Department of Administration

Health Care Authority Feasibility Study

December 2017

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.

Study Outline

- Study evaluates health benefits funded directly or indirectly by the state for the following groups:
  - Medicaid
  - State of Alaska retirees (PERS, JRS and TRS)
  - Employees in the following groups:
    - State of Alaska (all bargaining groups)
    - School districts
    - University of Alaska
    - State corporations
    - Political subdivisions
    - Other groups that would benefit from participation (e.g. individual market)
- Goal is to see if there are opportunities to create savings through greater efficiencies.
- Evaluate opportunities for consolidated purchasing strategies and coordinated plan administration.

Challenges

- The study was challenging for several reasons:
  1) Fix me please! (Everyone wants a fix now)
  2) There is no single solution to fixing our health care system, either at the state or national level.
  3) There is no definition for what a Health Care Authority is.
  4) The magnitude of the covered lives and dollars contemplated by the study.

Study Contractors

- Contractors:
  - PRM Consulting Group (PRM) - survey collection, data analysis, phase 1 & phase 2 findings focusing on public employee benefits
  - Mark A. Foster Associates (MAFA) – peer-review, Alaska specific market analysis & opportunities
  - Pacific Health Policy Group Consulting (PHPG) - Medicaid technical assistance and analysis
  - Agnew::Beck – public comment and review process

Important Dates

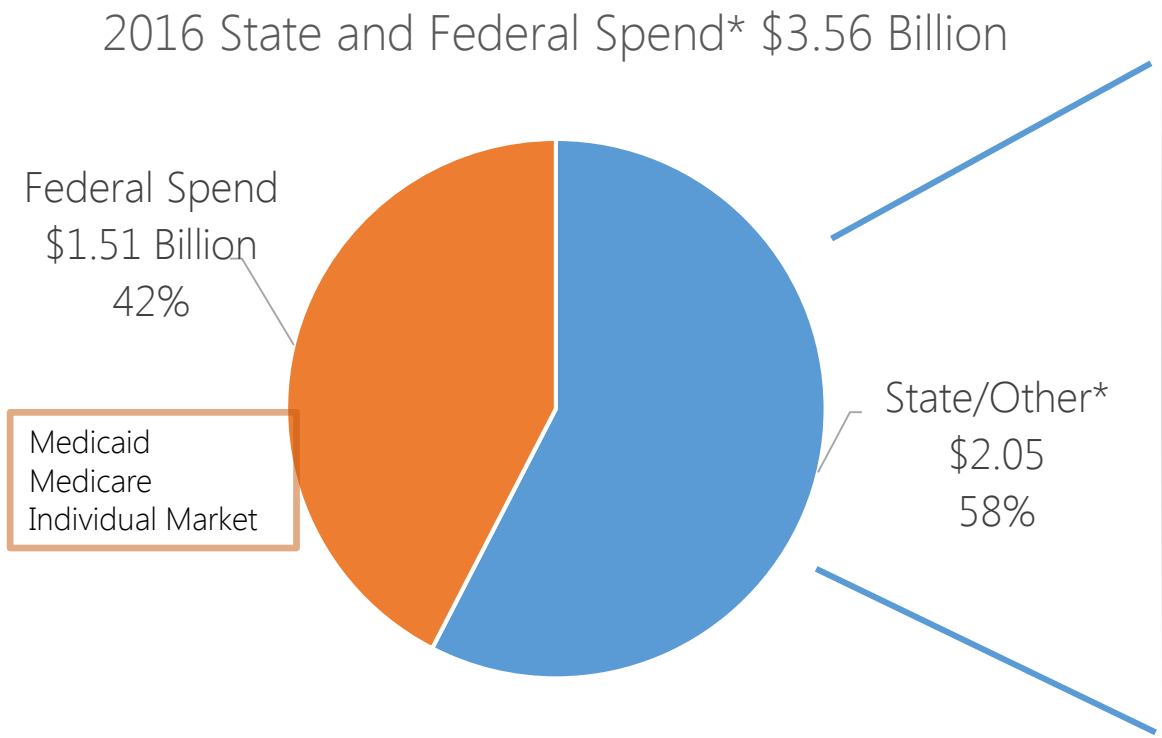
Timeline:

