Alaska’s Fiscal Reality

Ready to delve into Alaska’s fiscal issues? Here are the slides from House Speaker Bryce Edgmon’s presentation to AFN in October. We’re looking to host a discussion on the issues raised by this information.

Click on this link to check out the slides.

The Salmon Initiative: Beyond the Rhetoric

Thursday, October 4th, 7 – 9 pm
49th State Brewing Company

Wondering how to vote on ballot measure 1 in the general election this November? We held an event discussing the pros and cons of this ballot measure. You can find out more about this event and watch the video or listen to the audio here.

Member Survey Results

Thanks again to all of our members and guests who attended Alaska Common Ground's 2018 Annual Meeting in April and to our members who participated in our recent membership survey. Both provided an invaluable opportunity for us to hear how you think we are doing and what topics you would like us to feature in the future.

Housing, fiscal policy, criminal justice reform, oceans, food security, and the upcoming ballot measures were among the ideas discussed. Additionally, this word cloud shows what our members highlighted as most valuable to them about their experience with ACG, from our neutrality, to staying informed on important issues.

Alaska Common ground survey 2018 results

The Alaska Legislature needs to pass POMV – now

Janet McCabe, ADN opinion piece, April 10, 2018

It's crunch time in Juneau. Legislators need to pull together and accomplish the essentials!

Next November, most legislative seats plus the governor will be up for election. That fact underlies much of the thinking

in Juneau today, intensifying pressure to finish this session's work and start campaigning.

Legislators are frustrated with their own inability as a group to compromise and reach agreement. Constituents complain – those who rely on the dividend to feed their families or stave off foreclosure, as well as business owners feeling the slowdown of economic recession.

If, as in the past, the value of the Permanent Fund trends upward, the Earnings Reserve will grow and payouts for state operations and dividends will increase.

I urge the Legislature to pass a POMV statute this session, and to cap this achievement by also passing a proposal to stimulate the economy that was developed by Sheldon Fisher, Alaska's clearheaded and sensible commissioner of Revenue.

His concept, embodied in House Bill 331 and Senate Bill 176, merits full consideration as a way to generate employment in the oil service industry, and pay existing debt without additional cost to the state.

As background, recently the Legislature eliminated the tax credit incentives for new development by small oil companies. They were no longer affordable. But that action left us with previous contractual agreements that must be paid. The state has been repaying these obligations gradually, as allowed by law, but banks will not make loans to the small oil companies based on distant state payments. North Slope and Cook Inlet projects have been shutting down and employment in the oil service sector is declining.

State bonding to make immediate payments on Alaska's existing debt to small oil companies would provide them with cash needed to employ oil service businesses and restart stalled projects. Yet the state's bonding obligation could be paid gradually. The state will negotiate with the companies for a discount to cover interest on the bonds, making the state's

cost the same or less than under existing obligations. This is a win-win proposal, putting people back to work in a lagging sector of the economy.

Enacting a statutory POMV system in 2018 is still the primary step toward fiscal stability needed this session, but adding legislation that stimulates the economy, as proposed by Commissioner Fisher, would cap this achievement. With both measures, the 30th Alaska State Legislature could go home with a well-deserved sense of accomplishment.

The memorable statement: “No man’s life, liberty or property are safe while the Legislature is in session” was written in 1866 by Gideon John Tucker. Possibly, he was exaggerating!

Janet McCabe and her family have lived in Alaska since 1964. Her education and experience are in community planning with a specialty in population projection. She is actively involved in several nonprofit organizations, including Alaska Common Ground and Commonwealth North.

How is The State Dealing With the Shortfall in Pension Systems?

UAA ISER Publications

April 9th, 2018
A new paper by Cliff Groh, in collaboration with ISER faculty, looks at how the state government has dealt so far with a very big problem: the state’s two largest retirement systems for public employees don’t have enough money to cover future costs

of pensions and benefits for state and local employees when they retire. Since discovering the shortfall in 2003, the state has made special contributions of nearly $7 billion to the retirement systems.

But analysts believe it will take billions more dollars in the coming years to balance the funds. That poses a major challenge for the state, in this time of big budget deficits, as well as for local governments, which also need to help pay for the unfunded liability.

