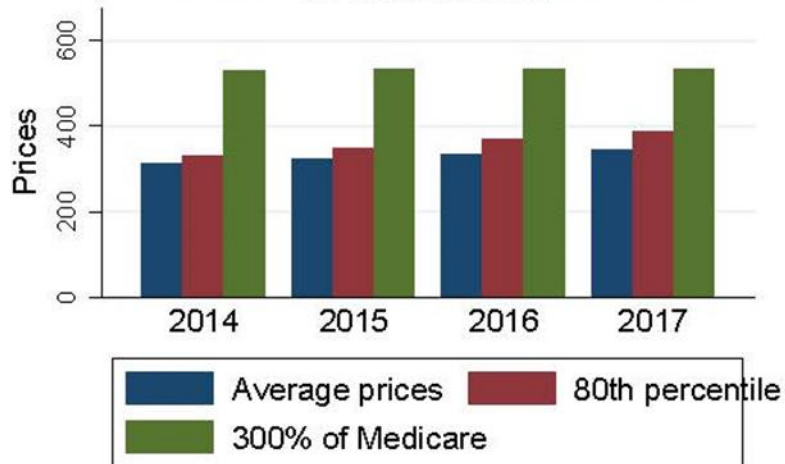
Reddish is 80th percentile

Green is 300% of Medicare

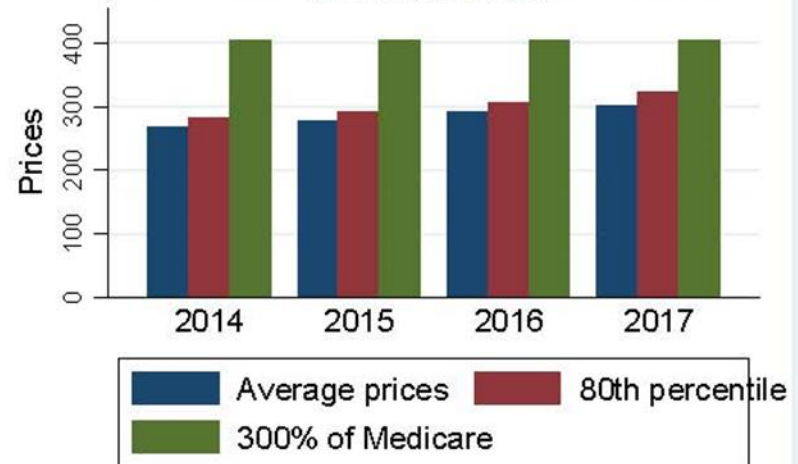


Two office visit CPT codes

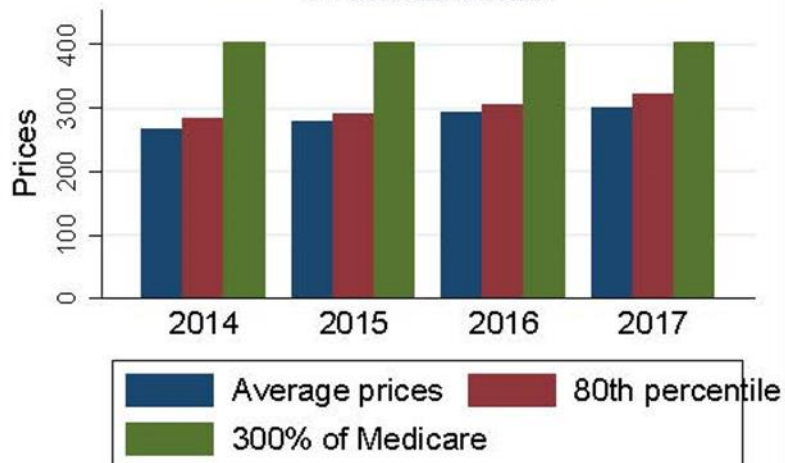
Average prices, 80th percentile, and 300% of Medicare in Alaska
CPT codes 99204 and 99214



Average prices, 80th percentile, and 300% of Medicare in North Dakota
CPT codes 99204 and 99214



Average prices, 80th percentile, and 300% of Medicare in Seattle
CPT codes 99204 and 99214

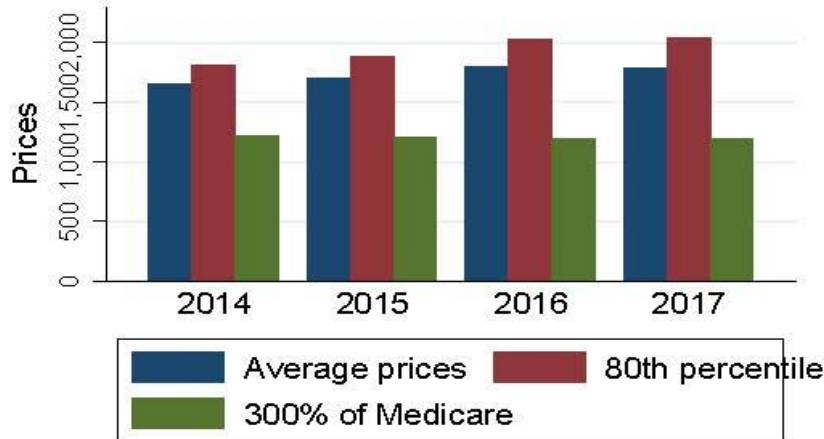


99204 – Evaluation and Mgmt of new patient. Comprehensive History, Comprehensive Exam, Medical decision making of moderate complexity.

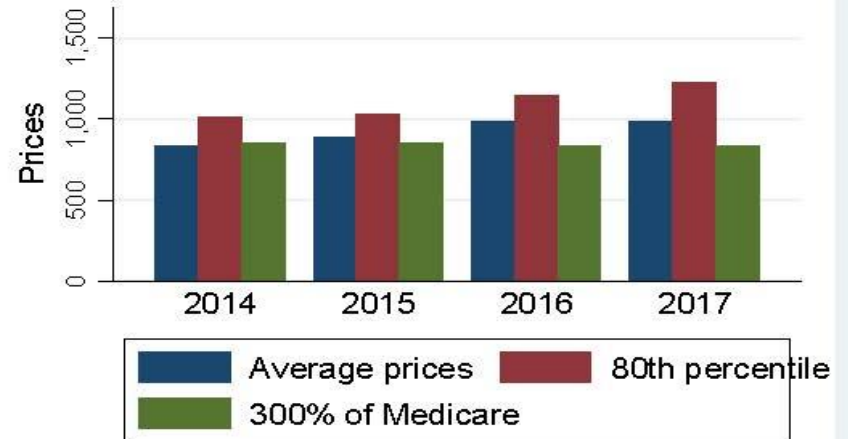
99214 – Established patient, mid-High level office visit.

