



Health Care Costs in Alaska

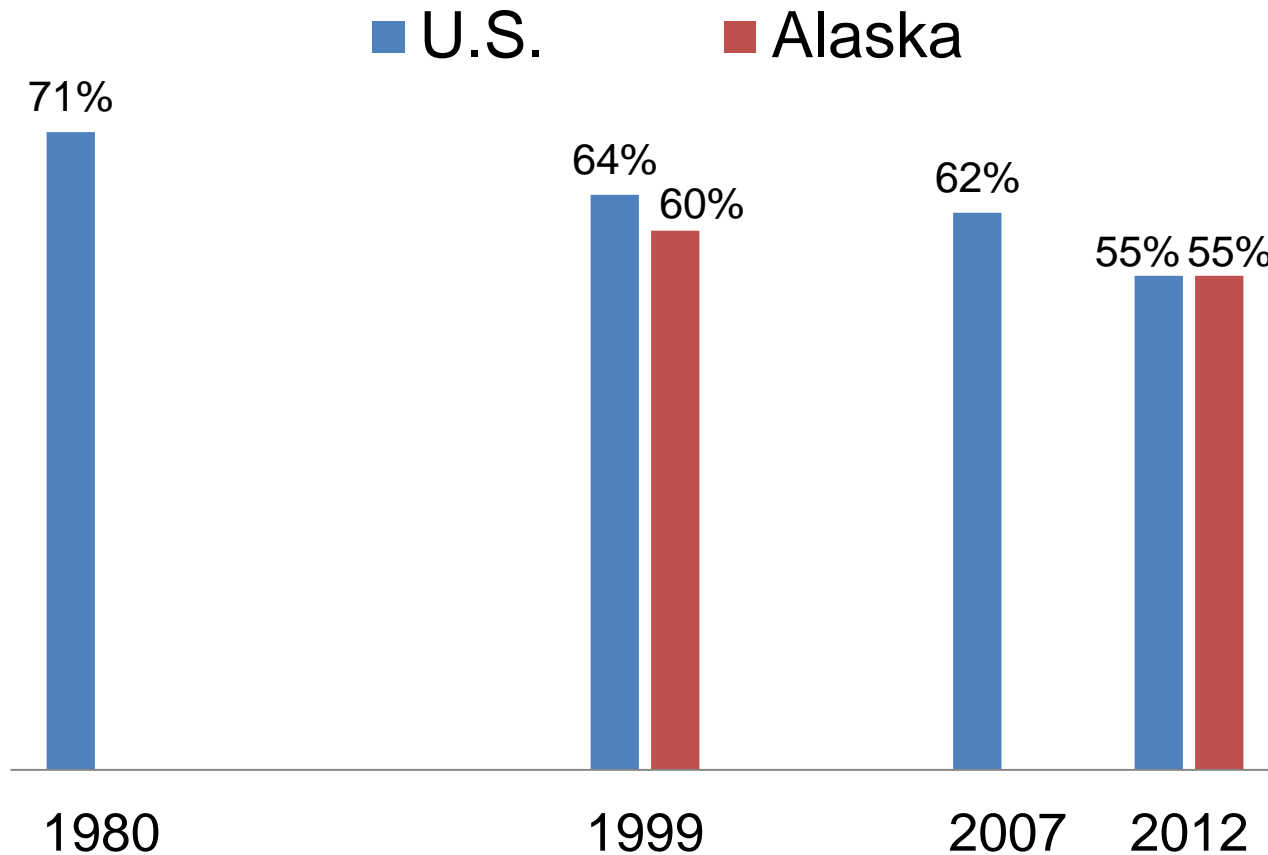
May 9, 2015

Alaska Common Ground



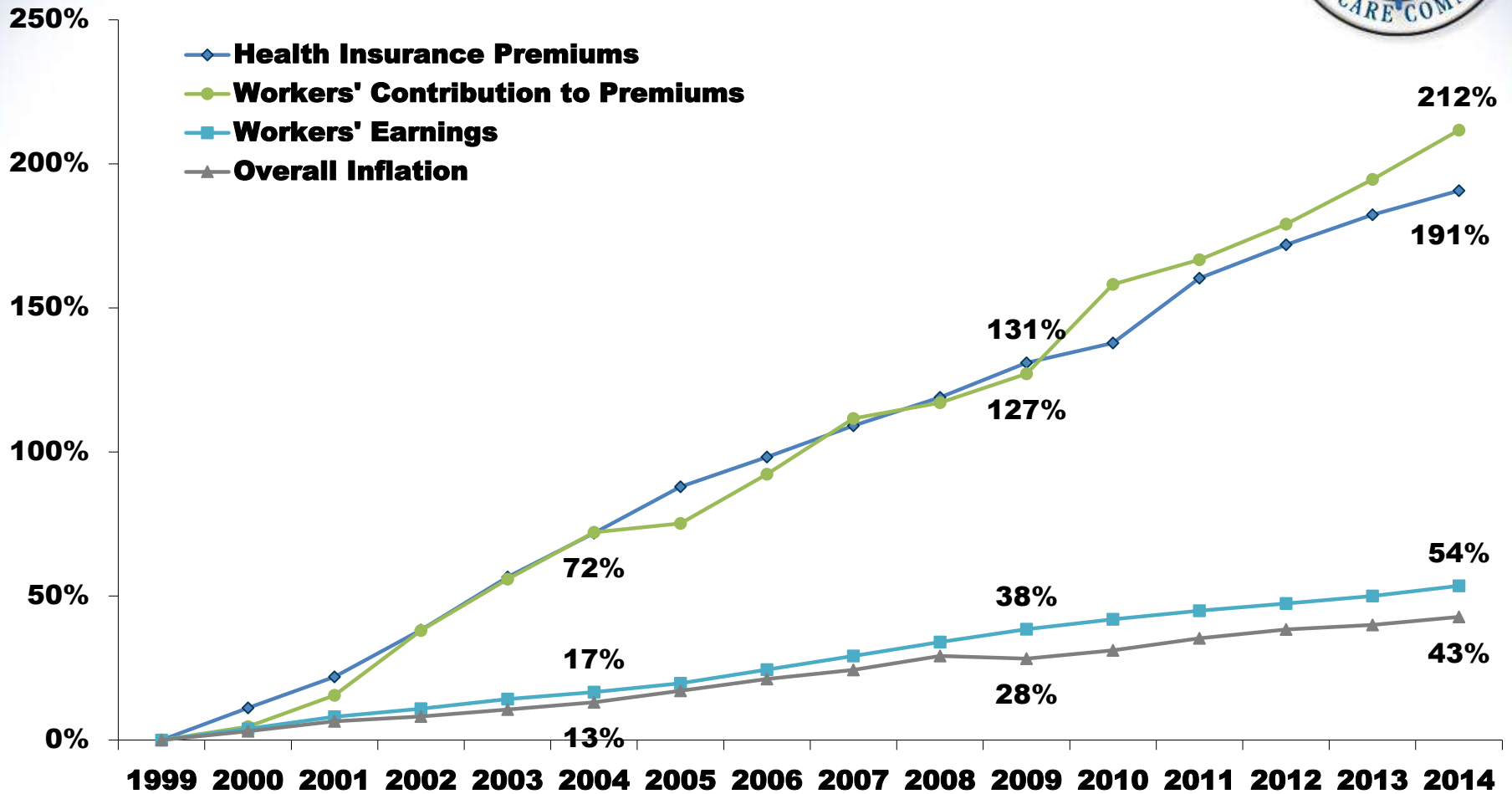
The Challenge

Percent of Population with Employer-Sponsored Health Insurance has been declining for years...