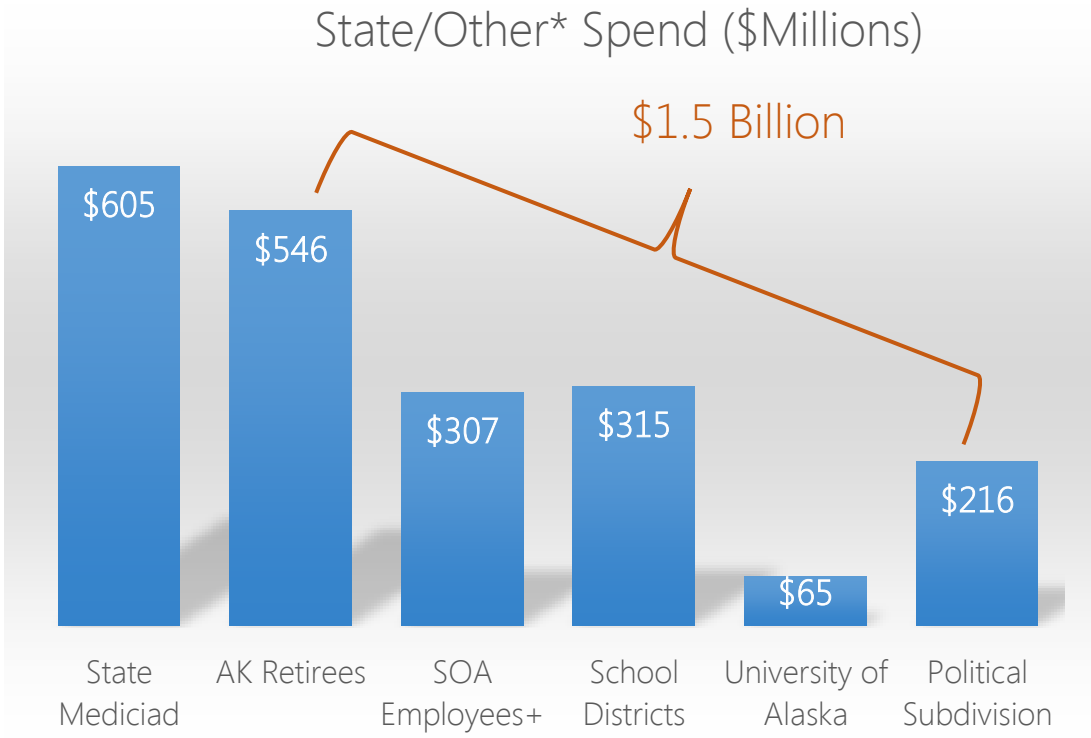
- August 30, 2017 — PRM, PHPG, MAFA reports released
- September 1, 2017 — Public comment process opens
- September 7, 2017 — PRM webinar (12:30pm – 1:30pm)
- September 11, 2017 — PHPG webinar (2:00pm – 3:00pm)
- September 13, 2017 — MAFA webinar (2:30pm – 3:30pm)
- October 30, 2017 — Public comment process closes
  Extended to November 13, 2017
- December 4, 2017 — Report addendum released
  Extended to December 18 in conjunction with the public comment extension

Big Picture Takeaways

2016 Expenditures & Covered Lives

- The State of Alaska & other publicly funded health benefits cover over 340,000 lives.^





*Local contributions may be mixed into the funding stream for these benefits.
* This does include out of pocket costs by employees.
^This number includes duplicate lives & some retiree who live outside of Alaska.

PRM Phase I & Phase II Reports

Overview

- Areas of focus: Public employee and retiree plans

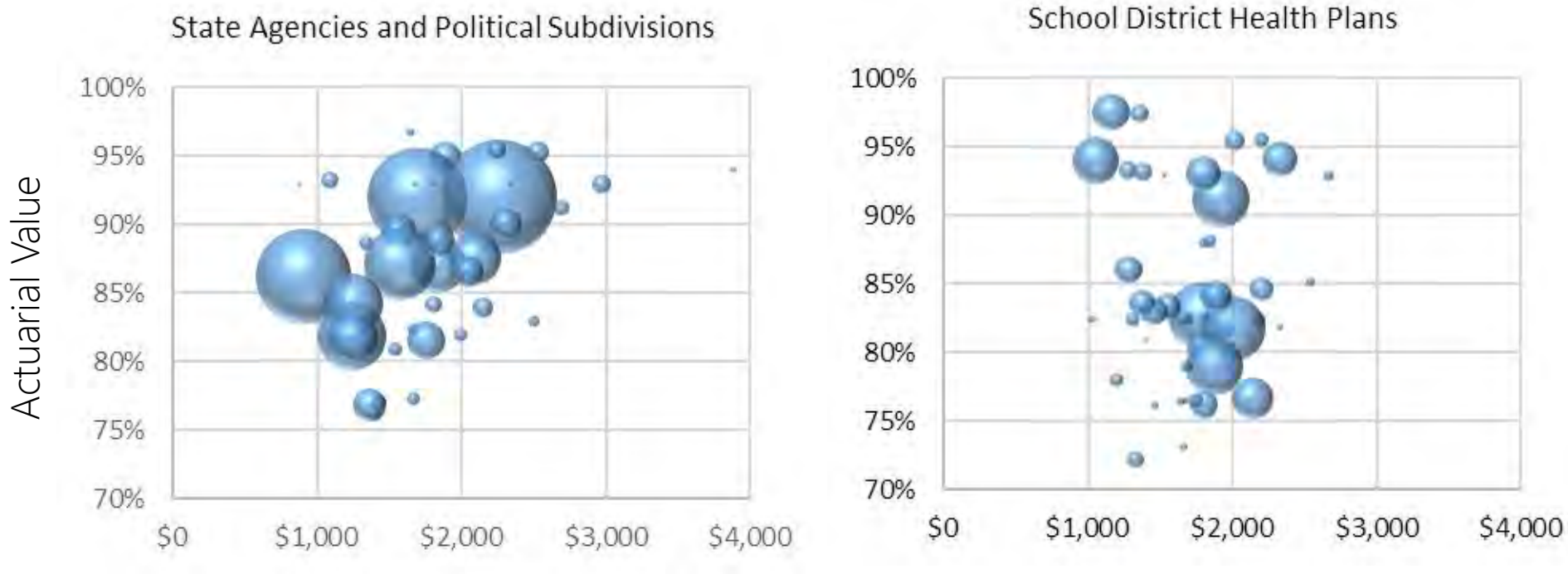
- Activities:
  - Conducted survey of public employee plans
  - Identified potential purchasing opportunities
  - Conducted actuarial analysis for establishing different risk pools