Anesthesia CPT codes

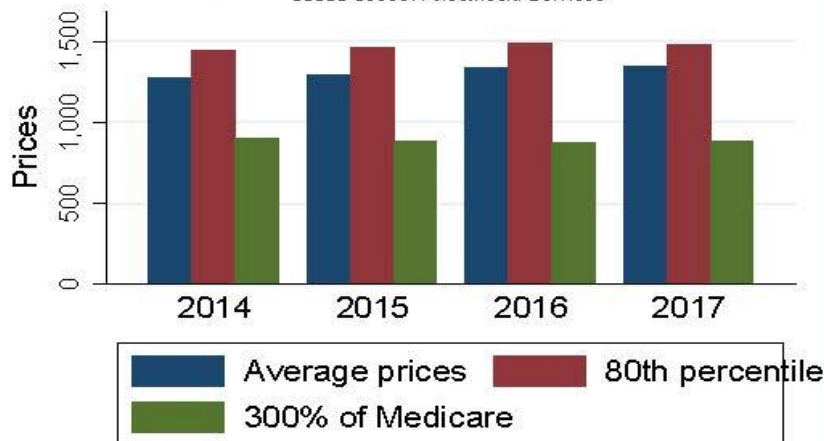
Average prices, 80th percentile, and 300% of Medicare
00000-09999: Anesthesia Services



Average prices and 80th percentile, and 300% of Medicare in North Dakota
00000-09999: Anesthesia Services

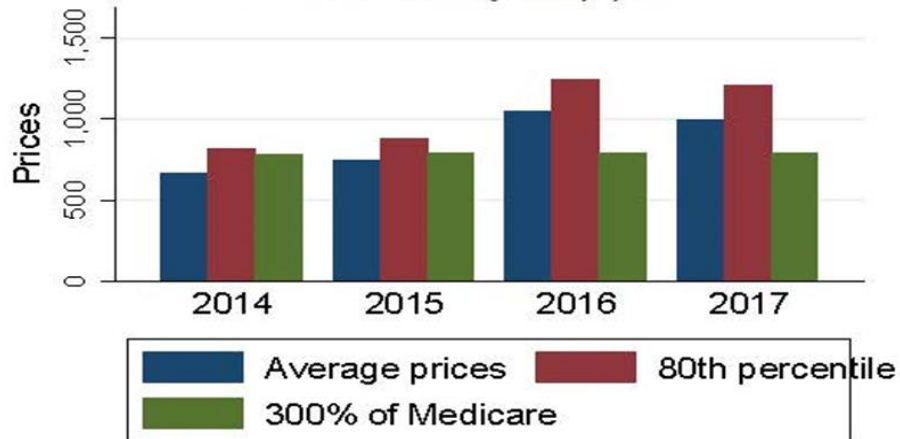


Average prices and 80th percentile, and 300% of Medicare in Seattle
00000-09999: Anesthesia Services

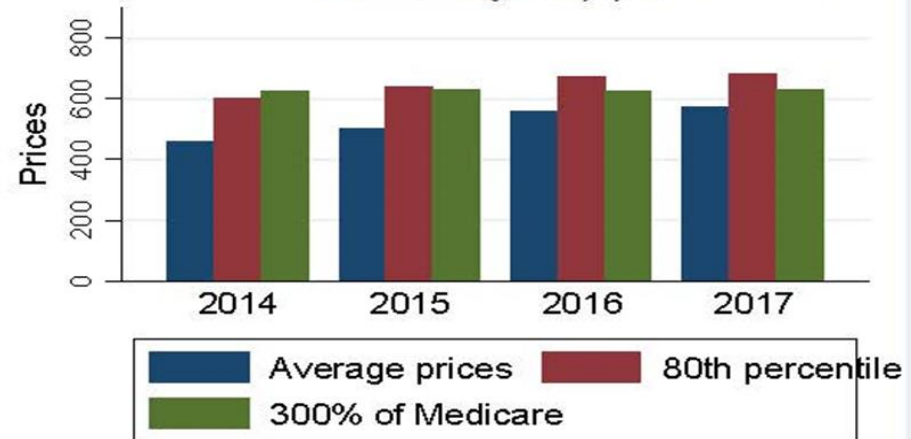


Integumentary CPT codes

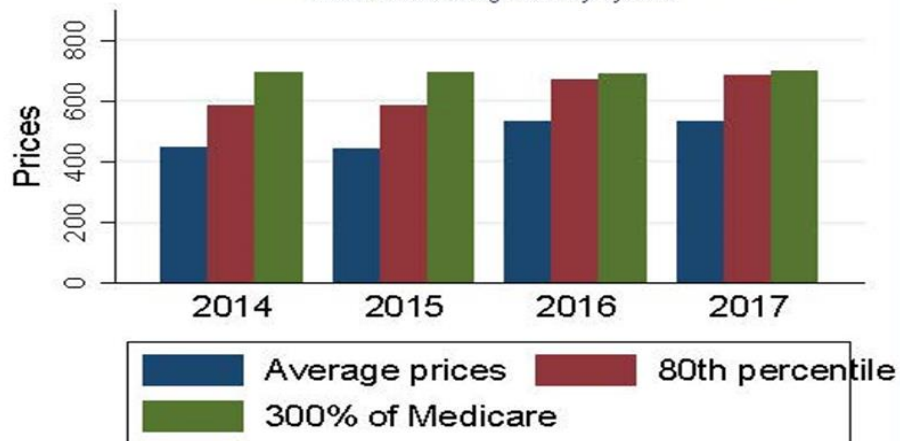
Average prices, 80th percentile, and 300% of Medicare
10000-19999: Integumentary System



Average prices, 80th percentile, and 300% of Medicare in North Dakota
10000-19999: Integumentary System

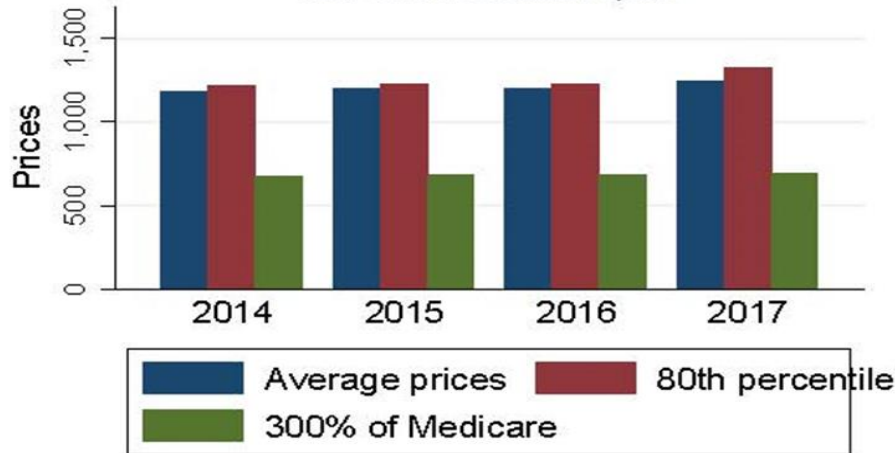


Average prices and 80th percentile, and 300% of Medicare in Seattle
10000-19999: Integumentary System

