# Retiree Health Plan Advisory Board
# Meeting Agenda

**Date:** November 14th, 2019
**Time:** 9:00am - 4:15pm
**Location:** **Anchorage**: Atwood Building, 19th Floor Conference Room
**Juneau:** State Office Building, 10th Floor Conference Room
**Teleconference:** (650) 479-3207| 807 239 416
**Committee Members:** Judy Salo (chair), Joelle Hall, Gayle Harbo, Dallas Hargrave, Mauri Long, Cammy Taylor, and G. Nanette Thompson

---

**9:00 am** **Call to Order – Judy Salo, Board Chair**
- Roll Call and Introductions
- Approval of Agenda
- Approve Previous Meeting Minutes
- Ethics Disclosure

**9:10 am** **Public Comment**

**9:30 am** **Department & Division Update**
- DVA Plan update
- Third-Party Administrator Procurement Update
- DRB Retirement System Replacement RFP
- AlaskaCare EGWP Update

**10:00 am** **DVA/LTC Premium Rate Development**

**12:00 pm** **Lunch on Your Own**

**01:30 pm** **Education Session**
- Petersburg Medical Center

**02:30 pm** **Modernization: 2020 Next Steps**

**03:45 pm** **Public Comment**

**04:15 pm** **Final Thoughts/Adjournment**
- Next meeting: Thursday February 6th, 2019

# RHPAB Meeting November 14th, 2019

## Table of Contents


| | |
|---|---|
| **Meeting Agenda** | **Pg. 01** |
| **Public Comment Guidelines** | Pg. 03 |
| **AlaskaCare EGWP Update** | Pg. 04 |
| **DVA/LTC Premium Rate Development** | Pg. 05 |
| **State of Alaska Long Term Care Program Valuation** | Pg. 14 |
| **Retiree Health Plan Modernization** | Pg. 30 |
| **2020 Meeting Dates** | Pg. 32 |

# Retiree Health Plan Advisory Board

## Public Comment Guidelines

**Purpose:** The public comment period allows individuals to inform and advise the Retiree Health Plan Advisory Board about policy-related issues, problems or concerns. It is not a hearing and cannot be used to address health benefit claim appeals. The protected health information of an identified individual will not be addressed during public comment.

**Protocol:**

- Individuals are invited to speak for up to three minutes.
- A speaker may be granted the latitude to speak longer than the 3-minute time limit only by the Chair or by a motion adopted by the Full Advisory Board.
- Anyone providing comment should do so in a manner that is respectful of the Advisory Board and all meeting attendees.
- The Chair maintains the right to stop public comments that contain Private Health Information, inappropriate/inflammatory language or behavior.

**Members providing testimony will be reminded they are waiving their statutory right to keep confidential the contents of the retirement records about which they are testifying. See AS 40.25.151.**

## Protected Health Information

**Purpose:** Protected health information submitted to the Board in writing will be redacted to remove all identifying information, for example, name, address, date of birth, Social Security number, phone numbers, health insurance member numbers.
If the Board requests records containing protected health information, the Division will redact all identifying information from the records before providing them to the Board.

*How can someone provide comments?*

- **IN PERSON** - please sign up for public comment using the clipboard provided during the meeting.
- **VIA TELECONFERENCE** – please call the meeting teleconference number on a telephone hard line. To prevent audio feedback, do not call on a speaker phone or cell phone. You may use the mute feature on your phone until you are called to speak, but do not put the call on hold because hold music disrupts the meeting. If this occurs, we will mute or disconnect your line.
- **IN WRITING** – send comments to the address or fax number below or email AlaskaRHPAB@alaska.gov. For written comments to be distributed to the Advisory Board prior to a board meeting they must be received thirty days prior to the meeting to allow time for distribution and identifying information will be redacted (see "Protected Health Information").
- **PRIVATE HEALTH INFORMATION**: The state must comply with federal laws regarding Private Health Information. Written information submitted for public comment which contains identifying information will be redacted to ensure compliance with privacy laws.

*Can I bring my questions about a claim or medical issue to the Board?* The Board does not have authority to decide health benefit claim appeals. Members should call Aetna at 1-855-784-8646 to address their question and/or concern. After contacting Aetna, members can also contact the Division of Retirement and Benefits at 1- 800-821-2251 or 907-465-8600 if in Juneau.

*For additional information:* Please call 907-269-6293 or email AlaskaRHPAB@alaska.gov if you have additional question.