The survey captured an estimated 84% of benefit eligible employees.

Survey Responses by Type of Employer				
Summary	Surveyed Entities	Completed	Not Complete	Percent Completed
State Employees & Retirees	6	5	1	83%
University of Alaska	1	1	0	100%
State Corporations	2	2	0	100%
School Districts	54	48	6	89%
Political Subdivisions	164	68	96	41%
Grand Total	227	124	103	55%

Key Observations

- In 2016, average cost $21,738/year almost 60% greater Kaiser Family Foundation state & local govt. average
- Purchasing consolidation does exists across different public employee health plans
- Higher use of composite rates rather than tiering rates across public employers
- Wide range of health plan actuarial values



Phase I: Consolidated Purchasing Savings

Opportunity	First Year Estimated Savings ($Million)
Change Medicare Part D coordination method from Retiree Drug Subsidy (RDS) to Employer Group Waiver Plan (EGWP) in AlaskaCare Retiree Plan	$61.6
Pharmacy Benefit Carve-out	Range from $3.5 to $8.0
Centers of Excellence / Travel Benefit	Range from $2.9 to $3.5

Phase II: Coordinated Plan Administration Savings

Projected Savings or (Costs) in $Millions						
	Expected 2017	Expected 2018	Expected 2019	Expected 2020	Expected 2021	5-Year Savings (Costs)
Model 1 – Single Risk Pool. All state entities plus school districts and political subdivisions that opt to participate.	$5.9	$12.1	$18.6	$24.2	$25.4	$86.2
Model 2 – Two Risk Pools. All school districts in one pool. All Political Subdivisions and State employees in the second pool.	$9.4	$16.1	$22.5	$28.1	$29.4	$105.5
Model 3 – State Administered Captive.	$1.0	$1.0	$1.1	$1.1	$1.2	$5.4
Model 4 – Multiemployer Plans.	$0.0	$0.0	$0.0	$29.4	$31.2	$60.6
Model 5 – Public / Private Exchange. Single pool, state employees plus optional participation from school districts and political subdivisions and individuals.*	($22.7)	($18.1)	($13.3)	($9.5)	($10.2)	($73.8)

*This analysis was completed prior to approval of the 1332 waiver and does not reflect that consideration.

PRM Phase II Recommendations

1. State of Alaska establish a Health Care Authority (HCA) with three separate pools: one pool for retirees and two pools for employees, with separate pools for school district employees and all other governmental employees.
2. All entities be required to participate in the HCA when first feasible and no later than upon the expiration of the current collective bargaining agreement.
3. The HCA develop multiple plan options for medical, prescription drugs, dental, and vision benefits to provide a wide range in health plan choices to meet the recruitment and retention needs of the various employers and the health plan needs of their employees.
4. The HCA establish standard premium rates for the plans that reflect the expected costs of each plan option taking into account the covered population and expected health care utilization.
5. The HCA establish a tiered premium rate structure, with separate rates that vary with the size and composition of the household.
6. A Health Care Committee or Board be established to provide insight and oversight to the HCA.

