


Proposal Title	Vision for Standard DVA (R026)	
Health Plan Affected	Retiree Standard DVA Plan	
Proposed Effective Date	January 1, 2025	
Reviewed By	Retiree Health Plan Advisory Board	
Review Date	05/30/2024, 06/21/2024, 08/08/2024	

Contents

1) Background	1
2) Objectives	2
3) Summary of Proposed Changes for the Standard DVA Plan Only	2
4) Analysis	3
5) Impacts	4
Actuarial Impact to AlaskaCare Increase	4
Financial Impact to AlaskaCare Decrease	4
Member Impact Enhancement	4
Operational Impact (DRB) Neutral	8
Operational Impact (TPA) Neutral	8
Provider Impact Low	9
6) Implementation and Communication Overview	9
7) Proposal Recommendations	9
DRB Recommendation	9
RHPAB Board Recommendation	9
Commissioner of Administration Recommendation	9
Combined Actuarial and Financial Impacts 	10

1) Background

Upon retirement, AlaskaCare retirees may choose to participate in a voluntary Dental-Vision-Audio (DVA) plan to provide coverage for themselves and their eligible dependents. The AlaskaCare Retiree Dental-Vision-Audio (DVA) plan is only funded by members’ monthly premium payments (there are no state contributions). The Division works to maintain these benefits while keeping premiums affordable. Effective for plan year 2020, AlaskaCare began offering two retiree dental plan options, the Legacy Dental Plan, and the Standard Dental Plan. Although the Legacy and Standard dental plans have different dental coverage provisions, they have had identical vision and audio benefits.

The Legacy dental plan is the plan that was in place prior to 2014 and one of its noteworthy differences from the Standard dental plan is that it reimburses out of network providers at a higher rate. The Division has committed to maintaining the Legacy plan as an option for members to choose during annual open enrollments and to maintain fidelity with the plan provisions that were in place prior to 2014.

DRAFT – For Consideration

Going forward there will be two DVA packages or plans, the Legacy DVA plan and the Standard DVA plan. This proposal discusses changes to the vision benefits in the Standard DVA Plan only. Currently, coverage for vision services is offered under an indemnity plan arrangement. The current vision coverage does not utilize a network and has a fixed cost sharing arrangement for covered services. Members must pay for services and supplies up front and then file claims for reimbursement. This results in a less customer-friendly experience and doesn't provide members with any network discounts.

2) Objectives

- a) Optimize member support in maintaining optical health.
- b) Offer a modernized vision plan option.
- c) Provide better value to members.
- d) Improve the vision plan customer experience.

3) Summary of Proposed Changes for the Standard DVA Plan Only

Two changes are being considered:

1. Implement the VSP provider network. With a network provider, members would only be responsible for copayments and charges for options that exceed the plan benefit. Network providers would determine the member cost share, file a claim with VSP, and only bill the member for their appropriate portion. Plan reimbursements for services and supplies obtained from out-of-network (OON) providers must be lower than those for network providers. Members who obtain care from an out-of-network provider will be responsible for an increased share of the costs under the Standard DVA plan than they would under the Legacy DVA plan. Members residing more than 25 miles from a network provider should contact VSP for special claim handling.
2. Enhance the network benefit allowances to reduce retiree costs for a variety of vision products and services.

Below is a table outlining the current vision benefits offered under the Standard Plan:

Coinsurance	
All Services	80%
Benefit Maximums	
Examinations	One per benefit year
Lenses	Two per benefit year (one for each eye)
Frames	One set every two benefit years
Aphakic and contact lens lifetime maximum	\$400

Under the proposed enhancement, benefits would be structured as follows:

Frequencies	Proposed VSP Signature Plan
Examination	Every 12 Months
Lenses	Every 12 Months
Frame	Every 24 Months
Benefits with a VSP Network Provider	
Examination	\$10 Copay
Contact Lens Examination	\$60 Copay
Essential Medical Eyecare	\$20 Copay

DRAFT – For Consideration

Lenses/Frame	\$10 Copay
Lenses	
Single Vision	Covered
Lined Bifocal	Covered
Lined Trifocal	Covered
Allowances	
Retail Frame	\$200 (currently \$150)
Featured Frame Brand	\$220
Walmart/Sam’s Club/Costco Frame Allowance Match	\$200
Elective Contact Lenses <i>In lieu of lenses or frames</i>	\$150
Lens Enhancement Out-of-Pocket Cost	
Anti-Reflective	Covered
Polycarbonate Lenses	Covered
Scratch-Resistant	Covered
Standard Progressive	Covered
Custom and Premium Progressive	Covered
Photochromic & Tints	Up to 40% Discount
All Other Lens Enhancements	Up to 40% Discount
Out of Network Provider Allowances	
Examination	\$100
Single Vision	\$75
Lined Bifocal	\$115
Lined Trifocal	\$130
Lenticular	\$185
Progressives	\$115
Frame	\$70
Necessary Contact Lenses	\$210
Elective Contact Lenses <i>In lieu of lenses or frames</i>	\$135