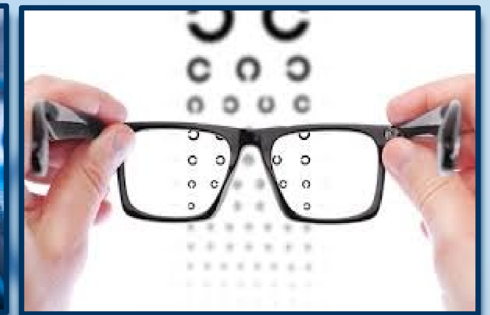
# AlaskaCare EGWP

## Centers for Medicare & Medicaid Services (CMS) Part D EGWP Subsidies Update January through September 2019

| CMS Direct Subsidy | Coverage Gap Discounts | Catastrophic Reinsurance | Low Income Premium Subsidy (LIPS) | Low Income Cost Sharing Subsidy (LICS) |
|---|---|---|---|---|
| A Per Member Per Month (PMPM) subsidy paid by CMS to subsidize drug costs in the Part D Initial Coverage Period | A quarterly payment from pharmaceutical manufacturers to subsidize brand name drug costs in the Part D standard Coverage Gap | A monthly CMS subsidy paid to subsidize 80% of drug costs above the TrOOP (True Out of Pocket) threshold | A subsidy paid by CMS to provide premium assistance to certain lower income retirees | A subsidy paid by CMS to provide drug cost sharing assistance to certain lower income retirees |
| **$1,016,057** | ***$23,594,078** | **$13,511,110** | **$165,940** | ***$715,972** |

***LICS numbers for Q1 through Q3, and Coverage Gap Discount numbers for Q3 are estimates based on CMS accepted Prescription Drug Event (PDE) data**

## TOTAL CMS Subsidies through Q3 2019 - $39,003,157

# AlaskaCare Premium Rate Development Dental, Vision, Audio and Long-Term Care

**Retiree Health Plan Advisory Board**
**November 14, 2019**

**Presented by:**
**Richard Ward, FSA, FCA, MAAA**

Segal Consulting

# Premium Rate Development

- At its most basic level, premium rates are developed to cover claims costs as well as administrative and operational expenses
- In many plans, this is considered over a multi-year period and balances other considerations, such as:
  - Annual premium rate stability/volatility
  - Premium rate competitiveness
  - Managing risk and selection
  - Equity between plan and coverage options
  - Timing differences between premium revenue and expenses

**Primary objective is the overall financial health and viability of the entire plan over the long term**

# Premium Rate Development - DVA

1. For the DVA plan, recent claims experience is trended forward to the next plan year to get projected claims
   - Claims are adjusted for upcoming changes
   - Until 2020, there were little/no changes to consider
   - For 2020, the Legacy Plan will be introduced, with changes for:
     - Plan design
     - Provider payments (network and non-network)
     - The Legacy and Standard Plan costs will also likely vary for differences in utilization and selection, but those are not factored into the two plans' premiums, resulting in an anticipated subsidy between the plans. These costs are accounted for in the aggregate.

2. Add administrative and operational costs to projected claims to get initial full premium

3. Factor in long-term considerations to determine final rates

**DVA Plan is very well reserved, resulting in final rates determined so that lower premiums in the near-term do not result in long-term solvency issues nor large premium increases when "excess" reserves are spent**

# Initial DVA Projections

- Segal projects the following financial results for 2020:

| | DVA |
|---|---|
| Total Projected Claims | $44,779,238 |
| Administration and Operational Expenses* | $1,863,749 |
| Total Projected Cost | $46,642,986 |
| Premium Based Revenue | $44,729,664 |
| $$ Funding Overage/(Gap) | ($1,913,322) |
| % Funding Overage/(Gap) | (4.3%) |
| | |
| Est. IBNR Liability As Of Dec 31, 2020 | $3,509,000 |

* Net of Interest

- Includes introduction of Legacy Plan
- Assets are expected to remain well above the top-end of the reserve target range

**Segal recommends maintaining the Standard Plan's premium rates in CY2020 and to establish the Legacy Plan premium rates based on differences in plan design and provider payment levels**

# Projected DVA Revenues, Expenses, Net Assets ($millions)

- No Change in Standard Premiums for 2020 and Moderate Subsequent Increases




Segal Consulting

# Premium Rate Development - LTC

**For the LTC plan, the benefits are paid well after the premiums are paid. Therefore, a long-term view is necessary**

1. Project forward all anticipated benefits (and expenses), accounting for assumed mortality, morbidity, lapses, etc
2. Project forward all anticipated premium revenue (at current rates), accounting for assumed mortality, morbidity, lapses, etc
3. Add net difference between projected benefits and premiums and factor in assumed investment returns
4. If present value of net assets is greater than $0, then current premiums are anticipated to be sufficient.

**Segal recommends maintaining current premium rates through the next actuarial valuation. Recent investment gains have resulted in an improved net present value funded position. However, care should be exercised before modifying premiums rates based on short term gains (or losses).**

# LTC Valuation Results (June 30, 2019)

| Component | ($000) |
|---|---|
| 1. PV of Future Benefits | $740,263 |
| 2. PV of Future Expenses | $7,108 |
| 3. PV of Future Premiums (PVFP) | $315,648 |
| 4. Valuation Liabilities (=3 – 1- 2) | ($431,723) |
| 5. Valuation Assets | $526,287 |
| 6. Valuation Margin (= 5 + 4) | $94,564 |
| 7. Margin as a % of PVFP (= 6/3) | 30.0% |
| 8. Funded Status (= 5/4) | 121.9% |

# Historical LTC Funded Status

| Valuation Date | Margin ($000) |
|---|---|
| June 30, 2009 | $3,298 |
| May 31, 2012 | $30,280 |
| June 30, 2015 | $27,244 |
| June 30, 2017 | $7,372 |
| June 30, 2019 | $94,564 |

ACTUARIAL VALUATION OF THE

# STATE OF ALASKA LONG TERM CARE PROGRAM

as of 6/30/2019

Brian D. Rankin, F.S.A., M.A.A.A.

