



# Health care and fiscal sustainability

*Commissioner Becky Hultberg, Department of Administration*

# The Big Picture

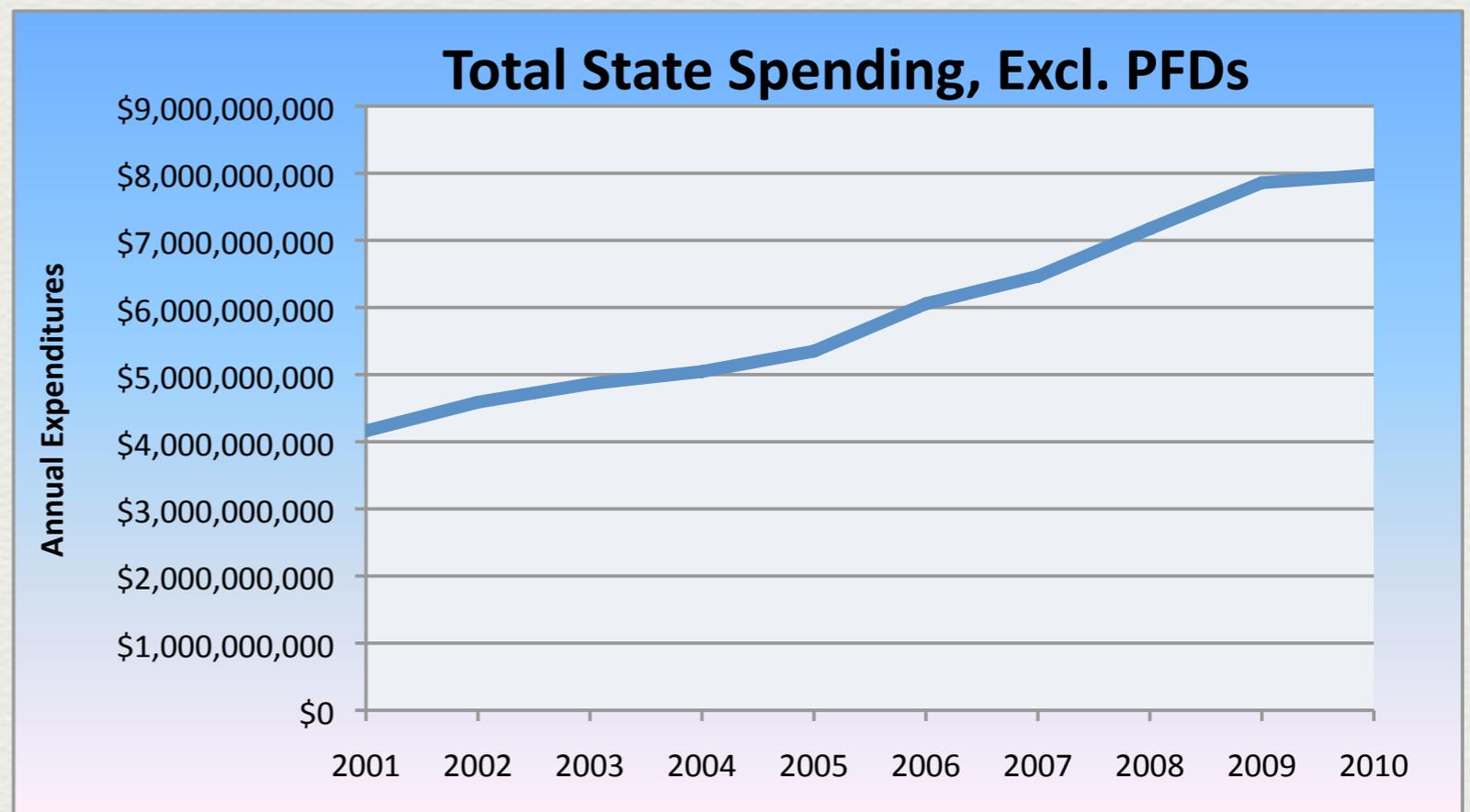
*State revenues and expenses*

# State budget

**2001-2010**

Total state spending (operating and capital, PFD excluded) has doubled from \$4 billion to \$8 billion in 10 years.

Spending per capita has increased from **\$6,639/person** in 2001 to **\$11,234/person** in 2010.



