

# Health Care Authority Feasibility Study

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Prepared for State of Alaska Department of Administration  
September 2017

# Purpose of the study

To determine the feasibility of creating a Health Care Authority (HCA) to **coordinate health care plans** and **consolidate purchasing effectiveness** for all state employees, retired state employees, retired teachers, medical assistance recipients, University of Alaska employees, employees of state corporations, political subdivisions, school district employees, and other entities.

Phase I report focused on consolidated purchasing strategies

Phase II report focused on coordinated health plan administration

- includes several governance models
- includes template for providing flexibility in plan design to meet local needs
- includes 5-year savings estimates

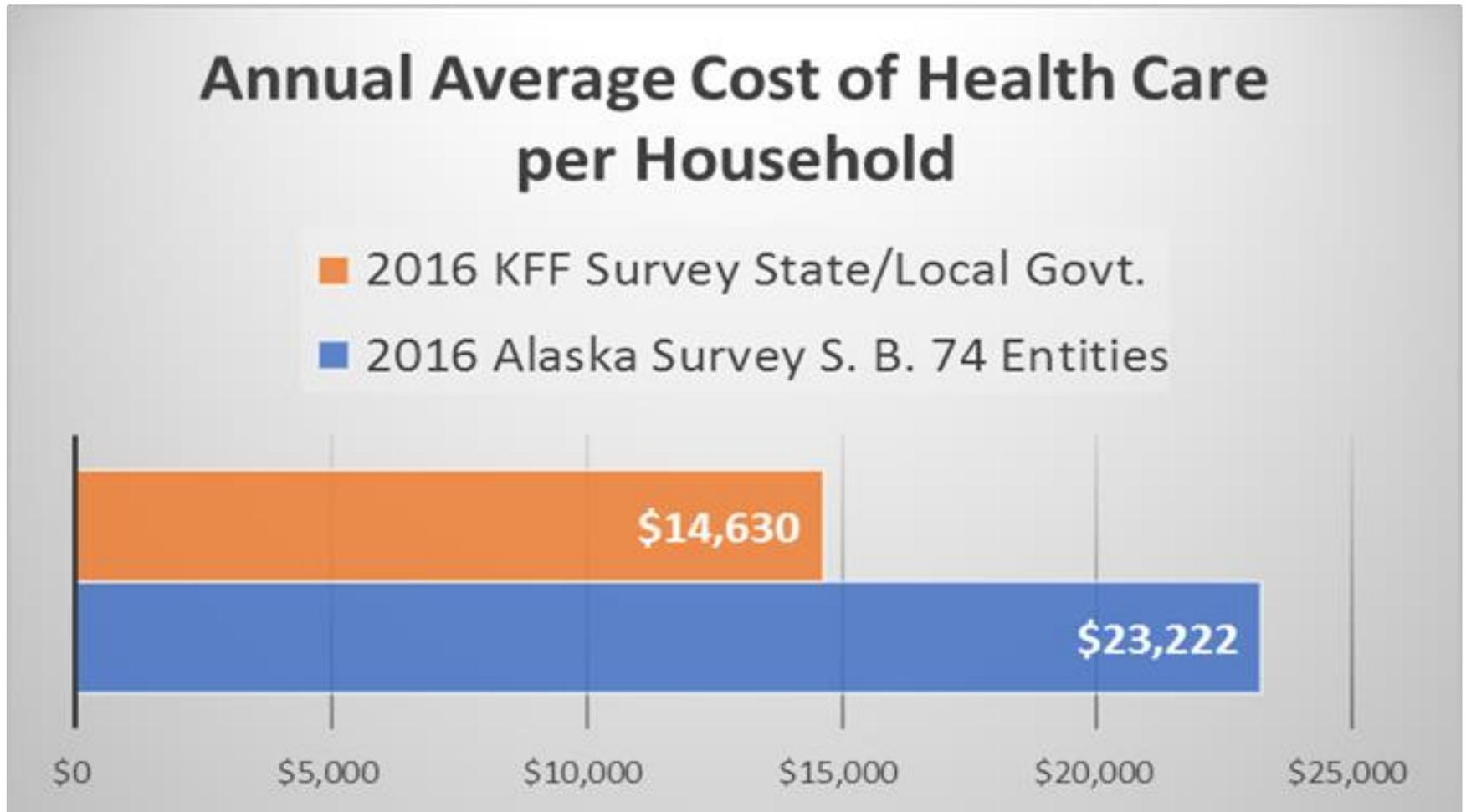
# Phase I Report

## Consolidated Purchasing Strategies

- Collected and analyzed data from participating employers
- Interviewed wide range of interested parties
- Analyzed the coverage, costs, funding, financing, and administration for the primary health plan
- Observations
  - High costs relative to US average
  - Existing structure already has significant consolidation
  - Wide variation in health plan cost per employee
  - Opportunities for consolidated purchasing savings