4) Analysis

Retirees would have the opportunity to elect a modern plan with a national network that provides enhanced vision benefits with reduced copays for comprehensive eye exams, lenses, and frames. Members utilizing the VSP network would not need to file vision claims and would know their out-of-pocket costs when selecting the options for services, spectacles, and contact lenses. In Alaska, members that utilize vision benefits are expected to realize the following savings over the usual & customary charges: exams 69%, single vision lenses 43%, bifocal and trifocal lenses 35%, and frames 29%. Nationally, members that utilize the VSP network for vision benefits will see savings of 64% savings on exams, 53% on single vision lenses, 52% on bifocal lenses, 38% on trifocal lenses, and 34% on frames. Members using a VSP network provider will have their comprehensive eye exams covered in full after a \$10 copay, a \$200 frame allowance (or \$220 for featured frames) every two years after a \$10 copay, covered single vision, lined bi-focal, and lined tri-focal lenses every year and a contact lens allowance of \$150 annually. Medically necessary contact lenses are covered in full. Covered in full lens enhancements include anti-reflective coatings, polycarbonate lenses, scratch coatings, and all progressive lenses.

5) Impacts

Actuarial Impact to AlaskaCare | Increase

The network saving will reduce the plan paid by \$2.27M or 4.2% while enhancing the benefits. There will be an increase in the actuarial value resulting from the plan covering a higher portion of the overall claim payment due to shifting from 20% coinsurance to smaller copayments. The increase in actuarial value will be approximately 6%.

Financial Impact to AlaskaCare | Decrease

The financial impact is based on the most recent retiree Dental, Vision, and Audio (DVA) claims projection of approximately \$52,688,000 for 2024 (dated August 31, 2023) and trended forward at 3% to \$54,269,000 for 2025. The financial impact will be limited to retirees who select the Standard plan. The impact to the plan is estimated to be a savings of \$2,270,000, or 4.2%, primarily due to savings from the introduction of a network. The impact to the actuarial value noted above represents the impact to the Standard Plan only. There is no impact to the members who select the Legacy Plan and their associated Vision and Audio portions of the program.

Member Impact | Enhancement

Members of the Retiree Standard DVA plan would generally benefit from the implementation of the VSP provider network. However, if a member enrolled in the Standard DVA plan were to seek services from an out-of-network provider, the out-of-pocket costs would be significantly greater than if they were enrolled in the legacy DVA plan. Below are several examples outlining the differences between in network and out of network providers and what the associated costs might be for a variety of services. These examples were gleaned from actual claim data and extrapolated to what the VSP plan would have covered.

	Service	Amount Billed (U&C)	Retiree Cost with Current DVA Plan	SOA Cost with current DVA Plan	Retiree Cost with VSP Plan	SOA Cost with VSP Plan
In Network Example #1	Exam with Copay	\$318.00	\$63.60	\$254.40	\$10.00	\$95.53
	Frame	\$325.00	\$89.00	\$236.00	\$100.00	\$118.92
	Single Vision Lens	\$90.00	\$18.00	\$72.00	\$10.00	\$64.26
	Polycarbonate Lens	\$50.00	\$10.00	\$40.00	Covered	\$33.00
	Anti-Reflective Coating	\$138.00	\$27.60	\$110.40	Covered	\$61.00
	Retiree /SOA Out of Pocket	\$921.00	\$208.20	\$712.80	\$120.00	\$372.71

DRAFT – For Consideration

	Service	Amount Billed (U&C)	Retiree Cost with Current DVA Plan	SOA Cost with current DVA Plan	Retiree Cost with VSP Plan	SOA Cost with VSP Plan
In Network Example #2	Exam with Copay	\$336.00	\$67.20	\$268.80	\$10.00	\$95.53
	Frame	\$440.00	\$204.00	\$236.00	\$192.00	\$118.92
	Trifocal Lens	\$425.00	\$85.00	\$340.00	\$10.00	\$112.43
	Progressive Lens (Add on Cost)				Covered	\$120.00
	Polycarbonate Lens	\$75.00	\$15.00	\$60.00	Covered	\$33.00
	Anti-Reflective Coating	\$138.00	\$27.60	\$110.40	Covered	\$61.00
	Photochromic Lens - Transitions	\$120.00	\$120.00	-	\$70.00	-
	Retiree/SOA OOP on DOS	\$1534.00	\$518.80	\$1015.20	\$282.00	\$540.88
(OOP) on Day of Service (DOS)						