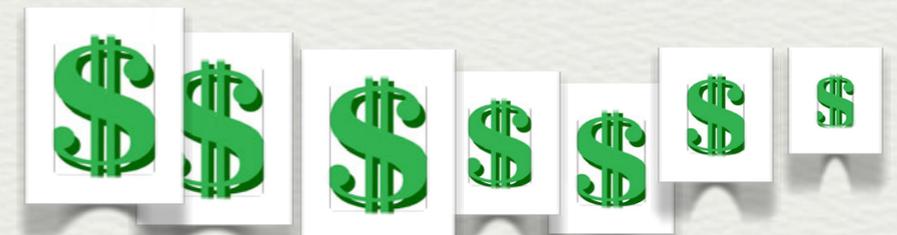
Source: 2010 CAFR, Sch. A-5

The rate of spending growth over the last decade averaged **7.5%** per year, but inflation (Anchorage CPI) over the last decade averaged only **2.6%** per year.

# State revenue

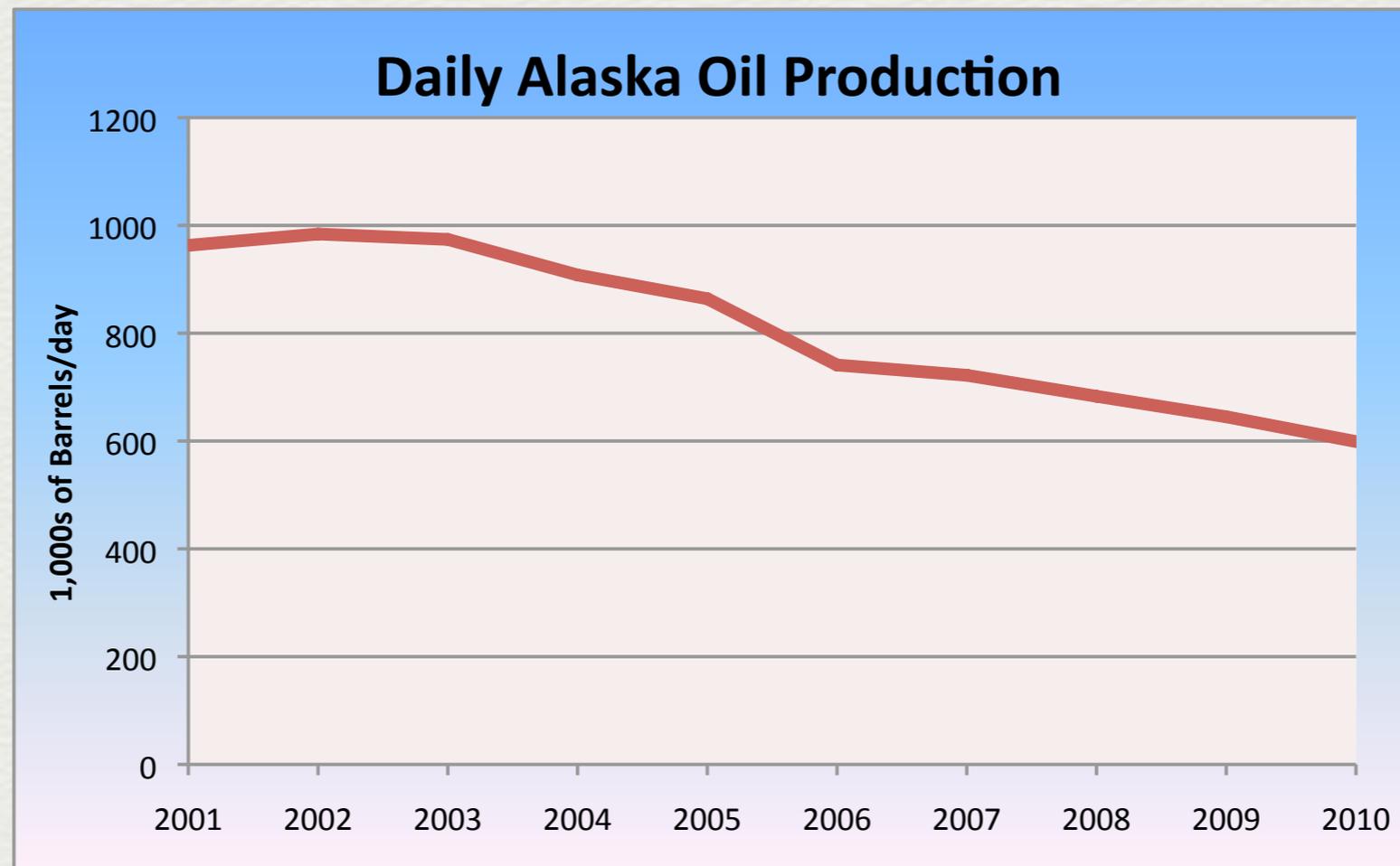
## TAPS subsidizes much of modern life in Alaska

