



May 7, 2021

Ms. Betsy Wood
Deputy Health Official
Division of Retirement and Benefits
State of Alaska
P.O. Box 110203
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Impact of Potential Change in Preventive Care Benefits for AlaskaCare Retiree Health Plan

Dear Betsy:

As requested, we have estimated the impact of the following change that is being considered for the AlaskaCare Retiree Health Plan members participating in the PERS/TRS Defined Benefit Plans (for those hired prior to July 1, 2006) and JRS:

- **Coverage of Preventive Care Benefits** – Because the AlaskaCare Retiree Health Plan is not subject to the preventive care coverage provisions of the Affordable Care Act (ACA), certain common preventive benefits are not covered. The changes being considered, under two different options described below, would cover certain preventive benefits in a consistent manner as required by non-grandfathered plans under the ACA.

Segal provided a memo dated April 19, 2021 which modeled two options for covering preventive care benefits.

- Option A would cover preventive care benefits subject to the AlaskaCare Retiree Health Plan's current cost sharing provisions (e.g., 80% coinsurance in-network after the deductible and subject to the out-of-pocket limit).
- Option B would cover preventive care benefits with no cost sharing (e.g., the deductible, coinsurance, and out-of-pocket limits would not apply in-network).

Assuming these changes would be effective January 1, 2022, Segal estimated that these options would increase the retiree health plan cost during 2022 by \$3,000,000 under Option A and by \$3,350,000 under Option B. Their total projected cost during 2022 prior to adopting either of these options was \$670,000,000, which is within 1.5% of the projected cost in our most recent actuarial valuations as of June 30, 2020. Therefore, to estimate the financial impact of these changes on PERS/TRS/JRS, we reflected the increases during 2022 provided by Segal and used the June 30, 2020 valuation assumptions to project future annual cost increases. Consistent with Segal's analysis, both Option A and Option B were assumed to only apply to the medical cost for pre-Medicare members. Shown in the table below is a summary of the estimated increase in healthcare Actuarial Accrued Liability (AAL) for each plan, along with the projected increase in Additional State Contributions (ASC) for FY23 if these changes had been reflected in the June 30, 2020 valuations. It is important to note that the June 30, 2020 valuations and FY23 contribution rates (which determine the FY23 ASC) have not yet been formally approved by the Alaska Retirement Management Board (ARMB). The June 30, 2020 valuation results are expected to be

approved during the June 2021 ARMB meeting, and the FY23 contribution rates will be adopted during the September 2021 ARMB meeting.

Preventive Care Benefit Changes (\$ millions)	Option A	Option B
Increase in Healthcare AAL as of June 30, 2020¹		
PERS	\$18.7	\$20.9
TRS	6.9	7.7
JRS ²	<u>0.0</u>	<u>0.0</u>
Total	\$25.6	\$28.6
Increase in FY23 ASC^{1, 3}		
PERS	\$ 0.3	\$ 0.3
TRS	0.1	0.1
JRS ²	<u>0.0</u>	<u>0.0</u>
Total	\$ 0.4	\$ 0.4

¹ All of the data, assumptions, methods and current plan provisions used in the above calculations are documented in the actuarial valuation reports as of June 30, 2020.

² The amount rounds to less than \$0.1M.

³ The increases are the same due to rounding. Because the healthcare portions of these plans are currently overfunded, the increases in FY23 ASC for PERS and TRS reflects the increase in Normal Cost only. If the healthcare portions of these plans were not overfunded and the increases in AAL were to be amortized over 25 years according to the ARMB's current funding policy, the total increases in FY23 ASC would be approximately \$2.0M under Option A and approximately \$2.3M under Option B.

Additional Notes

Except as noted above, the data, assumptions, methods and plan provisions used in our analysis are the same as those described in the June 30, 2020 actuarial valuation reports.

The Retiree Health Plan Advisory Board (RHPAB), staff of the State of Alaska and the ARMB may use this letter for purposes of analyzing the potential impact of the benefit change described above. Use of this letter for any other purpose or by anyone other than the RHPAB, staff of the State of Alaska or the ARMB may not be appropriate and may result in mistaken conclusions because of failure to understand applicable assumptions, methods or inapplicability of the letter for that purpose. Because of the risk of misinterpretation of actuarial results, you should ask Buck to review any statement you wish to make on the results contained in this letter. Buck will not accept any liability for any such statement made without the review by Buck.

Future actuarial measurements and projections may differ from the current measurements presented in this letter due to such factors as: plan experience different from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. An analysis of the potential range of such future differences is beyond the scope of this letter.

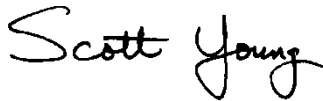
State of Alaska

Actuarial Certification

This letter was prepared under our supervision and in accordance with all applicable Actuarial Standards of Practice. Scott Young is a Fellow of the Society of Actuaries and Enrolled Actuary, Christian Hershey is an Associate of the Society of Actuaries, and both are Members of the American Academy of Actuaries. We meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

If there are any questions, Scott can be reached at (216) 315-1929 and Christian can be reached at (717) 308-8981.

Respectfully submitted,



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Buck



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