MAFA Report

Overview

- Areas of focus: Public employee plans

- Activities:
  - Peer review
  - Identify any additional Alaska-specific purchasing strategies

Key Observations/Findings

- Aggregate cost of public employee plans in 2017 will be $956.5 million (PRM findings)
- Annual inflation (8%-12%, 2014-2016) exceeds US growth rate (5%-6%, 2014-2016)
- Primary driver of higher prices in Alaska is highly concentrated medical services markets
- Public employer groups are highly fragmented (100 plans covering 44,000 employees)
- The largest group only 3.76% of the employer health insurance market
- Consolidation of public employees would expand scale to 114,000 covered lives and dramatically increase market share
- Health care growth is crowding out wage growth:

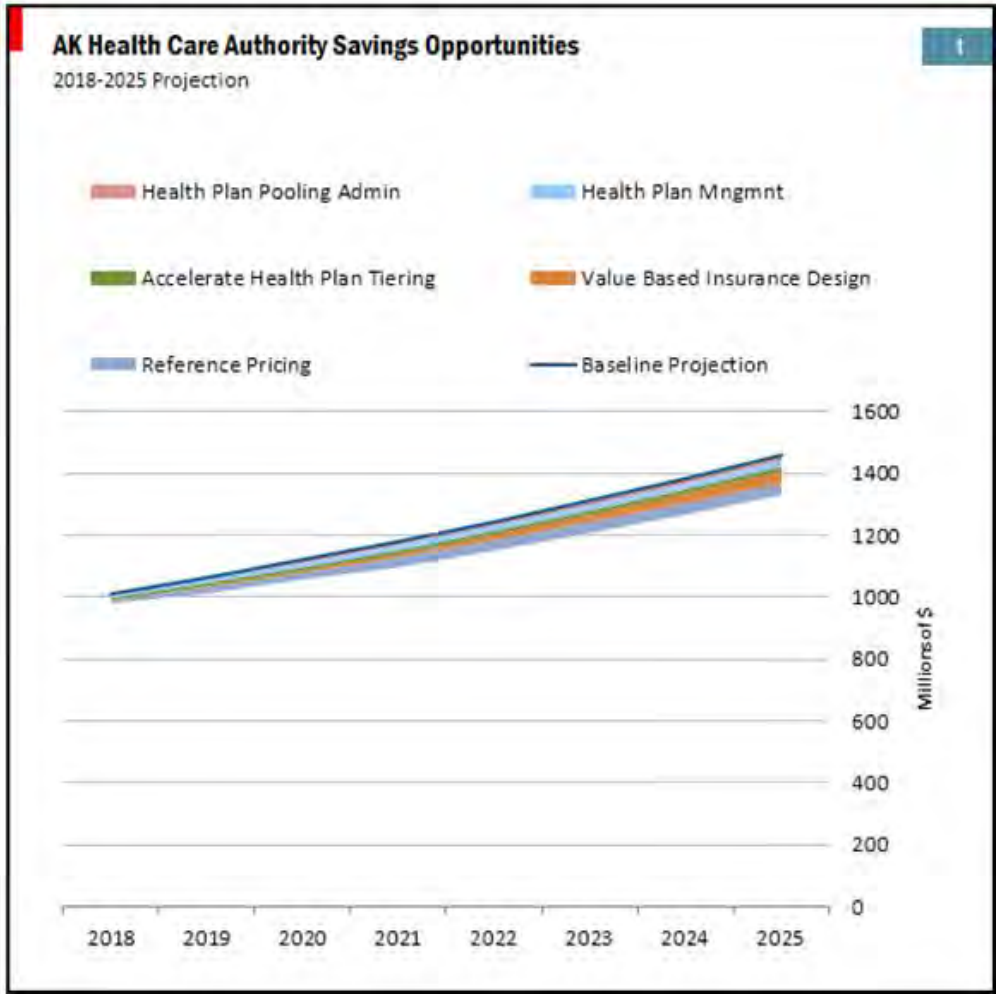
  "In aggregate, Alaska employees have foregone an estimated $2.74 billion in wage increases that have been crowded out by excessive health plan/medical service costs over the past decade."

Potential Public Employee Savings Estimates

- $655 million over 7 years
- 8.7% public employee spend
  - $23 million/annually year one
  - $127 million/annually when mature

Savings achieved through:

- 2.4% reduction (PRM estimate)
  - Health plan management and pooled purchasing
- 6.3% reduction
  - Increase collective employer purchasing power to improve health outcomes and reduce excessive costs growth