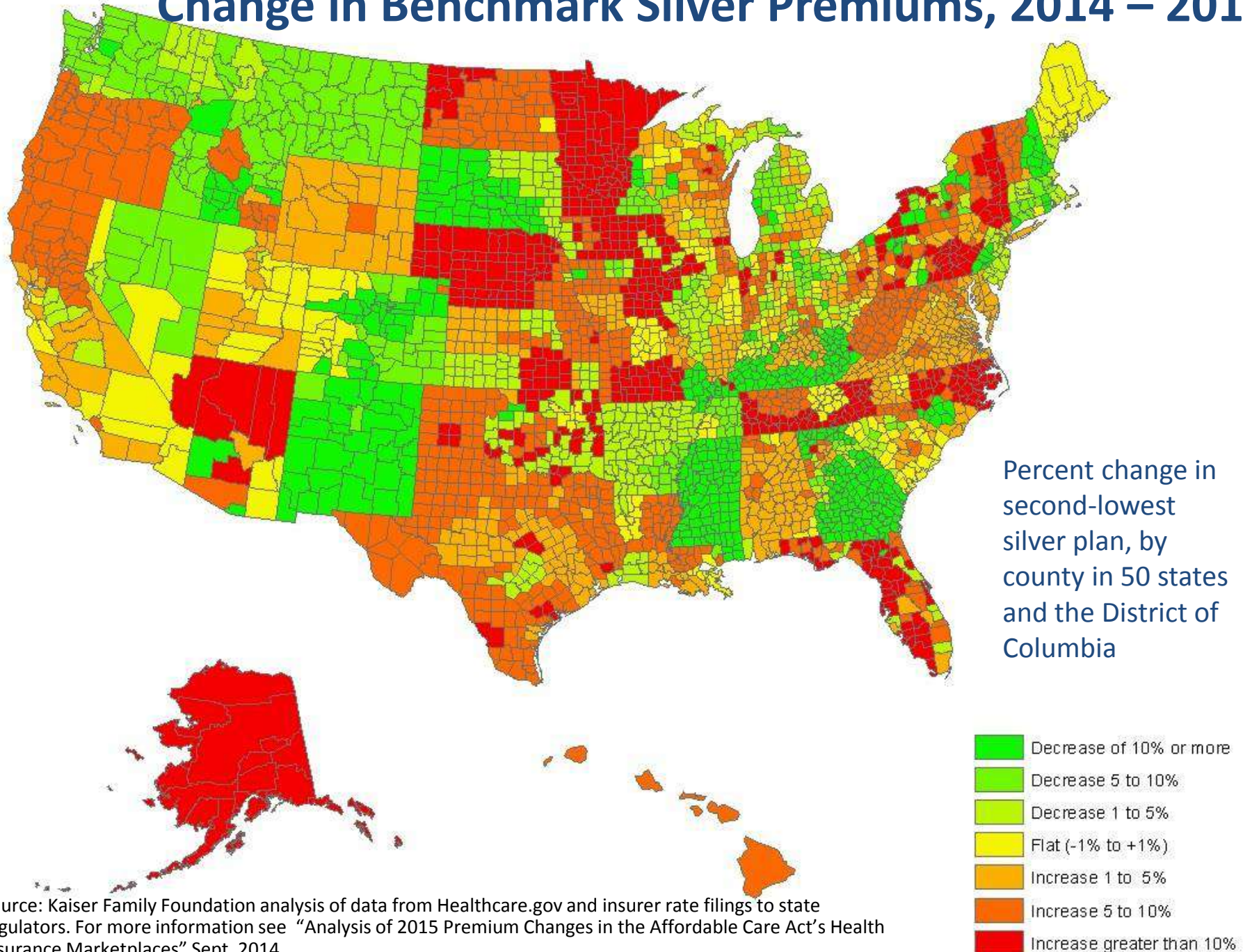
Source: U.S. Bureau of the Census, Current Population Survey; and ISER/UAA, Snapshot of Employer-Sponsored Health Insurance in Alaska, Sept. 2014.

U.S. Health Benefit Cost Increases vs. Inflation, Earnings



SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2014. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1999-2014; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2014 (April to April).