September 12, 2019

# Table of Contents

Page

I. Purpose and Scope .................................... 1

II. Summary ............................................. 3

III. Methodology ......................................... 4

IV. Sensitivity Analysis ................................ 12

Appendix

A. Projection of Cash Flows by Line of Business

# I. Purpose and Scope

The Segal Company ("Segal") retained Lewis & Ellis, Inc. ("L&E") to perform an actuarial analysis of Alaska's Long-Term Care ("LTC") Program as of June 30, 2019. Specifically, our assignment was to develop a projection of future cash flows and to evaluate the adequacy of current assets and premium levels based on those cash flows.

This report summarizes the results of our actuarial valuation of Alaska's LTC Program as of June 30, 2019. Please note that this report is not meant to serve as complete actuarial documentation for this valuation. Additional data/information can be provided upon request.

We developed projected values using a seriatim projection model and we used those projected values along with current program financial information to determine the financial standing of the program. Consistent with the purpose of the valuation, no membership growth was assumed. The projection period is 60 years for the LTC in force. Gains and losses are accumulated at the effective earned rate over the projection period. The value at the end of the projection period could then be discounted at the earned rate to determine the magnitude of the deficiency reserve if the ending value was negative.

The projections of earnings are further dependent on numerous other assumptions that are outlined in detail in the following sections of this report. They are based on program experience where available and otherwise on our knowledge of industry experience. We have not generated liabilities and reserves consistent with statutory reporting requirements as this self-funded plan is not subject to such requirements.

Most of the data utilized by L&E in determining the values was obtained from the State of Alaska representatives. We did not attempt to audit or verify the accuracy of this data; however, we did review the information for reasonableness and consistency. Any inaccuracies in this information could affect the results of this report, perhaps materially. The type of information provided includes, but is not limited to:

1. Electronic listing of State of Alaska members;
2. Claim payments from 2009 to June 30, 2019;
3. Plan descriptions and gross premium rates for the model

plan/age cells;

4. Financial Statements for 2013-2019;

This report has been prepared for Segal and the State of Alaska. L&E has developed this report for the purpose and with the limitations stated above. Any distribution of this report should be made in its entirety.

Although the valuation projects earnings, this report should not in any way be presented or construed as an actuarial appraisal in accordance with Actuarial Standards of Practice Number 19.

Any reader of this report must possess a substantial level of expertise in areas relevant to this analysis to appreciate the significance of the assumptions and the impact of these assumptions on the illustrated results. This report must be read in its entirety to be understood. The reader should be advised by, among other experts, an actuary competent in the area of actuarial projections of LTC blocks of business so as not to misinterpret any of the projected results.

In addition, any third party with access to this report acknowledges, as a condition of receipt, that L&E does not make any representations or warranty as to the accuracy or completeness of this report. This report is not intended as a representation of the future solvency of the Program and should not be viewed as such.

This actuarial valuation was performed based on the best estimate assumptions that are appropriate at the date of valuation. We do not reflect the potential for adverse deviations in actual future experiences in our best estimate assumptions. Assumptions could change as more information becomes known, which would impact the funded status reported in this valuation.

All source records and detail information are maintained at the Allen, Texas office of L&E, and members of L&E staff are available to explain any matter presented herein.

## II. Summary

The purpose of the remainder of this report is to provide analysis of the reserve adequacy for all lines of business. Premiums, benefits and expenses were projected for 60 years for the State of Alaska's LTC program and then discounted back to June 30, 2019 at an appropriate discount rate. This present value was then compared to the total assets at June 30, 2019 to determine if the current assets are sufficient to fund future claims and expenses for the next 60 years.

The following table summarizes the present value of cash flows discounted at the net earned rates.