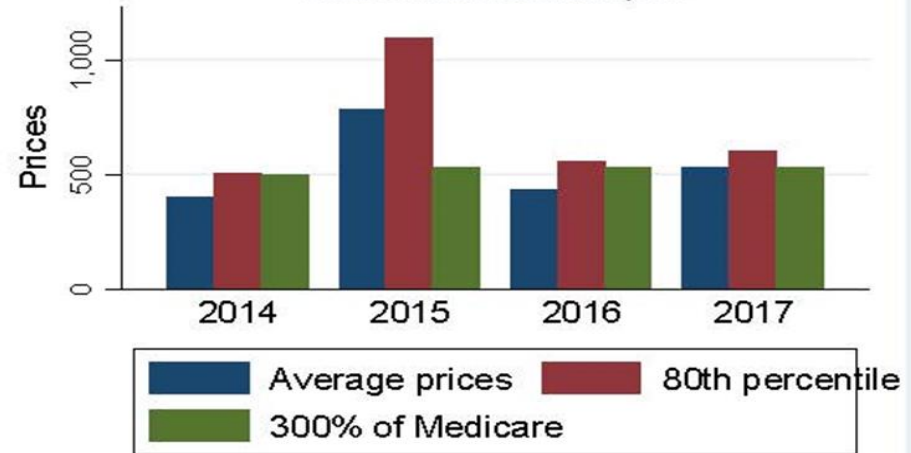


Musculoskeletal System CPTs

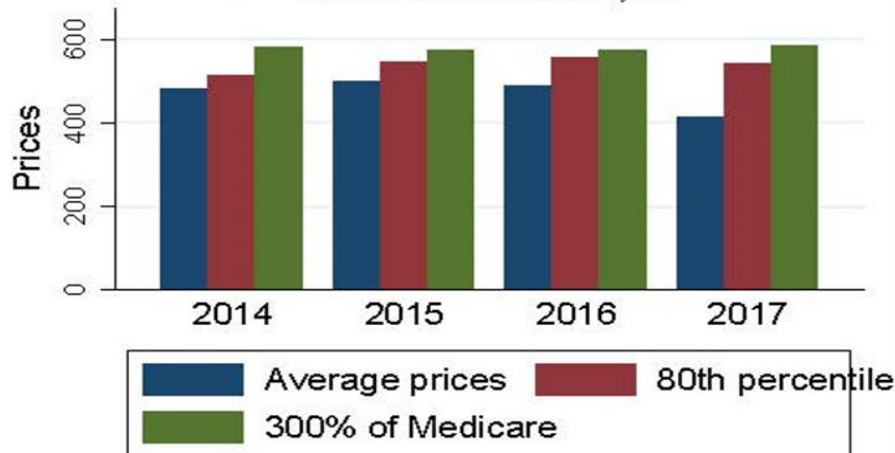
Average prices, 80th percentile, and 300% of Medicare in Alaska
20000-29999: Musculoskeletal System



Average prices, 80th percentile, and 300% of Medicare in North Dakota
20000-29999: Musculoskeletal System

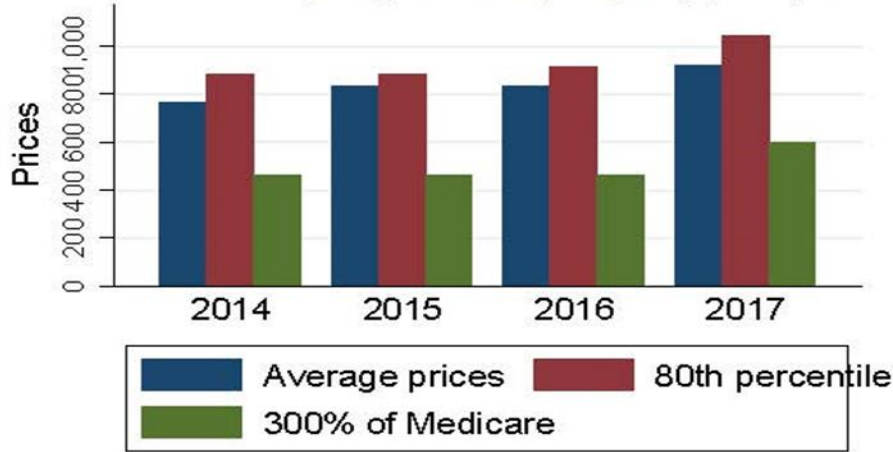


Average prices, 80th percentile, and 300% of Medicare in Seattle
20000-29999: Musculoskeletal System

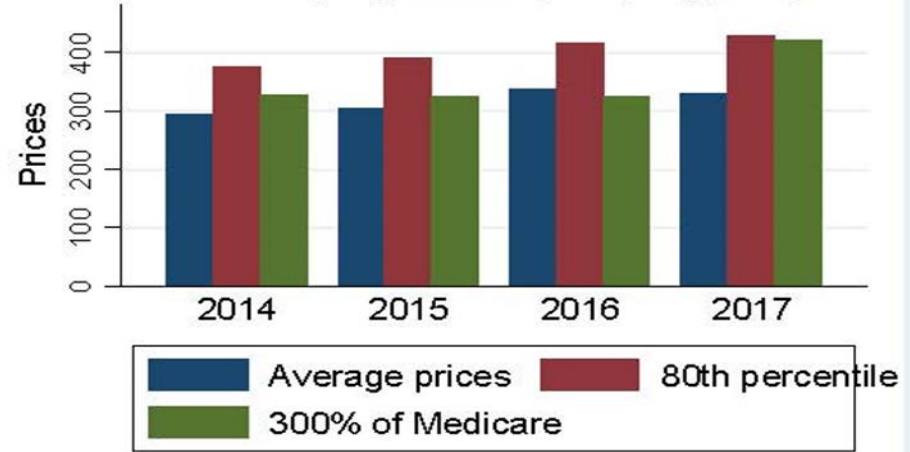


Respiratory, Cardiovascular, Hemic, and Lymphatic System CPTs

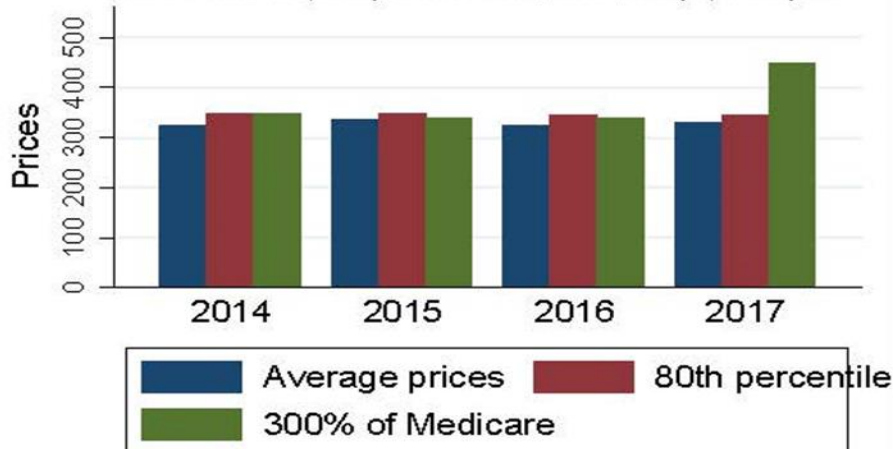
Average prices, 80th percentile, and 300% of Medicare in Alaska
30000-39999: Respiratory, Cardiovascular, Hemic, and Lymphatic System