Change in Benchmark Silver Premiums, 2014 – 2015

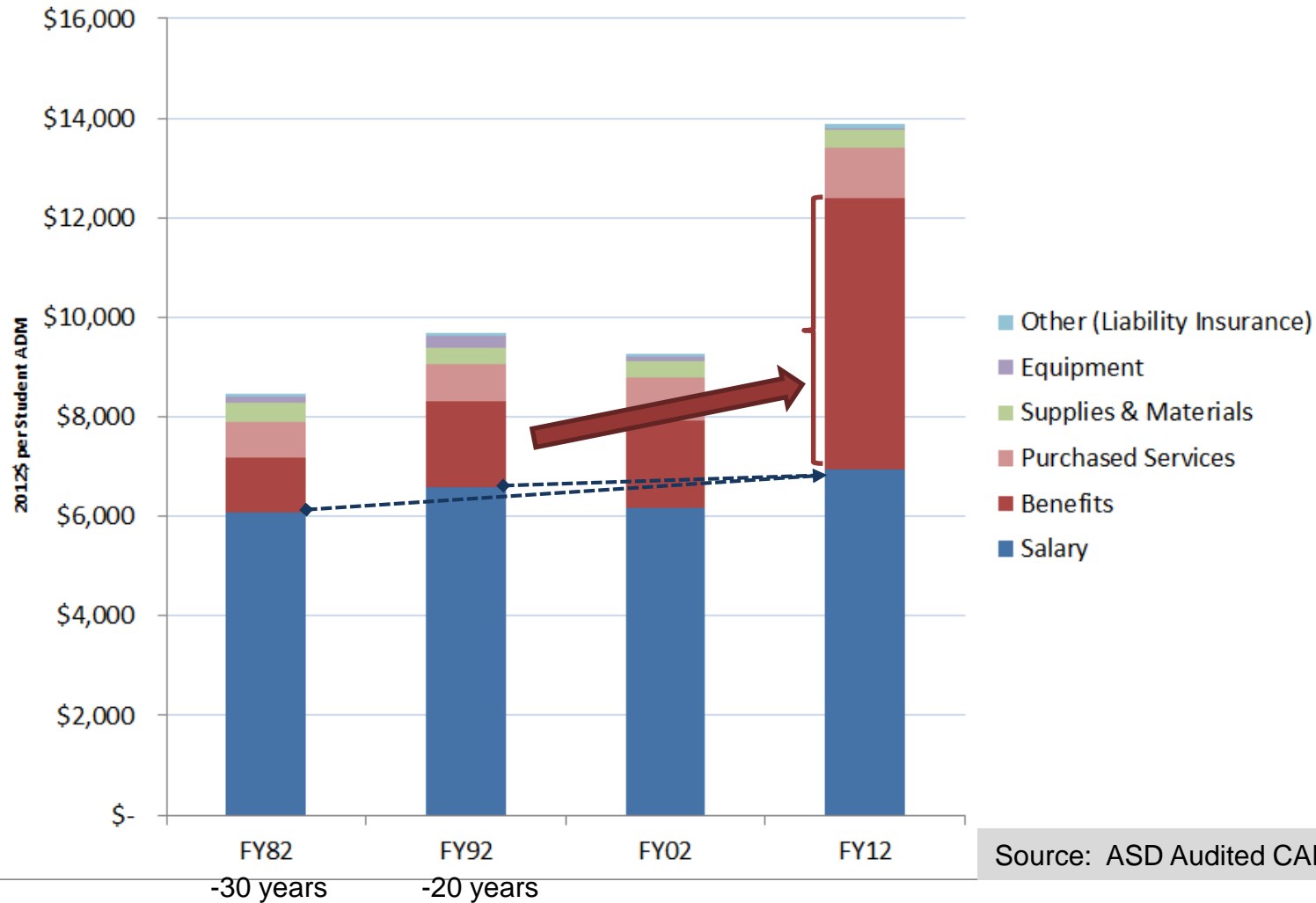


Source: Kaiser Family Foundation analysis of data from Healthcare.gov and insurer rate filings to state regulators. For more information see "Analysis of 2015 Premium Changes in the Affordable Care Act's Health Insurance Marketplaces" Sept. 2014.

Local Health Care Spending Impact (example)



Anchorage School District - General Fund Operating Expenditures
(2012\$ - ANC CPI-U, by Student ADM)



Source: ASD Audited CAFRs



Cost Drivers in Alaska

Prices are higher, due to:

- High rate of un- and underinsured Alaskans
- Fragmented delivery system
- Small population – Vast geographic area
 - Transportation
 - Economies of scale
- Market power imbalances
- High operating costs in rural Alaska
- High operating margins in urban Alaska

Milliman Study: Health Care Payment Levels in Alaska



All-Payer Weighted Average Reimbursement Relative to Comparison States, in Alaska:

- Physician Services: 60% higher (17 specialties)
 - 43% higher for pediatricians
 - 83% higher for cardiologists
- Hospital Services: 36% higher
- Prescription Drugs: 1% higher

