


Proposal Title	Preventive First Program and Annual Dental Maximum (R024)	
Health Plan Affected	Retiree Standard DVA Plan	
Proposed Effective Date	January 1, 2025	
Reviewed By	Retiree Health Plan Advisory Board	
Review Date	02/24, 4/9/2024, 5/9/2024, 6/21/2024, 8/8/2024	

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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 DVA plan is only funded by members’ monthly premium payments (there are no state contributions). The Division works to maximize the benefits members receive while keeping premiums affordable. Effective in plan year 2020, AlaskaCare began offering two retiree dental plan options, the Legacy Dental Plan and the Standard Dental Plan, which each have different dental coverage provisions.

The Division contracts with Delta Dental of Alaska for claim administration services for both dental plans. The Division has committed to maintaining the Legacy plan (the DVA plan that was in place prior to 2014) as an option for members to choose during open enrollment. To ensure the Legacy DVA Plan maintains fidelity to the plan that was in place prior to 2014, the Division is considering updates and changes to the Standard DVA Plan only.

One of the most frequent requests the Division receives from members is a desire for improvement and modernization

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of the AlaskaCare DVA plan. The AlaskaCare Standard Dental plan is designed to help retirees offset the cost of their dental care and to support them in maintaining good overall oral health. Currently, the Plan allows for preventive dental services to be covered at 100% coinsurance with no deductible. However, claims for preventive services count toward a member’s annual benefit maximum of \$2,000.

2) Objectives

- a) Support members in maintaining their dental health.
- b) Promote high-value care.
- c) Provide a dental plan option that is modernized and more in line with current dental procedure costs.

3) Summary of Proposed Changes

Two options are being considered for the AlaskaCare Standard DVA Plan.

Option 1. Preventive First

The AlaskaCare Standard DVA plan would add the Delta Dental Preventive First program. Preventive dental care can help members avoid potentially painful and costly restorative treatments down the road. Delta Dental’s Preventive First program covers preventive dental services at 100% coinsurance, and the services are not subject to the deductible, just as these services are covered today. Covered preventive services would not change; services in this category include periodic exams, x-rays, sealants, and fluoride treatment.

The program differs from current practice in that any preventive services paid by the Plan would not count toward a member’s \$2,000 annual allowance for dental services. This drives value for the member by freeing up dollars that would normally be applied towards preventive services and allow those monies to be used for more complicated oral health procedures such as treatment of diseases of the gums, fillings, oral surgeries, crowns, dentures and bridges, and other covered dental services. Implementing Delta Dental’s *Preventive First* program for the Standard DVA plan would provide additional coverage for dental care by exempting preventive services from accruing to the annual benefit maximum.

Option 2. Annual Benefit Maximum

The annual dental benefit maximum is the maximum dollar amount that the AlaskaCare DVA plan will pay out during the year for dental services. The plan currently contains a \$2,000 annual dental maximum found in section 8.1.2, Annual Maximum Benefit, of the Defined Benefit [AlaskaCare Retiree Insurance Information booklet](#).

The AlaskaCare Standard DVA plan would increase the annual benefit maximum from the current amount of \$2,000 to either \$2,500 or \$3,000. There is no impact to the Legacy Dental Plan, the Vision, or the Audio portion of the program.

4) Analysis

Option 1. Preventive First

Removing preventive dental services from counting toward the annual maximum may ease the financial barriers to dental care that members experience once the current \$2,000 annual maximum is reached, potentially improving their clinical outcomes.

	2022	2023
Members Meeting Max	1840 (6% of members)	2130 (7% of members)
Average Members	27,500	28,600

With Preventive First, regular, preventive dental visits and diagnostic services (typically X-rays, exams and cleanings) don’t count against the maximum benefit amount within a plan year, freeing up the annual maximum so it may be used for other covered dental services. The exclusion of preventive services from the annual maximum does not affect coverage

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for restorative (Class II) or prosthetic (Class III) services.

This example is based on two routine checkups and a \$2,000 annual maximum.

Class I Preventive Services	Preventive Visit Cost	Member Pays	Annual Max Remaining
Without Preventive First	\$380	\$0	\$1,620
With Preventive First	\$380	\$0	\$2,000

Option 2. Annual Benefit Maximum

An increase in the annual benefit maximum may ease the financial barriers to dental care that members experience once the current \$2,000 maximum is reached, potentially improving their clinical outcomes. Lack of dental insurance coverage or high out of pocket costs may negatively affect health and lead members to delay or forgo needed care.

5) Impacts

Actuarial Impact to AlaskaCare | Increase

Option 1. Preventive First

The proposed program would result in enhancements to the plan that are favorable for members and promote efficient utilization of services. However, the actuarial impact will increase. Assuming an approximate 1-for-1 dollar substitution for Class II and Class III services for members at the plan maximum combined with additional utilization for members near the plan maximum, it is estimated that the impact to actuarial value for the Standard plan would be an approximately 4.3% increase¹.