Outline of Savings Estimates

Line #	Alaska Health Care Authority - Summary of Potential Savings				2017	2018	2019	2020	2021	2022	2023	2024	2025	Cumulative Savings
1	Baseline Projection			millions $	956.5	1,008.2	1,062.6	1,120.0	1,180.4	1,244.2	1,311.4	1,382.2	1,456.8	
2			*Baseline projection growth above 2017*										**1.52**	
		Cumulative **Savings** v Baseline												
3	PRM		Health Plan Management	pct		0.9%	1.2%	1.2%	1.3%	1.3%	1.3%	1.3%	1.3%	
4	PRM		Health Plan Pooled Purchasing	pct		0.1%	0.4%	0.9%	1.1%	1.1%	1.1%	1.1%	1.1%	
5	MAFA		Reference Pricing	pct		0.9%	1.8%	1.9%	2.7%	2.7%	2.7%	2.7%	2.7%	
6	MAFA		Accelerate health plan tiering	pct		0.2%	0.5%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	
7	MAFA		Value based insurance design	pct		0.2%	0.4%	0.6%	1.0%	1.4%	1.8%	2.2%	2.6%	
8			Savings v Baseline	pct		2.3%	4.3%	5.6%	7.1%	7.5%	7.9%	8.3%	8.7%	
9			Savings v Baseline	millions $		23.1	45.7	62.8	84.0	93.5	103.8	115.0	127.0	**$655.0**
10			Scenario 1 Projection	millions $		985.0	1,016.9	1,057.2	1,096.4	1,150.6	1,207.5	1,267.2	1,329.8	
12			*Scenario 1 growth above 2017*										**1.39**	
13			Reference Pricing Savings Estimate	pct		0.9%	1.8%	1.9%	2.7%	2.7%	2.7%	2.7%	2.7%	
14	MAFA		**Price reset** targeting reference pricing benchmarks	pct		1.1%	2.1%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	
15	MAFA		+ Benchmark **price trend** reduction	pct					1.0%	1.0%	1.0%	1.0%	1.0%	
16	MAFA		Offset by an increase in primary care utilization	pct		0.2%	0.4%	0.6%	0.8%	0.8%	0.8%	0.8%	0.8%	

MAFA Key Recommendations

1. Create a health care authority for public employees
2. Allow groups to opt-out only under specific circumstances
3. Build and sustain local expertise and professional staff to support the authority
4. Consolidate health plan data analytics and procurement under the authority
5. Benchmark reference pricing and performance
6. Increase the use and development of value-based plan design

PHPG Report

Overview

- Areas of focus:
  - Provide technical expertise on incorporating Medicaid into an HCA
  - Overview of HCAs and coordinated purchasing models in other states

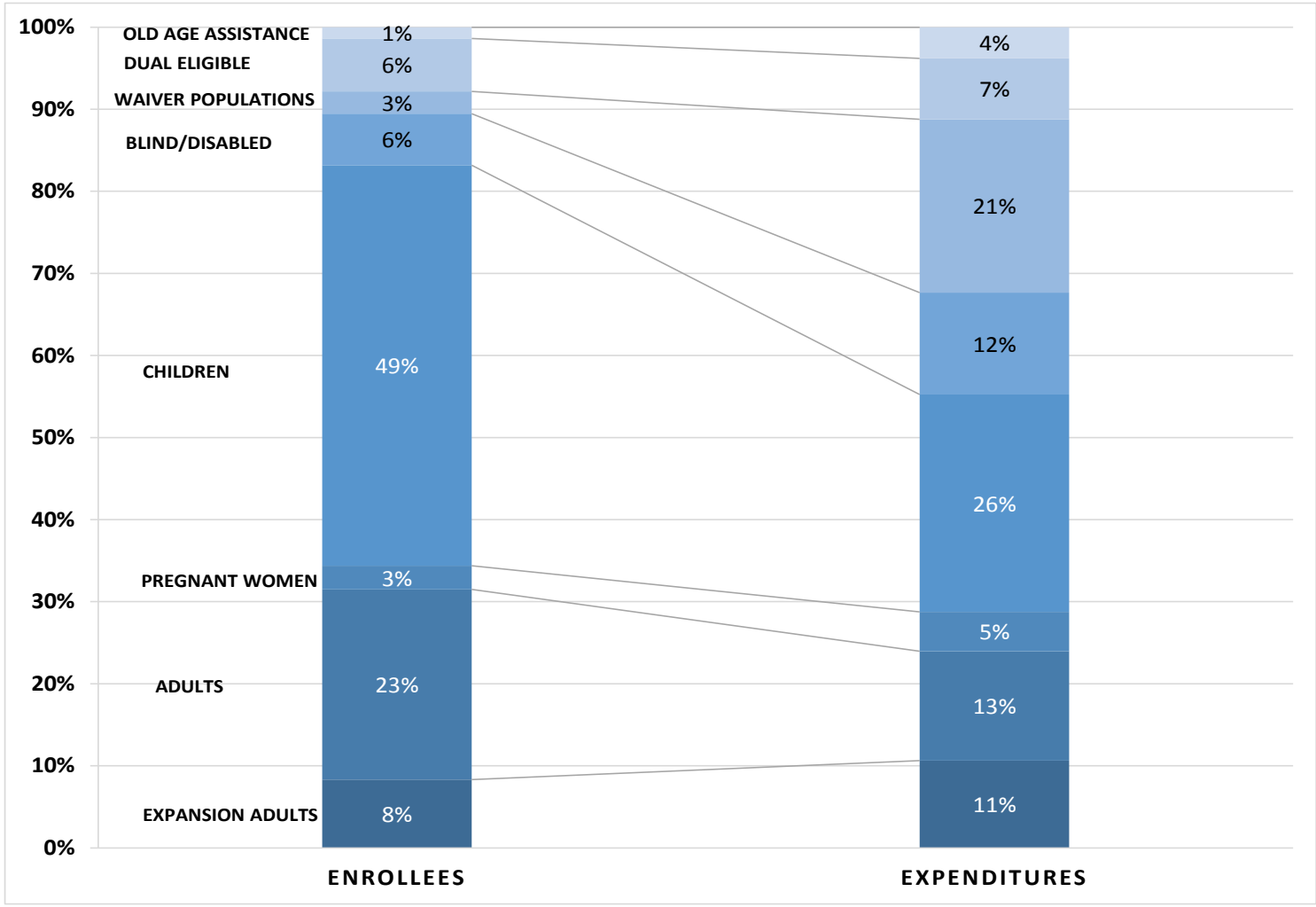
- Activities:
  - Provide background on national and Alaska Medicaid programs
  - Outline other states efforts to consolidate/coordinate public health plans & Medicaid
  - Describe HCA or HCA-like structures
  - Identify approaches that Alaska could consider
  - Outline a provisional governance model

