

Alaska Comprehensive Chronic & Acute Medical Cost Reduction and Containment Program

Presentations By:

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Foreword: It is not easy being and Healthcare Economist. Business executives attack us for not calculating costs and benefits with enough precision. Politicians accuse us of being too fussy about costs and benefits. Economics is the study of choice. Economists do not tell us what to choose. It only helps us understand the consequences of our choices. The strongest link between economics and the real world has always been political. Indeed, until this century Economics was called “political economy.”

Given the ever increasing health costs for State of Alaska Programs: Medicaid, Inmates Healthcare Costs, Workers Comp, State Employees Active and Retired.

SOA Operating Budget Health Cost FY 17 (\$ millions):

Medicaid	\$580.2
Retired Employees	\$528.5
Active Employees	\$338.6
Inmates Healthcare	\$ 38.2
Workers Comp	<u>\$ 26.5</u>
Subtotal	\$1,512.1
APTC Individual	
: Market Program	<u>\$ 55.0</u>
Total	\$1,567.1

State of Alaska Department Cost FY 17 (\$ millions):

1. Department of Health and Social Services (HSS)	\$2,094, 119
2. Department of Education and Early Development	\$1,609,040
3. All Direct Healthcare Costs for Services	\$1,512,030
4. University of Alaska	\$ 899,796

Overall, the cost for healthcare was project \$125 million less in FY 17 than FY 15. A significant portion is in Medicaid, primarily from shifting payments to federal Funds. Spending for active state employees also is down, substantially due to the drop in the number of budgeted positions. It's relevant to point out that most of the saving were one time and (or) have been eliminated by with the 9% increase Medicaid population with a 14% in utilization and health Insurance increases for State Employees. The Administration's supplemental appropriation budget requests for FY 17 and FY 18 have cancelled out those all of those savings at this time.

HEDIS MANAGEMENT SYSTEM: The utilization of a Healthcare Effectiveness Data and Information Set (HEDIS) Management system and the associated healthcare services purchasing system for chronic and acute medical populations for Medicaid, Individual Healthcare Insurance Program (transfer of \$55 million), active and retired employees. **The suggested program would not change beneficiaries' eligibility rules and their covered services.**

The Healthcare Effectiveness Data and Information Set (HEDIS) is a set of standardized performance measures designed to ensure that the public and health organizations have the information it needs to compare and impact.

HEDIS Measure Domains:

- # Effectiveness of Care
- # Access/Availability of Care
- # Experience of Care
- # Utilization and Relative Resource Use
- # Health Plan Description Information

Program Highlights: wellness Care Plans are a disease-agnostic system for identifying patients whose behavior indicates they have an issue impacting their health. When patients have several admissions to the hospital or visits to the ER, Hospitalization and pharmacy use. Use of Dx tracking system that report the negative visits (ER, urgent care, etc.) and the positive visits (behaviorist, dietician, etc.) before and after the wellness care plan. The should allow management to evaluate, in real time Person Centered Case Management (PCCM).

Please review healthcare expenditures (Medicaid, APTC Individual Market, Active and Retired State Employees that are drive by % of Recipients.

The Proposed Alaska Comprehensive Chronic & Acute Medical Cost Reduction and Containment Program is a state Program designed to reduce and manage health care costs for the following groups:

- FY 2018 – Medicaid Program and APTC Individual Health Insurance Market Program
- FY 2019 - Active and Retired Employees
- FY 2020 – Workers Comp
- FY 2020 - Inmates Health Care - Treatment Alternative to Incarceration Programs (TAIP)

Programs and States that utilize HEDIS and Competitive Bidding and Purchasing system for services had 23% to 26 % Reduction in Cost:

- Group Health – Seattle Washington
- North Carolina’s Experience: Patient-Centered Medical Homes
- Indiana Chronic and Acute Care Program (2017 - 3% in Individual Healthcare Insurance Rate)
- Nuka System of Care – With 93% patient satisfaction, Exceeds 90th Percentile HEDIS

Competitive Bidding and Purchasing of services and products for chronic and acute medical populations.

Alaska Health Care Pricing Analysis – Evaluation of Provider Reimbursement from Milliman:

- Comparisons of – Non-facility Provider Reimbursement
- Facility Provider Reimbursement

Methodology:

- Comparison of relative billed and allowed charges by state (AK, WA, OR, ID, WY and ND), specialty, and payer
- Results calculated for top 25 procedure codes for specialty group

- Alaska has higher physician reimbursement than all other comparison states
- This holds true across specialties and payers, although the differential varies
- There is also significant fluctuation over time
- In general, Alaska has higher Medicare and commercial hospital reimbursement than the comparison states
- Results are consistent for both inpatient and outpatient services and at more detailed service categories
- Differential is smaller if geographic adjustments are applied
 - Still higher than other states, except for WY commercial allowed

<u>PRODUCT /SERVICE TYPE</u>	<u>ORIGINAL LIST PRICE</u>	<u>COMPETITIVE BID PRICE</u>
POWERED WHEEL CHAIR	\$26,000.00	\$8,300.00
HOYER LIFT	\$7,000.00	\$1,250.00
MRI GE CLOSED UNIT	\$2,600.00	\$530.00 + \$950.00 (Air & Hotel)

Detail purchasing of 3 DME prices within the last 30 days.

Outcome and Impact on Cost Driver: The process of competitive bidding within other markets has reduced the delivered cost of products and services within the medical community including, hospitals, insurance companies, providers as well as government agencies by 25 - 30% through a unique process that involves inviting providers to compete for business through a competitive bid system on each referral. The product or service requested is delivered to the patient at the lowest possible price for that item, in that market, on the day the product or service is provided.

Why use Competitive Bidding?

- Ease in locating any product or service, anywhere, anytime.
- The cost on requested products or services averages 25-30 percent savings.
- Improved time management for Adjustors, Case Managers.
- Ensures quality care is implemented at the lowest cost.
- Competitive bidding bends the cost curve without excluding providers saving time and money.