To learn more about what the state has done—and might do—to deal with the pension shortfall, download the full paper, *History and Options Regarding the Unfunded Liabilities of Alaska's Public Employees' and Teachers' Retirement Systems*, or the summary.

If you have questions, get in touch with Cliff Groh at cliff.groh@gmail.com.

Lawmakers do Right by Alaskans, Adopt POMV and Protect Dividend

Anchorage Daily News, Op-Ed by Janet McCabe, February 4, 2018

Thanks, Anchorage Daily News, for asking the public to express opinions on the Permanent Fund, the Permanent Fund Dividend, and the plan for annual "Percent of Market Value" draws from the Permanent Fund that would provide for both government services and dividends (POMV).

In answer to ADN's request, here are some highlights from

Alaska's history as a state that may provide guidance for the future. After all, one definition of insanity is making the same mistakes repeatedly and expecting different results.

Surprisingly, unexpected disasters have been instrumental in breaking the grip of major economic recessions in the past. Both the 1964 earthquake and the 1989 Exxon Valdez oil spill occurred during serious recessions. Expenditures to recover from both disasters injected enough money into the economy to overcome the economic doldrums. We never hope to be "lucky" again because of disaster, but the lesson is clear that recovery from a recession can be boosted by spending. Cuts in spending have an opposite effect.

There is no doubt that Alaska is now in a recession. The two recent times since statehood when the rate of population growth declined are the late 1980s and today. According to the Department of Labor and Workforce Development, Alaska's unemployment rate is currently the highest in the nation. Also, like the 1980s, crime rates have soared, especially for theft. Ask businesspeople you meet how they're doing, and they may say things like "there's nothing out there" or "I'm just hanging on."

Uncertainty increases recession by slowing business investment.

The Legislature could address uncertainty and help stabilize the economy by enacting legislation establishing a disciplined POMV process for spending. This system – the same system as that used by many major corporations to protect endowments – has been recommended by the Alaska Permanent Fund Corp. since 2003.

Given the need to stabilize the economy, it is alarming to hear that some legislators are planning to bypass the discipline imposed by POMV, and simply adopt a budget that would spend directly from the Earnings Reserve Account of the

Permanent Fund. Legislative spending needs the restraint of POMV to provide stability and protect the dividend.

A look at Alaskan history gives a clear warning of what could happen without spending sidebars. In 1969 when Alaska received a fiscal windfall of $900 million from the oil field lease, legislators competed to fund new projects in their districts. If one district got approval for a library or a community hall, other districts needed similar things. Some economic development projects were clearly boondoggles.

Public alarm at the rapid spending, together with leadership from Gov. Hammond and wise legislators like Hugh Malone, resulted in the constitutional amendment that created the Permanent Fund in 1976. Four years later Hammond urged legislators to adopt a bill creating Alaska's Permanent Fund Dividend program. He wanted to the give the public a vested interest in protecting the Permanent Fund, and to assure that both rural and urban communities benefited from Alaska's new oil wealth.

Alaskans received their first dividend checks in 1982. This was fortunate timing, but it did not prevent the recession that occurred because of a fall in oil prices, and expiration of the $900 million construction boom.

The state income tax had been repealed in 1980, and the shortage of funds for essential state services led to further cuts in employment which, in turn, added to the negative ripple effect. The recession was severe.

Hammond ultimately realized that the only solid protection for Alaska's dividend program was an ongoing source of state income. In 2004 at the Conference of Alaskans in Fairbanks he argued strongly for an income tax, saying his biggest mistake as governor was not to have vetoed the bill repealing the income tax in 1980.

A year later, Gov. Jay Hammond died, having made an enormous

contribution to Alaska by leading the establishment of the Permanent Fund and the Permanent Fund Dividend. He was a Republican who saw the big picture, perhaps Alaska's greatest governor.
Read the full article here.

Alaskans face the nation's highest health care costs. Why?

Author: Cliff Groh | Opinion Updated: December 10, 2017
Anchorage Daily News

An Alaskan spends on average more than $3,000 on health care per year over what the average American spends, according to the latest federal data. That overall comparison, however, masks much bigger disparities for certain procedures and treatments. One Alaskan researching last year, for example, found that the "all-in" cost of her hip replacement surgery in Seattle was well under half what the total cost would have been in Anchorage. (By far the biggest cost difference was in the facility fee quoted by the hospital in Anchorage vs. that charged in Seattle, not the relatively small difference in the orthopedic surgeon's charge.)

