

# **State of Alaska FY2025 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 AlaskaCare Defined Benefit and Defined Contribution retiree medical plans, and the AlaskaCare retiree dental, vision, and audio plan (optional).
- Deliver AlaskaCare active employee medical, dental, and vision plan.
- Deliver optional Long Term Care plan.

**Major Component Accomplishments in 2023**

- Implemented initiatives in the AlaskaCare health plans estimated to manage costs while promoting access and quality. These initiatives include:
- Implemented improved pricing through a mid-market check with OptumRx, the AlaskaCare Pharmacy Benefit Manager for the employee and retiree plans.
- Implemented changes to the recognized charge for out-of-network services in the AlaskaCare Employee Plan.
- Undertook an effort to improve access to network providers for health plan members, focused on areas with lack of network access, high spend, and high utilization.
- Streamlined the precertification process and removed monetary penalties for failure to precertify out of network services across the retiree and employee health plans.
- Maintained variable copay program for eligible drugs in the employee plan.
- Ongoing implementation of the federal No Surprises Act and transparency rule.
- Continued to support the public health COVID-19 response and assist members in accessing necessary care.
- Conducted more than 12 telephonic townhall sessions to educate retiree members about their benefits and health-related issues. Sent monthly e-newsletters to employees and retirees about AlaskaCare updates.
- Re-bid and finalized benefit consulting and actuarial services contract.
- Updated, presented for public comment, and finalized the January 2023 Retiree Insurance Information Booklet to reflect plan changes.
- Planned and conducted the annual Retiree Dental-Vision-Audio annual Open Enrollment.
- Planned and conducted the annual Employee Open Enrollment.
- Managed enrollment of over 2,400 retirees into the Employer Group Waiver Program (EGWP)
- Coordinated with the survey vendor to conduct the annual AlaskaCare Member telephonic satisfaction survey.

**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 Employee Health Plan** – Since 2020, the plan has experienced significant and unanticipated costs associated with complex challenges including novel gene therapy services, increases in claimants with costs over \$1 million, increases in prescription drug cost and utilization (particularly related to weight-loss medications, anti-inflammatory medications, and diabetic medications), increases specialist visits, increases in utilization of behavioral health services, and inflationary pressures and rising health care costs across the state. Identifying programs to mitigate expenses among high-cost claimants. Develop new opportunities to manage cost-drivers behind rising pharmaceutical spend. 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 aggressive management to improve value and quality, and promote

effective member health care consumerism. Continue implementation of wellness/preventive initiatives in the AlaskaCare Employee health plan.

**Retiree 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. Evaluate changes to the retiree health plan that can improve members’ care while containing costs. Manage and respond to ongoing litigation.

**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 necessary mandates of federal health care legislation.

### Significant Changes in Results to be Delivered in FY2025

**Health Plans** – Develop and implement measures to address pharmacy costs. Leverage health plan volume to develop and implement value-based contracts with key Alaskan provider and facility partners. Evaluate addition of focused member support programs to help manage chronic diseases and oncology services. Expand a vendor management framework. Enhancing the health, dental, and pharmacy networks and contractual arrangement to leverage increased savings for the health and dental plans and the members. Analyze and implement requirements of federal health care legislation including the No Surprises Act and federal transparency rules. 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 14.25.168	Retiree Medical Benefits under the Defined Benefit Plan (TRS)
AS 14.25.480	Retiree Medical Benefits under the Defined Contribution Plan (TRS)
AS 22.25.090	Retiree Medical Benefits under the Defined Benefit Plan (JRS)
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 39.35.880	Retiree Medical Benefits under the Defined Contribution Plan (PERS)
2 AAC 38.010-100	Same-sex Partner Insurance Coverage
2 AAC 39.010-995	Group Medical, DVA and LTC Insurance (also miscellaneous provisions)

