



KENAI PENINSULA BOROUGH

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MIKE NAVARRE
BOROUGH MAYOR

MEMORANDUM

TO: Gary Knopp, Assembly President
Members, Kenai Peninsula Borough Assembly

FROM: Mike Navarre, Mayor *MN*

DATE: February 2, 2012

SUBJECT: Ordinance 2011-19-10, appropriating \$200,000 to hire consultants to assist the borough in determining the course of action to pursue regarding curtailing health care costs

The cost of health care has risen dramatically within the last 11 years. Currently the borough spends in excess of \$18,660 per employee for health care as compared to \$6,055 in FY2000. The school district currently spends approximately \$17,436 per employee on an annual basis for health care and these expenses are anticipated to continue increasing. The combined cost of health care for employees of the KPB and KPBSD is in excess of \$23 million annually. Additionally, the rising cost of health care is increasing the borough and school district's liability for PERS and TRS as a result of the unanticipated escalation of health care costs in those systems. The private sector is similarly faced with dramatically increased health care costs that show no sign of declining.

In June 2011, the former borough administration began holding meetings with representatives from the school district, Central Peninsula Hospital, South Peninsula Hospital, and the cities of Kenai, Homer, Soldotna and Seward to consider what options may be available to reduce healthcare costs. My administration is continuing this important project. Independent expertise is now needed to assist the group in identifying potential mechanisms for reducing health care costs as well as identifying and comparing options and strategies to consider in addressing the rapid changes in national health care laws.

These funds are requested to hire outside experts in the health care and health insurance fields to assist in identifying and potentially implementing mechanisms to achieve these goals.

Another benefit of this appropriation is the ability to monitor the ever changing health care landscape with the goal of identifying opportunities and strategies to reduce health care costs to all KPB residents.

A study by the University of Alaska, Institute of Social and Economic Research included the following information on health care costs in Alaska:

- *Health-care spending for Alaskans reached about \$7.5 billion in 2010. For comparison, that's close to half the wellhead value of all the oil produced in Alaska that year. It's also roughly equal to half the wages Alaskans collected in 2010.*
- *The state's health-care spending has been rising fast, tripling since 1990 and jumping 40% just between 2005 and 2010—and at current trends it could double by 2020, reaching more than \$14 billion.*

I believe health care and associated issues are the biggest set of challenges facing our nation and our communities. We simply do not have adequate resources or expertise in house to address the many issues and changes in health care. We have a responsibility to face these coming challenges and to attempt to find the best solutions.

FINANCE DEPARTMENT FUNDS VERIFIED	
Acct. No.	<u>100,27900 FB</u>
Amount	<u>\$200,000.00</u>
By:	<u>CBSW</u> Date: <u>2/2/12</u>
	<u>C. Chap</u>