



Trends in Alaska's Health-Care Spending

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All Americans spend a lot to get health care—but Alaskans spend the most per resident, face the highest insurance premiums, and have seen overall spending grow much faster. Here we highlight some trends in Alaska's health-care spending since the 1990s, based on existing publically available data that allow us to compare changes in Alaska and nationwide. A chart book with much more detail is available on ISER's website. We hope this broad information on trends in health-care spending will help Alaskans better understand what happened, consider possible reasons why, and think about potential ways to change the upward spiral.

HEALTH-CARE SPENDING, ALASKA AND U.S., 1991-2014

An important source of information on health-care spending is the federal Centers for Medicare and Medicaid Services (CMS), which publishes data on personal health-care spending in individual states and the U.S. as a whole. But it publishes that data only at five-year intervals. The most recent update was in 2017, with information from 1991 through 2014.

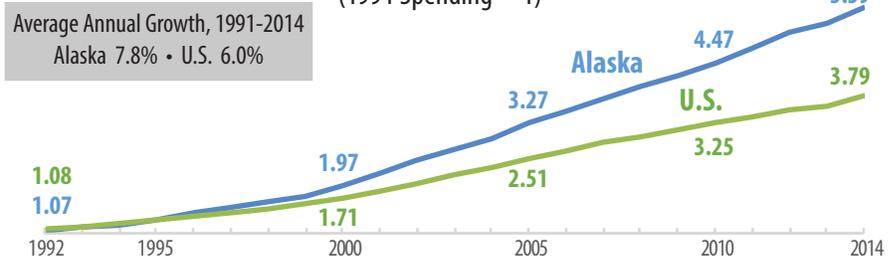
- *In less than 25 years, Alaska's spending for health care increased more than 5 times over. Spending was \$1.5 billion in 1991, \$4.8 billion in 2005, and \$8.2 billion by 2014 (Figure 1).*
- *Alaska's health-care spending grew just slightly faster than the national average until the mid-1990s, but after 2000 it began growing much faster. By 2005 spending in Alaska was triple what it had been in 1991, while nationwide it was about 2.5 times more. In 2014, spending in Alaska was 5.6 times what it had been in 1991, compared with a national increase of just under 4 times (Figure 2).*
- *From 1991 through 2014, health-care spending grew on average 7.8% a year in Alaska and 6.0% nationwide (Figure 2).*
- *Spending per person in Alaska and across the country was about the same in 1991, but by 2014 it was more than a third higher in Alaska. Spending in Alaska and across the country was around \$2,600 per person in 1991. That spending increased a lot in both Alaska and the entire U.S. over the years—but the jump in Alaska was bigger, so that by 2014 spending was more than \$11,000 per person in Alaska, compared with around \$8,000 nationwide (Figure 3).*

Figure 1. Alaska Health-Care Spending
(In Billions of Dollars)



Source: Centers for Medicare and Medicaid Services (CMS)

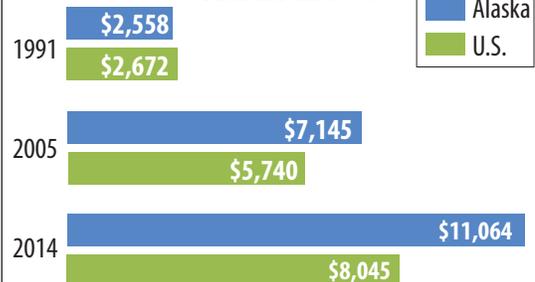
Figure 2. Growth in Health-Care Spending, Alaska and U.S., 1991-2014
(1991 Spending = 1)



Average Annual Growth, 1991-2014
Alaska 7.8% • U.S. 6.0%

Source: Authors' calculations, based on data from Centers for Medicare and Medicaid Services (CMS)

Figure 3. Health-Care Spending Per Person, Alaska and U.S.



Source: Centers for Medicare and Medicaid Services (CMS)

SPENDING BY CATEGORY, 1991 AND 2014

Not all categories of health-care spending grew at the same pace between 1991 and 2014. There were changes in both Alaska and the U.S. as a whole—but the changes differed (Figure 4).