Option 2. Annual Benefit Maximum

A \$500 increase to the plan maximum would result in an estimated increase of approximately 1.9% in actuarial value. A \$1,000 increase to the plan maximum would result in an estimated increase of approximately 3.5% in actuarial value².

Actuarial Value – Preventive First and Annual Benefit Maximum

There is some overlap when adding the Preventive First program and increasing the plan maximum as Class I services would not be accumulating to the new maximum. Preventive First plus a \$500 increase to the plan maximum would result in an estimated increase of approximately 5.8% in actuarial value. Preventive First plus a \$1,000 increase to the plan maximum would result in an estimated increase of approximately 7.3% in actuarial value.

Summary	Actuarial value
Option 1 – Preventive First	4.3% increase
Option 2 – Annual Benefit Max	3.5% increase
Both Option 1 & Option 2	7.3% increase

Financial Impact to AlaskaCare | Increase

Option 1. Preventive First

The financial impact is based on the most recent retiree 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 estimated impact would be an additional \$1,150,000 or 2.1% of projected additional claims cost to the program in 2025. This percentage represents the impact to

¹ Segal Memorandum, April 01, 2024, Addition of Preventive First for the Standard Dental Plan-Focus on Actuarial and Financial Impact for the Retiree Dental Plan

² Segal Memorandum, April 01, 2024, Addition of Preventive First for the Standard Dental Plan-Focus on Actuarial and Financial Impact for the Retiree Dental Plan

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the entire DVA program. The impact to the actuarial value noted above represents the impact to the Standard Dental Plan only. There is no impact to the Legacy Dental Plan, the Vision, or the Audio portions of the program.

Option 2. Annual Benefit Maximum

The financial impact is based on the most recent retiree 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 estimated impact of a \$500 increase in the plan maximum would add \$500,000 or 0.9% of additional claims cost to the State in 2025. The estimated impact of a \$1,000 increase in the plan maximum would add an additional \$925,000 or 1.7% of additional claims cost to the State in 2025. These percentages represent the impact to the entire DVA program. The impact to the actuarial values noted above represents the impact to the Standard Dental Plan only. There is no impact to the Legacy Dental Plan, the Vision, or the Audio portion of the program.

Financial Impact – Preventive First and Annual Benefit Maximum

The financial impact is based on the most recent retiree 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 estimated impact of Preventive First and a \$500 increase in the plan maximum would result in \$1,550,000 or 2.8% of additional claims cost to the State in 2025. The estimated impact of Preventive First and a \$1,000 increase in the plan maximum would be \$1,950,000 or 3.6% of additional claims cost to the State in 2025. These percentages represent the impact to the entire DVA program. The impact to the actuarial values noted above represents the impact to the Standard Dental Plan only. There is no impact to the Legacy Dental Plan, the Vision, or the Audio portion of the program.

Member Impact | Enhancement

Members of the Retiree Standard DVA plan would benefit from the addition of the Preventive First program and from an increase in the annual benefit maximum, as they would provide additional financial assistance in covering the cost of dental services. These changes are anticipated to result in members having coverage for additional dental care before hitting the annual maximum and may incentivize preventive services.

Member Premium Impact | Increase

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. Based on available data, the chart below shows the potential impact on member premiums if the various options being considered were implemented.

Scenario	CY 2024 Rates	Preventive First	\$500 Dental Max Increase	\$1000 Dental Max Increase	Preventive First and \$500 Dental Max Increase	Preventive First and \$1000 Dental Max Increase
Retiree Only	\$69	\$72	\$70	\$72	\$73	\$75
Retiree and Spouse	\$138	\$145	\$141	\$143	\$147	\$149
Retiree and Children	\$125	\$131	\$128	\$130	\$133	\$135
Retiree and Family	\$196	\$205	\$200	\$204	\$209	\$212

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Overall Rate Change	0.0%	4.8%	2.1%	3.8%	6.4%	8.1%
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Ultimately, any premium adjustments would be made by the Commissioner of the Alaska Department of Administration and would consider claims experience, plan changes and potential associated enrollment changes, as well as current and projected DVA asset levels.

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 Preventive First program. Once the implementation activities are complete the Division does not anticipate any additional operational impact.

Operational Impact (TPA) | Neutral

The impact to the dental Third-Party Administrator (TPA), Delta Dental, 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.

Provider Impact | Minimal

Provider impact is estimated to be both minimal and positive as this removes potential barriers to care for their patients.

6) Implementation and Communication Overview

Division staff have already worked with Delta Dental to successfully implement this program for the AlaskaCare employee plan.

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 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 1, 2024

Re: Addition of Preventive First for the Standard Dental Plan and Increasing the Plan Maximum – Focus on Actuarial and Financial Impact for the Retiree Dental Plan

The State currently offers the Standard Dental plan as an option for Retirees. The Standard Dental plan waives the deductible for preventive (Class I) but does apply the amount paid by the plan towards the annual benefit maximum. The State is considering adding Delta Dental's Preventive First program so that preventive services will no longer count toward the annual benefit maximum. The State is also considering increasing the benefit maximum, either in conjunction with the Preventive First program or separately.