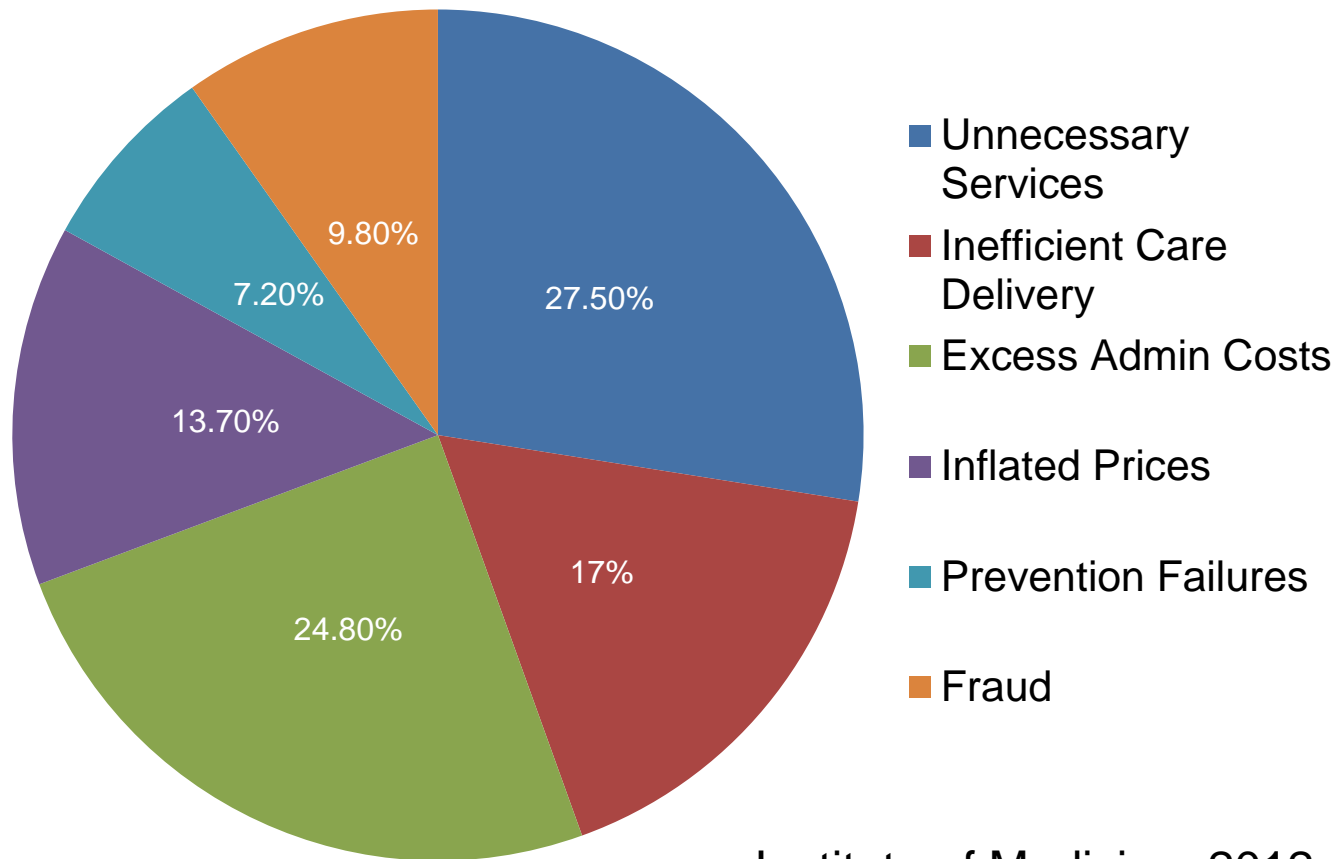


Finding Solutions: Key Concepts

30% of Health Care Spending is Waste



Sources of \$750 Billion Annual Waste in U.S. Health Care



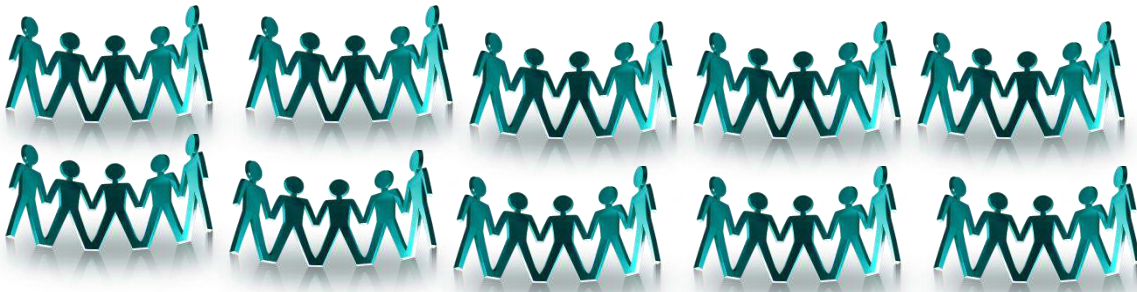
Institute of Medicine, 2012

Best Care at Lower Cost: The Path to Continuously Learning Health Care in America, September 6, 2012

