

# **State of Alaska FY2020 Governor's Operating Budget**

## **Department of Administration Health Plans Administration Component Budget Summary**

**Component: Health Plans Administration**

**Contribution to Department's Mission**

This component holds the funds for group health administration, which is managed as a program of the Retirement and Benefits component.

**Core Services**

- Deliver Alaska Care Defined Benefit and Defined Contribution retiree medical plans, and the Alaska Care retiree dental, vision, and audio plan (optional).
- Deliver Alaska Care active employee medical, dental, and vision plan.
- Deliver optional Long Term Care plan.

**Major Component Accomplishments in 2018**

- Conducted health fairs in Anchorage, Matsu, Juneau, and Fairbanks.
- Implemented various cost savings measures in the AlaskaCare active employee medical plan, including the addition of a consumer driven health plan, expanded telehealth services through Teledoc and enhanced travel benefits through SurgeryPlus.
- Began working with Retiree Health Plan Advisory Board, holding nine public board meetings between February and October 2018.
- Received unanimous support from the Retiree Health Plan Advisory Board to implement an enhanced Employer Group Waiver Program (a group Medicare prescription drug program), effective January 1, 2019.
- Improved our retiree communications; this includes multiple telephonic retiree town hall meetings regarding implementation of an enhanced Employer Group Waiver Program, and a monthly electronic newsletter.
- Updated, presented for public comment, and finalized a new September 2018 Retiree Insurance Information Booklet; the last full booklet was updated in May 2003.
- Conducted a competitive procurement for Pharmacy Benefit Manager services (PBM), which resulted in the award of the contract to OptumRx effective January 1, 2019. Began working with OptumRx on transitioning PBM services and implementing the enhanced Employer Group Waiver Program for Medicare eligible retirees.
- Deposited \$18.6 million to the retiree health trust from the Medicare Part D Retiree Drug Subsidy (RDS) program in Center for Medicare and Medicaid Services (CMS) since January 2018.
- Developed and released Request for Proposal for medical claim administration, managed network, and dental claims administration and managed network to be effective January 2020.

**Key Component Challenges**

**Third Party Administrator** – Managing health care vendors that provide services for the following components of the employee and retiree health plans: medical claims administration and managed network, pharmacy benefit management services, dental claims administration and managed network, healthcare management and long-term care claims administration.

**Active Members' Health Plan** - Identify best practices in vendor management towards mitigating expenses among high-cost claimants. Increase member involvement, promote the use of evidence-based medicine in plan design, and expand available decision support tools. Expand Preferred Providers Network development in key geographic areas of the state. Continue an aggressive management of the AlaskaCare Employee health plan to bend the increasing cost curve down, improve value and quality, while promoting effective member health care consumerism. Continue implementation of wellness/preventive initiatives in the AlaskaCare Employee health plan to encourage and continue developing a culture of wellness in State of Alaska workplaces.

**Retirees Health Plan** - Review and implement best practices in the coverage provisions of the retirement health plans. Identify best practices in vendor management towards mitigating expenses among high-cost claimants. Increase member involvement, promote the use of evidence-based medicine in plan design and expand available

decision support tools. Expand Preferred Providers Network development in key geographic areas of the state.

**HIPAA Compliance** - Monitor risk assessment of Health Systems for compliance with Health Information Technology for Economical and Clinical Health/ Health Information Portability and Accountability Act (HITECH/HIPAA) requirements. Continue to analyze, evaluate and implement as appropriate and necessary mandates of federal health care legislation.

### **Significant Changes in Results to be Delivered in FY2020**

**Health Plans** – Enhancing health, dental and pharmacy networks and contractual arrangement to leverage increased savings for the health and dental plans and the members. Continue aggressive management of health plans to bend the increasing cost curve down, improve value and quality, and promote effective member health care consumerism. Analyzing and implementing requirements of federal health care legislation. Continue implementing “best practices” for AlaskaCare Employee Plan members. Identifying and implementing vendor management best practices to mitigate expenses among high-cost claimants. Increasing member engagement in their health care; promoting the use of evidence-based medicine in plan design; and expanding decision-making support tools.