DRAFT – For Consideration

	Service	Amount Billed (U&C)	Retiree Cost with Current DVA Plan	SOA Cost with current DVA Plan	Retiree Cost with VSP Plan	SOA Cost with VSP Plan
In Network Example #3	Exam with Copay	\$318.00	\$63.60	\$254.40	\$10.00	\$95.53
	Elective Contact Lens Fitting and Evaluation	\$68.00	\$13.60	\$54.40	\$57.80	-
	Retiree OOP for Contact Lens Professional Services	\$386.00	\$77.20	\$308.80	\$67.80	\$95.53
	Contact Lenses	\$350.00	\$249.20	\$100.80	\$350.00	\$150.00
	Less Elective Contact Lens Allowance	\$75.00	N/A	N/A	(\$150.00)	N/A
	Retiree OOP for Contact Lens Materials	\$350.00	\$249.20	\$100.80	\$200.00	\$150.00
	Retiree/SOA OOP on DOS	\$736.00	\$326.40	\$409.60	\$267.80	\$245.53

DRAFT – For Consideration

	Service	Amount Billed (U&C)	Retiree Cost with Current DVA Plan	SOA Cost with current DVA Plan	Retiree Cost with VSP Plan	SOA Cost with VSP Plan
Out of Network Example #1	Exam with Copay	\$325.00	\$65.00	\$260.00	\$225.00	\$100.00
	Frame	\$76.00	\$15.20	\$60.80	\$6.00	\$70.00
	Single Vision Lens	\$119.00	\$23.80	\$95.20	\$44.00	\$75.00
	Polycarbonate Lens	\$42.00	\$8.40	\$33.60	\$9.00	\$33.00
	Anti-Reflective Coating	\$120.00	\$24.00	\$96.00	\$83.00	\$37.00
	Retiree/SOA OOP on DOS	\$682.00	\$136.40	\$545.60	\$367.00	\$315.00

DRAFT – For Consideration

	Service	Amount Billed (U&C)	Retiree Cost with Current DVA Plan	SOA Cost with current DVA Plan	Retiree Cost with VSP Plan	SOA Cost with VSP Plan
Out of Network Example # 2	Exam with Copay	\$360.00	\$72.00	\$288.00	\$260.00	\$100.00
	Frame	\$99.95	\$99.95	-	\$29.95	\$59.99
	Bifocal Lens	\$119.95	\$23.99	\$95.96	\$29.95	\$119.95
	Progressive Lens					
	Polycarbonate Lens	\$60.00	\$12.00	\$48.00	\$60.00	\$33.00
	Retiree/SOA OOP on DOS	\$639.90	\$207.94	\$431.96	\$316.95	\$312.94

Member Premium Impact | Decrease

The DVA plan is fully insured and funded by member paid premiums. Any increase in plan costs may have an impact on the premium rates which are displayed below. Based on the available data, Segal predicts that the implementation of the VSP proposal would decrease member premiums by as much as 9.4% in 2025.

Premiums with Standard DVA Plan	Plan Year 2024	VSP Standard Plan Addition
	Retiree Only	\$69
Retiree & Spouse	\$138	\$125
Retiree & Child(ren)	\$125	\$113
Retiree & Family	\$196	\$178

Operational Impact (DRB) | Neutral

The Division anticipates minimal operational impacts. The Division will follow the standard process for making plan changes per 2 AAC 39.390 and provide directions to the Third-Party Administrator to implement the vision plan changes. Once the implementation activities are complete, the Division does not anticipate any additional operational impact.

Operational Impact (TPA) | Neutral

The impact to the medical Third-Party Administrator (TPA), Aetna is anticipated to be low. The TPA will need to update the claim adjudication processes and systems to update the annual accumulators. These activities will be a one-time effort that should not require significant work by the TPA.

DRAFT – For Consideration

Provider Impact | Low

In Alaska there is a network provider within 25 miles for 98.8% of members and nationally, 92.4% of members live within 25 miles of a VSP provider. Today, seven of the top ten providers utilized are in VSP's network (63% of claims spend) and thirty-eight of the top 60 providers are in VSP's network (55% of claims spend).