- Schools - about 66% of K-12 spending
- State - about 90% of state general purpose unrestricted revenue
- PFDs - over \$900 million in payouts each year
- State capital projects



# State oil production

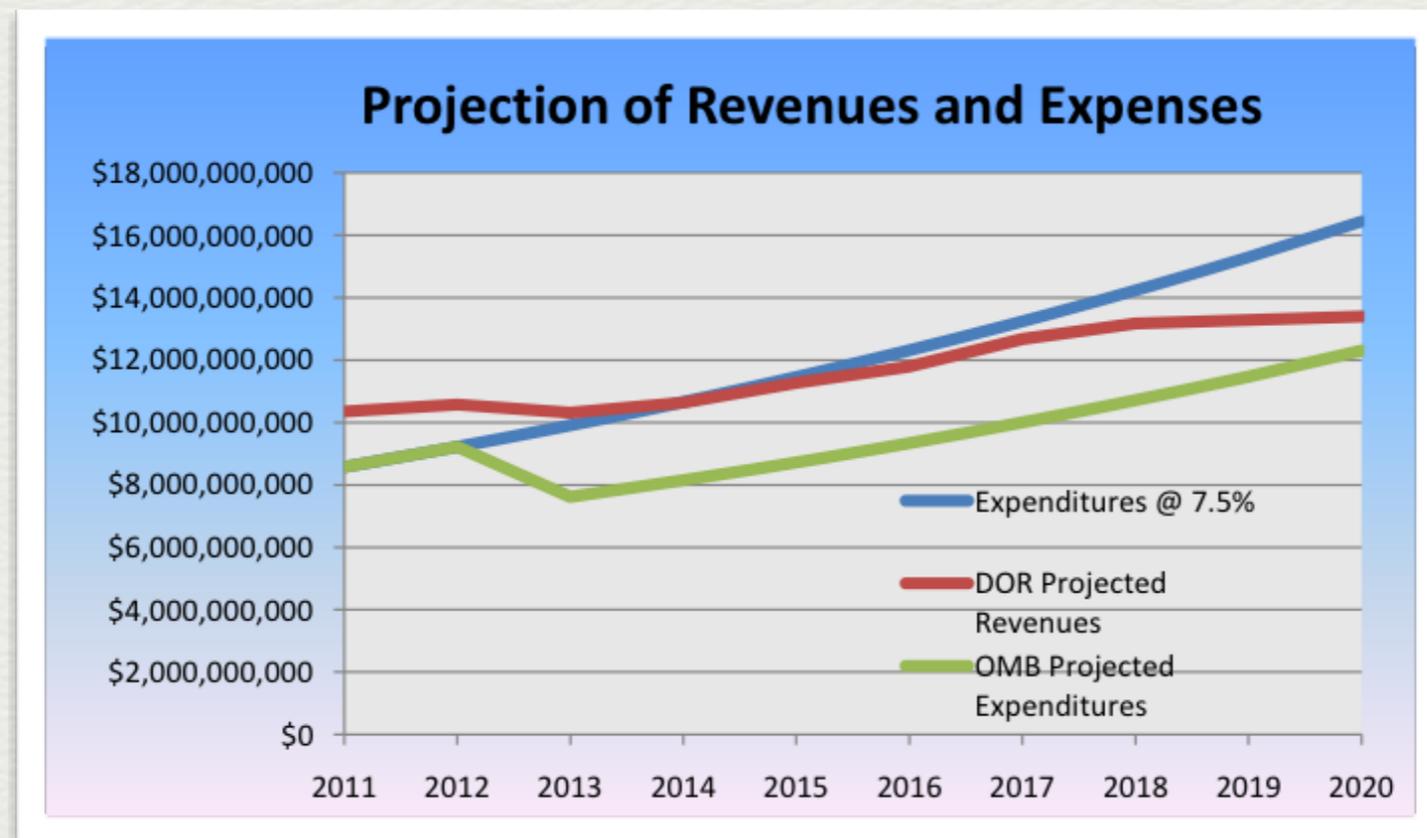
**2001 - 2010**



**Oil production has steadily declined by just over 5% per year.**

# Where does our current path lead?

State expenses may exceed revenue sometime in the next decade.