Key Observations/Findings - Medicaid

- Alaska Medicaid background:
  - Alaska's Medicaid program covers more than 1 in 4 Alaskans
  - Over 185,000 Alaskans were enrolled in May of 2017
  - Enrollment grew by 23% from May 2016 to 2017
  - Nearly 40% of Alaska Medicaid clients are American Indian/Alaska Native (AI/AN)
  - Federal government funds approximately 65% of the program
  - Alaska's program expenditures the highest in the country per enrollee

2016 Alaska Medicaid Enrollment and Expenditures^

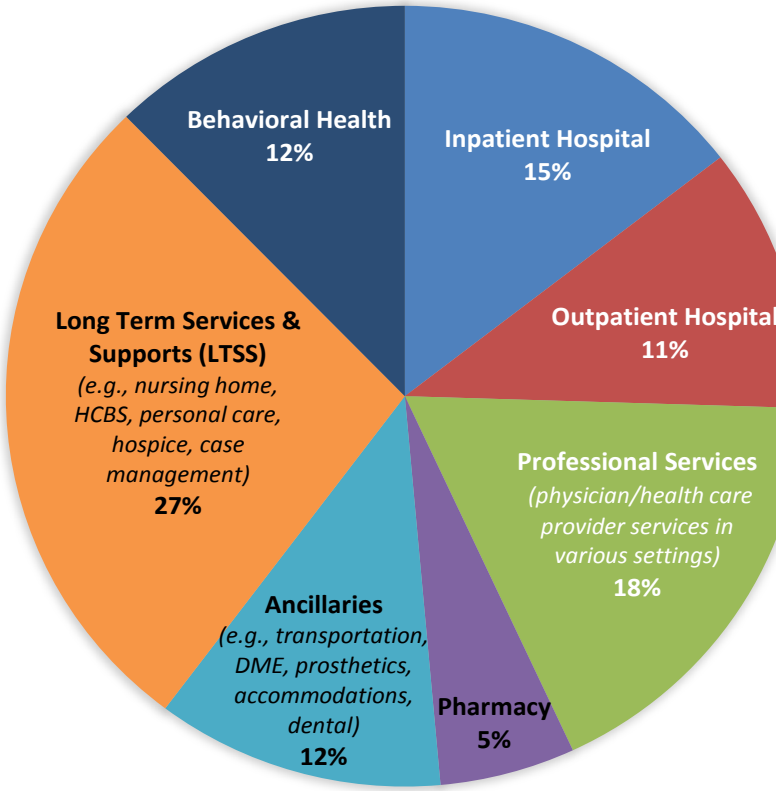
- 16% of enrollees old age assistance, dual eligible, waiver populations and blind/disabled categories accounted 44 % of total expenditures.