6) Implementation and Communication Overview

Division staff already have a relationship with VSP as a subcontractor of the medical TPA, Aetna.

Division staff will follow the standard process for making changes to the Defined Benefit retiree plan, which includes completion of the following:

- Proposal analysis and stakeholder input
- Public comment period(s)
- Any needed language updates to the AlaskaCare Retiree Insurance Information Booklet
- Education outreach to benefit recipients

7) Proposal Recommendations

DRB Recommendation

The Division recommends/does not recommend implementation of Option XX

RHPAB Board Recommendation

The RHPAB board voted on ###/###/## to recommend/not to recommend Option XX

Commissioner of Administration Recommendation

The plan administrator made the determination on ###/###/## to recommend/not recommend implementation of Option XX

Combined Actuarial and Financial Impacts |

The impact of each of these proposed options, separately and together, is illustrated in the table below.

	Actuarial Value Increase Dental	Actuarial Value Increase Vision	Claims Increase/(Savings) Dollar Amount	Claims Increase/(Savings) Percent Change
Preventive First	4.3%	0.0%	\$1,150,000	2.1%
Increase Benefit Maximum by \$500	1.9%	0.0%	\$500,000	0.9%
Increase Benefit Maximum by \$1000	3.5%	0.0%	\$925,000	1.7%
Preventive First and Increase Benefit Maximum by \$500	5.8%	0.0%	\$1,550,000	2.8%
Preventive First and Increase Benefit Maximum by \$1000	7.3%	0.0%	\$1,950,000	3.6%
Vision Network and Payment Schedule	0.0%	6.0%	(\$2,270,000)	(4.2%)
Preventive First and Vision Network and Payment Schedule	4.3%	6.0%	(\$1,120,000)	(2.1%)
Increase Benefit Maximum by \$500 and Vision Network and Payment Schedule	1.9%	6.0%	(\$1,770,000)	(3.3%)
Increase Benefit Maximum by \$1000 and Vision Network and Payment Schedule	3.5%	6.0%	(\$1,345,000)	(2.5%)
Preventive First, Increase Benefit Maximum by \$500 and Vision Network and Payment Schedule	5.8%	6.0%	(\$720,000)	(1.3%)
Preventive First, Increase Benefit Maximum by \$1000 and Vision Network and Payment Schedule	7.3%	6.0%	(\$320,000)	(0.6%)

Memorandum

To: Ajay Desai, Director, Division of Retirement and Benefits

From: Richard Ward, FSA, FCA, MAAA

Date: April 26, 2024

Re: Addition of VSP Signature Plan for the Standard Plan – Focus on Actuarial and Financial Impact for the Retiree Vision Benefits

The State currently offers the Standard Plan as an option for Retirees which includes coverage for vision services under an indemnity plan arrangement. The vision coverage does not utilize a network and has a fixed cost sharing arrangement for most services.

Below is a table outlining the current vision benefits offered under the Standard Plan:

Coinsurance	
All services	80%
Benefit Maximums	
Examinations	One per benefit year
Lenses	Two per benefit year
Frames	One set every two benefit years
Aphakic and contact lens lifetime maximum	\$400

The State also offers a Legacy Plan option. Currently the only difference compared to the Standard Plan is in the dental benefits. Vision and audio coverage are identical between the Standard and Legacy plans.

Vision benefits are administered by VSP Vision Care (VSP), as a subcontractor to Aetna.

Plan Changes

Two changes are being considered for the Standard Plan:

1. Implementing the VSP provider network and paying non-network providers at levels comparable to network provider payments.
2. Enhancing the payment schedule to reduce retiree costs for a number of products and services:

Benefit Category	Network Benefit
Exam Copay	\$10
Out of Network Exam Allowance	Up to \$100
Elective Contact Lens Fitting & Evaluation Copay	Up to \$60
Material Copay	\$10
Out of Network Single Vision Lens Allowance	Up to \$75
Out of Network Bifocal Lens Allowance	Up to \$115
Frame Allowance (Retail and Wholesale)	\$200
Out of Network Retail Frame Allowance	Up to \$70
Elective Contact Lens Allowance	\$150
Exam/Lens/Frame Monthly Frequency	12/12/24

Payment for services to non-network providers are comparable to those for network providers. Some are higher and some are lower, but in aggregate they are comparable. Members can be balance-billed by non-network providers. For members residing more than 25 miles from a network provider, there is an exception provision that protects the member from balance billing. In those instances, members will be charged at the schedule above and the Plan will cover remaining costs.