Average prices, 80th percentile, and 300% of Medicare in North Dakota
30000-39999: Respiratory, Cardiovascular, Hemic, and Lymphatic System

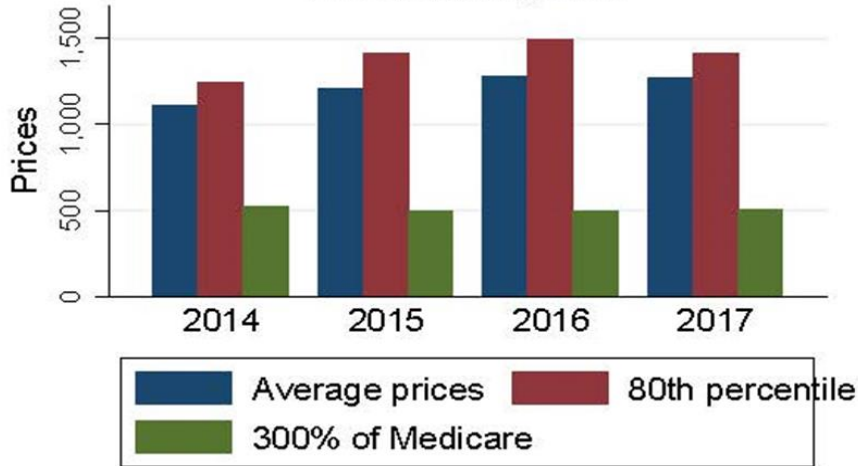


Average prices, 80th percentile, and 300% of Medicare in Seattle
30000-39999: Respiratory, Cardiovascular, Hemic, and Lymphatic System

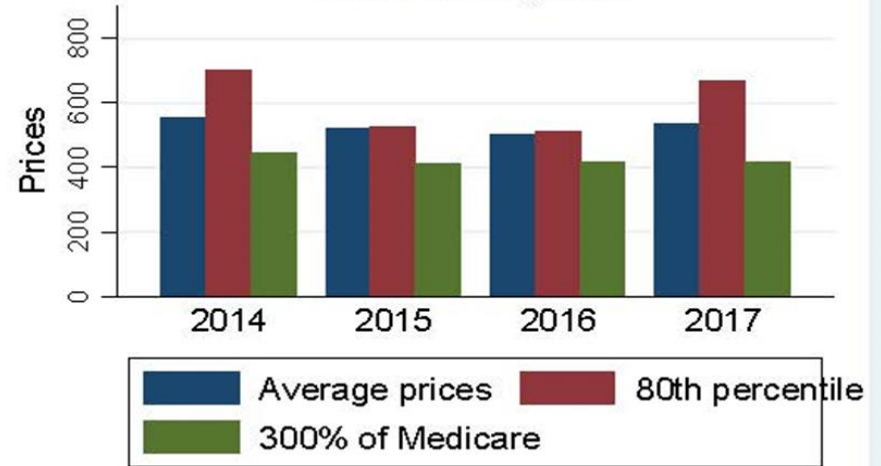


Radiology CPT codes

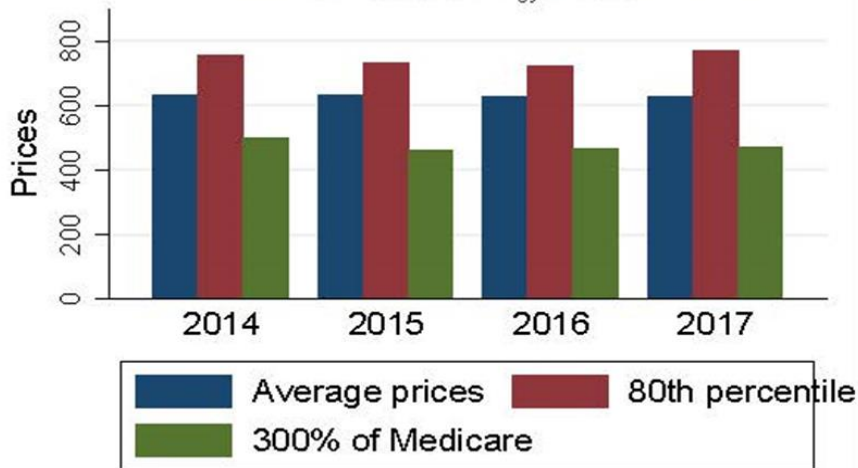
Average prices, 80th percentile, and 300% of Medicare in Alaska
70000-79999: Radiology Services



Average prices, 80th percentile, and 300% of Medicare in North Dakota
70000-79999: Radiology Services

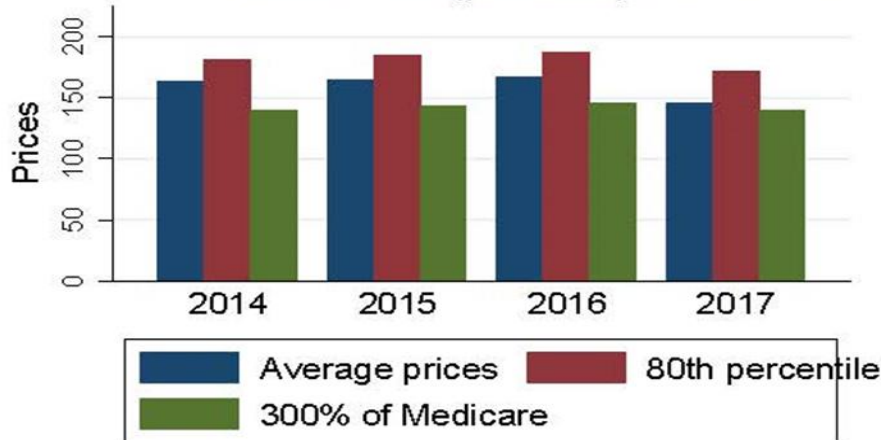


Average prices, 80th percentile, and 300% of Medicare in Seattle
70000-79999: Radiology Services