[Alaskans seek relief from high costs with medical tourism]

Experts have identified some causes of Alaska's high health care costs as:

• Hospital margins in urban Alaska that are higher than national averages (the most recently released study shows that

Anchorage hospitals have margins almost three times the national average);

[Tips to control your doctor and hospital bills]

• The relative shortage in Alaska of beds at facilities with skilled nursing and other behavioral health centers that would allow some patients to avoid expensive hospital stays;

• Limited competition and/or leveraging of market power by some medical providers – particularly specialty physicians such as orthopedic surgeons, neurosurgeons, and cardiologists – that keeps prices/fees higher than they would be otherwise (although some Alaska medical practitioners appear to make only 1/50th – or even 1/100th as a few specialist practitioners do per year and some family practitioners are clearly struggling financially, the top is quite high in our state; one neurosurgeon more than tripled his annual income by moving north, going from $1.5 million in Washington State in 2007 to $5.5 million in Alaska in 2009).

• A regulation adopted in 2004 establishing "the 80th percentile rule" for medical provider compensation that critics say has boosted some medical specialists' fees;

• A statute adopted in 1998 that appears to make it difficult to rely on managed care to hold down costs;

[Study: Health care costs in Alaska top nation's cities]

• A slowness to adopt value-based compensation for medical providers instead of the traditional fee-for-service model of reimbursement;

• Expensive medical infrastructure built at least in part for convenience that Alaska may not be able to afford;

• Wasteful overutilization of certain procedures and treatments that are particularly profitable for physicians on the Last Frontier given Alaska's unusually high reimbursement

rates.

Alaska Common Ground will take a deep dive into the difference between the health care costs of Alaska and those of the rest of the country at an event Wednesday evening, Dec. 13. This event – the third of at least four events on our state's high health care costs – is at the 49th State Brewing Company, 717 W. Third Ave., from 7 p.m. to 9 p.m. The Anchorage Public Library is cosponsoring this series, which is financially supported by the Alaska Humanities Forum. This event is open to the public and free, with a requested donation of $10.

Important players in the health care field will hash out on Wednesday the relative importance of the factors set out above – and others – in the high costs of Alaska's health care. Participating that evening will be physicians, a hospital CEO, a state of Alaska regulator and other knowledgeable observers. There will be an opportunity for the audience to ask questions.

Folks, this is your chance to learn more about this critical topic in a congenial environment. You should come, as your health and wealth may depend on it.

Cliff Groh *is chair of Alaska Common Ground, a nonprofit and nonpartisan organization devoted to helping Alaskans understand and reach consensus on the major issues facing our state. If you are interested in watching the video from the previous two events in the health care series, you can see video of each at http://akcommonground.org/can-alaskas-high-health-care-costs-be-cured/.*

Tips to Control Your Doctor and Hospital Bills

You have a good chance to hold down your medical bills through preparation, research, negotiation, and keeping a good attitude. Let's walk through some recommendations by category. As you go through this advice, remember that you need to help yourself first by taking care of yourself. As one Alaska physician observed, **the most cost-effective way to interact with the health care system is not to need it.**

Choosing Where You Get Your Medical Care

- **Seek in-network providers**: Before you choose your primary care provider (physician, nurse practitioner, or physician's assistant), imaging facility, or specialists, you should make sure that you choose within your insurance-preferred provider network if possible. If you are being referred for testing or consultation, you can make sure that you ask your referring provider to **choose among your in-network providers,** one that the primary care provider thinks would provide high-quality care.
- **Lab work**: If you need **blood work**, your clinic can manage the most common blood tests. Specialty blood work can be done at local medical laboratory testing facilities. Shop around, as there are wide variations in price.
- **Avoid the ER if you can**: Get the "right level of care." If you have a life-threatening emergency, you should go to the emergency room. If you do not, go to a walk-in clinic or urgent care facility if you can't get to your regular primary care provider. Several groups of primary care providers in Anchorage have clinics operating after regular business hours, and many are in network with insurance providers. In most instances, the most expensive place that you can receive care is in the ER.

