



The Honorable Pete Kelly, President
Alaska Senate
State Capital Room 111
Juneau, AK 99801

The Honorable Bryce Edgmon, Speaker
Alaska House of Representatives
State Capitol Room 208
Juneau, AK 99801

Date: August 30, 2017

Re: SB 74 (2016) Health Care Authority Feasibility Study

Dear Senator Kelly and Speaker Edgmon;

As you know, Alaska suffers from among the highest health care costs in the country. As a result of the burden this places on the state budget as well as the overall economy, Senate Bill 74 (2016) directs the Department of Administration (the Department) to examine whether creating a Health Care Authority (HCA) in Alaska is feasible and can serve as an effective tool to reduce costs, improve quality, and maintain benefits and access.

The Department's effort focuses on identifying opportunities to coordinate plan administration and consolidate purchasing effectiveness for individuals whose health benefits are funded directly or indirectly by the state. This includes State of Alaska retirees and employees, state corporations, University of Alaska employees, school district employees, and, potentially, political subdivision employees.

The Department engaged several contractors in this effort:

- PRM Consulting Group – Focused on public employee and retiree health plans. Tasked with survey development, data collection, and analysis.
- Pacific Health Policy Group (PHPG) – Focused on identifying opportunities to align or integrate the Medicaid program. Tasked with providing Medicaid technical assistance and analysis.
- Mark A. Foster & Associates (MAFA) – Focused on Alaska market analysis. Tasked with providing peer review of analysis and developing purchasing strategies.

A key recommendation in the attached reports is the creation of an HCA in Alaska with an initial focus on the purchasing and administration of public employee health insurance. Additional opportunities including further coordination with Alaska's Medicaid program and specific purchasing strategies a HCA may choose to pursue are included within, but will need to be substantiated and vetted through further analysis.

The opportunities and concepts outlined in the reports would require considerable change in the provision and financing of health benefits, but could also create considerable 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.

These reports address the statutory requirements outline in SB 74 and are intended to begin the conversation and engagement on the difficult discussions of what Alaskans see as the future for publicly funded health care. We recognize that the health care challenges facing Alaskans are larger than those discussed in this report; however, a Health Care Authority could play an important role in the broader conversation necessary to address the underlying systemic problems. These are challenging topics, and there is no perfect solution, but the stakes are too high to continue with the status quo.

Any decision to establish an HCA will impact the departments of Administration, Commerce, Community and Economic Development, and Health and Social Services. Commissioner Fisher, Commissioner Hladick and Commissioner Davidson all stand ready to engage on these topics and discuss the merits of the ideas from the perspective role and constituency of each Department. In that spirit, we ask that you view these reports as the beginning of a longer process and a broad discussion on this important topic.

A public review and comment period will begin immediately, facilitated by Agnew Beck Consulting. During September, the Department will host a series of webinars to provide an overview of the reports and have the contractors available for online questions. Public comments can be submitted in writing to AlaskaHCA@alaska.gov or mailed to 550 W 7th Avenue, Suite 1970, Anchorage, AK 99501, Attention Department of Administration, Commissioners Office. We will also seek one-on-one discussions with certain key stakeholders. (A list of key stakeholders who have contributed to this process is attached as Exhibit A to PRM's Phase II report.)

Timeline:

August 30, 2017	PRM, PHPG, MAFA reports released
September 1, 2017	Public comment process opens
September 2017	Webinars hosted
October 30, 2017	Public comment process closes
December 4, 2017	Report addendum released

The Department will submit a final report summarizing all public comments and providing final recommendations by December 4, 2017.

We look forward to continued engagement and discussion. If you have further questions regarding this report please contact Emily Ricci, Chief Health Policy Officer at emily.ricci@alaska.gov or 907-465-8245 or Natasha Pineda, Deputy Health Official at natasha.pineda@alaska.gov or 907-754-3511.

Regards,



Sheldon Fisher
Commissioner

CC: Senator Lyman Hoffman, Co-Chair, Senate Finance Committee
Senator Anna MacKinnon, Co-Chair, Senate Finance Committee
Representative Neal Foster, Co-Chair, House Finance Committee
Representative Paul Seaton, Co-Chair, House Finance Committee
Darwin Peterson, Legislative Director, Office of the Governor
Pat Pitney, Director, Office of Management and Budget

Enclosures:

- 1) Health Care Authority Feasibility Study: Phase 1- Consolidated Purchasing Strategies, PRM Consulting
- 2) Health Care Authority Feasibility Study: Phase 2- Analysis of Coordinated Health Plan Administration
- 3) Value Creation Opportunities Associated with Alaska Health Care Authority
- 4) Medicaid Technical Assistance Health Care Authority Feasibility Study