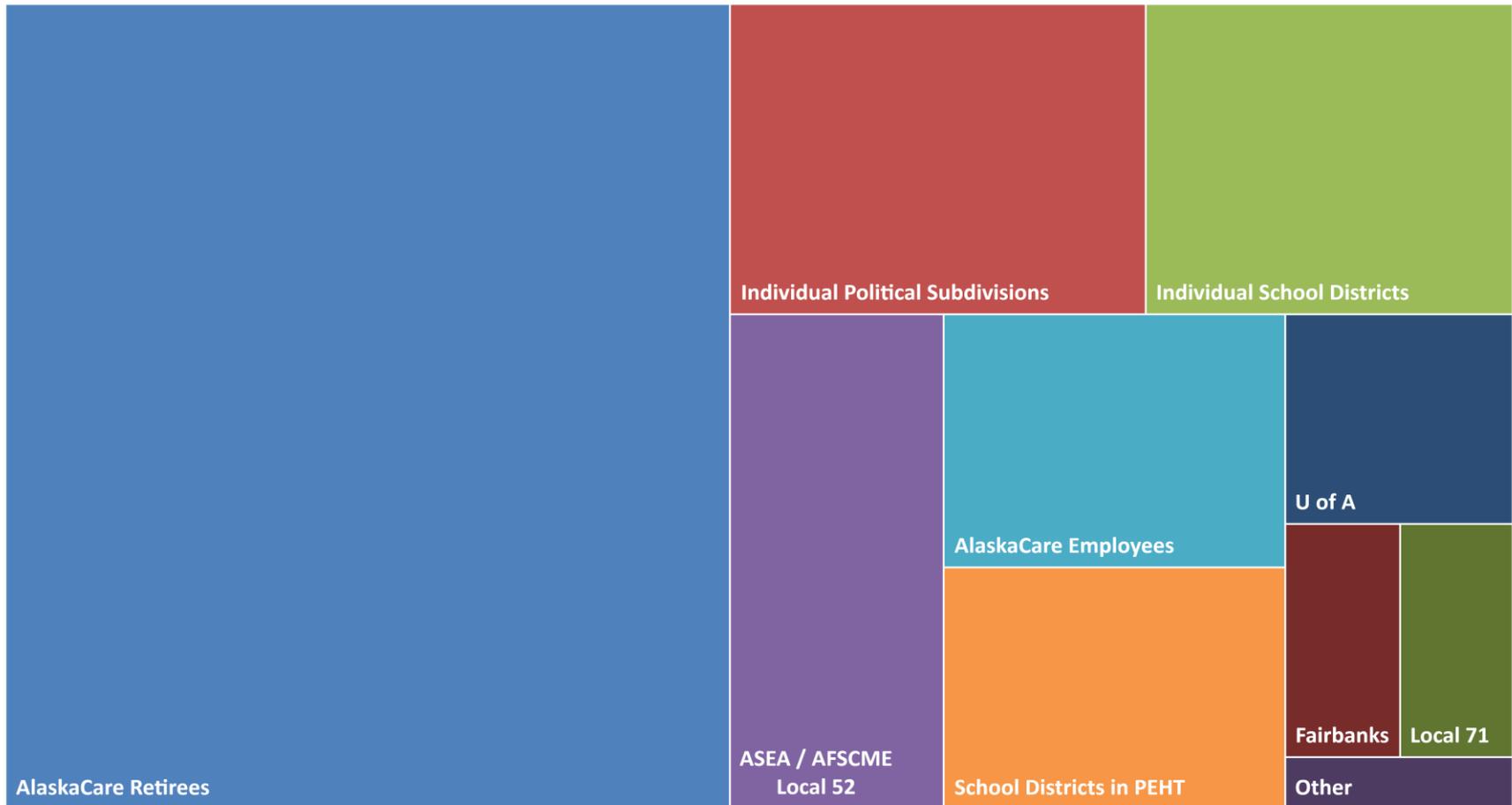
# Findings

Alaska costs are materially higher than US average



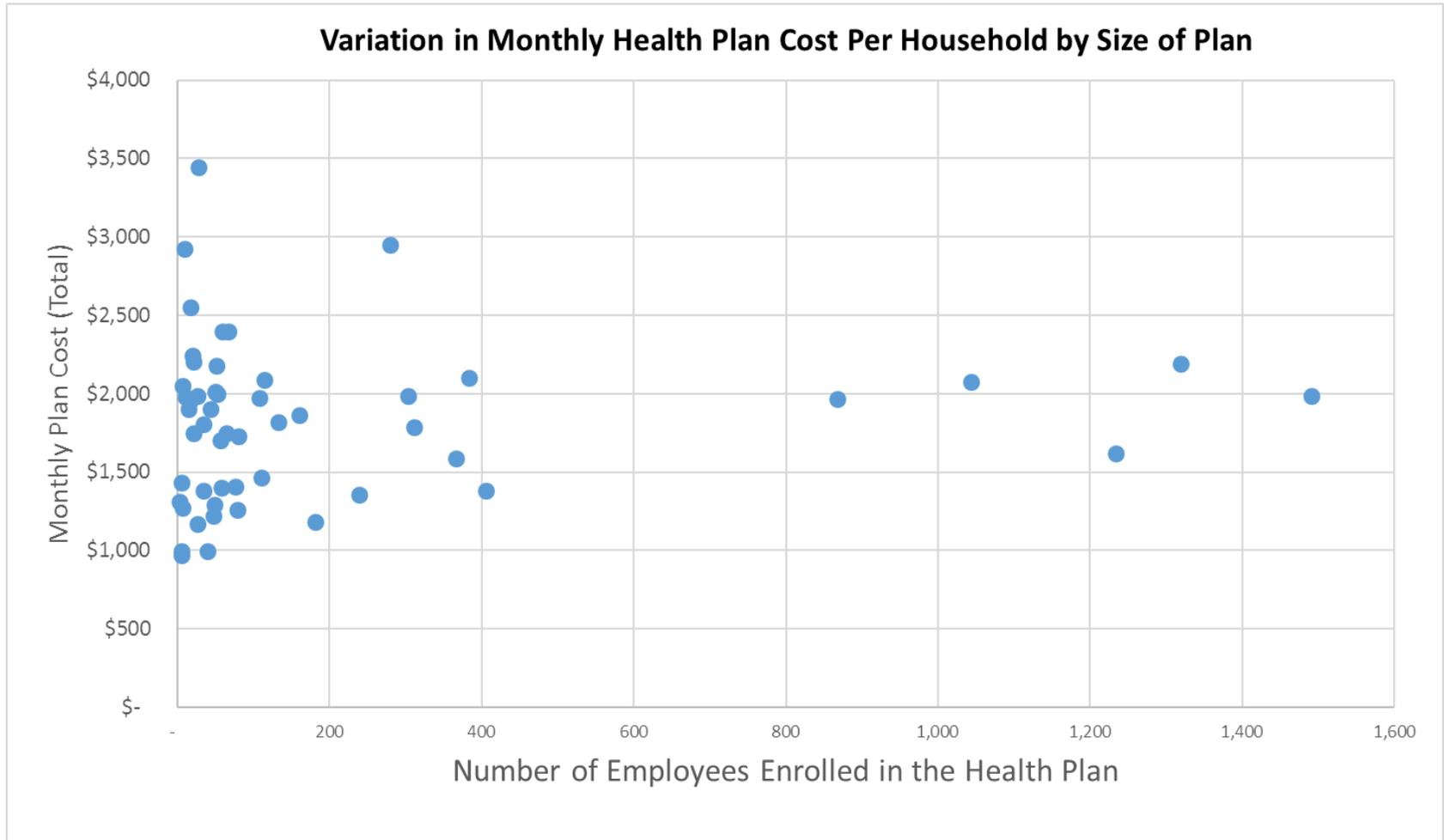
