HCCMCA
HEALTH CARE COST MANAGEMENT
CORPORATION

November 13, 2017

Department of Administration, Commissioners Office
550 W 7th Avenue, Suite 1970
Anchorage, AK 99501
Via email: AlaskaHCA@alaska.gov

Public Comment: re Proposed Creation of an Alaska Health Care Authority

In my capacity as Executive Director of Healthcare Cost Management Corporation of Alaska (HCCMCA), I am writing to express our concerns as to the results of the Alaska Health Care Authority (HCA) feasibility study, procured by the Alaska Medicaid Redesign Bill, SB 74, released on August 30, 2017.

HCCMCA is comprised of over 45 member health benefit plans in Alaska and the Pacific Northwest. These include employer-sponsored health benefit plans, including Alaska State, Borough, Municipal and School District sponsored plans, as well as Alaska and Pacific Northwest private employer and health benefit trusts. Our member funds represent nearly 100,000 employees and, including their dependents and retirees, over 250,000 covered lives. In Alaska alone, this number is approximately 100,000 covered lives.

We applaud the State's recognition that steps need to be taken to control Alaska's underlying healthcare cost drivers, which are unsustainable. Unfortunately, as briefly summarized below, the recommendations to create a State-run HCA will not effectively address these costs, and the savings projected in the associated reports are illusory.

For example, the PRM Consulting Group identified three cost savings opportunities, without a full understanding of the associated context:

- ✓ Employer Group Waiver Plan – for the retiree plans. Nevertheless, this would have no impact on the active groups. The State could do this already, and there is no need for an HCA to accomplish this.
- ✓ Centers of Excellence / Travel Benefit. According to the study, 40% of the employers already offer this. HCCMCA offers this benefit option

through Bridge Health. PRM estimated $839,000 in travel savings for Alaska State Employees Association (ASEA), Public Employees Local 71 (PE 71) and Fairbanks North Star Borough and School District (FNSB and FNSBSD), but this is false, as these entities already contract with Bridge Health.

- ✓ Pharmacy Benefit Carve-out.
  - The study erroneously states that 90% of the employers have prescriptions administered within the medical plan. This is also false. Many HCCMCA groups, including most of our members covering public employees) contract with Caremark through National Cooperative Rx. PRM estimates $238,000 in savings for pharmacy carve-out for PE 71, which is already a member of HCCMCA / National Cooperative Rx. The report is unclear as to whether it also estimates similar savings for other groups participating in the Coalition-affiliated contract.
  - We agree that the carve-out may save money for groups currently purchasing drug coverage alone or through an insurer, but we do not agree the HCCMCA groups would achieve additional savings, because the National Cooperative Rx purchasing cooperative is a nationwide non-profit cooperative with approximately 300,000 covered lives – approximately 3 times larger than the proposed HCA-covered group.

Accordingly, of the $6.4 million in estimated savings PRM identified, we can immediately reduce that figure by over $1 million, because PRM either did not recognize the programs the groups participate in, or because the group has implemented a program such as Bridge Health, since the studies' original data gathering period concluded.

Additionally, the studies did not recognize the proposed Alaska HCA has the potential to increase the administrative cost burden for participating entities. The PRM study stated the Washington HCA is staffed with 1,100 employees, which suggests a similar program in Alaska would require the hiring of hundreds of additional state employees. Moreover, the studies are misplaced in suggesting the Oregon and Washington HCAs are models of performance.

While the PRM reports focused on administrative savings, the MAFA report concentrated on provider costs. According to the MAFA report, reference based pricing and value based insurance design are the two areas that will generate the most cumulative savings over time. Unfortunately, both of these strategies will

be unpopular with the provider community, which will lobby heavily against meaningful change in these areas. The State has shown no appetite to adopt these strategies in the past. They only recently began to implement PPO provisions with meaningful steerage, common in private sector health plans. It will be impossible to insulate the HCA from politics and therefore we question how the HCA will have the political fortitude to accomplish the goals identified in the MAFA report.

In summary, we do not believe the creation of an Alaska HCA will accomplish the desired objective of lowering overall healthcare costs. Nevertheless, we think the legislature can take other steps to facilitate meaningful medical cost savings. Two examples include:

- Pass legislation that makes it easier for health plans to deploy strategies, such as referenced based pricing, by limiting balance billing by non-contracted providers against participants who follow their plans' PPO steerage requirements.
- Encourage voluntary consolidated purchasing through existing private sector entities or association plans, which could facilitate expansion into providing insured benefits.

Thank you for your consideration. If l can answer any questions, please do not hesitate to contact me.

Sincerely,

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