- DOR oil price projections 2012 - 2020: \$95 to \$116
- 2001 - 2010 oil prices: low \$15.46; high \$144.59; avg. \$54

We have a revenue problem  
and an expense problem.

*Health care is a big part of the expense problem.*

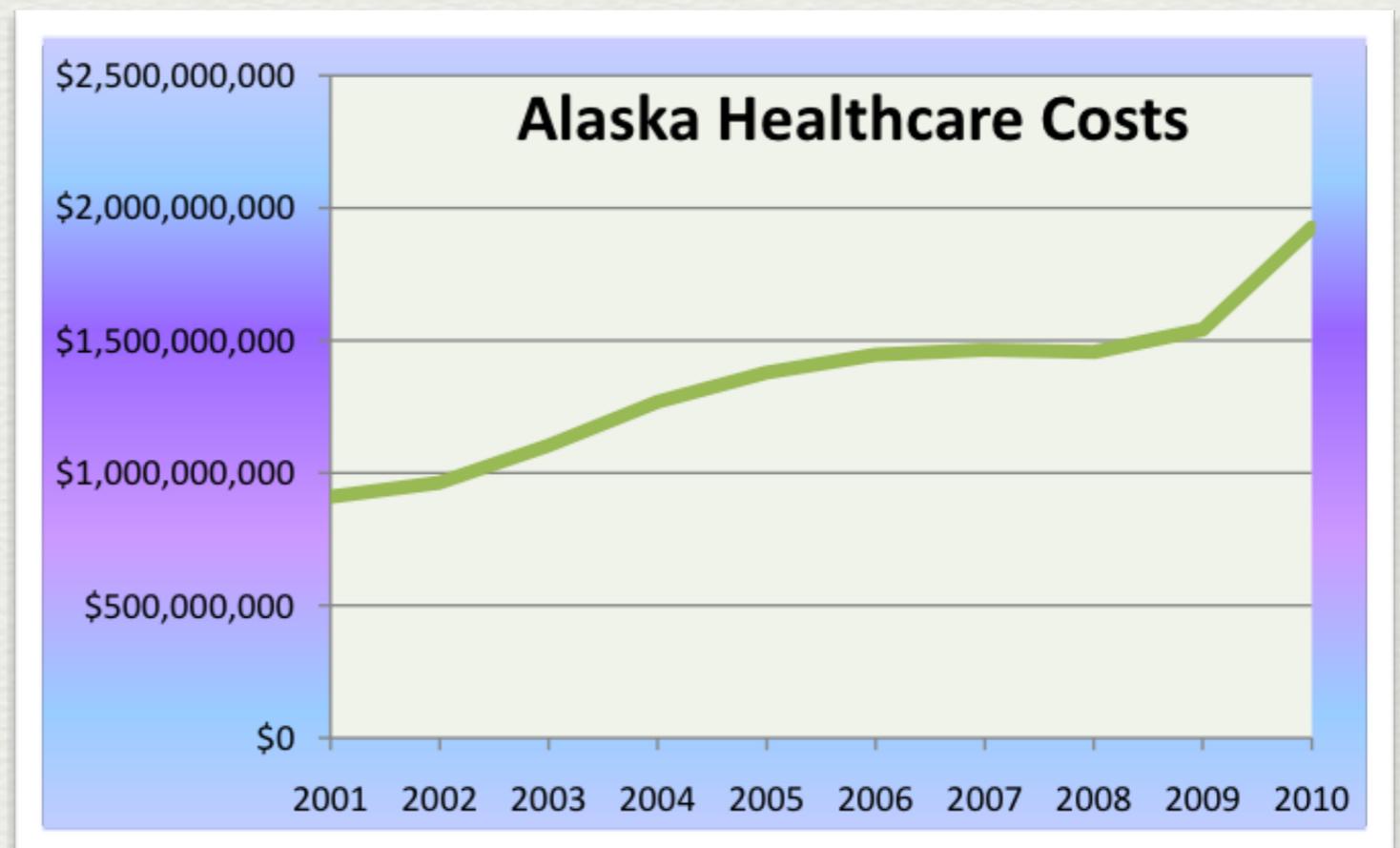
# State health care spend

2001 - 2010 (*Medicaid, AlaskaCare, PERS/TRS, Workers Comp, Corrections*)