- *Hospital care still takes the largest share of the health-care dollar, in both Alaska and nationwide. But that share declined somewhat between 1991 and 2014—from 43.2% to 42.6% in Alaska and from 41% to 38% nationwide.*
- *Care by doctors accounts for the next largest share of spending in Alaska and around the country. But in Alaska that share increased between 1991 and 2014, from 27.4% to 30.4%, while nationwide it dropped, from 26% to 23.3%.*
- *The category “other health, residential, and personal care” has become a larger share of spending in Alaska and nationwide. But the increase was bigger in Alaska, up from 3.8% to 7.2%, compared with from 4% to 6% in the entire country. This category includes several kinds of spending, but CMS reports the largest is the waiver that allows Medicaid coverage for some kinds of care in community centers or homes.*
- *Prescription drugs are taking a bigger share of the health-care dollar in the U.S. on average, but not in Alaska. Nationwide, prescription drugs accounted for 10% of spending in 1991 but 14% in 2014—while in Alaska, that share dropped from almost 10% to under 6%. We found no explanation for that slower growth, at a time when the rising cost of prescription drugs was often in the news.*
- *Dental care makes up a smaller share of spending than it used to, around the country and in Alaska. But the drop was considerably bigger in Alaska—from 7% in 1991 to under 5% by 2014.*
- *Nursing home care accounts for less of total health-care spending in Alaska and across the country, but the share for home health care is growing. Home health care includes nursing and other services private agencies provide in homes. But despite the growth, it remains a small part of total spending—less than 2% in Alaska in 2014.*

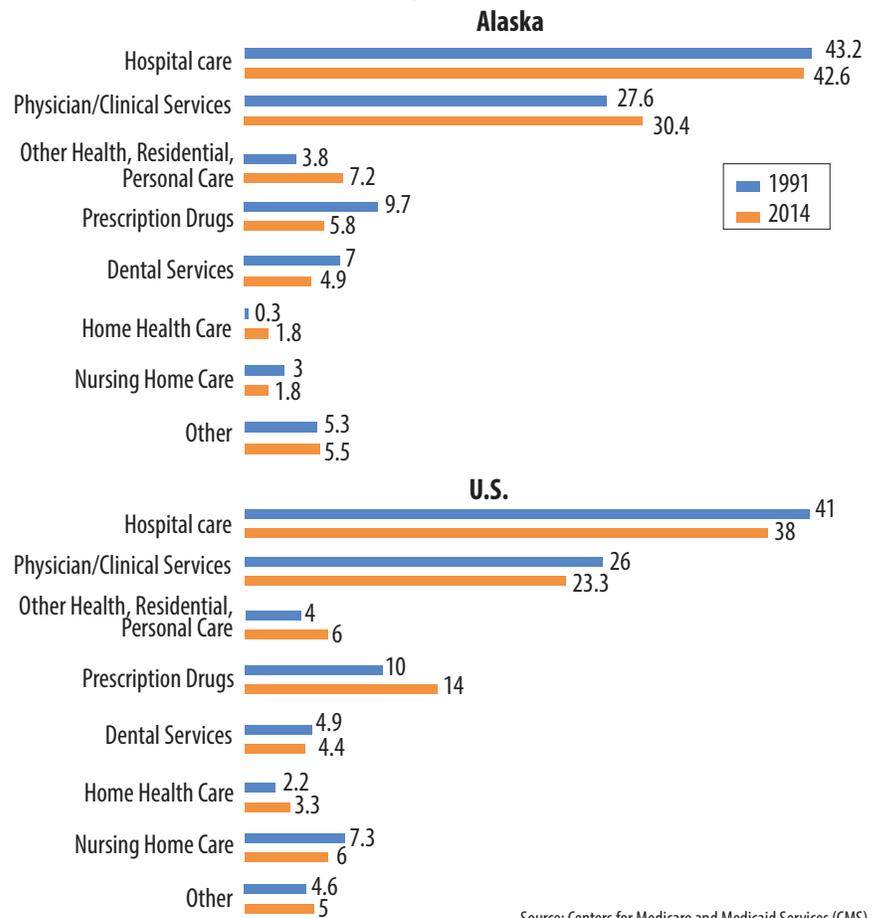
PUTTING GROWTH IN CONTEXT

We’ve shown that Alaska’s spending for health care is multiple times more now than it was 25 years ago, and Figures 5 and 6 help put that very fast growth in context.

