

Alaska Pharmaceutical Reimbursement Analysis

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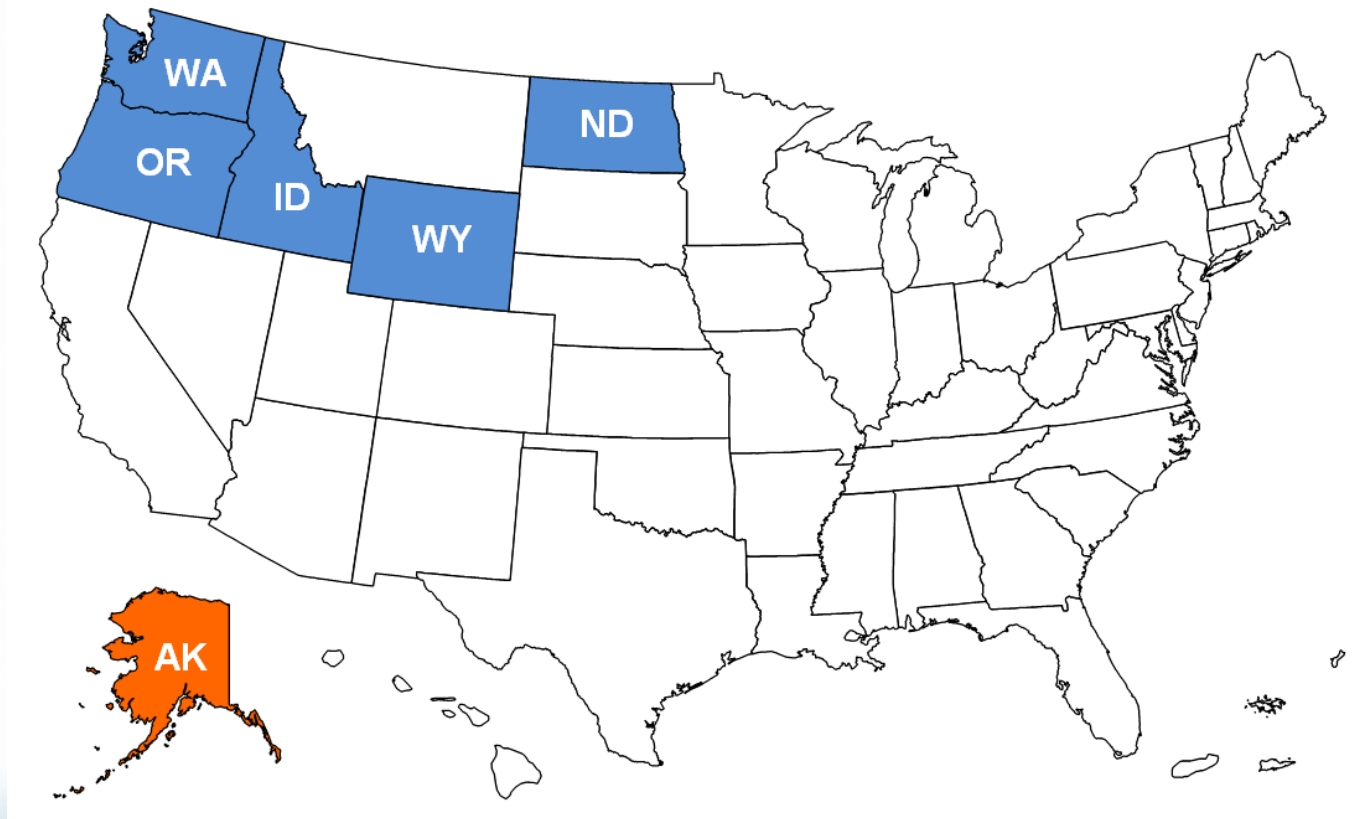


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- Milliman has approximately 2,600 employees, including a consulting staff of 1,300 qualified consultants and actuaries.

Overview of Analysis

- Alaska pharmaceutical reimbursement was compared to five states.



Methodology

- Compared allowed charges by state and payer
- Analyzed reimbursement drivers such as dispensing fees and other factors
- Results calculated using three sets of drugs:
 - 20 specialty drugs (defined by the Alaska Health Care Commission)
 - Top 50 generic drugs
 - Top 50 brand name drugs

Methodology

- Results also calculated by payer:
 - Commercial allowed (2010 claims data)
 - Mean, median, and 80th percentile
 - Medicare (2011 claims data)
 - Medicaid (current fee schedules)
 - TRICARE (current fee schedules)
 - VA (current fee schedules)
 - Workers' compensation (current fee schedules)

Results

Relative Payer Reimbursement by State

Payer	Payer Weights ⁽¹⁾	Comparison States						
		AK	ID	ND	OR	WA	WY	Combined ⁽²⁾
Commercial	56.7%	101%	101%	91%	103%	100%	105%	100%
Medicare	28.8%	102%	100%	102%	97%	100%	101%	100%
Medicaid	9.8%	98%	88%	104%	86%	83%	138%	100%
TRICARE	3.0%	100%	100%	100%	100%	100%	100%	100%
VA	1.2%	100%	100%	100%	100%	100%	100%	100%
Workers' Compensation	0.4%	117%	140%	68%	100%	85%	107%	100%
All Payers Combined	100%	101%	99%	96%	99%	98%	108%	100%

1) The payer weights are based on national Rx expenditures data from CMS.