# Findings

Existing structure already has significant consolidation



# Findings

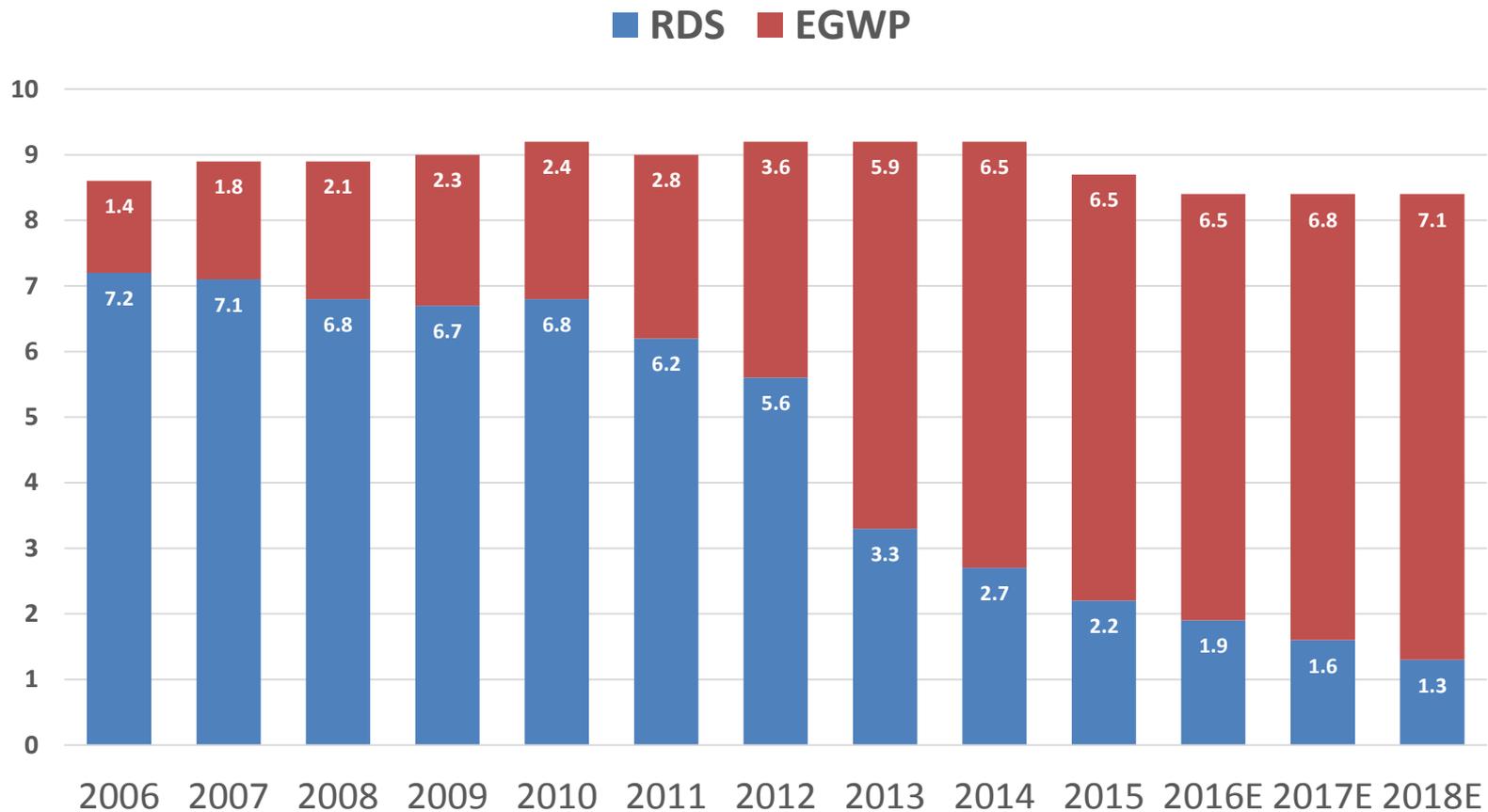
## Wide variation in health plan cost per employee



# Opportunities for consolidated purchasing savings

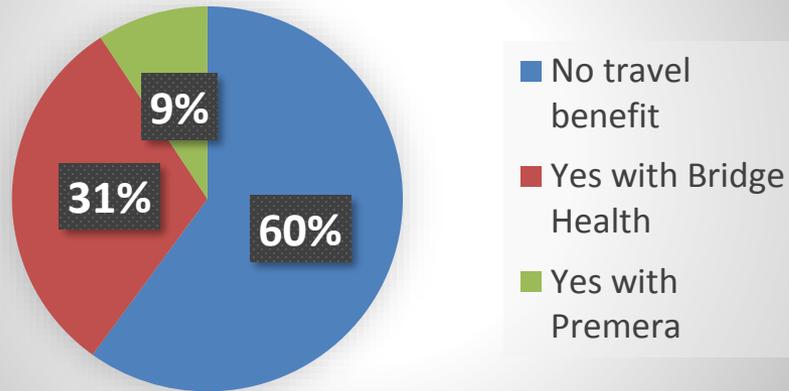
## Larger savings from Medicare Part D

Medicare Part D Employer Enrollment (Millions of Retirees)