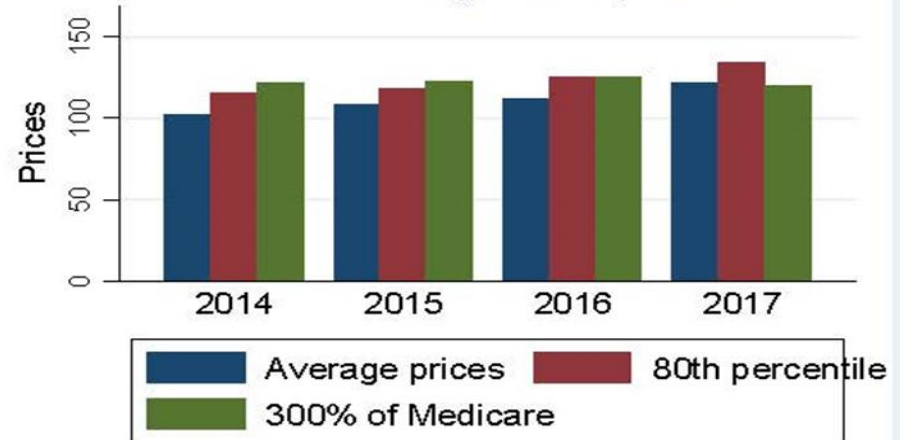


Pathology and Laboratory CPT codes

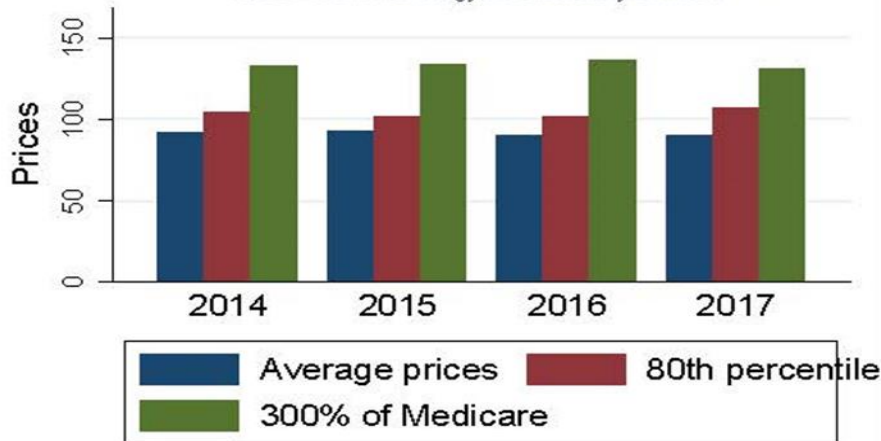
Average prices, 80th percentile, and 300% of Medicare in Alaska in Alaska
80000-89999: Pathology and Laboratory Services



Average prices, 80th percentile, and 300% of Medicare in North Dakota
80000-89999: Pathology and Laboratory Services



Average prices, 80th percentile, and 300% of Medicare in Seattle
80000-89999: Pathology and Laboratory Services



Summary, 300% of Medicare

1. 300% of Medicare more than covers office visit CPT codes in all 3 areas.
2. 300% of Medicare does not cover most specialist CPT codes in Alaska.
3. 300% of Medicare covers most CPT codes in North Dakota.
4. 300% of Medicare covers many CPT codes in Seattle, but not anesthesia and radiology.



Summary (continued)

5. In all 3 areas, commercial costs are increasing relative to the 300% of Medicare bar.
6. That growth seems more pronounced in Alaska.