The Plan applies the general benefit provisions, such as deductible, coinsurance and benefit maximums, to determine any portion of the costs that are the member's responsibility. Below is a table outlining the current benefits offered under the Standard Dental plan:

Deductibles	
Annual individual deductible (applies to Class II and III)	\$50
Coinsurance	
Class I (preventive) services	100%
Class II (restorative) services	80%
Class III (prosthetic) services	50%
Benefit Maximums	
Annual individual maximum (applies to all classes)	\$2,000

Actuarial Value – Preventive First

We reviewed claims data for calendar years 2022 and 2023 provided by Delta Dental of Alaska for retirees on the Standard Dental plan. The analysis was primarily focused on individuals who were near, or at, the benefit maximum, as they would be the members who would otherwise be impacted by the Preventive First program.

Over calendar year 2022 and 2023, for members meeting the benefit maximum, there was approximately:

	2022	2023
Members Meeting Maximum	1,840	2,130
Average Members	27,500	28,600
Class I (preventive) Paid	\$774,000	\$914,000
Class II (restorative) Paid	\$1,342,000	\$1,581,000
Class III (prosthetic) Paid	\$1,645,000	\$1,852,000

Assuming an approximate 1-for-1 dollar substitution for Class II and Class III services for members at the plan maximum combined with additional utilization for members near the plan maximum, it is estimated that the impact to actuarial value for the Standard plan would be an approximately 4.3% increase.

Financial Impact – Preventive First

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 estimated impact would be an additional \$1,150,000 or 2.1% of projected additional claims cost to the program in 2025. This percentage represents the impact to the entire DVA program. The impact to the actuarial value noted above represents the impact to the Standard Dental Plan only. There is no impact to the Legacy Dental Plan, the Vision, or the 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.

Actuarial Value – Increase Plan Maximum

We reviewed claims data for calendar years 2022 and 2023 provided by Delta Dental of Alaska for retirees on the Standard Dental plan. The analysis was primarily focused on individuals who had claims denied due to having reached the plan maximum and members who have met the plan maximum. Below is a summary of claims that were denied due to members reaching the plan maximum.

	2022	2023
Claimants with Disallowed Claims	546	604
Average Members	27,500	28,600
Total Disallowed Amount	\$593,000	\$609,000
Average Disallowed per Claimant	\$1,086	\$1,009

This information provides a useful point of reference but does not fully represent the anticipated impact, which will also account for utilization for services where members did not submit a claim due to having exceeded the maximum and for additional care received due to the increase in the maximum.

A \$500 increase to the plan maximum would result in an estimated increase of approximately 1.9% in actuarial value. A \$1,000 increase to the plan maximum would result in an estimated increase of approximately 3.5% in actuarial value.

Financial Impact – Increase Plan Maximum

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 estimated impact of a \$500 increase in the plan maximum would add \$500,000 or 0.9% of additional claims cost to the State in 2025. The estimated impact of a \$1,000 increase in the plan maximum would add an additional \$925,000 or 1.7% of additional claims cost to the State in 2025. These percentages represent the impact to the entire DVA program. The impact to the actuarial values noted above represents the impact to the Standard Dental Plan only. There is no impact to the Legacy Dental Plan, the Vision, or the Audio portion of the program.

Actuarial Value – Preventive First and Increase Plan Maximum

There is some overlap when adding the Preventive First program and increasing the plan maximum as Class I services would not be accumulating to the new maximum. Preventive First plus a \$500 increase to the plan maximum would result in an estimated increase of approximately 5.8% in actuarial value. Preventive First plus a \$1,000 increase to the plan maximum would result in an estimated increase of approximately 7.3% in actuarial value.

Financial Impact – Preventive First and Increase Plan Maximum

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 estimated impact of Preventive First and a \$500 increase in the plan maximum would result \$1,550,000 or 2.8% of additional claims cost to the State in 2025. The estimated impact of Preventive First and a \$1,000 increase in the plan maximum would be \$1,950,000 or 3.6% of additional claims cost to the State in 2025. These percentages represent the impact to the entire DVA program. The impact to the actuarial values noted above represents the impact to the Standard Dental Plan only. There is no impact to the Legacy Dental Plan, the Vision, or the Audio portion of the program.

In Summary

The impact of each of these options, separately and together, is shown in the following table.

	Actuarial Value Increase	Claims Increase Dollar	Claims Increase Percent
Preventive First	4.3%	\$1,150,000	2.1%
Increase Benefit Maximum by \$500	1.9%	\$500,000	0.9%
Increase Benefit Maximum by \$1,000	3.5%	\$925,000	1.7%
Preventive First and Increase Benefit Maximum by \$500	5.8%	\$1,550,000	2.8%
Preventive First and Increase Benefit Maximum by \$1,000	7.3%	\$1,950,000	3.6%

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.

Projection 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.

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cc: Steve Ramos, Division of Retirement and Benefits
Teri Rasmussen, Division of Retirement and Benefits
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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%)