Valuation Results
Funded Status and Margin as of June 30, 2019

| Component | ($000) |
|---|---|
| 1. PV of Future Benefits | $740,263 |
| 2. PV of Future Expenses | $7,108 |
| 3. PV of Future Premiums (PVFP) | $315,648 |
| 4. Valuation Liabilities (=3 – 1- 2) | ($431,723) |
| 5. Valuation Assets | $526,287 |
| 6. Valuation Margin (= 5 + 4) | $94,564 |
| 7. Margin as a % of PVFP (= 6/3) | 30.0% |
| 8. Funded Status (= 5/4) | 121.9% |

The Valuation Margin has fluctuated greatly over the last six years as a result of plan experience, investment returns, actuarial assumptions and the growth of the Program. The table below shows the margin/deficit for the Long-Term Care Program for the last three valuation reports ($000).

| Valuation Date | Margin (Deficit) |
|---|---|
| June 30, 2009 | $3,298 |
| May 31, 2012 | ($70,875) |
| May 31, 2012 (Revised) | $30,280 |
| June 30, 2015 | $27,244 |
| June 30, 2017 | $7,372 |
| June 30, 2019 | $94,564 |

# III. Methodology

The present value calculations needed to compute Program liabilities consider expected future benefits, expenses and premium revenue discounted to the current valuation date. The present value calculations consider all future variables that affect the members' continued participation in the LTC Program, as well as the benefits or expenses they will generate.

Information was provided to Lewis & Ellis regarding product specifications and in force business. The information was all as of June 30, 2019. Seriatim records were used to project future premiums and claims using proprietary software and then summarized by various plans in spreadsheets. All items of income and expenses were projected, as well as all items affecting cash flows. The models recognize the timing of benefit payments, premium income, expenses and other significant cash flow items.

Appropriate considerations in plan modeling to major plans include the following:

a. Type of coverage (nursing home, home health care, or both); Benefit period;
b. Presence (or absence) of automatic inflation benefit;
c. Level of premiums;
d. Issue age range; and,
e. Gender.

All of the above considerations were taken into account in determining the modeling for each individual.

## Assumptions

L&E relied on Alaska personnel to provide a variety of information and data on the LTC insurance business in force. Although we did not independently verify nor audit this information supplied, we did review the information for reasonableness and consistency.

Alaska personnel supplied us with information regarding the gross premium rates, benefits, and coverage outlines for all of the LTC plans currently in force. The information was transmitted to us electronically.

Prior valuation studies were utilized when available and assumptions were validated against recent program experience. Future experience is based on projected future claim costs. Actual results will almost certainly differ from projected results. Each assumption utilized for completing the calculations is shown in detail in the remainder of this section.

Loss ratios on Long Term Care business are typically quite low in the early durations, but increase significantly by policy duration and as the insured ages. Alaska's experience has been consistent with this pattern. The State of Alaska has established the Retiree LTC Insurance Fund to support future LTC liabilities. At June 30, 2019, the fund was approximately $526 million.

Except where the plan provides for an automatic increase in the claim costs, neither the claim costs nor gross premiums have been adjusted for possible future claims inflation.

## Model Plans

The following model plans are listed with a brief description of each plan.

| Benefit | Benefit Summary by Plan Option | | | |
|---|---|---|---|---|
| | **Bronze** | **Silver** | **Gold** | **Platinum** |
| Lifetime Max | $200,000* | $400,000 | $300,000 | $300,000 |
| Inflation Protection | None | None | 5% Simple to age 85 | 5% Compound to Age 85 |
| Elimination Period | 90 Day | 90 Day | 90 Day | 90 Day |
| Benefit Trigger | 2 of 5 ADLs | 2 of 6 ADLs or CI | 2 of 6 ADLs or CI | 2 of 6 ADLs or CI |
| NH Daily Benefit | $125 in-state, $75 out-of-state | $200 | $200 | $200 |
| ALF Daily Benefit | If approved | $150 | $150 | $150 |
| HHC Daily Benefit | $75 in-state, $40 out-of-state | $125 | $125 | $125 |
| Hospice Daily Benefit | Not covered | $125 | $125 | $125 |
| Respite Benefit | Not covered | Up to $200 daily, 14 days per calendar year | Up to $200 daily, 14 days per calendar year | Up to $200 daily, 14 days per calendar year |

## Distribution

The following tables outline the distribution of business for the existing in-force[i]:

| **Benefit Option** | Subscribers | Distribution |
|---|---|---|
| Bronze | 4,971 | 22.4% |
| Silver | 8,437 | 38.0% |
| Gold | 5,887 | 26.5% |
| Platinum | 2,910 | 13.1% |
| Total | 22,205 | 100.0% |

| **Gender** | Subscribers | Distribution |
|---|---|---|
| Female | 14,449 | 57.0% |
| Male | 12,548 | 43.0% |
| Total | 22,205 | 100.0% |

| **Fiscal Year** | Subscribers | Distribution |
|---|---|---|
| <2000 | 3,719 | 16.7% |
| 2000-2006 | 6,523 | 29.4% |
| 2007-2011 | 3,700 | 16.7% |
| 2012-2015 | 4,874 | 22.0% |
| 2017 | 943 | 4.2% |
| 2018 | 970 | 4.4% |
| 2019 | 1,476 | 6.6% |
| Total | 22,205 | 100.0% |

## Lapses

The lapse assumption reflects the expected portion of participants who terminate their policies each year by not paying the renewal premiums. Lapse assumptions can vary based on a wide variety of factors, including the participants' age at enrollment and the number of years participants have their policies. In general, it is assumed that the longer that participants keep their policies, the less likely they are to lapse. Lapse rate assumptions greatly affect long-term care insurance premiums because when individuals lapse, future liabilities are immediately reduced although current assets are not affected.