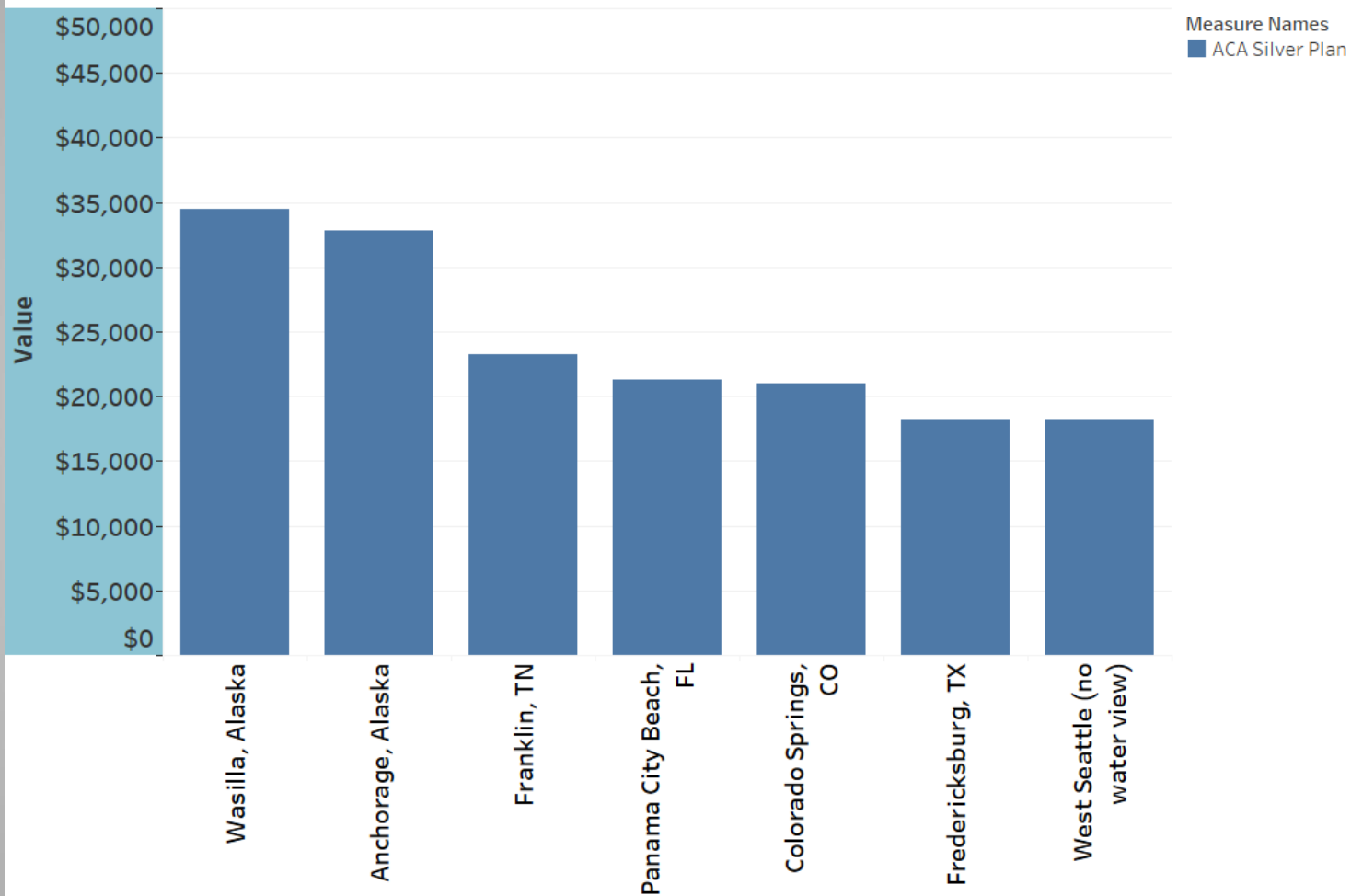


The Cost of Healthcare in Retirement Cities





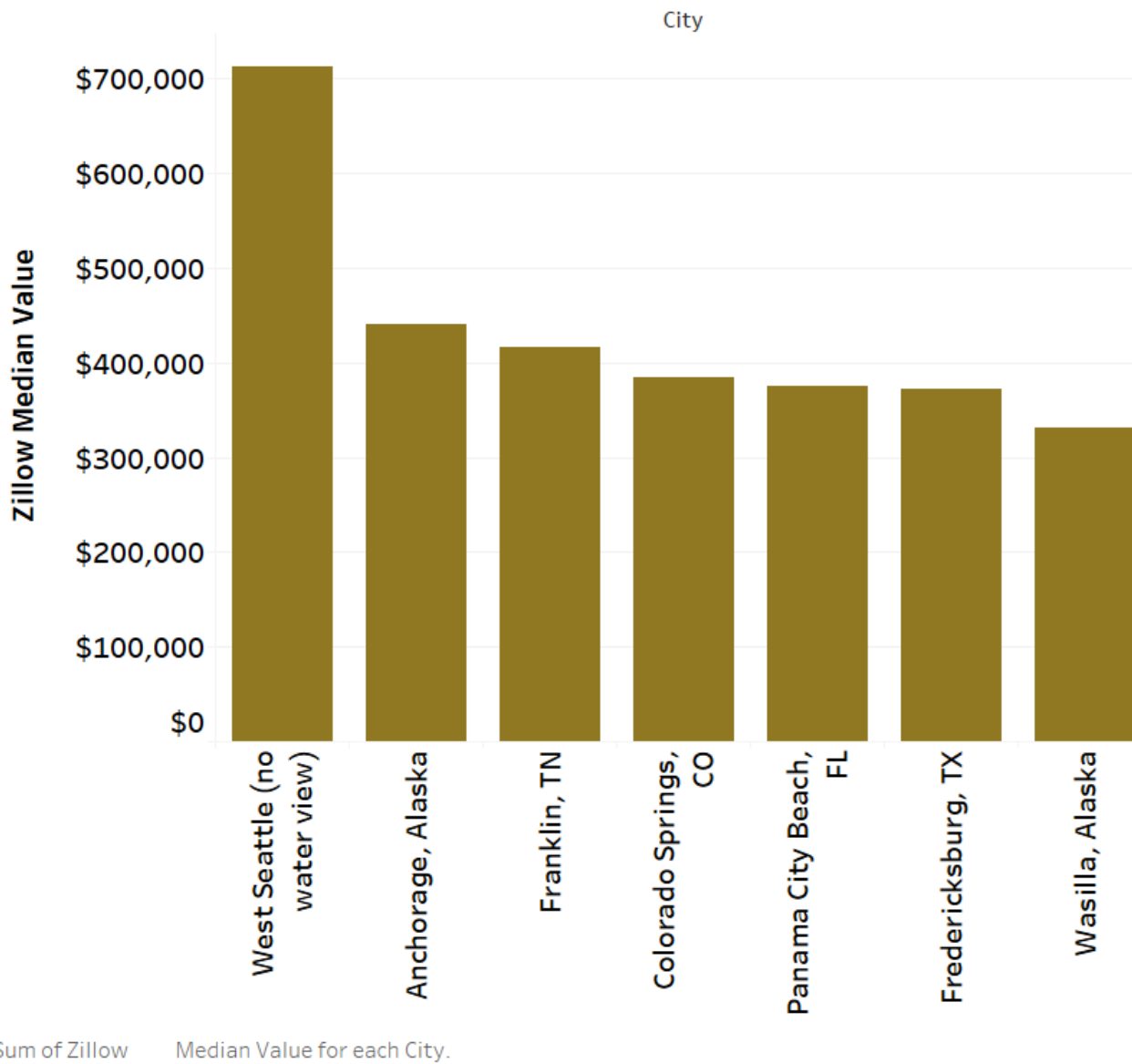
Relative Healthcare Costs



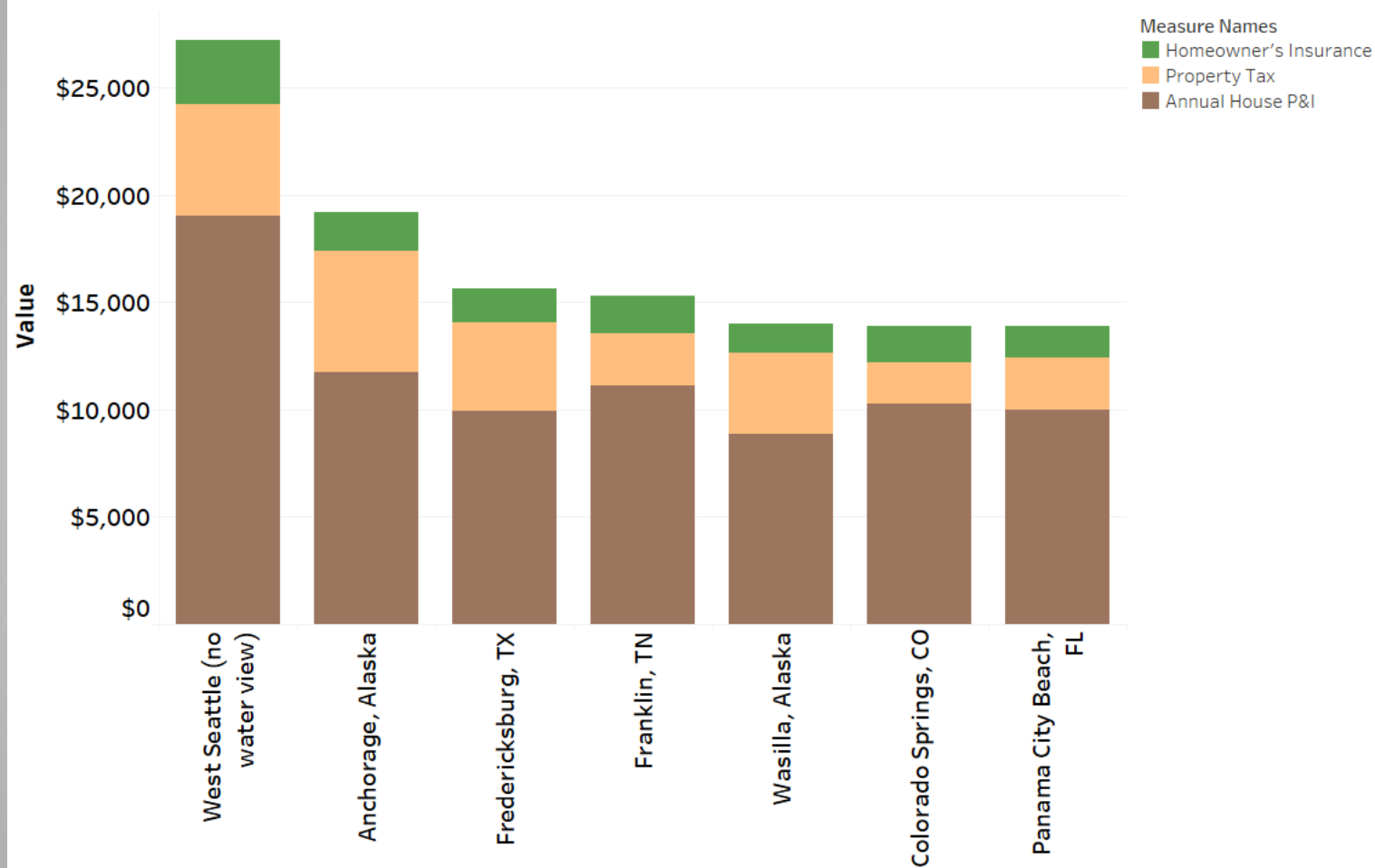
ACA Silver Plan for each City. Color shows details about ACA Silver Plan.



