

Notice 2015-16

From: Brown, Stormy <stormybrown@kpb.us>
Sent: Tuesday, May 05, 2015 4:04 PM
To: Notice Comments
Subject: Notice 2015-16

On behalf of the Kenai Peninsula Borough (KPB) (county government) in Alaska, I am providing comments regarding the potential excise tax regulations provided in notice 2015-16. As a health plan administrator of a self-funded health plan for my employer and employees at the KPB, as well as a personal consumer of health care in Alaska, I respectfully submit my comments regarding the continued development of regulations relating to the excise tax under the Affordable Care Act.

With respect to the 40% excise tax intended on "excess benefits," which are suggested as those which will eclipse \$10,200 for an individual and \$27,500 as dollar limit thresholds for a family in 2018, the Treasury is respectfully requested to include regulations for geographic scaling/differentials of these amounts.

In the state of Alaska, where I manage a health plan and covered participants for my employer, the cost of health care exceeds the national average significantly.

- The Anchorage Economic Development Corporation noted that the cost of health care in Anchorage is the fourth highest in the nation – behind Fairbanks, Juneau and Kodiak. A physician's office visit is **62.5% higher than the national average**^[1].
- The Institute of Social and Economic Research at UAA (ISER) found that the costs of many common healthcare services in Alaska is higher than the average cost nationwide, including 35% higher doctor's fees and 56% higher average hospital costs per day^[2].
- Alaskans do not have easy access to travel to states with lower cost health care. This geographic isolation limits competition and keeps health care costs high. This also means that Alaskans are already forced to make choices about wellness based on the prohibitive costs of travel.

We already pay significantly more for health care delivery than in any other state in the union.

Without demographic scaling, the residents of Alaska and their employers will endure additional undue hardship. It costs significantly more to provide services to a population in Alaska than it does to provide the same services to an equivalent population in Minnesota or Kentucky. According to the Kaiser Family Foundation, the premium for the lowest cost Bronze plan in 2015 for a 40 year old non-smoker in Anchorage, Alaska was approximately **2.6 times higher** than the cost of the benchmark plan in Phoenix, AZ or Nashville, TN, and almost 3 times higher than the cost of the benchmark plan in Louisville, KY, Minneapolis, MN, or Albuquerque, NM. If geographic differentials are not identified, many Alaska employers may be forced to significantly reduce benefit coverage to a minimal level or drop coverage altogether. Employees will have to make tough choices too, perhaps opting out of coverage. The shift may also further burden our public programs and limited providers available in the Medicaid network in Alaska. In the end, the result would inordinately affect both individual wellness and the economy in our state. This surely was not the intention of the Affordable Care Act.

Therefore, I request that further excise tax regulations recognize and address the existing impact that geographic differences *already* play in the cost of health care delivery and plans in states like Alaska by providing geographic differentials to the formulas for the tax.

Respectfully,

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^[1] 2014 Anchorage, Alaska Cost of Living Index, Anchorage Economic Development Corporation, sourced from the Council for Community and Economic Research (C2ER)

^[2] Mark A. Foster and Scott Goldsmith, Alaska's Health-Care Bill: \$7.5 Billion and Climbing, UA Research Summary No. 18, August 2011