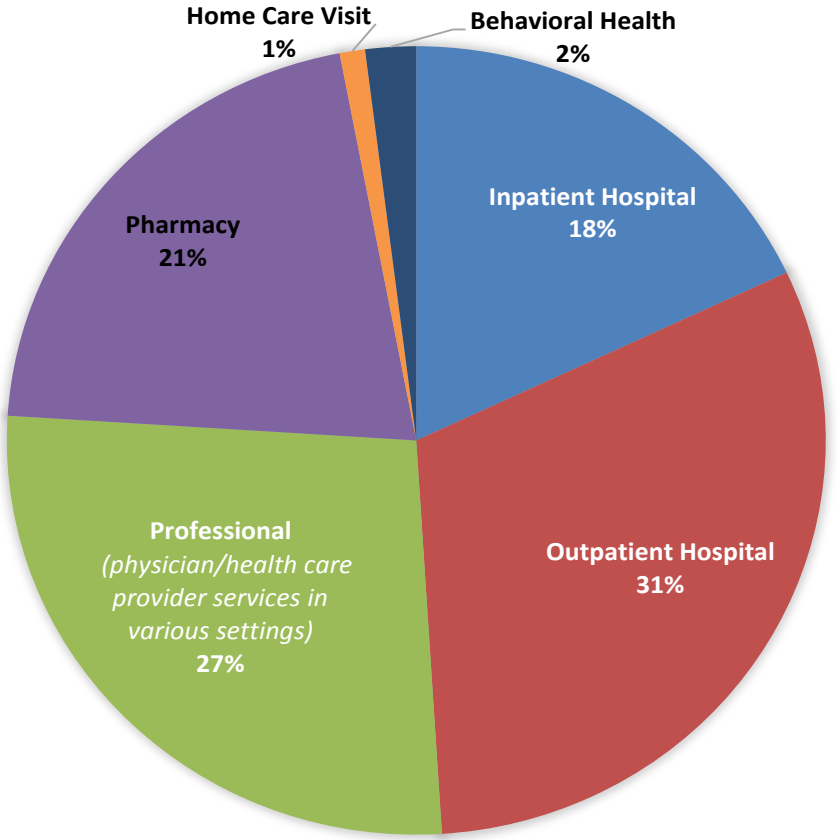
^Source: Milliman Alaska Medicaid Data Book

2016 Expenditures by Service Category

Alaska Medicaid^



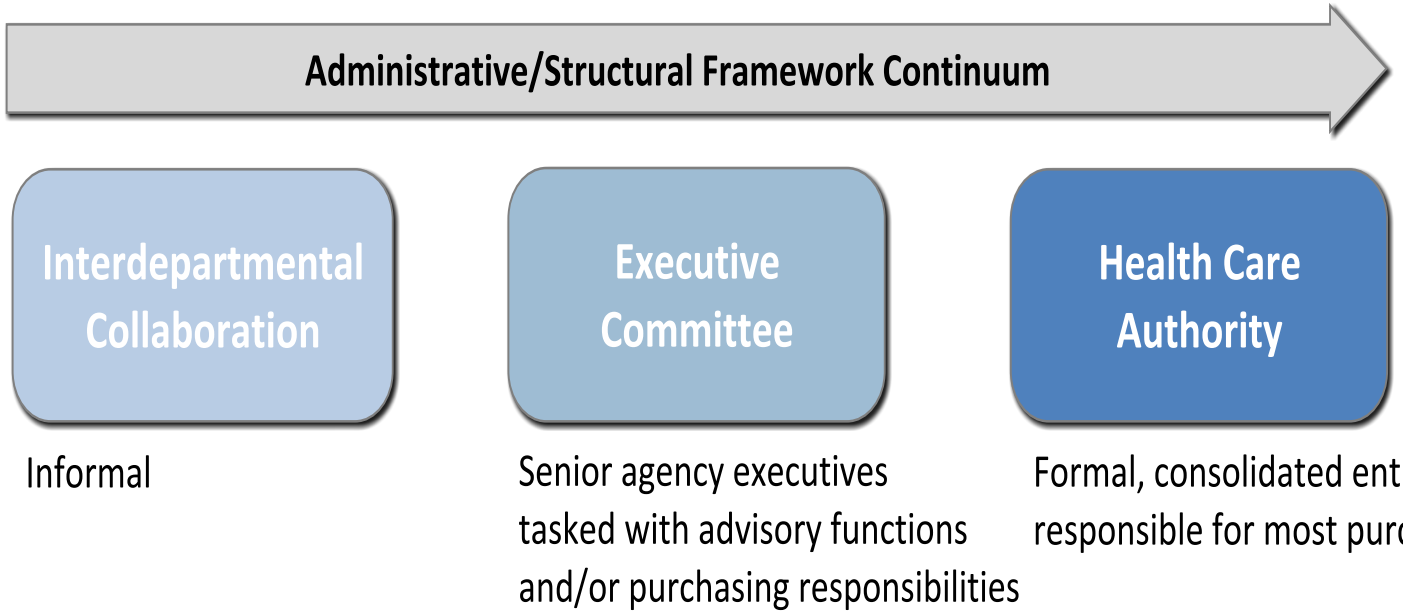
AlaskaCare Active Employees



^Source: Milliman Alaska Medicaid Data Book

Integration with Health Care Authorities

- Examples exist but they are limited (Oregon & Washington)
  - Difference in program requirements create complexity and challenges to integration
  - Success dependent on administrative or structural framework to support coordination



Approaches for Integration/Coordination

- Coordinate and/or integrate purchasing efforts with Medicaid
  - Example: data, utilization management, clinical policy bulletins, quality/provider oversight, wellness activities, contracting for specific services
- Develop a common benefit design across public payer programs and Medicaid
  - Example: commercial package developed and administered to certain Medicaid populations
- Fully integrate Medicaid as part of an Authority
  - Example: Washington's HCA

These ideas require additional analysis before a decision is made; but they are a starting point for policy discussion and future analysis.