Comparable Home Values

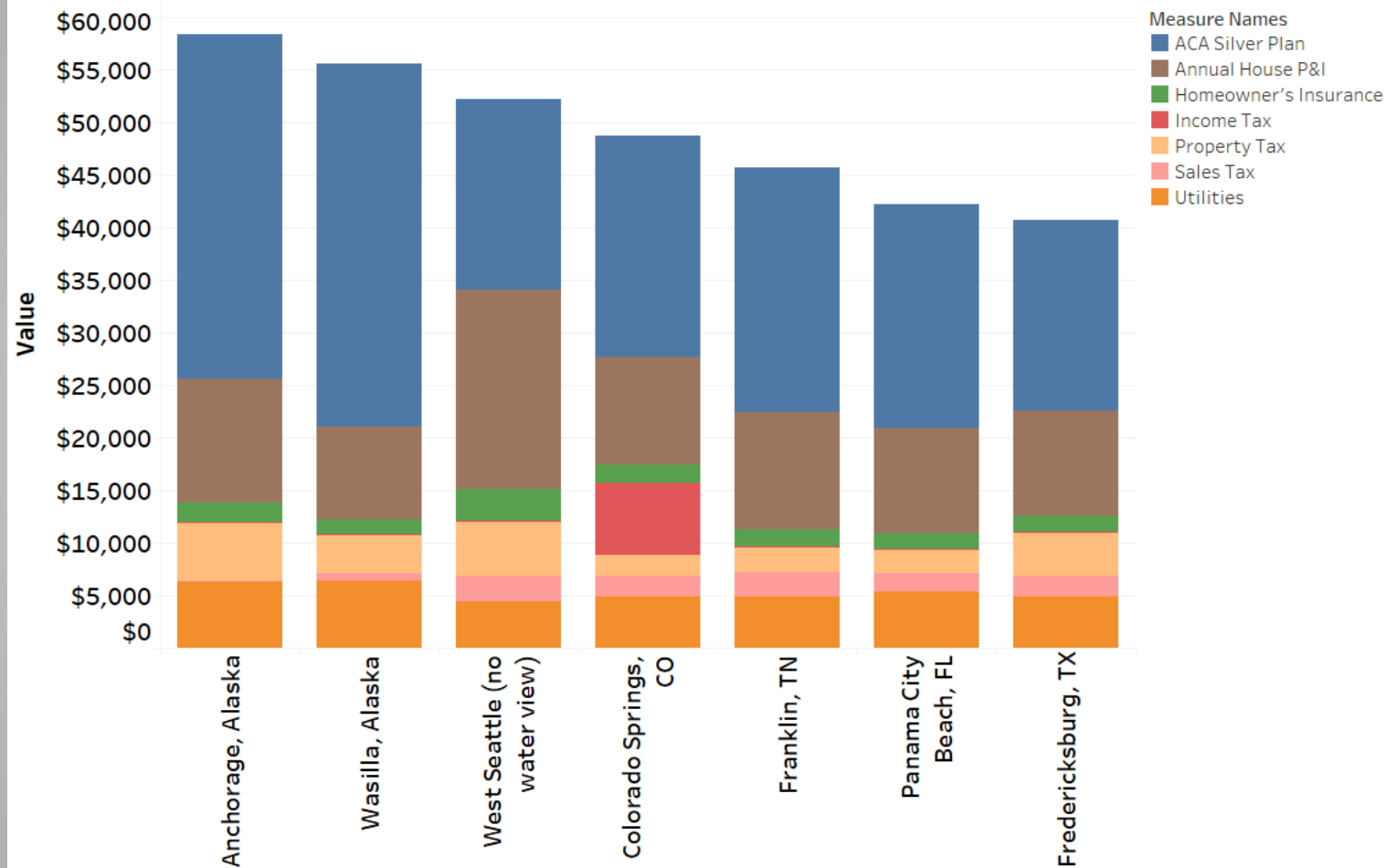


Home Related Costs



Annual House P&I, Homeowner's Insurance and Property Tax for each City. Color shows details about Annual House P&I, Homeowner's Insurance and Property Tax.