2001: \$900 million

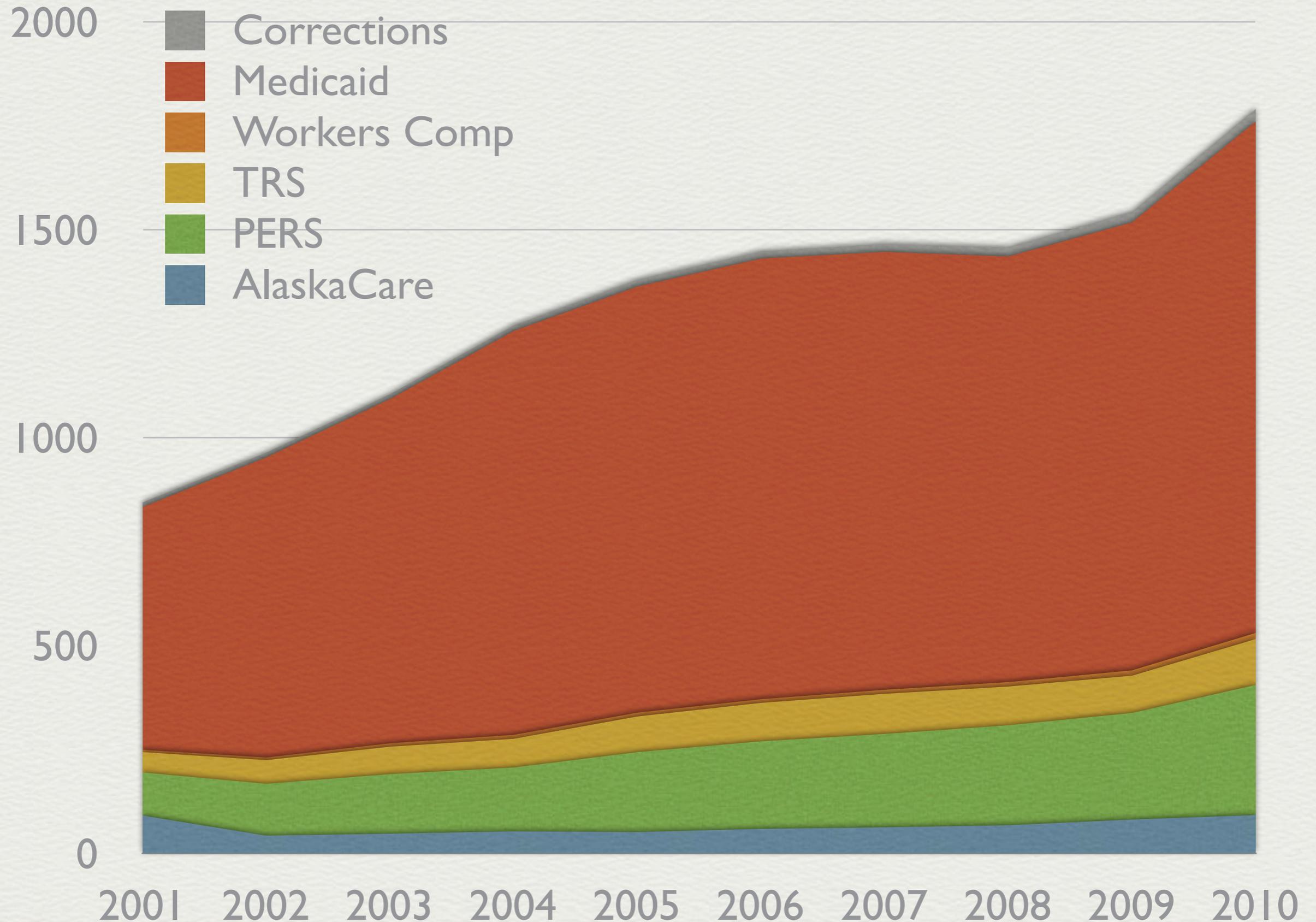
2010: \$1.9 billion

This includes the federal portion of Medicaid.