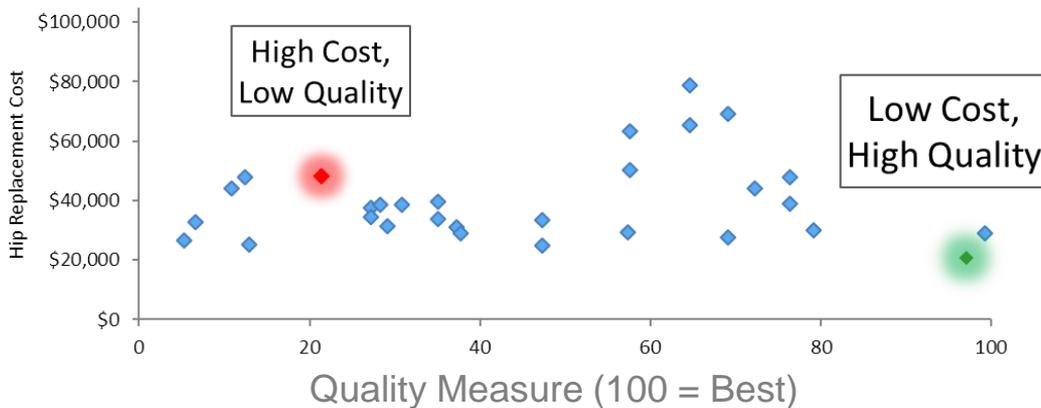
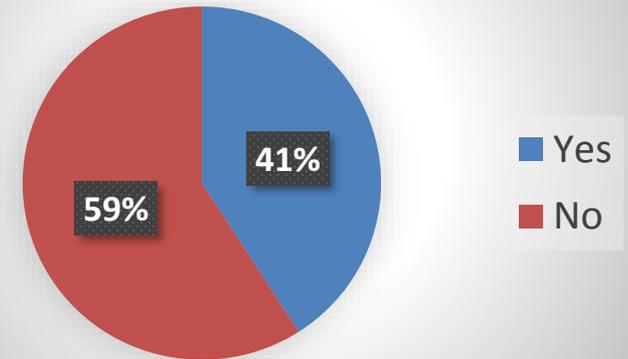


# Opportunities for consolidated purchasing efficiencies

## Using a Travel Benefit



## Using a Pharmacy Coalition



# Phase I Report Findings

## Opportunities for consolidated purchasing efficiencies

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 Report

## Coordinated Health Plan Administration

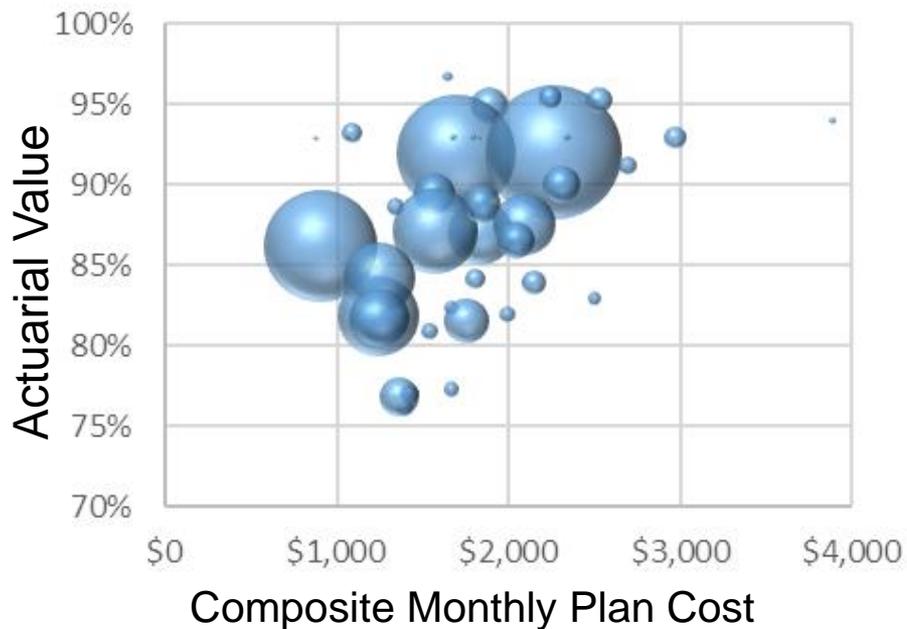
- Evaluated experience of other states
- Collected and analyzed data from participating employers
- Interviewed wide range of interested parties
- Made observations on plan designs, costs, employee premium rates
- Evaluated five models, projected costs & savings over next five years:
  1. Single risk pool for employees – voluntary participation
  2. Two risk pools for employees – all school districts in one pool, all others in second
  3. State administered captive
  4. Multiemployer plans
  5. Public / Private exchange – single pool, voluntary for school districts and political subdivisions, access for Alaska individual residents
- Recommendations