Prior valuations have utilized ultimate lapse rate of 0.5%. We believe this is an appropriate ultimate lapse rate and therefore

[i] The 2017 valuation reported listed more subscribers. There was an error in the 2017 valuation. That report summarized all policies issued instead of in-force policies.

the lapse assumptions are consistent with the prior actuarial valuation.

| Policy Year | Voluntary Lapse Rate |
|---|---|
| 1 | 2.3% |
| 2 | 1.2% |
| 3 | 1.0% |
| 4 | 0.9% |
| 5 | 0.8% |
| 6 | 0.7% |
| 7 | 0.6% |
| 8+ | 0.5% |

Mortality Sex distinct 1994 GAM Table

Morbidity

For Long-Term Care insurance products, the substantial financial risks lie in morbidity assumptions. The morbidity assumptions reflect the amount of claim costs expected for participants. The key components driving claim costs are:

- Claim Incidence, which is the probability of going on claim
- Claim continuance, which is the length of time staying on claim, and
- Utilization, which is the level of claim payment.

It would be preferable to use the experience from the Alaska LTC Program. However, there have been less than 1,200 claims since the inception of the Program in 1987. Since this data is not fully credible the expected claim costs were developed from L&E's expected incidence rates and continuance tables and adjusted for State of Alaska's experience relative to L&E's expected costs.

Claim Reserve (Claims Payable)

The financial statements included a liability of claims payable. We calculated the claim liability by using the seriatim listing that was provided that contained Pending Claims as of the valuation date. We used this L&E continuance tables in order to calculate the present value of amounts not yet due (PVANYD). There were only 329 open claims which limits the credibility of the experience. We also reviewed the overall experience of the Alaska LTC Program Experience by calendar year.

| Fiscal Year | Claims Payable ($000) | Source |
|---|---|---|
| 2013 | 16,822 | Alaska |
| 2014 | 21,612 | Alaska |
| 2015 | 26,630 | L&E |
| 2016 | 28,574 | L&E |
| 2017 | 31,352 | L&E |
| 2018 | 34,802 | L&E |
| 2019 | 36,015 | L&E |

## Actual Experience to Projected Values

The Alaska LTC Program covers less than 22,000 subscribers. In addition, LTC experience fluctuates on several factors including demographics, the economy and access to facilities. We compared the prior valuation to recent experience:

| | Paid Claims | | | |
|---|---|---|---|---|
| Fiscal Year | Actual | Projected | Actual - Projected | Actual/ Projected |
| 2018 | 13,401 | 12,800 | 601 | 104.6% |
| 2019 | 14,439 | 12,791 | 1,648 | 112.9% |

Claim costs were developed based on a combination of Alaska experience, industry experience, client data and actuarial judgment. To project future claim experience the claim cost models were calibrated to produce loss ratios that are similar to recent experience.

The future projected claims were generated by applying the claim costs to the 6/30/2019 census. The projected claims (which are used in the actuarial valuation) are somewhat greater than recent experience. The incurred loss ratios are consistent with recent experience.

## Expenses

We reviewed the actual expenses provided in the financial statements. The administrative expenses have averaged 1.4% for fiscal years 2013 through 2019. Typical LTC insurance industry expense assumptions are significantly higher than this. This projection assumes administration expenses of 2.0% of premium increasing by 1.5% per year.

Discount Rate Assumes a level 5.0% earned interest rate.

The discount rate is a major component of the valuation process and is used to determine present values of the future premiums, expenses and benefits. We reviewed the Program investment returns over the last five fiscal years. We calculated investment returns based on investment income and the average balance of the fund at the beginning and end of each fiscal year:

| | Investment Results ($000) | | |
|---|---|---|---|
| Fiscal Year | Net Investment Income | Average Fund Balance | Fund Return |
| 2013 | 16,961 | 274,218 | 6.2% |
| 2014 | 36,114 | 305,279 | 11.8% |
| 2015 | 10,182 | 341,080 | 3.0% |
| 2016 | 14,478 | 376,669 | 3.8% |
| 2017 | 28,892 | 415,207 | 7.0% |
| 2018 | 20,001 | 456,686 | 4.4% |
| 2019 | 39,328 | 502,959 | 7.8% |
| Average | 23,721 | 394,985 | 6.0% |

Based on recent investment experience, the prior valuation rate and input from the State of Alaska we selected a 5.0% earned rate for the LTC valuation. This rate was assumed for all future years of the projection.

The assumed discount rate is 25 basis points less than the expected return of the Retiree LTC Insurance Investment Guidelines. The discount rate is also 110 basis points less than the average return over the last five years. The Sensitivity Analysis section includes results based on changing the discount rate.