At the Clinic, Office of the Primary Care Provider, or the Emergency Room/Emergency Department

- **Come prepared** to describe your complaint in detail to the doctor, nurse, nurse practitioner, or physician's assistant. If your problem has been evaluated before, know what tests have been done—and it is even better to keep records. This allows the provider to have the best information and avoids the problem of providers ordering up a bunch of tests to determine what you could have told them.
- ***Ask questions.*** Listen carefully to the answers. ***Take notes.*** (You could also audio record the discussion on a smartphone.) If you don't know what is happening, you can't make an informed decision.
- **Bring a relative or friend:** If you think that you need help, get a trusted, tough-minded relative or friend to assist you as your patient advocate. This person can be your second set of eyes and ears, although if you can you should be speaking more than the patient advocate. Unless there is a language barrier, health care providers prefer that you describe your symptom in your own words.
- **Ask questions:** Sample questions include: Why is this procedure being ordered? Why do you think I need this test that you recommend? What about this medication that you want to prescribe? What are the alternatives? Steel yourself with these truths: ***Medical providers expect questions, and you have the right to say "No."*** And never assume that all the medical personnel have all the relevant information. If you have an insurer, get pre-approval from that insurer for procedures.
- It is OK to ask a provider "How will the results of this test change the way that my condition is managed?" Sometimes providers reflexively order tests. Making sure that tests are truly necessary based on evidence-based guidelines will reduce your overall costs. Make sure as

well that the tests are performed at facilities that are in your network.

Medications

- **Ask for generics**: Make sure that you ask about "generics" and medications that are offered at relatively low prices on your insurance "formulary" (an official list giving details of medicines that may be prescribed). This information is readily available on many physicians' electronic medical record systems. You can also check your insurer's formulary to find what drugs in the same class are preferred. Check the $4.00 medication lists offered by most chain pharmacies and big box stores before filling prescriptions.
- There are two free applications (https://www.blinkhealth.com/ and https://www.goodrx.com/) which can be downloaded for a comparison of medication charges at local pharmacies.

If You Get Admitted to the Hospital

- **Pre-approve your admission**: If you are going to be admitted to the hospital, get your health insurer to pre-approve that admission.
- **Clarify your status**: As Dr. Elisabeth Rosenthal notes in her book *An American Sickness*, you should be clear on the status of your stay. Ask whether you are on "observation status" or are instead being admitted into the hospital, because the answer might well have a big impact on your finances. Although they are still in hospital beds, patients on observation status will be considered outpatients and be on the hook for outpatient co-payments (the dollar amount associated with a type of care) and deductibles (the amount that you pay out of pocket before your insurance starts to pay), which are generally far higher than those for an inpatient stay. (And unless you get a terrific justification of why you

need a private room, turn down that honor unless you want to risk a much higher bill.)

- **Ask about the length of stay**: Ask for an estimate of how many days you will spend in the hospital (but be prepared to get the answer "You will be in the hospital for only as long as it takes for me to discharge you safely").
- **Ask for a financial counselor**: If you are worried about your ability to pay, ask to speak to one of the hospital's financial counselors.
- **Make sure your providers are in your network**: At least one of the documents you will be asked to sign upon admission to the hospital will cover your willingness to accept financial responsibility for charges not covered by your insurer. Dr. Rosenthal recommends that before you sign such a document, you write in "as long as the providers are in my insurance network" (that is, under contact with your insurance provider). Dr. Rosenthal also passes on the advice that you insert on every chart you see the words "Consent is limited to in-network care only and excludes out-of-network care." Dr. Rosenthal suggests that such an annotation will at the very least give you a basis for contesting charges later.
- **Document your care**: Identify and document every person who appears at your bedside, and identify and document every test, procedure, and medication you are given. (Make your requests for this information with a smile, as this will reduce the defensiveness that might otherwise arise.) ***Get a patient advocate to do this if you are unable.*** Try to take your own home medications at the hospital if you can. Refuse unnecessary equipment. Talk to the doctors, nurses, and aides who come into your room; key times include the morning (when doctors usually make their rounds) and during nursing shift changes.