50% of health care spending is for 5% of the population



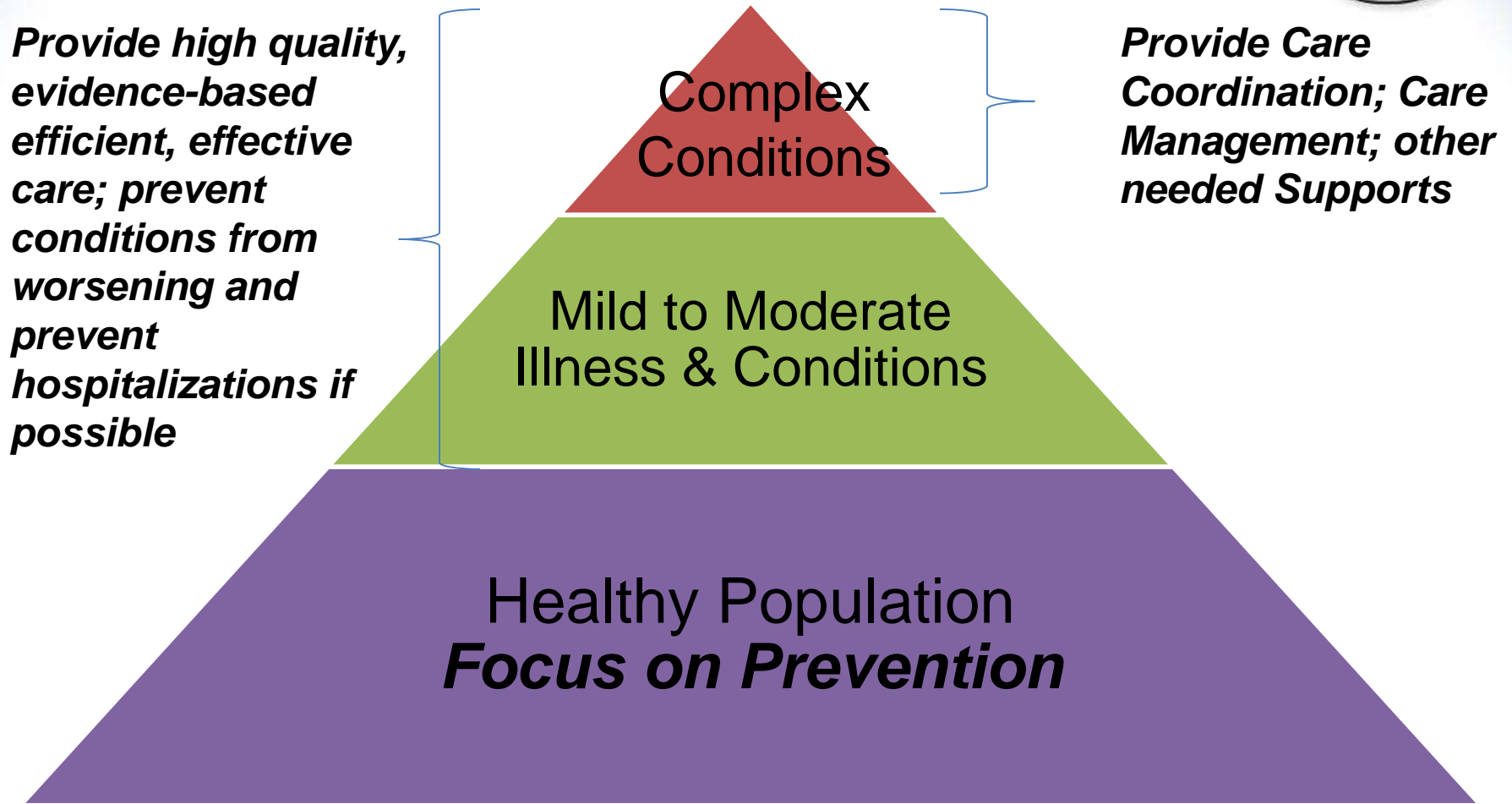
3% of health care spending is for 