No changes are being considered to the vision benefits in the Legacy Plan.

Actuarial Value

The reduction in provider payments is coupled with an enhancement in member coverage. Due primarily to the shift from coinsurance to copays for exams and lenses (material) there will be an increase in the actuarial value as the State will cover a higher portion of the overall claim payment. The increase in actuarial value will be approximately 6%.

Financial Impact

The financial impact is based on the most recent retiree Dental, Vision and Audio (DVA) claims projection of approximately \$52,688,000 for 2024 (dated August 31, 2023) and trended forward at 3% to \$54,269,000 for 2025. The financial impact will be limited to retirees who select the Standard Plan. The impact to the State is estimated to be a savings of \$2,270,000, or 4.2%, primarily due to savings from the introduction of a network. The impact to the actuarial value noted above represents the impact to the Standard Plan only. There is no impact to the members who select the Legacy Plan and their associated Vision and Audio portions of the program.

The impact on premiums will be determined by the Commissioner of Administration and may, or may not align with the expected impact on expenses. This decision will consider the current asset level, and the anticipated future funding needs of the DVA program.

Additional Notes

The data used for this analysis was reviewed, but not audited, and found to be sufficient and credible.

The financial impact estimates are based on the projected 2025 claims costs and the benefit design that would be in place for 2025. No migration is assumed in this analysis. Anticipated changes in enrollment should consider the differences and changes in premiums for the entire program, which will be updated during the summer of 2024.

The above projection is an estimate of future cost and is based on information available to Segal at the time the projection was made. Segal has not audited the information provided. A projection is not a guarantee of future results. Actual experience may differ due to, but not limited to, such variables as changes in the regulatory environment, local market pressure, change in demographics, overall inflation rates and claims volatility.

Projections of retiree costs takes into account only the dollar value of providing benefits for current retirees during the period referred to in the projection. It does not reflect the present value of any future retiree benefits for active, disabled, or terminated employees during a period other than that which is referred to in the projection, nor does it reflect any anticipated increase in the number of those eligible for retiree benefits, or any changes that may occur in the nature of benefits over time.

This document has been prepared for the exclusive use and benefit of State of Alaska, based upon information provided by you and your other service providers or otherwise made available to Segal at the time this document was created. Segal makes no representation or warranty as to the accuracy of any forward-looking statements and does not guarantee any particular outcome or result. Except as may be required by law, this document should not be shared, copied or quoted, in whole or in part, without the consent of Segal. This document does not constitute legal, tax or investment advice or create or imply a fiduciary relationship. You are encouraged to discuss any issues raised with your legal, tax and other advisors before taking, or refraining from taking, any action.

cc: Steve Ramos, Division of Retirement and Benefits
Teri Rasmussen, Division of Retirement and Benefits
Chris Murray, Division of Retirement and Benefits
Noel Cruse, Segal
Debbie Donaldson, Segal
Quentin Gunn, Segal

Premium Impact –

Based on the data available as part of this analysis, the following illustrative rate changes below show the potential impact that the various plan changes may have on premium rates effective January 1, 2025. Final rate determinations will be made by the Commissioner of Administration and are anticipated to consider claims experience, plan changes and potential associated enrollment changes, as well as current and projected DVA asset levels.

Scenario	CY2024 Rates	Preventive First	Incr Max \$500	Incr Max \$1,000	Preventive First & Incr Max \$500	Preventive First & Incr Max \$1,000
Ret Only	\$69	\$72	\$70	\$72	\$73	\$75
Ret + Sp	\$138	\$145	\$141	\$143	\$147	\$149
Ret + Ch	\$125	\$131	\$128	\$130	\$133	\$135
Ret + Fam	\$196	\$205	\$200	\$204	\$209	\$212
Overall Rate Change	0.0%	4.8%	2.1%	3.8%	6.4%	8.1%
Scenario	Vision Standard - No Dental	Preventive First & Standard Vision	Incr Max \$500 & Standard Vision	Incr Max \$1,000 & Standard Vision	Preventive First & Incr Max \$500 & Standard Vision	Preventive First & Incr Max \$1,000 & Standard Vision
Ret Only	\$62	\$66	\$64	\$65	\$67	\$68
Ret + Sp	\$125	\$132	\$128	\$130	\$134	\$136
Ret + Ch	\$113	\$119	\$116	\$118	\$121	\$123
Ret + Fam	\$178	\$187	\$182	\$185	\$190	\$193
Overall Rate Change	(9.4%)	(4.7%)	(7.4%)	(5.6%)	(3.0%)	(1.3%)