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

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

Non-Formula Component

	FY2023 Actuals	FY2024 Enrolled	FY2024 Authorized	FY2024 Management Plan	FY2025 Governor Adjusted Base	FY2025 Governor	FY2024 Management Plan vs FY2025 Governor	
1000 Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
2000 Travel	3.1	39.4	39.4	36.6	36.6	36.6	0.0	0.0%
3000 Services	30,588.5	35,639.5	35,639.5	35,642.3	35,642.3	35,642.3	0.0	0.0%
4000 Commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
5000 Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
7000 Grants, Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
8000 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
<b>Totals</b>	<b>30,591.6</b>	<b>35,678.9</b>	<b>35,678.9</b>	<b>35,678.9</b>	<b>35,678.9</b>	<b>35,678.9</b>	<b>0.0</b>	<b>0.0%</b>
<b>Fund Sources:</b>								
1017 Ben Sys (Other)	30,591.6	35,678.9	35,678.9	35,678.9	35,678.9	35,678.9	0.0	0.0%
<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>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>0.0%</b>
<b>Other Funds</b>	<b>30,591.6</b>	<b>35,678.9</b>	<b>35,678.9</b>	<b>35,678.9</b>	<b>35,678.9</b>	<b>35,678.9</b>	<b>0.0</b>	<b>0.0%</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>0.0%</b>
<b>Positions:</b>								
Permanent Full Time	0	0	0	0	0	0	0	0.0%
Permanent Part Time	0	0	0	0	0	0	0	0.0%
Non Permanent	0	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 FY2024 Enrolled To FY2024 Authorized *****												
<b>FY2024 Enrolled</b>												
1017 Ben Sys	Enrolled	35,678.9	0.0	39.4	35,639.5	0.0	0.0	0.0	0.0	0	0	0
		35,678.9										
	<b>Subtotal</b>	<b>35,678.9</b>	<b>0.0</b>	<b>39.4</b>	<b>35,639.5</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 FY2024 Authorized To FY2024 Management Plan *****												
<b>Align Authority with Anticipated Expenditures</b>												
	LIT	0.0	0.0	-2.8	2.8	0.0	0.0	0.0	0.0	0	0	0
Transfer authority from travel to cover anticipated services costs. The remaining travel authority is sufficient to cover anticipated expenditures.												
	<b>Subtotal</b>	<b>35,678.9</b>	<b>0.0</b>	<b>36.6</b>	<b>35,642.3</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 FY2025 Governor Adjusted Base To FY2025 Governor *****												
	<b>Totals</b>	<b>35,678.9</b>	<b>0.0</b>	<b>36.6</b>	<b>35,642.3</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		FY2023 Actuals	FY2024 Management Plan	FY2025 Governor
2000	Travel		3.1	36.6	36.6
Object Class	Servicing Agency	Explanation	FY2023 Actuals	FY2024 Management Plan	FY2025 Governor
<b>2000 Travel Detail Totals</b>			<b>3.1</b>	<b>36.6</b>	<b>36.6</b>
2000	In-State Employee Travel	Transportation costs for travel relating to administration, training, conventions and meetings, boards and commissions.	2.9	15.2	15.2
2001	In-State Non-Employee Travel	Transportation costs for travel relating to meetings and boards for non-employees.	0.0	4.0	4.0
2002	Out of State Employee Travel	Transportation costs for staff travel out of state to national organization meetings, conferences, and training.	0.2	17.4	17.4

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

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

<b>Line Number</b>	<b>Line Name</b>		<b>FY2023 Actuals</b>	<b>FY2024 Management Plan</b>	<b>FY2025 Governor</b>
3000	Services		30,588.5	35,642.3	35,642.3
<b>Object Class</b>	<b>Servicing Agency</b>	<b>Explanation</b>	<b>FY2023 Actuals</b>	<b>FY2024 Management Plan</b>	<b>FY2025 Governor</b>
<b>3000 Services Detail Totals</b>			<b>30,588.5</b>	<b>35,642.3</b>	<b>35,642.3</b>
3000	Education Services	Training, educational conferences, agency memberships, and employee tuition.	11.0	15.0	15.0
3001	Financial Services	Management and consulting services.	817.9	1,500.6	1,500.6
3003	Information Technology	Software licensing and maintenance, training, and consulting.	315.6	400.0	400.0
3004	Telecommunications	Local, long distance, and cellular telephone charges, television, data/network, telecommunication equipment, and other wireless charges from outside vendors.	84.4	124.0	124.0
3005	Health Services	Professional services for independent medical review.	0.0	4.0	4.0
3006	Delivery Services	Freight, courier services, and postage.	65.1	70.0	70.0
3007	Advertising and Promotions	Advertising, promotions and legal notices.	3.0	9.0	9.0
3009	Structure/Infrastructure/Land	Structure, infrastructure and land repairs, maintenance, rental, and leases.	0.1	0.2	0.2
3011	Other Services	Professional services for third party administration, printing pamphlets, flyers, and forms related to health plans.	29,171.9	32,939.3	32,939.3
3024	Inter-Agency Legal	H&SS - Department-wide Medical expertise and counsel from the Department of Health and Social	0.0	0.1	0.1

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

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

Object Class		Servicing Agency	Explanation	FY2023 Actuals	FY2024 Management Plan	FY2025 Governor
			<b>3000 Services Detail Totals</b>	<b>30,588.5</b>	<b>35,642.3</b>	<b>35,642.3</b>
			Services.			
3024	Inter-Agency Legal	Law - Department-wide	Legal services provided by the Department of Law.	58.0	504.1	504.1
3030	Inter-Agency Hearing/Mediation	Admin - Administrative Hearings (2771)	Hearing Officer services.	61.5	76.0	76.0



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

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

Revenue Type (OMB Fund Code)				FY2024	
Revenue Source	Component	Comment	FY2023 Actuals	Management Plan	FY2025 Governor
<b>6017 Ben Sys (1017 Ben Sys)</b>			<b>4.4</b>	<b>0.0</b>	<b>0.0</b>
6203 Benefits System - Miscellaneous	Law - Department-wide		4.4	0.0	0.0

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

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

				FY2023 Actuals	FY2024 Management Plan	FY2025 Governor
<b>Component Totals</b>				<b>119.5</b>	<b>580.2</b>	<b>580.2</b>
With Department of Health & Social Services				0.0	0.1	0.1
With Department of Law				58.0	504.1	504.1
With Department of Administration				61.5	76.0	76.0
<b>Object Class</b>	<b>Servicing Agency</b>	<b>Explanation</b>		FY2023 Actuals	FY2024 Management Plan	FY2025 Governor
3024	Inter-Agency Legal	H&SS - Department-wide	Medical expertise and counsel from the Department of Health and Social Services.	0.0	0.1	0.1
3024	Inter-Agency Legal	Law - Department-wide	Legal services provided by the Department of Law.	58.0	504.1	504.1
3030	Inter-Agency Hearing/Mediation	Admin - Administrative Hearings (2771)	Hearing Officer services.	61.5	76.0	76.0