50% of the population



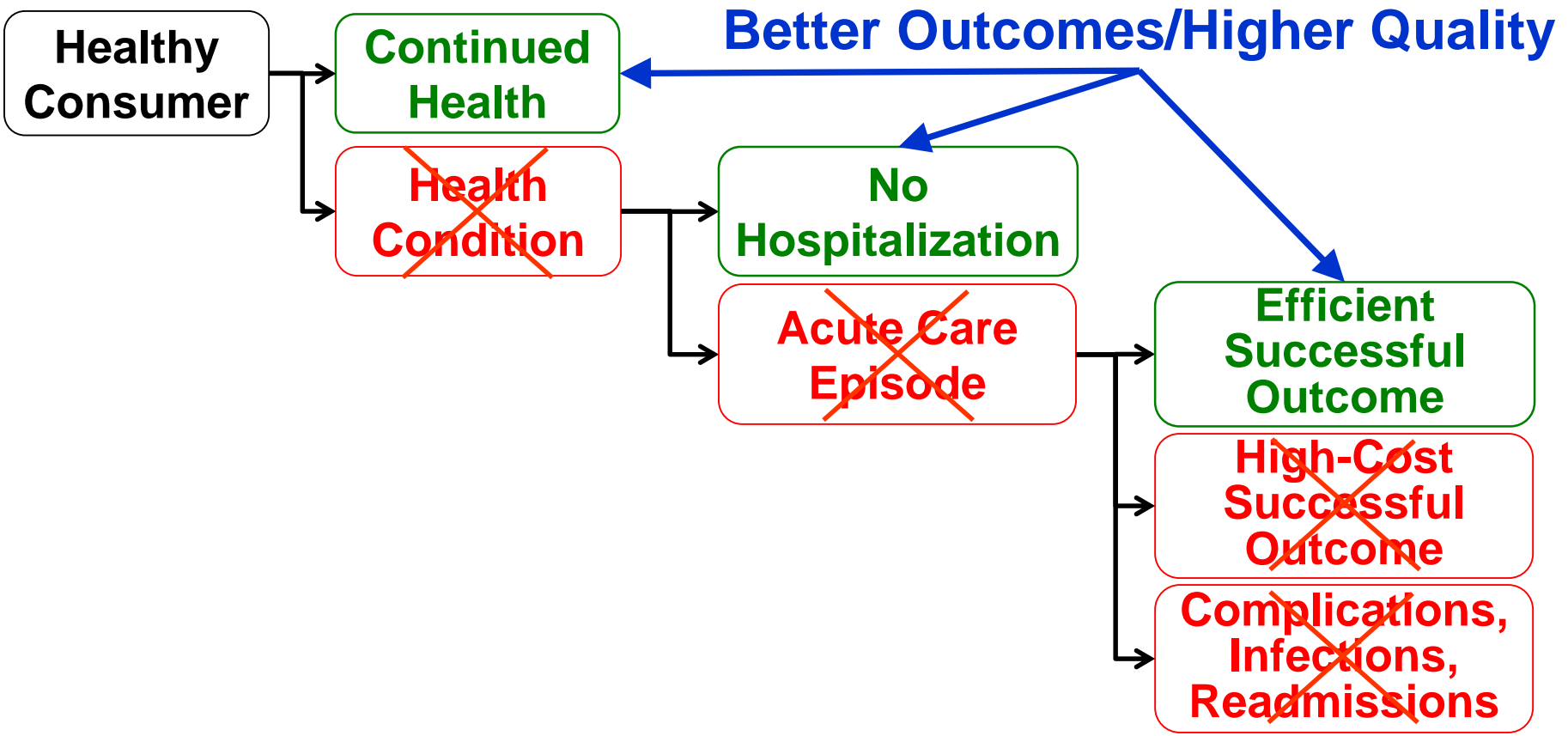
* U.S. Agency for Healthcare Research & Quality/DHHS, January 2012