# Observations

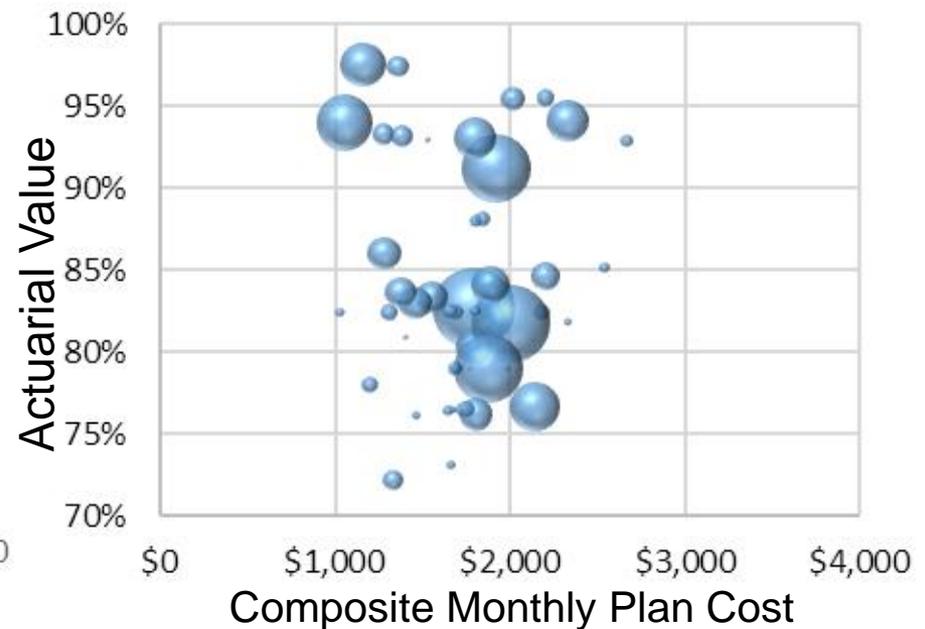
## Wide range of health plan actuarial values

Actuarial value is a measure of the generosity of plan coverage. A plan with a 90% actuarial value will cover, on average for a group, 90% of covered charges.

