

**Retiree Health Plan Advisory Board  
Modernization Subcommittee Meeting  
Agenda  
April 25<sup>th</sup>, 2024**

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**9:00 am Call to Order**

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- Roll Call and Introductions
- Approval of Agenda
- Ethics Disclosure and Public Comment Script

**9:15 am Modernization Topics/Priorities Working Session**

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- Rehabilitative Care - Acupuncture
- Standard DVA Plan – Dental Prevention First and Annual Benefit Maximum
- Pacific Health Coalition

**10:30 am Break**

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**11:45 am Public Comment**


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**12:00 pm Wrap up / Adjourn**

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Proposal Title	Acupuncture Services (R009c)	
Health Plan Affected	Retiree Health Plan	
Proposed Effective Date	January 1, 2025	
Reviewed By	Retiree Health Plan Advisory Board	
Review Date	4/25/2024, 5/9/2024	

## 1) Background

Acupuncture is a technique in which practitioners insert fine needles into the skin to treat health problems. The needles may be manipulated manually or stimulated with small electrical currents (electroacupuncture). Acupuncture has been in use in some form for at least 2,500 years. It originated from traditional Chinese medicine but has gained popularity worldwide since the 1970s.<sup>1</sup>The AlaskaCare retiree plan does not provide coverage for acupuncture services, they are a plan exclusion.<sup>2</sup> Members seeking acupuncture services pay out of pocket. For members who have enrolled in the optional Health Flexible Spending Account (HFSA) acupuncture is an eligible expense and members can submit a claim for reimbursement.

In 2016 and 2017, Aetna updated its clinical policy bulletin<sup>3</sup> (CPB) to state that acupuncture is considered medically necessary for treatment of specific conditions, including chronic neck pain, chronic headache, and back pain. In 2020, the Centers for Medicare & Medicaid Services (CMS) issued a National Coverage Determination stating that Medicare would cover acupuncture for patients with chronic low back pain, as part of an effort to support alternative, non-opioid pain therapies.<sup>4</sup>

The retiree plan currently excludes coverage of acupuncture therapy, unless performed by a physician as a form of anesthesia in connection with surgery.

## 2) Objectives

- a) Provide an additional treatment option for members as a complement to other health strategies.
- b) Update the plan as evidence based medical science evolves.
- c) Cover safe, low-cost, and evidence-based approaches to pain care.

## 3) Summary of Proposed Changes and Analysis

This proposal contemplates adding coverage of acupuncture for medically necessary indications in alignment with Medicare and the medical Third-Party Administrator’s (Aetna) current CPB.

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<sup>1</sup> Acupuncture: What You Need To Know. National Center for Complementary and Integrative Health. <https://www.nccih.nih.gov/health/acupuncture-what-you-need-to-know>.

<sup>2</sup> AlaskaCare Retiree Insurance Information Booklet – Jan 2023. *Section 5.1 Medical Expenses Not Covered*. [https://drb.alaska.gov/docs/booklets/DB-RetireeInsuranceBooklet\\_WEB.pdf](https://drb.alaska.gov/docs/booklets/DB-RetireeInsuranceBooklet_WEB.pdf)

<sup>3</sup> Aetna Clinical Policy Bulletin No. 0135: Acupuncture and Dry Needling. [https://www.aetna.com/cpb/medical/data/100\\_199/0135.html](https://www.aetna.com/cpb/medical/data/100_199/0135.html).

<sup>4</sup> Acupuncture for Chronic Lower Back Pain (CLBP). Medicare Coverage Database; National Coverage Determination. <https://www.cms.gov/medicare-coverage-database/view/ncd.aspx?NCDid=373>. 1/12/2020.

## DRAFT – For Consideration

### **For retirees with Medicare as primary (O65)**

The plan would provide coverage up to 10 visits per year for the following medically necessary indications in accordance with an ongoing and written plan of care, when administered by a health care provider practicing within the scope of his/her license.

- A. Chronic (minimum 12 weeks duration) neck pain; *or*
- B. Chronic (minimum 12 weeks duration) headache; *or*
- C. Nausea of pregnancy; *or*
- D. Pain from osteoarthritis of the knee or hip (adjunctive therapy); *or*
- E. Post-operative and chemotherapy-induced nausea and vomiting; *or*
- F. Post-operative dental pain; *or*
- G. Temporomandibular disorders (TMD)

Medicare covers acupuncture for the treatment of low back pain, up to 12 visits in a 90-day period with 8 additional visits if improvement is demonstrated, for no more than 20 visits in a 12-month period.

Medicare recognizes the following provider types: medical doctors, chiropractors, osteopathic doctors, physical therapists, physician's assistants and nurse practitioners. Medicare does not recognize provider types of acupuncturists and naturopaths.