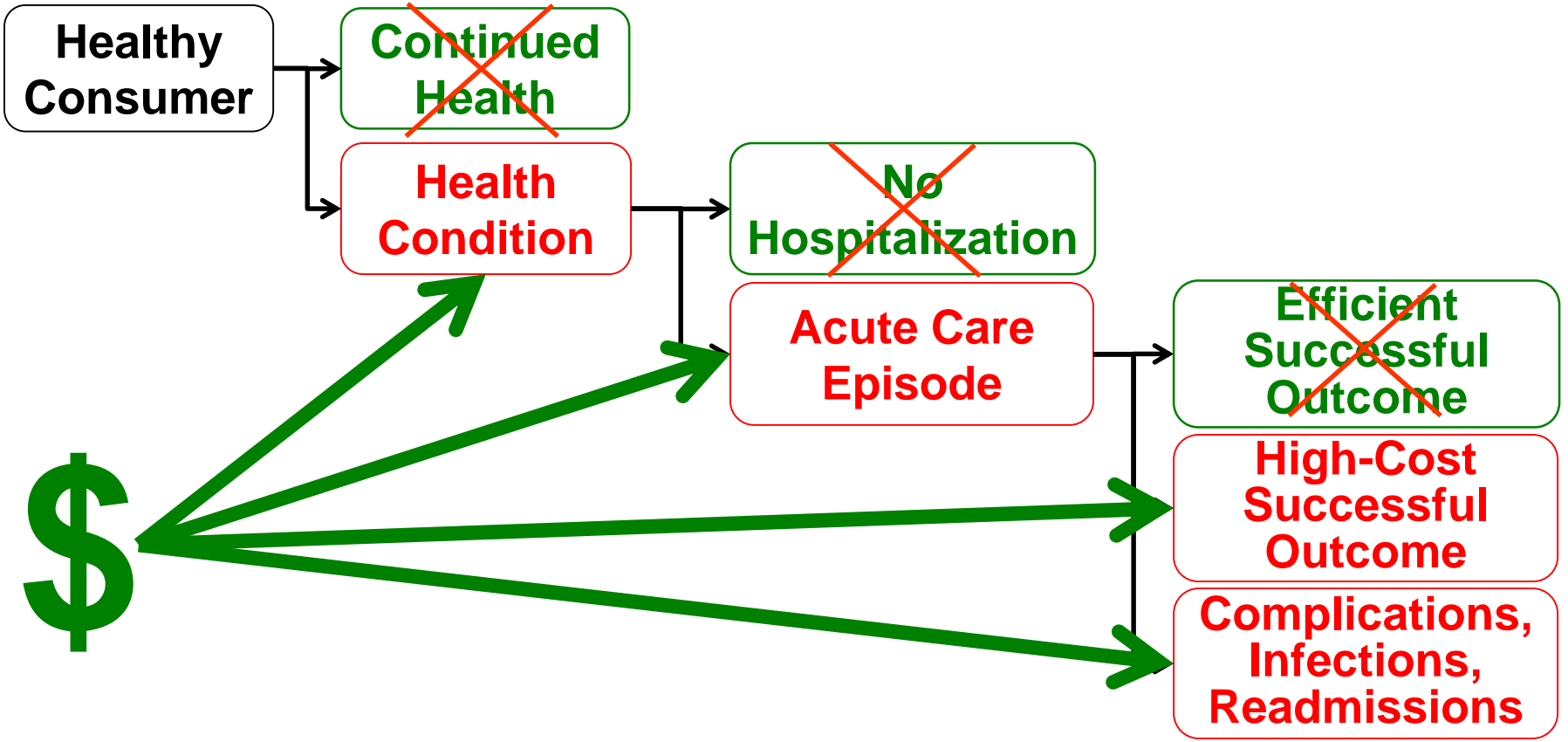
High Performing Health System



nrhi Reducing Costs Without Rationing Is Also Quality Improvement!



nrhi Current Payment Systems Reward Bad Outcomes, Not Better Health





Solutions



Vision

By 2025 Alaskans will be the healthiest people in the nation and have access to the highest quality, most affordable health care.