- *The total Anchorage consumer price index (CPI) was up 77% from 1991 through 2017—but the the medical care part of the index was up 210%. So prices for medical items in the CPI increased nearly three times faster than prices in the overall CPI.*

The federal government reports the CPI, which is the most widely used gauge of inflation in the country. It measures change in prices over time, for a specific market basket of goods and services, in various areas and nationwide. In Alaska, the only CPI is for Anchorage.

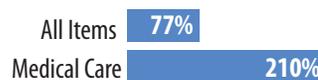
Figure 4. Changing Composition of Health-Care Spending, 1991-2014
(Percentage Distribution)



Source: Centers for Medicare and Medicaid Services (CMS)

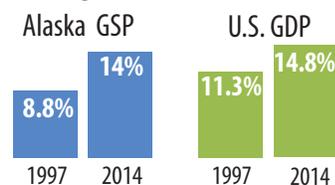
- *Health-care spending accounts for a bigger share of the value of all goods and services produced now than in the 1990s, in Alaska and nationwide. That value is called the gross state product (GSP) in individual states. For the entire U.S. it’s called the gross domestic product (GDP). How much health-care spending contributes to total GSP is a measure of its economic importance. Alaska’s GSP is, however, more volatile than the national measure, because the value of oil produced is a big part of Alaska’s GSP—and that value changes with higher or lower oil prices.*

Figure 5. Increase in Anchorage Consumer Price Index, All Items and Medical Care, 1991-2017



Sources: U.S. Bureau of Labor Statistics, Anchorage CPI for All Urban Consumers

Figure 6. Health-Care Spending as Percentage of Gross State Product



Sources: U.S. Bureau of Economic Analysis; Centers for Medicare and Medicaid Services (CMS)

PREMIUMS AND DEDUCTIBLES

Another way of looking at health-care spending is what workers and their employers pay for coverage.

Figure 7 shows growth in average annual premiums for family coverage, from 2003 through 2016—in Alaska and nationwide—for private employer insurance. Premiums across the U.S. nearly doubled during that time, but they more than doubled in Alaska.

- Family premiums in Alaska were 27% above the U.S. average in 2016—nearly double the 14% difference in 2003. The gap widened because Alaska premiums grew faster.

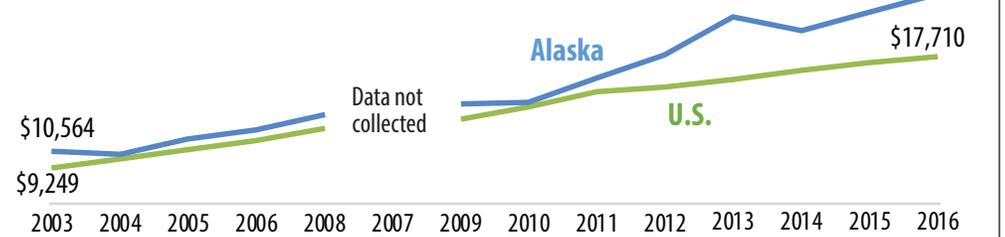
Both employees and employers contribute to health-insurance premiums, and the left side of Figure 8 shows Alaska employee and employer contributions in 2015.

- Alaska employers paid on average \$16,680, or about 79%, of the total 2015 premium of \$21,089. Employees paid on average \$4,409, or 21%.

Workers also have to pay some specific amount—a deductible—before their insurance starts to pay. Figure 8 shows that the average deductible employees paid for family coverage in 2015 was \$2,629.

- Premiums and deductibles combined totaled \$7,038 for Alaska employees with family coverage in 2015. Employees pay their share of the premiums, whether or not they use their insurance—but if they do use it, they have to pay the deductible before insurance pays.