After You Are Discharged from the Hospital

- **Review the billing statements from all sources**. ***Get itemized bills*** so that you check the costs of each medication, lab test, and procedure. Keep track of any claims and payouts by insurers. Be prepared to dispute charges, and do so on a timely basis. Keep careful notes documenting the date, time, person contacted, and content of communication. Work to decipher the codes on the bills. Don't be afraid to call to figure out what a bill and a code mean. "It is your right as a patient and health consumer to know what you are paying for," as health care specialist attorney David J. Holt told Mikey Box of time.com. Ask for discounts and write-offs, and you might find that an in-person visit to the office of the provider might yield the best results.
- Work hard to **avoid taking out a loan** to pay your medical bills, whether that loan comes from the financial institution or from your provider. If necessary, go higher up the chain of command for an answer or a justification of the charge. Finally, be prepared to complain to state or federal regulatory agencies if you can't get relief otherwise.

If You Have Been Told that You Need a Big-Ticket Procedure

- **Non-emergency surgeries** performed in Alaska are both costly and some of the biggest reasons our state's health care costs are higher than those of any other state. This is particularly true for procedures done by specialist practitioners such as orthopedic surgeons, cardiac surgeons, and neurosurgeons.
- **Be skeptical** if you are told that you need something new, fancy, and expensive. The most cutting-edge procedure or technology is not necessarily the best course for you, and a doctor's high fees are no guarantee of quality. For example, if your knee or shoulder is hurting, that pain might go away if you started swimming and/or had some physical therapy, and

you might not need that MRI test or surgery that a surgeon advised.

- Don’t pressure doctors to give you the most high-dollar or invasive treatment you have ever heard of, and don’t let them pressure you either. A second opinion is critical, particularly if the first specialist you see recommends an expensive procedure or treatment. As one hospital executive says, don’t be a victim.
- It is often helpful to ask your primary care provider “If your mom was going to have this surgery done, where would you send her?”
- If you do decide that you need big-ticket surgery, **research your options**. Websites such as www.fairhealthconsumer.org can give estimates of what various procedures should cost in locations around the country, and they can give you the CPT code as well for the procedure. In general, it is better to go on the Internet after you have a diagnosis as opposed to trying to diagnose your problem on the Internet yourself.
- **The next step is to negotiate**. Be assertive. Get price comparisons, either in the office or by telephoning. Announce that you are investigating several providers for options and that you seek the most favorable prices. More than one Alaska doctor has expressed amazement that patients appear afraid to question doctors about recommended work and request discounts the way that those patients would if the recommendations came from an automobile dealership or an auto body shop. *As one Alaska doctor said, “Providers know that health care costs in this state are high and most/many are willing to help you determine the most cost-effective and safe options if you just ask.”*
- A representative from Angie’s List told time.com that a prospective patient should **get the quote in writing** with a signature, name, and title along with the price quoted.
- Additionally, that observer—Cheryl Reed—recommended that

"When getting prices, **be sure you cover all fees** associated with your procedure, rather than just the surgical costs—e.g. anesthesiologist, radiologist, laboratory costs, etc."

- **Another tip**: Be wary of a surgeon whose office puts you on the surgical schedule as soon as you call the office for an appointment.
- If you decide that your best option is for a **surgery outside of Alaska**, be aware that you might have difficulty securing follow-up care from an Alaska surgeon upon your return to the state. One Alaska physician recommends that anyone considering going outside the state for surgery to remain at that location long enough to be reasonably certain that complications have not arisen.

Before You Need the Medical Care

- The easiest advice is both the most boring and the most important. A high percentage of your lifetime medical costs is likely to be determined by your nutrition and your lifestyle, **so start by taking care of yourself** before you are told to strip down and get in a gown.
- Eat healthy food, exercise regularly, quit smoking, limit your alcohol intake, and establish visits with a primary care provider.
- Know important facts like your **blood pressure**.
- **Make a list of the medications** you take and keep it in your wallet or purse or on your smartphone.
- Know who your **primary care provider** is and what specialists you see.
- And to help your family, you should go to the next level and **prepare an advance health care directive/living will** to lay down your wishes for your care when you can't do the speaking yourself. Share that directive with your family and your medical care providers—and you could also suggest to relatives that they also prepare such a

document for themselves.