### **For retirees with AlaskaCare as Primary (U65)**

The plan would provide coverage up to 10 visits per year for the following medically necessary indications in accordance with an ongoing and written plan of care, when administered by a recognized health care provider practicing within the scope of his/her license.

- A. Chronic (minimum 12 weeks duration) neck pain; *or*
- B. Chronic (minimum 12 weeks duration) headache; *or*
- C. Low Back Pain, *or*
- D. Nausea of pregnancy; *or*
- E. Pain from osteoarthritis of the knee or hip (adjunctive therapy); *or*
- F. Post-operative and chemotherapy-induced nausea and vomiting; *or*
- G. Post-operative dental pain; *or*
- H. Temporomandibular disorders (TMD)

### **For all retire plan members**

Maintenance treatment, where the member's symptoms are neither regressing or improving, is considered not medically necessary. If no clinical benefit is appreciated after four weeks of acupuncture, then the treatment plan should be reevaluated. Further acupuncture treatment is not considered medically necessary if the member does not demonstrate meaningful improvement in symptoms.

Acupuncture should be provided in accordance with an ongoing, written plan of care. The treatment goals and subsequent documentation of treatment results should specifically demonstrate that acupuncture services are contributing to such improvement.

In alignment with plan provisions and the medical third-party administrator's clinical policy bulletin, acupuncture coverage excludes experimental and investigational procedures. Acupuncture is not a proven and accepted therapy for all conditions. A list of the procedures excluded from coverage due to being considered experimental and investigational is contained in [CPB 0135](#).

## 4) Impacts

### Actuarial Impact to AlaskaCare | Increase

The Division's contracted benefit consultant (Segal) has estimated an actuarial value increase for the plan of 0.07%.

### Financial Impact to AlaskaCare | Minimal

The financial impacts to the Plan based on the most recent retiree medical and pharmacy claims projection of \$721,000,000 for 2024 (dated August 31, 2023), and trended forward at 6% to \$764,000,000 for 2025, equates to approximately \$500,000 in additional annual costs to the Plan depending on the cost sharing provisions.

### Member Impact | Moderate

The member impact is expected to be moderate and positive. The proposed benefit will add acupuncture coverage for members seeking care for medically necessary treatment.

### Operational Impact (DRB) | Minimal

The Division anticipates the initial operational impacts associated with implementation and member communication to be moderate, given the following considerations:

- Staff will need to coordinate and oversee implementation of the changes with the TPA.
- Staff will need to create, review, and distribute communications to educate and increase awareness.
- Staff will need to update the Plan Booklet.

After implementation, the ongoing operational impacts are anticipated to be minimal, and will include reporting, fiscal impact monitoring, and updates to communication materials as appropriate.

### Operational Impact (TPA) | Initial: Moderate, Ongoing: Minimal

The initial operational impact to Aetna is anticipated to be moderate. Aetna will need to update and test their internal claim processing workflows and systems to ensure that the changes are appropriately applied and implemented.

After implementation, the ongoing operational impacts are anticipated to be minimal, and will include preparing reporting, fiscal impact monitoring, and updates to communication materials as appropriate.

### Provider Impact | Minimal

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

## 5) Implementation and Communication Overview

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 periods
- Any needed language updates to the Retiree Insurance Information Booklet
- Education outreach to benefit recipients

6) RHPAB Recommendation

The Retiree Health Plan Advisory Board voted on Month/Day, 2024 to recommend/not recommend implementation of this proposal.

Description	Date
Proposal Drafted	02/2024
Reviewed by Modernization Subcommittee	04/24/2024
Reviewed by RHPAB	



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## Memorandum

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

**From:** Richard Ward, FSA, FCA, MAAA

**Date:** April 1, 2024

**Re:** Addition of Acupuncture Benefit

The State is considering introducing coverage for acupuncture as a benefit for the Retiree Plan. Acupuncture visits would not be subject to an annual limit but would be subject to the medical necessity criteria in the plan document.