2) The combined values for the comparison states are straight averages of all 5 states.

Results

Relative Payer Reimbursement by State

- Alaska's is 101% of the average for all states and payers combined.
- Alaska's results for commercial and Medicare are similar, at 101% and 102%, respectively, of the comparison state average.
- Results for Medicaid and Workers' Compensation are much more variable since reimbursement is determined by the state.
- TRICARE and VA use national schedules.

Results

Relative Payer Reimbursement Within Each State

Payer	Payer Weights ⁽¹⁾	AK	Comparison States				
			ID	ND	OR	WA	WY
Commercial	56.7%	95%	97%	90%	99%	97%	93%
Medicare	28.8%	105%	105%	112%	102%	107%	98%
Medicaid	9.8%	115%	105%	130%	104%	101%	154%
TRICARE	3.0%	93%	95%	98%	95%	96%	88%
VA	1.2%	51%	52%	53%	52%	52%	48%
Workers' Compensation	0.4%	180%	220%	111%	157%	135%	155%
All Payers Combined	100%	100%	100%	100%	100%	100%	100%

1) The payer weights are based on national Rx expenditures data from CMS.

Results

Relative Payer Reimbursement Within Each State

- Workers' Compensation is the highest payer in each state, except North Dakota.
- Workers' Compensation results also vary the most between states with Medicaid second in the amount of variation.
- VA is the lowest payer for each state by a large margin. The VA amounts are based on a publicly available nationwide schedule, as was TRICARE.

Results

Reimbursement Drivers – Dispensing Fees as % of Total Allowed

Payer	Payer Weights ⁽¹⁾	Comparison States					
		AK	ID	ND	OR	WA	WY
Commercial	56.7%	2.1%	1.8%	2.3%	2.9%	1.7%	1.7%
Medicare	28.8%	2.6%	1.5%	1.9%	1.4%	1.5%	1.5%
Medicaid	9.8%	11.5%	8.4%	2.9%	7.0%	3.4%	2.1%
TRICARE	3.0%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
VA	1.2%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Workers' Compensation	0.4%	0.0%	0.0%	3.1%	0.9%	2.4%	2.1%
All Payers Combined	100%	3.3%	2.4%	2.2%	2.8%	1.8%	1.7%

1) The payer weights are based on national Rx expenditures data from CMS.

Results

Reimbursement Drivers – Dispensing Fees as % of Total Allowed

- Alaska's commercial dispensing fees as a percent of total allowed are similar to most comparison states.
- For Medicare and Medicaid, Alaska's dispensing fee percentages are higher than all comparison states, quite a bit for Medicaid.
- For Workers' Compensation, the Alaska and Idaho reimbursement terms do not identify a separate dispensing fee, so the amount shown is 0%.

Results

Reimbursement Drivers – Pharmacies per Capita and % Urban Population

Pharmacies per 1,000 People		% of Population in Urban Areas			
Alaska	0.13	<u><65</u>	<u>65+</u>	<u>Total</u>	
Idaho	0.18	Alaska	67%	63%	67%
North Dakota	0.23	Idaho	66%	61%	65%
Oregon	0.16	North Dakota	49%	35%	47%
Washington	0.16	Oregon	78%	70%	77%
Wyoming	0.20	Washington	88%	83%	88%
		Wyoming	30%	31%	30%

Notes

- 1) Pharmacies per 1,000 people based on CMS statistics published May 2012.
- 2) Population percentages from the estimated 2007 population based on the 2000 U.S. Census. Urban areas are defined as Metropolitan Statistical Areas.

Results

Reimbursement Drivers – Pharmacies per Capita and % Urban Population

- Alaska's pharmacies per capita are lower than all comparison states, with Oregon and Washington the next closest.
- North Dakota and Wyoming have the most pharmacies per capita although they are the least populated states. They also have the lowest percent of their population in urban areas.
- Alaska has a higher percent population in urban areas than three of the comparison states.

Key Summary Observations

- Greater Consistency for Commercial/Medicare
 - Drug reimbursement differs from non-drug (e.g., hospital and physician). Most retail pharmacy contracts cover multiple states producing reimbursement that is more consistent between states.
- Portion of Population in Urban Areas
 - Although Alaska has fewer pharmacies per capita, the % population in urban areas is greater than three of the comparison states. This may indicate greater use of chain pharmacies with lower costs.

Caveats

- *This presentation has been prepared for the Alaska Health Care Commission (AHCC). To the extent that this presentation is provided to third parties, it should be distributed in its entirety. Any user of the data must possess a certain level of expertise in actuarial science and health care modeling so as not to misinterpret the data presented.*
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- *This analysis has relied extensively on external data sources. This data was reviewed for reasonableness but no independent audit was performed. Should errors or omissions be discovered in the data, the results of our analysis would need to be modified.*
- *Due to the complexity of reimbursement terms for some payers and the limited data available to evaluate these terms, some simplifying assumptions were made when using these terms. These assumptions are considered reasonable and representative of the final results.*