### **Statutory and Regulatory Authority**

AS 39.30.090-095	Group Life and Health Insurance, Group Life and Health Insurance Fund
AS 39.35.535	Retiree Medical Benefits under the Defined Benefit Plan (PERS)
AS 14.25.168	Retiree Medical Benefits under the Defined Benefit Plan (TRS)
AS 22.25.090	Retiree Medical Benefits under the Defined Benefit Plan (JRS)
AS 39.35.880	Retiree Medical Benefits under the Defined Contribution Plan (PERS)
AS 14.25.480	Retiree Medical Benefits under the Defined Contribution Plan (TRS)
2 AAC 38.010-100	Same-sex Partner Insurance Coverage
2 AAC 39.010-995	Group Medical, DVA and LTC Insurance (also miscellaneous provisions)

<b>Contact Information</b>
<p><b>Contact:</b> Ajay Desai, Director <b>Phone:</b> (907) 465-4471 <b>E-mail:</b> <a href="mailto:Ajay.Desai@alaska.gov">Ajay.Desai@alaska.gov</a></p>

**Component Detail All Funds**  
**Department of Administration**

**Component:** Health Plans Administration (2152)  
**RDU:** Centralized Administrative Services (13)

Non-Formula Component

	FY2018 Actuals	FY2019 Conference Committee	FY2019 Authorized	FY2019 Management Plan	FY2020 Governor	FY2019 Management Plan vs FY2020 Governor	
71000 Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
72000 Travel	11.8	20.0	20.0	20.0	53.2	33.2	166.0%
73000 Services	23,407.0	28,404.8	28,404.8	28,054.8	35,071.9	7,017.1	25.0%
74000 Commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
75000 Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
77000 Grants, Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
78000 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
<b>Totals</b>	<b>23,418.8</b>	<b>28,424.8</b>	<b>28,424.8</b>	<b>28,074.8</b>	<b>35,125.1</b>	<b>7,050.3</b>	<b>25.1%</b>
<b>Fund Sources:</b>							
1017 Ben Sys (Other)	23,418.8	28,424.8	28,424.8	28,074.8	35,125.1	7,050.3	25.1%
<b>Unrestricted General (UGF)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>Designated General (DGF)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>Other Funds</b>	<b>23,418.8</b>	<b>28,424.8</b>	<b>28,424.8</b>	<b>28,074.8</b>	<b>35,125.1</b>	<b>7,050.3</b>	<b>25.1%</b>
<b>Federal Funds</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>Positions:</b>							
Permanent Full Time	0	0	0	0	0	0	0.0%
Permanent Part Time	0	0	0	0	0	0	0.0%
Non Permanent	0	0	0	0	0	0	0.0%

**Change Record Detail - Multiple Scenarios with Descriptions**  
**Department of Administration**

**Component:** Health Plans Administration (2152)  
**RDU:** Centralized Administrative Services (13)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
***** Changes From FY2019 Conference Committee To FY2019 Authorized *****												
<b>FY2019 Conference Committee</b>												
	ConfCom	28,424.8	0.0	20.0	28,404.8	0.0	0.0	0.0	0.0	0	0	0
1017 Ben Sys		28,424.8										
	<b>Subtotal</b>	<b>28,424.8</b>	<b>0.0</b>	<b>20.0</b>	<b>28,404.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>
***** Changes From FY2019 Authorized To FY2019 Management Plan *****												
<b>Transfer to Retirement and Benefits for Administrative Support</b>												
	Trout	-350.0	0.0	0.0	-350.0	0.0	0.0	0.0	0.0	0	0	0
1017 Ben Sys		-350.0										
	<b>Subtotal</b>	<b>28,074.8</b>	<b>0.0</b>	<b>20.0</b>	<b>28,054.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>
***** Changes From FY2019 Management Plan To FY2020 Governor *****												
<b>Third Party Administrator Contracts</b>												
	Inc	6,010.0	0.0	0.0	6,010.0	0.0	0.0	0.0	0.0	0	0	0
1017 Ben Sys		6,010.0										

Since FY2016, the Division of Retirement and Benefits has focused on utilizing multiple strategies to create cost savings and improve benefit options for members of the AlaskaCare employee and retiree health plans. Over the past four fiscal years (FY2016 – FY2019) the Division has saved \$32,100.0 in the employee plan and \$52,600.0 in the retiree plan. For FY2020, the Division is estimated to save an additional \$13,700.0 in the employee plan and \$49,000.0 in the retiree plan.

The AlaskaCare plan has engaged in and is continuing to pursue several contracts that create significant cost savings for the health plans through improved pricing for medical and pharmacy claims or access to services providing low-cost care for members. The savings accrue to the health trusts or associated plans, but these cost-saving contracts have administrative fees. This reflects the administrative fees associated with new contracts, described as follows:

Medicare Part D Employer Group Waiver Plan Participation - \$3,750.0

The AlaskaCare retiree health plan historically filed for federal subsidies for Medicare eligible retirees through the Retiree Drug Subsidies. Implementing Medicare Part D Employer Group Waiver Plan (EGWP) increases Medicare reimbursements to the plan for pharmaceuticals and results in estimated \$16,000.0 to \$23,000.0 additional subsidies to the trust.

In addition, the future liabilities for Other Post-Employment Benefits (OPEB) are reduced by an estimated \$520,000.0 to \$694,000.0 for the Public Employee Retirement System (PERS) and Teachers Retirement System (TRS). This in turn results in a reduction in the state assistance payment of \$40,000.0 to \$52,000.0 annually.