Cliff Groh prepared this document following conversations with more than a dozen Alaska medical providers and others knowledgeable about the provision of health care in Alaska. Particular thanks go to Theresa Philbrick, RN; the book An American Sickness: How Healthcare Became Big Business and How You Can Take it Back by Elisabeth Rosenthal, and the article by Mikey Box entitled "7 Smart Ways to Negotiate Your Medical Bills." The above is not intended as legal advice, even though Groh is a lawyer as well as a writer and the Chair of Alaska Common Ground. Alaska Common Ground is holding a series of events on Alaska's high health care costs that runs from November of 2017 through January of 2018, and details can be found at www.akcommonground.org or on Facebook.

High Health Care Costs in Alaska: Facts, Causes, Consequences, and Remedies

Alaskans are used to superlatives, but when it comes to health care costs we have really outdone ourselves.

The United States has the world's highest health care costs, and it sure looks like Alaska has the highest health care costs in the U.S. as well as the fastest-rising costs.

The Last Frontier's sky-high costs show up in various ways. The Kaiser Family Foundation's data from 2014 (the most recent year released) has Alaska as highest among the states in per

capita health expenditures, with only the District of Columbia higher. Relying on data collected from 264 areas around the U.S., the Anchorage Economic Development Corporation reported that in 2016 the three cities with the highest health care costs in the nation were Juneau, Fairbanks, and Anchorage. And the story is the same regarding health insurance, as the premiums for Alaskans on the exchanges for 2017 are at the top among the states.

No other state has experienced higher annual percentage growth in health care costs since 1991, according to the federal government's Centers for Medicare & Medicaid Services. In the old lingo of the popular music charts, Alaska is No. 1 with a bullet.

What are the causes of Alaska's extremely high health care costs? What are the consequences of this "Alaska premium" in the prices of health care? Do remedies exist for the Great Land's great costs for health care?

Causes

Observers have offered more than half a dozen explanations for Alaska's extra-high health care costs. The list includes:

- Our state's relatively small population and isolation from larger markets
- Distribution of a substantial percentage of Alaskans in a variety of remote areas, including off the road system
- Limited numbers of providers of medical services
- Limited competition among providers, especially specialty physicians
- Particularly high compensation for providers, especially specialty physicians who perform procedures (such as orthopedic surgeons, cardiologists, and neurosurgeons)
- Hospital profit margins in urban Alaska that are higher than national averages
- Particularly risky and/or antisocial behavior by

patients

- Regulation by the State of Alaska, particularly the "80th percentile rule"
- Absence in Anchorage—the state's largest community—of government-operated and/or teaching hospitals that are open to all patients

There is insufficient space allowed for this column to explore all these potential factors, but a few points are highlighted below.

Dr. Alan Gross, an Alaska orthopedic surgeon, has written that Alaska doctors often charge and collect 500 percent—or more—than the costs for obtaining the same service outside the state. These higher fees appear to be mostly charged by specialty physicians. Lori Wing-Heier, the Director of the Alaska Division of Insurance, told *Alaska Dispatch News* columnist Charles Wohlforth in 2016 that some specialist procedures cost 10 times as much in Anchorage as they do in Seattle.

Other observers have cited particularly risky and/or antisocial behavior by patients on the Lost Frontier that could increase health care costs. Along with Alaska's well-known problems with domestic violence and alcohol abuse, doctors point to what they see as a tendency of Alaskans to present their medical problems later than other Americans. Alaskans, however, do not on average have higher rates of utilization of medical services than other Americans.

Consequences

Alaska's extremely high costs for health care and health insurance have generated some individual sad stories, including lost opportunities to start businesses and forced departures from the state.

It's becoming increasingly clear that these high costs are

having big impacts on Alaska's economy and fiscal circumstances as well.

Two reports issued this year by the Anchorage Economic Development Corporation provide a window on the contortions health care introduces into economic discussions. The most recent outlook by AEDC celebrates job growth in the health care sector while noting declines in employment in oil and gas, construction, professional and business services, and state government.

Another AEDC report gives quite a different picture, however. A survey of more than 300 Anchorage businesses and organizations identified health insurance as one of the two top barriers to their organization's growth, behind only the condition of the state economy.

Mark Foster, a long-time financial analyst and former Chief Financial Officer of the Anchorage School District, has even argued that the high costs of medical services in Alaska serve as a significant deterrent to the long-held dream of bringing natural gas on Alaska's North Slope to market. His contention is that other expensive petroleum projects competing for investment dollars around the globe benefit from locations with much lower health care costs, a significant factor to consider for those deciding where to put in big money.