Figure 7. Average Annual Family Premiums, Private Employer-Based Health Insurance, Alaska and U.S. Average, 2003-2016

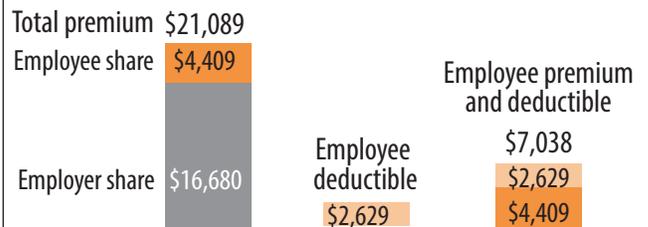


Note: The small MEPS sample in Alaska makes the data more variable and subject to error than national data.

Source: U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality: Medical Expenditure Panel Survey (MEPS)

Figure 8. Alaska Employee and Employer Costs, 2015

Private Employer-Based Insurance, Family Coverage



Source: U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality: Medical Expenditure Panel Survey (MEPS)

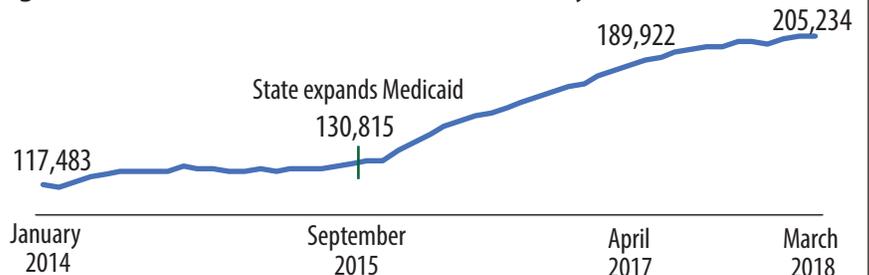
MEDICAID ENROLLMENT AND SPENDING

Yet another aspect of health-care spending that's in the news is spending for Medicaid, the program for low-income Americans that's jointly paid for by the federal and state governments.

- Alaska's Medicaid enrollment in March 2018 was 50% larger than in September 2015, when the state expanded its program (Figure 9). The expansion, under terms of the Affordable Care Act (ACA), covers single people 19 to 64, with incomes up to 138% of the federal poverty guideline.
- Medicaid spending for Alaskans is projected to be \$2.3 billion in fiscal year 2019, up from \$1.7 billion in 2015 (Figure 10). The federal government is expected to pay 69% of that total. It has paid all the costs of newly-eligible people in the early years and will pay most of the costs in later years, under terms of the ACA.

A lot of the growth in enrollment and spending for Medicaid happened because the expansion made more Alaskans eligible. But at the same time, Alaska has been in a recession that cost the state jobs—and some people who lost jobs and income may also have become eligible for traditional Medicaid. That covers specific low-income groups: children, single-parent families, pregnant women, and the elderly and disabled.

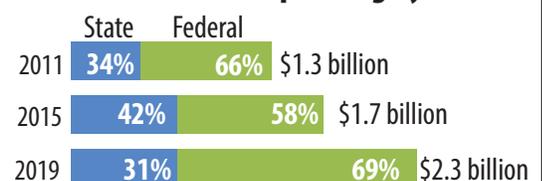
Figure 9. Alaska Medicaid Enrollment, January 2014 - March 2018*



*Includes traditional Medicaid, Medicaid expansion, and Denali KidCare, Alaska's Children's Health Insurance Program (CHIP).

Source: Kaiser Family Foundation, State Health Facts

Figure 10. Alaska Medicaid Spending by Source*



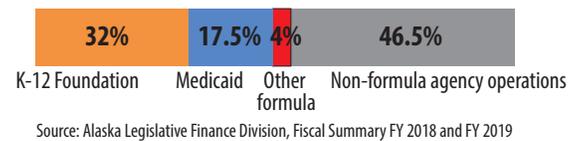
*Fiscal years; 2019 spending projected

Sources: Alaska Office of Management and Budget; Alaska Legislative Finance Division

- Spending for Medicaid is projected to make up about 17.5% of the state's unrestricted general fund budget for agencies in fiscal year 2019 (Figure 11). It's the state's second largest formula program, after the school foundation program—which helps pay for schools throughout the state. Formula programs are based (as the name implies) on formulas that specify who can qualify and how benefits are calculated.

The unrestricted general fund pays for most general government operations. The entire state budget also includes other state funds and federal grants, but there are more restrictions on spending that money.