The division anticipates an annual cost of \$7,500.0 for administrative fees to implement and administer EGWP. The FY2019 budget includes \$3,750.0 of the

**Change Record Detail - Multiple Scenarios with Descriptions**  
**Department of Administration**

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Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	

\$7,500.0 annual cost, leaving a difference of \$3,750.0 needed for FY2020. If funding is not received, the division will not be able to pursue this cost savings initiative. The state will be required to increase the state assistance payment, and the division will work through a costly and complex process to revert back to the prior subsidy process. Additionally, the health trust will see a loss of between \$16,000.0 to \$23,000.0 and the pension system unfunded liability will increase.

Travel Coordination Contract - \$1,400.0

An AlaskaCare travel coordination contract allows members to access a network of providers who meet strict quality criteria and have agreed to significantly discounted pricing for certain surgeries, creating cost savings for the plan through reduced claims spend. Active employee plan members can currently access these services, which are anticipated to save \$1,600.0 annually when mature. The contract cost for active employees is \$300.0.

The Division is evaluating extending this service to the retiree membership as part of the modernization effort in coordination with the Retiree Health Plan Advisory Board, which could generate \$4,000.0 in annual savings when mature. The Division anticipates an annual contract cost of \$1,400.0 for both the active and retiree population. If funding is not received, the Division will not be able to pursue this cost-savings initiative and would have to terminate the contract.

Teledoc Contract - \$680.0

An AlaskaCare Teledoc contract allows members to access a physician telephonically for certain non-emergent conditions. This improves access to medical care while providing a less-expensive option for members seeking quick medical advice. The service is currently available to active AlaskaCare employee plan members. The division is evaluating extending this service to the retiree membership as part of the modernization effort. Savings will be realized through a reduction in annual health care costs. The division anticipates an annual contract cost of \$680.0 for both employee and retiree health plans. If funding is not received, the division will not be able to pursue this cost-savings initiative and would have to cancel the current service available to employee plan members.

Health Care Cost Management Implementation with Alaska Regional Hospital - \$180.0

The AlaskaCare employee health plan currently participates in the Health Care Cost Management Corporation (HCCMCA) contract with Alaska Regional Hospital in Anchorage. This program has resulted in continued and sustained gains in claims expenses, with anticipated savings in FY2019 of \$2,400.0. The division anticipates an annual cost of \$180.0 associated with this contract. If funding is not received, the division will not be able to continue this cost-savings program and would have to terminate this contract.

**Travel Costs for Health Team Related to State Health Insurance Plans**

	Inc	40.3	0.0	33.2	7.1	0.0	0.0	0.0	0.0	0	0	0
1017 Ben Sys		40.3										

The Division of Retirement and Benefits provides services for 240 Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS) employers as well as over 24,000 active plan participants with contributions in excess of \$500 million. Additional travel is necessary to support ongoing litigation, strategic provider negotiations focusing on pursuing health care reform initiatives, subject matter expertise training to support such initiatives, and administrative capacity for health fairs.

The division is working through the Retiree Health Plan Advisory Board to develop a number of strategies in the AlaskaCare retiree health plan to modernize the plan through expanded preventive services, more efficient administration, and plan designs incentivizing members to seek quality, evidence-based, lower-cost care. Historically, any change to the AlaskaCare retiree health plan have been litigated, including the changes implemented in 2014. Additionally, the division has received litigation attempting to block the implementation of the Employer Group Waiver Program, which is anticipated to reduce the unfunded liability in the state

**Change Record Detail - Multiple Scenarios with Descriptions**  
**Department of Administration**

**Component:** Health Plans Administration (2152)  
**RDU:** Centralized Administrative Services (13)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		
										PFT	PPT	NP
<p>retirement system, increase annual federal subsidies, and reduce the annual state assistance payment made from the general fund. These lawsuits are filed in Anchorage, and staff have to travel to testify and serve as subject matter experts in support of the litigation team.</p> <p>The division, in conjunction with the Health Care Cost Management Coalition of Alaska, offer health fairs in Anchorage, the Mat-Su valley, and Fairbanks. These health fairs are highly desired by our membership, and provide common services at a savings to the plan.</p> <p>The division is developing strategies to enter into direct provider contracts that bring value-based services at deeply discounted rates. Value-based services are services intended to improve the overall health of the member either through wellness/preventive or through management of chronic conditions.</p> <p>Staff have not engaged in training or professional development for several years and this would accommodate rotating staff participation in two training and educational conferences and one in-state conference. Given the complexity of health insurance and the changing regulatory environment, training can help address knowledge gaps and promote awareness of cost savings and health care reform opportunities.</p> <p>Without this increment, travel for ongoing litigation and support for health fairs will be prioritized. Activities associated with health reform initiatives, including value-based contracting and strategic negotiations with providers, will be limited.</p>												
<b>Placeholder: Third Party Administrator Contact</b>												
1017 Ben Sys	Inc	1,000.0	0.0	0.0	1,000.0	0.0	0.0	0.0	0.0	0	0	0
		1,000.0										
	<b>Totals</b>	<b>35,125.1</b>	<b>0.0</b>	<b>53.2</b>	<b>35,071.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Line Item Detail (1676)**  
**Department of Administration**  
**Travel**