The Plan applies the general benefit provisions, such as deductible, coinsurance and out-of-pocket limits, to determine any portion of the costs that are the member’s responsibility. If the member has additional coverage, such as Medicare or other employer provided coverage, any portion of the costs covered by that plan is also considered. Below is a table outlining the current benefits offered under the Plan:

<b>Deductibles</b>	
Annual individual / family unit deductible	\$150 / up to 3x per family
<b>Coinsurance</b>	
Most medical expenses	80%
Most medical expenses after out-of-pocket limit is satisfied	100%
Second surgical opinions, Preoperative testing, Outpatient testing/surgery • No deductible applies	100%
<b>Out-of-Pocket Limit</b>	
Annual individual out-of-pocket limit • Applies after the deductible is satisfied • Expenses paid at a coinsurance rate other than 80% do not apply against the out-of-pocket limit	\$800
<b>Benefit Maximums</b>	
Individual lifetime maximum • Prescription drug expenses do not apply against the lifetime maximum	\$2,000,000
Annual reinstatement once lifetime maximum is reached	\$5,000
Individual limit per benefit year on substance abuse treatment without precertification. Subject to change every three years	\$12,715
Individual lifetime maximum on substance abuse treatment without precertification. Subject to change every three years	\$25,430

Prescription Drugs	Up to 90 Day or 100 Unit Supply	
	Generic	Brand Name
Network pharmacy copayment	\$4	\$8
Mail order copayment	\$0	\$0

## Actuarial Value

The inclusion of this benefit for the Plan can be viewed as an enhancement favorable that will have a slight impact on actuarial value. The anticipated increase in actuarial value for the plan is anticipated to be 0.07%

## Financial Impact


Based on the most recent retiree medical and pharmacy claims projection of \$721,000,000 for 2024 (dated August 31, 2023), and trended forward at 6% to \$764,000,000 for 2025, this equates to approximately \$500,000 in additional annual costs to the Plan depending on the cost sharing provisions.

## Additional Notes

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

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.

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

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

## 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 fully funded by members’ monthly premium payments, and the Division works hard 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 to assist in the administration of 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 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 \$2000.

## 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. Prevention First**

The AlaskaCare Standard DVA plan would add the Delta Dental Prevention First program. Preventive dental care can help members avoid potentially painful and costly restorative treatments down the road. Delta Dental’s Prevention 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 \$2,000.00 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 *Prevention 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 the AlaskaCare DVA plan will pay out during the year for dental services. The plan currently contains a \$2000 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 \$2000 to either \$2500 or \$3000. There is no impact to the Legacy Dental Plan, the Vision, or the Audio portion of the program.

**4) Analysis**

**Option 1. Prevention 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 \$2000 annual maximum is reached, potentially improving their clinical outcomes.

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

With Prevention 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 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 Prevention First	\$380	\$0	\$1620
With Prevention First	\$380	\$0	\$2000

**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 \$2000 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. Prevention 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% increase<sup>1</sup>.

**Option 2. Annual Benefit Maximum**

<sup>1</sup> Segal Memorandum, April 01, 2024, Addition of Prevention First for the Standard Dental Plan-Focus on Actuarial and Financial Impact for the Retiree Dental Plan

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<sup>2</sup>.

**Actuarial Value – Prevention First and Annual Benefit Maximum**

There is some overlap when adding the Prevention First program and increasing the plan maximum as Class I services would not be accumulating to the new maximum. Prevention First plus a \$500 increase to the plan maximum would result in an estimated increase of approximately 5.8% in actuarial value. Prevention 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 – Prevention 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. Prevention 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<sup>3</sup>.

**Option 2. Annual Benefit 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 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<sup>4</sup>.

**Financial Impact – Prevention First and Annual Benefit 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 Prevention 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 Prevention 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

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<sup>2</sup> *ibid*

<sup>3</sup> *ibid*

<sup>4</sup> *ibid*

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 Prevention 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.

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.

DVA premiums with Standard Dental Plan	Plan Year 2024
Retiree Only	\$69
Retiree & Spouse	\$138
Retiree & Child(ren)	\$125
Retiree & Family	\$196

### Operational Impact (DRB) | Neutral

Decrease | Neutral | Increase

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

### Operational Impact (TPA) | Neutral

Decrease | Neutral | Increase

The impact to the medical 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) RHPAB Recommendation

The Retiree Health Plan Advisory Board voted on **Month/Day**, 2024 to **recommend/not recommend** implementation of:

- Option 1. Prevention First
- Option 2. Annual Benefit Maximum

Description	Date
Proposal Drafted	04/2024
Reviewed by Modernization Subcommittee	04/09/2024
Reviewed by RHPAB	



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## Memorandum

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

**From:** Richard Ward, FSA, FCA, MAAA

**Date:** April 1, 2024

**Re:** Addition of Prevention 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 Prevention 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 Prevention 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:

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

## Actuarial Value – Prevention 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 Prevention First program.

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

	<b>2022</b>	<b>2023</b>
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 – Prevention 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.

	<b>2022</b>	<b>2023</b>
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 – Prevention First and Increase Plan Maximum**

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

	<b>Actuarial Value Increase</b>	<b>Claims Increase Dollar</b>	<b>Claims Increase Percent</b>
Prevention 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%
Prevention First and Increase Benefit Maximum by \$500	5.8%	\$1,550,000	2.8%
Prevention 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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