## Rate Increases

If the State of Alaska LTC Program has a deficit[ii] (liabilities in excess of assets) it can be recovered only through actuarial gains

[ii] Commercial LTC insurance programs are required to maintain statutory reserves and additional surplus. These two items could be another resource to mitigate rate increases.

or increases in future premiums. The actuarial valuation does not dictate a premium adjustment at this time. It is important that the financial progress of the Program be monitored closely so that the State of Alaska can act quickly to adjust future premiums to maintain the Program’s solvency.

Regarding all assumptions previously discussed, actual experience may differ from that assumed in the projections. To the extent actual experience is different from the assumptions underlying this report, so will actual results differ from the projected results shown here. Sensitivity of results to changes in assumptions is provided in the Sensitivity Analysis section.

# IV. Sensitivity Analysis

We ran sensitivity tests to determine if the reported assets are sufficient with respect to morbidity, voluntary lapses, mortality, and investment earning. Results are highly sensitive to the assumptions underlying the calculations.

Sensitivity Results **($000)**

| **Scenario** | Sufficiency (Deficiency) | |
|---|---|---|
| | 5.00% | 5.25% |
| Base | 94,564 | 119,216 |
| Increase morbidity by 3.5% | 67,465 | 93,198 |
| Increase morbidity by 5.0% | 56,351 | 82,547 |
| Voluntary lapse @ 150% | 117,732 | 140,839 |
| Voluntary lapse @ 50% | 67,376 | 93,693 |
| Mortality @ 90% | 30,443 | 59,162 |

Stress Testing

We ran sensitivity tests to determine what investment rate would be required if the assumptions were all equally adverse. The 4% adverse projections assumed that claims and expenses are 4% greater and that the termination[iii] (lapse and mortality) rates are 96% of projected. We also tested the projected experience as 5% adverse. We then determined what investment rate would be required so that there is no future deficiency:

| Adverse Experience | Required Investment Return |
|---|---|
| 4.00% | 4.70% |
| 5.00% | 4.82% |

[iii] Lower lapse and mortality rates increase future claims since more future policyholders will go on claim.