Whatever effect high health care costs might have on the prospects for monetizing Alaska North Slope natural gas, those costs are a giant driver in Alaska's fiscal challenge. Thirty-five percent of the total state budget is now devoted to health care, according to an estimate by Dr. Gross, the Alaska orthopedic surgeon mentioned above (who also holds a master's degree in public health). This figure appears to cover all the ways the State of Alaska spends in this area, including on employees of departments, teachers, University of Alaska employees, retirees, Medicaid, and prisoners. Health

care expenditures for the State of Alaska have also increased as the overall budget has fallen for the fifth straight year.

Remedies

Alaska health care costs appear to be unsustainable, as even those who some observers would perceive as the system's winners are recognizing. Dr. Stanley Watkins, an Anchorage interventional cardiologist, told Alaska Public Media's Annie Feidt in 2016 that "The prices are probably going to have to go down up here."

A useful data point is that Alaska did not always stand alone on top of the health care costs mountain. An article by Natasha von Imhof (now a Republican State Senator from Anchorage) in *Alaska Business Monthly* in 2014 pointed out that the health care costs in Alaska and Wyoming were the same in 1990. Two decades later, Alaska's costs had doubled, while Wyoming's grew a quarter of that.

Dr. Robert Hall, an Anchorage orthopedic surgeon, was nodding to the same facts when he wrote in 2017 that medical fees in Alaska were "much more aligned with the rest of the country" 20 years or so ago. Dr. Hall observed that every other state has been undergoing "a gradual process of reduction," and added that "Alaska will have to do this reduction more quickly but it cannot be done all at once if the system is to withstand the process."

Whatever the pace of this reduction, there are a lot of ideas out there about how Alaska's costs could be cut (or at least made to go up more slowly). With suggestions drawn from articles by Natasha von Imhof, Charles Wohlforth, and Columbia University economist Jeffrey Sachs, here's a list roughly set out in order from smaller-scale proposals to more thoroughgoing changes in the system. (Note that an idea's appearance on this list does not imply an endorsement of it.)

- Telemedicine, which allows doctors, nurses, local health

aides, and patients to communicate about diagnosis and treatment through electronic means, avoiding the cost of travel
- Expanded home visits for community-based health care, which could combat obesity, opioids, and mental illness as well as follow up on patients' compliance with instructions following hospital discharge
- Increased communication among employers regarding costs of health insurance and ways to encourage employee wellness
- Medical travel/"medical tourism," which provides patients opportunities to seek lower-cost and high-quality care outside of Alaska
- Required transparency of fees and outcomes, which would allow patients to have important information before making decisions on their health care
- Government-operated clinics for employees, employees' dependents, and maybe others
- Facilitation of "task shifting" from doctors to lower-cost health workers or health care teams for routine procedures
- Greater use of foreign-born and/or foreign-trained doctors
- Customer-driven whole person care, in which health care providers engage their patients to take control of their wellness and providers' efforts are coordinated with each other
- Capping of compensation for hospital CEOs and other top managers
- Movement away from traditional fee-for-service medicine to various forms of value-based reimbursement. As laid out by Michael E. Porter and Robert S. Kaplan in the *Harvard Business Review*, alternative methods could include capitation (where a health care organization receives a fixed payment per year per covered life and must meet all the needs of a broad patient population) and a bundled payment system (where providers are paid

for the care of a patient's medical condition across the entire care cycle).

- Creation of a single health care plan in Alaska for all government employees, with companies and individuals allowed to buy in at cost, that could negotiate with providers to produce more reasonable fees and prices as well as models of medical care that increased value
- Adoption of a single-payer health care system in which the government, financed by taxes, covers basic health care costs for all residents, thereby eliminating for-profit health insurance

Alaska Common Ground is holding a series of events in Anchorage on Alaska's health care costs over the next 6-12 months. This series will cover in more detail the costs and trends, the causes, the consequences, and potential remedies. Speakers will include a variety of experts, including doctors, on this critical topic.

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Cliff Groh is a lawyer and writer in Anchorage. He is also the volunteer Chair of Alaska Common Ground, a non-profit organization that focuses on helping Alaskans understand and reach consensus on the major issues facing our state.