We will know we have attained this vision when, compared to the other 49 states, Alaskans have:

1. The highest life expectancy
2. The highest percentage population with access to primary care
3. The lowest per capita health care spending level



Core Strategies for Health Care Transformation

- I. Ensure the best available evidence is used for making decisions
- II. Increase price and quality transparency
- III. Pay for value
- IV. Engage employers to improve health plans and employee wellness
- V. Enhance quality and efficiency of care on the front-end
- VI. Increase dignity and quality of care for seriously ill patients
- VII. Focus on prevention
- VIII. Build the foundation of a sustainable health care system



Core Strategies for Health Care Transformation

I. Ensure the best available evidence is used for making decisions

Support clinicians and patients to make clinical decisions based on high grade medical evidence regarding effectiveness and efficiency of testing and treatment options. Apply evidence-based principles in the design of health insurance plans and benefits.





Core Strategies for Health Care Transformation

II. Increase price and quality transparency

Provide Alaskans with information on how much their health care costs and how outcomes compare so they can become informed consumers and make informed choices. Provide clinicians, payers and policy makers with information needed to make informed health care decisions.



Core Strategies for Health Care Transformation

III. Pay for value

Redesign payment structures to incentivize quality, efficiency and effectiveness. Support multi-payer payment reform initiatives to improve purchasing power for the consumer and minimize the burden on health care providers. Reduce fraud, waste, and abuse.





Core Strategies for Health Care Transformation

IV. Engage employers to improve health plans and employee wellness

Support employers to adopt employee health and health insurance plan improvement as a business strategy. Start with price and quality transparency, and leadership by the State Department of Administration. Reform the Alaska Workers' Compensation Act.



Core Strategies for Health Care Transformation

V. Enhance quality and efficiency of care on the front-end

Strengthen the role of primary care providers, and give patients and their clinicians better tools for making health care decisions. Improve coordination of care for patients with multiple providers, and care management for patients with chronic health conditions. Improve Alaska's trauma system.





Core Strategies for Health Care Transformation

VI. Increase dignity and quality of care for seriously ill patients

Support Alaskans to plan in advance to ensure health care and other end of life decisions are honored. Provide secure electronic access to advance directives. Encourage provider training and education in end-of-life care. Establish a process that engages seriously and terminally ill patients in shared treatment decision-making with their clinicians. Use telehealth and redesign reimbursement methods to improve access to palliative care.



Core Strategies for Health Care Transformation

VII. Focus on prevention

Create the conditions that support Alaskans to exercise personal responsibility for living healthy lifestyles. High priorities include reducing obesity rates, increasing immunization rates, increasing behavioral health screening, and integrating behavioral health and primary care.



Core Strategies for Health Care Transformation

VIII. Build the foundation of a sustainable health care system

Create the information infrastructure required for maintaining and sharing electronic health information and for analysis of health care data to drive improved quality, cost and outcomes. Support an appropriate supply and distribution of health care workers. Provide statewide leadership to facilitate health care system transformation.



State Legislative Solutions



1. Establish an All-Payer Claims Database
2. Enact Legislation that Increases Transparency
3. Modernize Insurance Laws to balance market power and provide flexibility for payment model innovation



State Legislative Solutions

4. Increase quality of care for terminally ill patients

- a) Modernize Comfort One statute
- b) Establish an advance-directives electronic registry

5. Support Prevention and Public Health, including

- a) Obesity Control
- b) Opioid Control – Fund current prescription drug monitoring database

6. Reform Workers' Compensation Act

- a) Adopt Medical Treatment Guidelines
- b) Adopt Opioid Prescription Guidelines
- c) Revise Medical Payment Methodology

THE HEALTHY ALASKA PLAN

Medicaid expansion — Saves Alaska money. Saves Alaska lives.

State Legislative Solutions:

Expand and Reform Medicaid!

- **Healthy Alaskans:** Insure 42,000 low-income Alaskans
- **Healthy Economy:** \$1 billion new federal revenue over 5 years
- **Healthy State Budget:** Saves over \$200 million GF in 1st 5 years
- **Catalyst for Reform:** Needed to leverage payment reform and strengthen primary care; many other reforms planned

It's the right thing to do!



Thank You!

Deborah Erickson, Executive Director
Alaska Health Care Commission