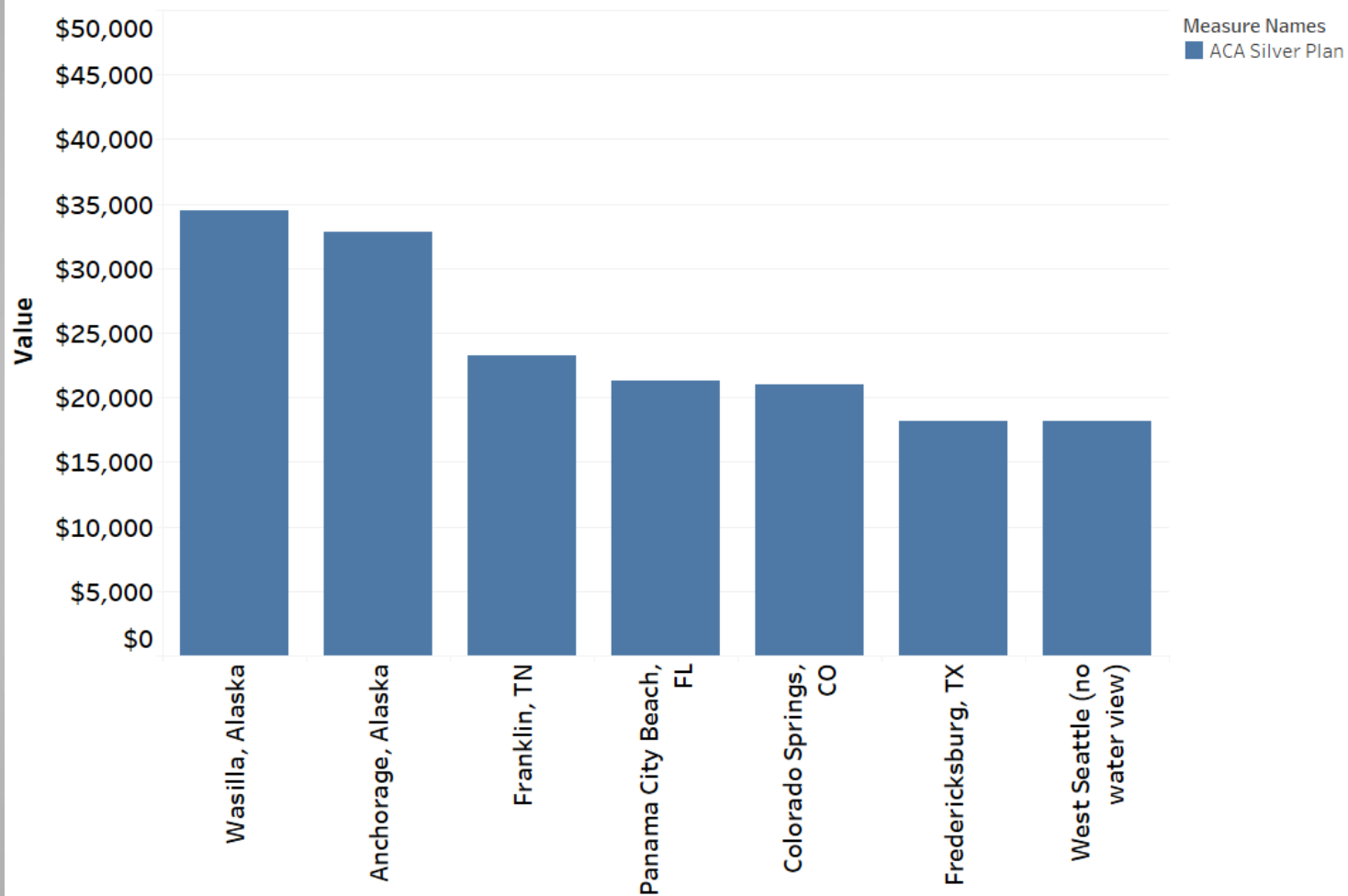
Interactive Living Cost Comparison



ACA Silver Plan, Annual House P&I, Homeowner's Insurance, Income Tax, Property Tax, Sales Tax and Utilities for each City. Color shows details about ACA Silver Plan, Annual House P&I, Homeowner's Insurance, Income Tax, Property Tax, Sales Tax and Utilities.



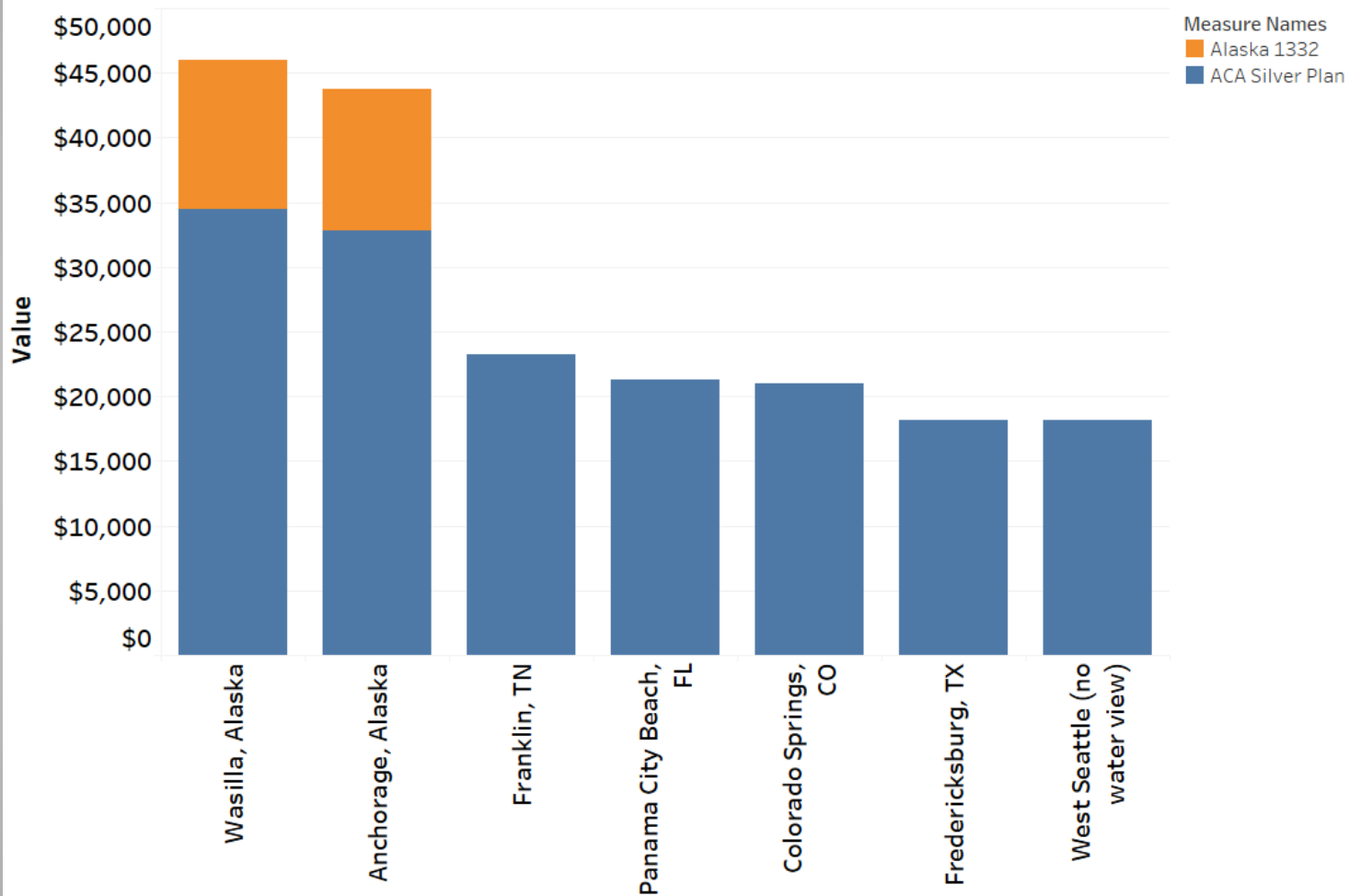
Relative Healthcare Costs (2)



ACA Silver Plan for each City. Color shows details about ACA Silver Plan.



Pre Waiver Cost Comparison



Alaska 1332 and ACA Silver Plan for each City. Color shows details about Alaska 1332 and ACA Silver Plan.

Engage Employers & Become a Supporter



NEXT MEETING:

June 19th – Petroleum Club Alaska

An Introduction to ASHC's Areas of Focus:

This session is designed to educate/re-educate employers on key points of information, terms, policies, laws, etc., around our three areas of focus:

The 80th Percentile State Regulation
Balance - Billing
Medevac

This will be a great session to brush up on your knowledge and bring someone who would like to learn more about these issues.



ALASKA SHRM STATE COUNCIL



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Rhonda Prowell-Kitter

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Upcoming Alaskans for Sustainable Healthcare events:

June 19th – Petroleum Club Alaska

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