HCAs in Other States

Overview of Health Care Authorities

State Model	Implemented	Role
Hawaii Health Authority (HHA)	2009	Health Planning
Maryland All Payer Model - Health Services Cost Review Commission (HSCRC)	1971	Hospital Rate Setting and Administration of All Payer Model
Mississippi Health Care Finance Authority (HCFA)	1994 (abolished 2017)	Health Planning and Purchasing
New Mexico Retiree Health Care Authority (NMRHCA)	1990	Retiree Benefits Administration
Oklahoma Health Care Authority (OHCA)	1993	Medicaid Policy and Administration
Oregon Health Authority (OHA)	2009	Public Employees, School Employees and Medicaid Policy Administration
Vermont Green Mountain Care Board (GMCB)	2011	All Payer Model Oversight and Hospital Rate Setting
Washington State Health Care Authority (WHCA)	1988	Public Employees and Medicaid Policy Administration
West Virginia Health Care Authority (WVHCA)	1983	Hospital Rate Setting, Hospital Budget Approval and Certificate of Need

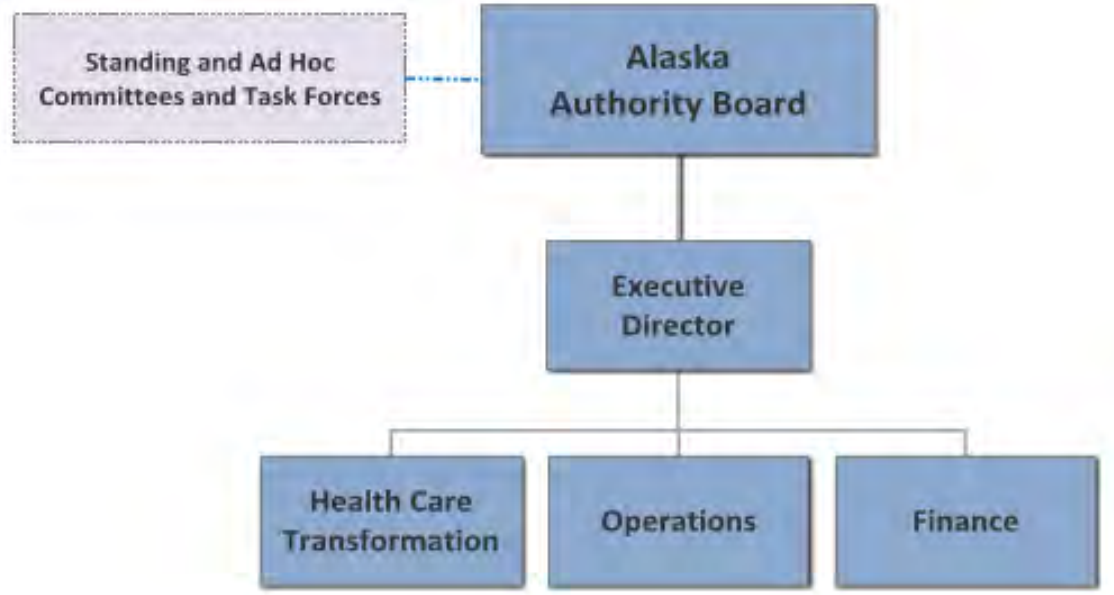
Features

HCA Structure/Governance Model is Dependent on:

- Role of HCA
  - Public employees only v. all state-funded health plans
  - Administration (if Authority is an "umbrella" agency)
  - Coordination/support (board with agency representation)
  - Oversight (regulatory role)
  - Development of multi-payer initiatives (commercial payer representation)
  - Advance health reform
- Autonomy v. accountability
  - Benefits/risks of independence
  - Legislative control/appropriations process

PHPG Provisional Model

- Authority would be overseen by a Board :
  - One Board Chair appointed by Governor
  - Two additional members appointed by Governor
  - One member appointed by Senate President
  - One member appointed by Speaker of House
  - Two non-voting members who are active heads of principal Alaska State government departments
- Executive Director head of Authority w/three divisions



- Standing & ad-hoc committees:
  - Member advisory group
  - Provider council
  - Health information technology group
  - Quality & health transformation committee

Next Steps

Learn More

- Reports, presentations and webinars can be found at http://doa.Alaska.gov/HCA.html
- This is the beginning of a larger discussion about what Alaskans see as the future for publicly funded health care.
- The opportunities and concepts outlined in these reports would require considerable change in the provision and financing of health benefits, but could also create significant value.
- Extensive public discourse, stakeholder engagement and full legislative buy-in will be required for the state to move forward with any of these recommendations.
- Encourage everyone to review the materials online, reach out with any questions.

Thank you

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