**Component:** Health Plans Administration (2152)

Line Number	Line Name		FY2018 Actuals	FY2019 Management Plan
2000	Travel		11.8	20.0
Object Class	Servicing Agency	Explanation	FY2018 Actuals	FY2019 Management Plan
<b>2000 Travel Detail Totals</b>			<b>11.8</b>	<b>20.0</b>
2000	In-State Employee Travel	Transportation costs for travel relating to administration, training, conventions and meetings, boards and commissions	10.3	15.7
2002	Out of State Employee Travel	Transportation costs for staff travel out of state to national organization meetings, conferences, and training	0.0	4.3
2003	Out of State Non-Employee Travel	Transportation costs for travel relating to meetings, boards and commissions for non-employees	1.5	0.0



**Line Item Detail (1676)**  
**Department of Administration**  
**Services**

**Component:** Health Plans Administration (2152)

<b>Line Number</b>	<b>Line Name</b>		<b>FY2018 Actuals</b>	<b>FY2019 Management Plan</b>
3000	Services		23,407.0	28,054.8
<b>Object Class</b>	<b>Servicing Agency</b>	<b>Explanation</b>	<b>FY2018 Actuals</b>	<b>FY2019 Management Plan</b>
<b>3000 Services Detail Totals</b>			<b>23,407.0</b>	<b>28,054.8</b>
3000	Education Services	Training, educational conferences, agency memberships, and employee tuition	2.7	0.5
3001	Financial Services	Accounting, auditing, management consulting and fees	759.4	1,483.5
3003	Information Technology	Software licensing and maintenance, training, and consulting	0.0	200.0
3005	Health Services	Professional services for independent medical review	0.0	4.0
3006	Delivery Services	Freight, courier services, and postage	80.1	65.0
3007	Advertising and Promotions	Advertising, promotions and legal notices	0.0	1.3
3011	Other Services	Professional services for third party administration, printing pamphlets, flyers, and forms related to health plans	22,006.8	25,860.5
3024	Inter-Agency Legal	Law - Department-wide Legal services provided by the Department of Law	351.9	365.0
3029	Inter-Agency Education/Training	H&SS - Department-wide Internal department cost allocation chargeback, desktop support, procurement services	2.9	0.0
3030	Inter-Agency Hearing/Mediation	Admin - Administrative Hearings (2771) Hearing Officer services	3.2	75.0
3038	Inter-Agency Management/Consulting	Admin - Retirement and Benefits (64) Internal department cost allocation chargeback, desktop and information	200.0	0.0

**Line Item Detail (1676)**  
**Department of Administration**  
**Services**

**Component:** Health Plans Administration (2152)

Object Class	Servicing Agency	Explanation	FY2018 Actuals	FY2019 Management Plan
<b>3000 Services Detail Totals</b>			<b>23,407.0</b>	<b>28,054.8</b>
technology support, accounting and procurement services				

**Revenue Detail (1681)**  
**Department of Administration**

**Component:** Health Plans Administration (2152)

Revenue Type (OMB Fund Code)			FY2018 Actuals	FY2019 Management Plan
Revenue Source	Component	Comment		
<b>6017 Ben Sys (1017 Ben Sys)</b>			<b>23,418.8</b>	<b>28,074.8</b>
6203 Benefits System - Miscellaneous		Benefits System contributions from participating employers and/or employees who are members of the trust fund and health plan	23,418.8	28,074.8

**Inter-Agency Services (1682)**  
**Department of Administration**

**Component:** Health Plans Administration (2152)

				FY2018 Actuals	FY2019 Management Plan
<b>Component Totals</b>				<b>558.0</b>	<b>440.0</b>
With Department of Law				351.9	365.0
With Department of Health and Social Services				2.9	0.0
With Department of Administration				203.2	75.0
<b>Object Class</b>	<b>Servicing Agency</b>	<b>Explanation</b>	<b>FY2018 Actuals</b>	<b>FY2019 Management Plan</b>	
3024	Inter-Agency Legal	Law - Department-wide	351.9	365.0	
3029	Inter-Agency Education/Training	H&SS - Department-wide	2.9	0.0	
3030	Inter-Agency Hearing/Mediation	Admin - Administrative Hearings (2771)	3.2	75.0	
3038	Inter-Agency Management/Consulting	Admin - Retirement and Benefits (64)	200.0	0.0	