***The rate of growth of state health care costs,  
2001-2010: 8.7% per year.***

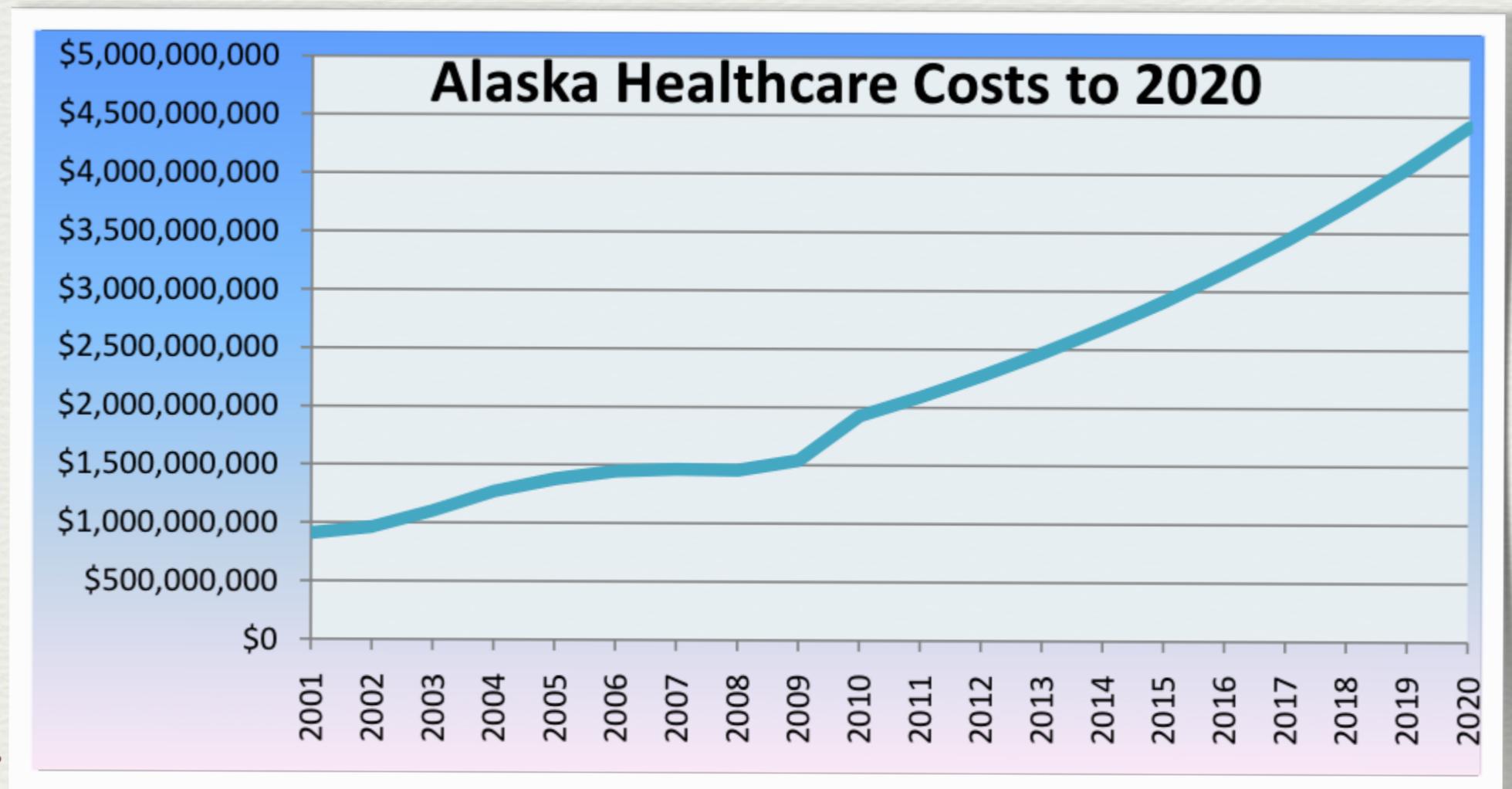
# State of Alaska health care costs in millions



# Where does our current path lead?

## State health care expenditures, 2020

If state paid health costs continue to increase at 8.7% per year, in FY 2020 they will exceed **\$4 billion** (before Medicaid reimbursement).



If current growth rates continue, health care expenses will consume an increasingly large and unsustainable portion of the state's general fund budget.

Opportunity cost of dollars spent on health care: roads, schools and other public services



# AlaskaCare health plan

Includes the active plan (non-unionized employees and some bargaining units) and retiree plan

## *Plan statistics:*

Active plan	15,795 members (includes dependents)	\$83,350,793 total spend in FY11	Ability to change plan and impact steerage
Retiree plan	63,034 members, about 40% live outside Alaska	\$413,524,583 total spend in FY11	Limited ability to impact steerage

# What can we do to help put the state's health care spend on a sustainable path?

- Better leverage our purchasing power
- Consider expanded travel benefits or Centers of Excellence for certain services
- Develop a robust employee wellness program
- Continue to aggressively pursue contractual discounts
- Align contracting strategies around innovative care delivery models