## Appendix A

## State of Alaska LTC Program Actuarial Valuation
## Summary of Yearly Cash Flows at 6/30/2019

| Fiscal Year | Subscribers | Earned Premium | Expenses | Paid Claims | Incurred Claims | Loss Ratio |
|---|---|---|---|---|---|---|
| 2018 | 21,539 | 32,402,068 | 648,041 | 17,998,682 | 17,522,283 | 54% |
| 2019 | 20,798 | 31,287,077 | 635,128 | 20,602,267 | 19,441,115 | 62% |
| 2020 | 20,078 | 30,204,907 | 622,357 | 23,205,851 | 21,537,362 | 71% |
| 2021 | 19,357 | 29,120,416 | 609,012 | 23,684,714 | 23,810,317 | 82% |
| 2022 | 18,632 | 28,028,931 | 594,978 | 25,304,791 | 26,251,931 | 94% |
| 2023 | 17,901 | 26,929,355 | 580,211 | 24,814,641 | 28,892,384 | 107% |
| 2024 | 17,164 | 25,820,757 | 564,671 | 27,335,207 | 31,716,972 | 123% |
| 2025 | 16,421 | 24,702,766 | 548,325 | 30,038,416 | 34,704,733 | 140% |
| 2026 | 15,671 | 23,575,248 | 531,147 | 32,911,868 | 37,833,119 | 160% |
| 2027 | 14,915 | 22,437,356 | 513,093 | 35,941,771 | 41,101,035 | 183% |
| 2028 | 14,153 | 21,291,280 | 494,188 | 39,108,766 | 44,451,361 | 209% |
| 2029 | 13,387 | 20,139,502 | 474,466 | 42,385,467 | 47,862,721 | 238% |
| 2030 | 12,620 | 18,984,937 | 453,975 | 45,740,332 | 51,303,330 | 270% |
| 2031 | 11,853 | 17,830,938 | 432,776 | 49,138,679 | 54,709,105 | 307% |
| 2032 | 11,089 | 16,681,221 | 410,944 | 52,528,199 | 57,990,349 | 348% |
| 2033 | 10,330 | 15,539,793 | 388,567 | 55,843,631 | 61,088,114 | 393% |
| 2034 | 9,580 | 14,410,972 | 365,746 | 59,020,294 | 63,951,959 | 444% |
| 2035 | 8,841 | 13,299,454 | 342,599 | 61,995,229 | 66,501,189 | 500% |
| 2036 | 8,117 | 12,210,251 | 319,259 | 64,710,679 | 68,725,713 | 563% |
| 2037 | 7,411 | 11,148,524 | 295,871 | 67,118,913 | 70,571,587 | 633% |
| 2038 | 6,727 | 10,119,466 | 272,589 | 69,160,024 | 71,888,325 | 710% |
| 2039 | 6,068 | 9,128,176 | 249,575 | 70,757,858 | 72,665,056 | 796% |
| 2040 | 5,437 | 8,179,556 | 226,993 | 71,857,947 | 72,914,833 | 891% |
| 2041 | 4,838 | 7,278,222 | 205,010 | 72,422,141 | 72,525,754 | 996% |
| 2042 | 4,273 | 6,428,316 | 183,786 | 72,415,881 | 71,567,740 | 1113% |
| 2043 | 3,745 | 5,633,356 | 163,474 | 71,819,032 | 69,991,232 | 1242% |
| 2044 | 3,255 | 4,896,177 | 144,213 | 70,628,547 | 67,824,571 | 1385% |
| 2045 | 2,804 | 4,218,824 | 126,126 | 68,853,006 | 65,146,608 | 1544% |
| 2046 | 2,395 | 3,602,496 | 109,316 | 66,530,321 | 61,992,650 | 1721% |
| 2047 | 2,026 | 3,047,490 | 93,861 | 63,708,376 | 58,430,529 | 1917% |
| 2048 | 1,697 | 2,553,125 | 79,815 | 60,437,298 | 54,502,135 | 2135% |
| 2049 | 1,408 | 2,117,757 | 67,198 | 56,773,519 | 50,281,392 | 2374% |
| 2050 | 1,156 | 1,738,835 | 56,002 | 52,785,415 | 45,884,947 | 2639% |
| 2051 | 939 | 1,413,011 | 46,191 | 48,567,987 | 41,454,886 | 2934% |
| 2052 | 755 | 1,136,312 | 37,703 | 44,227,361 | 37,057,780 | 3261% |
| 2053 | 601 | 904,295 | 30,455 | 39,860,111 | 32,771,969 | 3624% |
| 2054 | 473 | 712,217 | 24,346 | 35,550,320 | 28,673,624 | 4026% |
| 2055 | 369 | 555,214 | 19,263 | 31,375,127 | 24,816,101 | 4470% |
| 2056 | 285 | 428,484 | 15,089 | 27,402,640 | 21,268,120 | 4964% |
| 2057 | 218 | 327,449 | 11,704 | 23,688,228 | 18,037,254 | 5508% |
| 2058 | 165 | 247,869 | 8,993 | 20,273,540 | 15,159,909 | 6116% |
| 2059 | 124 | 185,920 | 6,846 | 17,186,861 | 12,642,116 | 6800% |
| 2060 | 92 | 138,235 | 5,167 | 14,441,424 | 10,447,327 | 7558% |
| 2061 | 68 | 101,920 | 3,867 | 12,030,238 | 8,561,421 | 8400% |
| 2062 | 50 | 74,545 | 2,870 | 9,936,364 | 6,957,017 | 9333% |
| 2063 | 36 | 54,106 | 2,115 | 8,137,720 | 5,600,143 | 10350% |
| 2064 | 26 | 38,983 | 1,546 | 6,606,881 | 4,467,392 | 11460% |
| 2063+ | - | 91,606 | 3,808 | 23,368,322 | 14,903,198 | 16269% |
| | | | | | | |
| Total PV Future: | | 315,647,962 | 7,107,671 | 740,263,181 | 759,420,417 | 241% |

