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

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

- Health Insurance Premiums
- Workers' Contribution to Premiums
- Workers' Earnings
- Overall Inflation

Change in Benchmark Silver Premiums, 2014 – 2015

Percent change in second-lowest silver plan, by county in 50 states and the District of Columbia

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)

- FY82
- FY92
- FY02
- FY12

- Salary
- Benefits
- Purchased Services
- Supplies & Materials
- Equipment
- Other (Liability Insurance)

Source: ASD Audited CAFRs

Mark Foster, ASD Budget Director, Presentation to AHCC 10/10/2013
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

Provide high quality, evidence-based efficient, effective care; prevent conditions from worsening and prevent hospitalizations if possible

Healthy Population
**Focus on Prevention**

Mild to Moderate Illness & Conditions

Complex Conditions

Provide Care Coordination; Care Management; other needed Supports
Reducing Costs Without Rationing Is Also Quality Improvement!

Healthy Consumer ➔ Continued Health ➔ No Hospitalization ➔ Efficient Successful Outcome

- Health Condition
- Acute Care Episode
- Complications, Infections, Readmissions

Better Outcomes/Higher Quality
Current Payment Systems Reward Bad Outcomes, Not Better Health

Healthy Consumer

Continued Health

Health Condition

No Hospitalization

Acute Care Episode

Efficient Successful Outcome

High-Cost Successful Outcome

Complications, Infections, Readmissions
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
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.
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.
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.
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.
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.
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.
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.
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
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!