State Agencies and Political Subdivisions

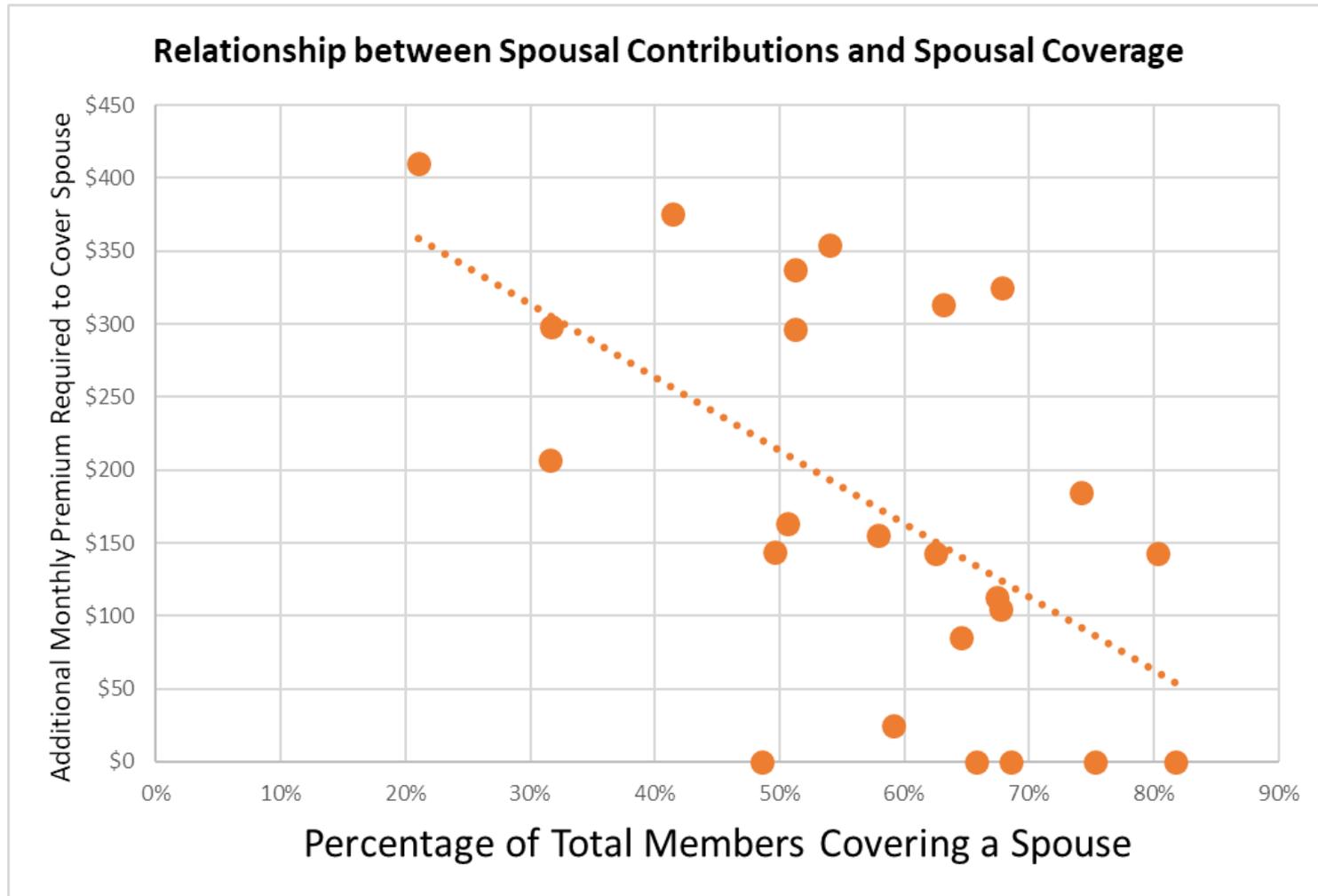


School District Health Plans



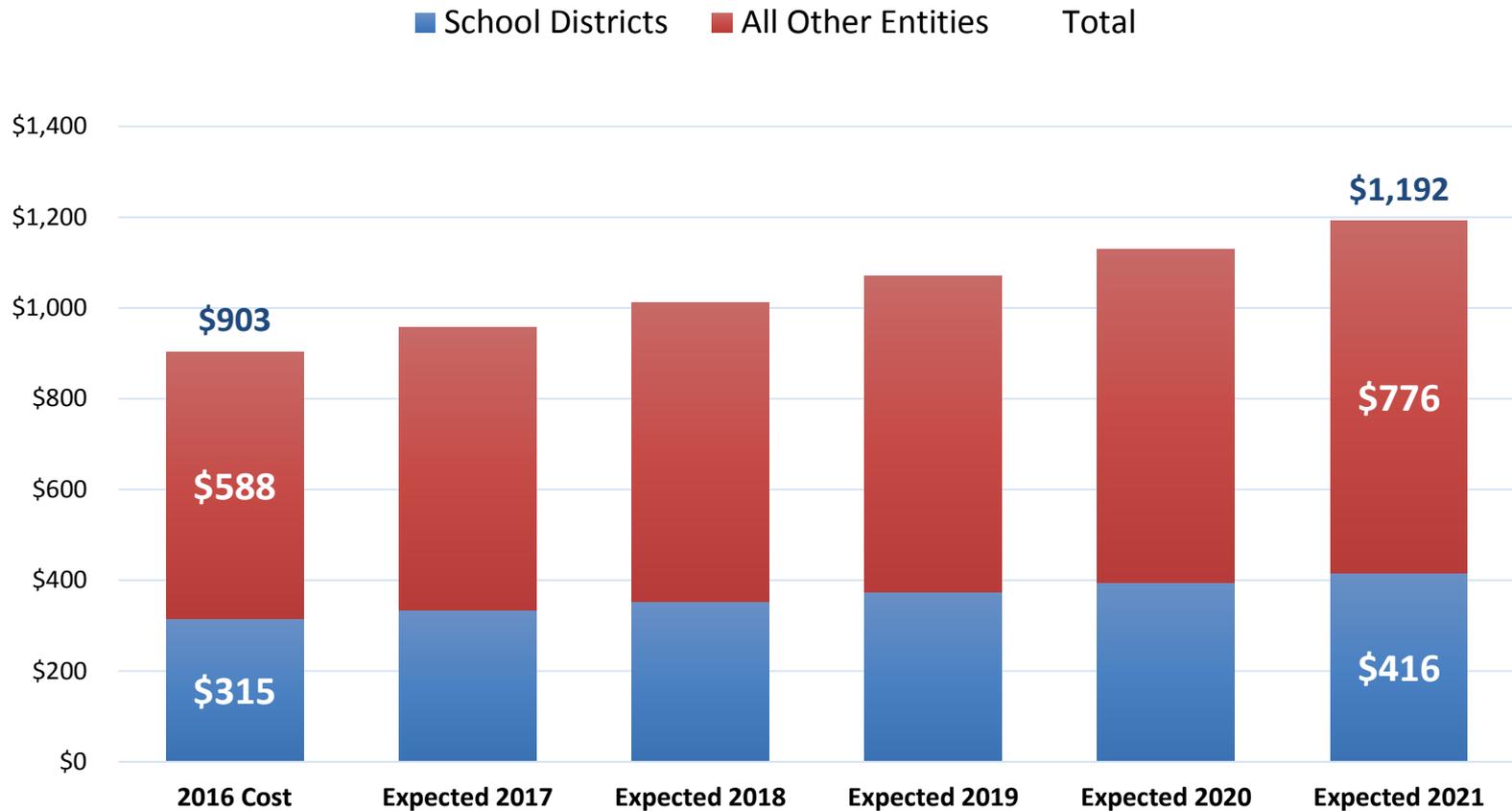
# Observation

## Spousal premium requirements impact enrollment



# Phase II Report

## Status Quo - Projected Medical & Prescription Drug Costs (\$Millions)



# Coordinated Health Plan Administration

## Models that were examined and evaluated

Model	Description
1 – Single Risk Pool for Employees	Multiple benefit plan choices (e.g. the four medical plan options, plus three dental and two vision options). Mandatory participation for state employees, optional for school districts and political subdivisions. Separate risk pool for retirees.
2 – Two Risk Pools for Employees	All school districts in one pool. All Political Subdivisions and State employees in the second pool. Mandatory participation for state employees, school districts and political subdivisions. Multiple benefit plan choices. Separate risk pool for retirees.
3 – State Administered Captive	Status quo for all entities, with the availability of purchasing stop-loss insurance from a state administered captive. Captive sets rates to cover the cost of individual and aggregate stop-loss coverage with allowance for administration of the captive, but no allowance for profit or risk charges.