# Retiree Health Plan Modernization Overview

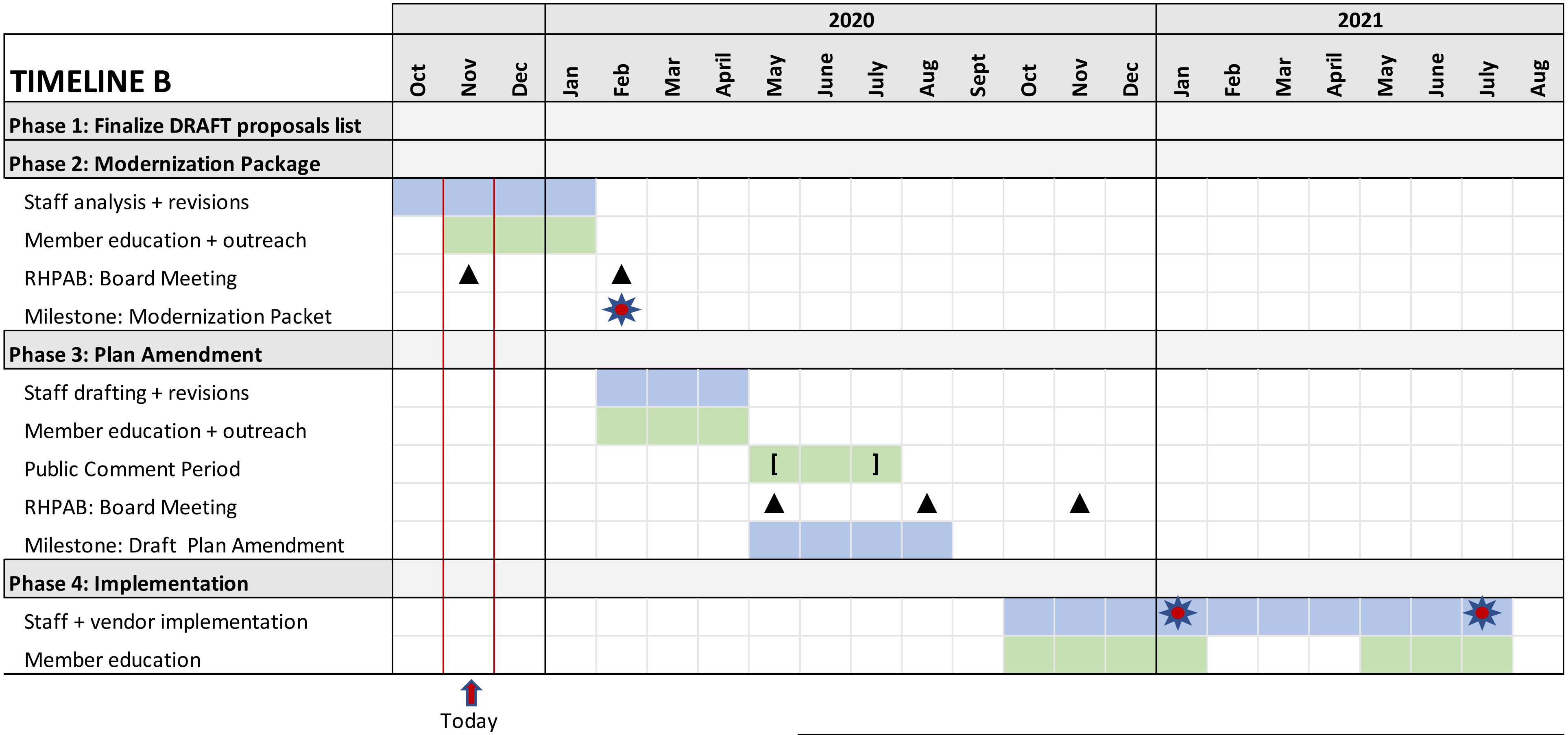


The goal of the Retiree health plan modernization effort is to provide value to the members through incorporating common benefits not currently available while preserving the overall benefit of the plan and implementing standard cost saving mechanisms. The Retiree Plan Health Advisory Board is evaluating a set of proposed initiatives that could be implemented in the future to modernize the AlaskaCare retiree health plan.

| | INITIATIVE | PROPOSAL OBJECTIVES |
|---|---|---|
| | 1. Preventive Services | a) Support the members in early detection of health problems, increase overall health, and in maintaining their health. |
| | 2. Lifetime Maximum | a) Ensure members will retain access to health insurance during a catastrophic health event.<br>b) Prospectively reinstate full coverage for all members who have hit the lifetime maximum. |
| | 3. Enhanced Travel with Health Concierge | a) Increased access to specialists that may not be available locally for members requiring care.<br>b) Increase covered travel costs.<br>c) Enhance patient outcomes through reduced complication rates based on the quality of providers in the SurgeryPlus network. Surgery Plus reports complication rates of 0.82% among members using their network compared to the 14.1% average for AlaskaCare retirees living in Alaska but seeking care outside of the state in 2017. |
| | 4. Network Incentives & Out of Network Reimbursement | a) Achieve discounted provider charges in order to reduce the members cost share and reduce balance billing.<br>b) Increase providers willingness to participate in the network, particularly in the Anchorage area where there is competition amongst providers. |

| | | |
|---|---|---|
| | 5. 3-Tier Pharmacy | 6. Wellness Benefits |
| | 7. Deductible Out of Pocket Maximum | 8. Coverage of implants related to periodontal disease |
| | 9. Enhanced Clinical Review | 10. Limit compound coverage to high-quality, narrow network of pharmacies |
| | 11. Over-the-Counter Equivalent Drugs | 12. Add medically necessary treatment of gender dysphoria |
| | 13. Rehabilitative Care | 14. Copayment for primary care |
| | 15. Telehealth Services | 16. Clarify reimbursement policies for surgical assistants in the plan booklet |

*Alaska Retiree Health Plan Modernization Project Timeline* REVIEW DRAFT 11/05/19




** Modernization subcommittee meeting dates and times TBD*

**LEGEND**

- Member outreach, education + input
- DRB research + analysis
- ▲ RHPAB meetings
- [ ] Public comment period
- Milestones

## AlaskaCare Retiree Health Plan Meeting Dates for 2020

| | |
|---|---|
| Quarterly Retiree | Wednesday February 5th |
| RHPAB | Thursday February 6th, 2020 |
| Quarterly Retiree | Wednesday May 6th, 2020 |
| RHPAB | Thursday May 7th, 2020 |
| Quarterly Retiree | Wednesday August 5th, 2020 |
| RHPAB | Thursday August 6th, 2020 |
| Quarterly Retiree | Wednesday November 4th, 2020 |
| RHPAB | Thursday November 5th, 2020 |