Let's Look at the Value of Alaska's PFD

Janet McCabe, published in the Alaska Dispatch News, October, 3, 2017

On Thursday, Oct. 5, the state will start a new round of

Permanent Fund dividend distributions. As each qualifying applicant receives $1,100, approximately $672 million will start rippling throughout the state, infusing all Alaska communities with new economic life, from our smallest villages to our largest cities. The per-person distribution reaches people in all parts of the state at all economic levels.

Dividend distribution is an annual phenomenon, unique to Alaska. Over the 35 years since the first dividend checks were distributed, Alaskans have come to rely on this regular infusion of cash. Some may take it for granted. But other nations have seen Alaska's dividend as a model, useful to reduce or replace welfare programs by having confidence that individuals know what is best for themselves.

Gov. Bill Walker has called a special session of the Legislature beginning Oct. 23. Decisions made or postponed during this session could determine the sustainability of the dividend in the future. So, now is a good time to look at the benefits of the dividend. They add up to far more than its cash cost.

• The most obvious benefit is the stronger economy that results from the annual infusion of new money. The dividend is an economic stabilizer, "lifting all boats." Without it, the current recession caused by the loss of oil-related and state jobs could be far worse.

[PFD direct deposits drop this week. Here are smart ways to spend your $1,100]

• By mitigating poverty throughout Alaska, the dividend has helped people help themselves in an ongoing way. Many rural Alaskans rely on their dividends for heat and electricity. Dividends also help them buy the gas and gear that is essential to the work of subsistence hunting, fishing and gathering that feeds their families and communities, and sustains Native cultural traditions.

• As other nations have recognized, the dividend program is a way of reducing welfare and social service costs. In both urban and rural Alaska, loss of the dividend would make those who are already poor even poorer. More Alaskans would become homeless, adding to the difficulties of finding and keeping a job, and being self-supporting.

• Caught in homelessness, people are more prone to substance abuse and addiction and to crimes associated with addiction. Businesses, homeowners and communities are victimized. So, in addition to all its direct benefits to recipients, the dividend program helps the state avoid a significant amount of public expense for social services, public protection and incarceration.

• Perhaps the greatest benefit of the dividend is in its emphatic but unspoken annual message that the Permanent Fund should be preserved and sustained. This was a primary reason why Republican Gov. Jay Hammond and legislators of his time created the dividend program. They had seen how swiftly the $900 million from the 1969 Prudhoe Bay oil lease sale was spent on politically popular projects. They wanted future legislators to have public support for a more measured approach to spending Alaska’s newfound oil wealth. They wanted the Permanent Fund to be permanent.

The Permanent Fund now amounts to about $61 billion, of which $47 billion is protected by the Constitution; $14 billion is in the Earnings Reserve, which is unprotected. Unless the Legislature adopts a system that regulates appropriation from the Earnings Reserve, overspending could jeopardize the dividend, and ultimately the Permanent Fund itself.

Last session, legislators came close to establishing the needed structure. They adopted the well-tested percent-of-market-value (POMV) system used by most large foundations and institutions. Senate Bill 26 incorporates this system for distributions from the Earnings Reserve. Passed by both the

House and Senate, SB 26 (often referred to as POMV) is awaiting conference committee and passage into law.

ction on POMV is needed now, not later. Otherwise, the Earnings Reserve could be spent without allowing time for it to replenish. Then the Legislature would cut the dividend program, despite its social and economic benefits, to balance the budget. The recession would be accelerated, need for public services would increase, and Alaska, once with so much potential, would be an impoverished state.

It’s useful to remember the favorite bumper sticker from the hard times of the late 1980s that read, “Oh Lord, please give me another $900 million. I promise not to p— it away.”

To explore this and other fiscal issues, Alaska Common Ground is inviting the public to a panel discussion of important goals and values in navigating the fiscal crisis. This first panel will be followed by a second panel of policymakers, including legislators and members of Gov. Walker’s office. They will discuss ways to move forward to achieve fiscal goals.

This free event is from 7 to 9 p.m. Thursday, Oct. 5, at 49th State Brewing Co., 717 W. Third Ave. in Anchorage. Do come and ask your questions to panelists at “Choosing Our Future: Alaska’s Fiscal Options.”

Janet McCabe and her family have lived in Alaska since 1964. Her education and experience are in community planning. She is actively involved in several nonprofit organizations, including Alaska Common Ground.