4 – Multiemployer Plans	Designed to minimize the impact of PPACA’s High Cost Tax. Potential for multiple pools Initial pool of multiple employers opting to join for all or some of their employees
5 – Public / Private Exchange	Single pool, state employees plus optional participation from school districts, political subdivisions, and individuals.

# Coordinated Health Plan Administration

## Projected savings over the next five years by model

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

# Summary Recommendations for Coordinated Health Plan Administration

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.

# Questions and Comments

## **Webinar 2: Pacific Health Policy Group (PHPG) Report**

Monday, September 11, 2017 | 2:00 – 3:00 p.m.

## **Webinar 3: Mark A. Foster & Associates (MAFA) Report**

Wednesday, September 13, 2017 | 2:30 – 3:30 p.m.

Submit Public Comments by October 30, 2017!

The public review and comment period began Friday, September 1, 2017 and ends Monday, October 30, 2017. Public comments can be submitted in writing to [AlaskaHCA@alaska.gov](mailto:AlaskaHCA@alaska.gov) or by mail to:

Department of Administration, Office of the Commissioner

Attention: Health Care Authority Feasibility Study

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Anchorage, Alaska 99501

Please contact [AlaskaHCA@alaska.gov](mailto:AlaskaHCA@alaska.gov) with questions about this project or comments on the study reports.