Figure 11. Governor's FY 2019 Budget, Unrestricted General Fund Spending for Agency Operations, FY 2019 (\$3.9 Billion)



CHANGES IN ACA ENROLLMENT

Congress passed the Affordable Care Act in 2010, subsidizing the costs of health insurance for Americans who couldn't otherwise afford it. Those subsidies are available only to those who buy individual policies through the insurance marketplaces the ACA established.

The ACA also required everyone to carry some form of insurance. That provision was intended to help keep premiums lower, by increasing the number of younger, healthier people taking out policies—and so spreading the higher costs of older, sicker people among a bigger pool.

But in 2017 Congress eliminated the requirement that everyone carry insurance, effective in 2019. There are also attempts underway to eliminate the ACA provision that prohibits insurance companies from denying coverage to people with "pre-existing conditions"—that is, conditions that might be expensive to treat. It's unclear what will happen going forward.

Figure 12 shows trends in enrollment in ACA health-insurance plans, from 2014—when ACA plans became available—through the first half of 2017.

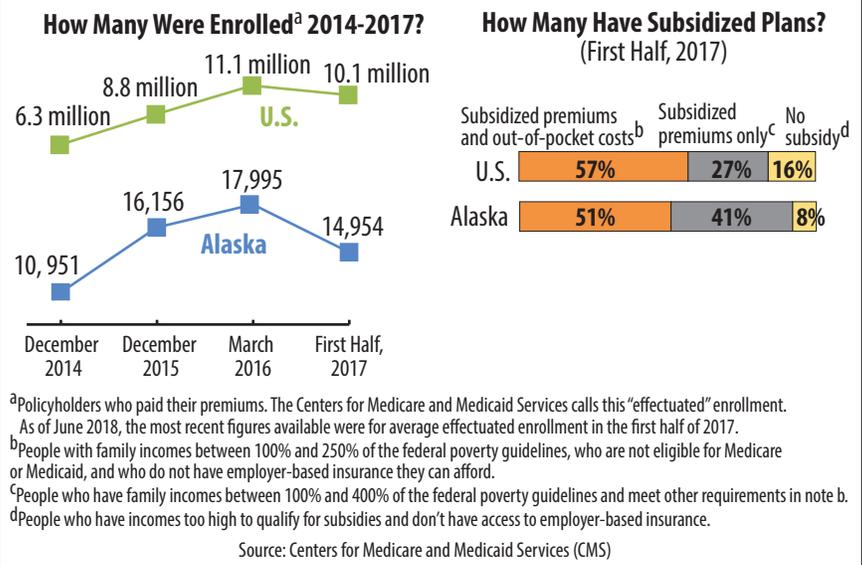
- Enrollment climbed through early 2016 and then declined in the first half of 2017, both in Alaska and nationwide. But the drop was considerably steeper in Alaska—about 17%. We don't know how those numbers may have changed in the second half of the year, because those figures aren't available as of mid-2018.
- Most ACA policyholders get federal subsidies, in Alaska and around the country—but the percentage is higher in Alaska. In 2017, 92% of Alaska policyholders got some subsidy, compared with 84% in the U.S. as a whole. The breakdown within subsidies is also different in Alaska, where a bigger share of policyholders have just their premiums subsidized, and a smaller share have both premiums and out-of-pocket costs subsidized.

SUMMARY

The information we've presented here essentially just describes how health-care spending—and some individual aspects of that spending—have changed since the 1990s, in Alaska and nationwide. We didn't attempt to analyze what drove the changes.

This summary and the detailed data available online (see adjacent box) are intended to provide a range of information about trends in health-care spending, make it easier for people to find and use that information—and potentially, to raise questions about what has been driving the spiraling costs of health care.

Figure 12. Alaska and U.S. Enrollment in ACA Plans



ABOUT THE AUTHORS

The authors all work for ISER. Jessica Passini is a research professional, Rosyland Frazier is a senior research professional, and Mouhcine Guettabi is an associate professor of economics.

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TRENDS IN ALASKA'S HEALTH-CARE SPENDING

This summary draws from a larger dataset, compiled by the same authors, detailing trends in many aspects of Alaska health-care spending since the 1990s. It is in Excel format, and is available online at:

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