

Healthcare Costs in Alaska



PARKER | SMITH | FEEK

Alaska Common Ground

Saturday, May 9th

BP Energy Center

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Are health care costs high?

- Commercial payers in Alaska reimburse Physicians approximately 70% higher than in peer states
- Many specialties (Cardiology – 83% higher) are much more expensive in Alaska.
- Workers compensation insurance costs lead nation



High cost examples:

- Total joint replacement (hip and knee)

	Average Allowed	Average Facility Allowed	Average Surgeon Allowed
Alaska	\$65,000	\$49,000	\$11,800
% More	73%	48%	289%
Washington	\$37,900	\$33,022	\$3,052



High cost examples:

- Cardiology procedures (high volume)

CPT	Description	Alaska % More	Alaska Average Allowed	Seattle Allowed
93306	Echocardiography	282%	\$1,525	\$399
93015	Cardiovascular stress test	254%	\$587	\$166
93458	Catheter placement in coronary artery	458%	\$11,471	\$2,056



Barriers to the free market in health care in Alaska

- Small market – 700,000 consumers
- Little competition between providers
 - Few competing specialist practices
 - Fairbanks case, FTC vs. Alaska Healthcare Network, Inc. Sep 2000 and April 2001
- AS 23.50.010 passed shortly after which allowed “collective negotiation” including many of the prohibited actions by the FTC with the exception of sharing fees



- AS 23.50.020 allowed “collective action” by physicians, protected documents and did not allow the AG’s office to review or allow collective negotiation of fee related terms.
- 80% UCR Regulation – 3 AAC 26.110
- Telemedicine – 2014 law (HB 281) requires providers to be physically in state.
- AS 21.54.020 requires payers to reimburse non-contracted providers directly instead of through the patient.



Cadillac Tax

- Established as part of the ACA in 2010
- Effective in 2018, 40% excise tax on premium over \$10,200 per individual or \$27,500 per family
- Original Senate Finance version of health care reform included regional indexing of excise tax thresholds. Not in final version



How is the private sector working to reduce health care costs?

- Coordinated care models
 - Working to improve quality
 - Reducing waste, repeated tests and readmissions to hospital
 - PeaceHealth CMS Innovation Award
 - Central Peninsula Hospital – Medicaid pilot project
 - Alaska Innovative Medicine
- Domestic medical tourism



How is the private sector working to reduce health care costs?

- Limited/High Value Networks
- Cost +/-Reference based pricing
- On-site/Near-site clinics
 - Mid level based (PA's and Nurse Practitioners)
 - Quality and cost based referrals
- Telemedicine/Virtual Medicine
- Future – payment reform