Retiree Health Plan Advisory Board
Meeting Agenda
June 21, 2024

Time:	9:00 am – 3:00 pm
Location:	Video Teleconference | ANC Atwood 19th Floor
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Telephone Only:	+1 907-202-7104,,514693674#
Board Members:	Lorne Bretz, Dallas Hargrave, Paula Harrison, Cammy Taylor, Michael Humphrey, Donna White

9:00 am	Call to Order

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

9:15 am	Public Comment

9:30 am	Modernization Initiatives/Priorities Working Session

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

10:30 am	Break
10:45 am	Modernization Initiatives/Priorities Working Session Continued
12:00 pm	Lunch
1:00 pm	Public Comment
1:30 pm	Modernization Initiatives/Priorities Working Session Continued
3:00 pm	Wrap up / Adjourn

DRAFT – For Consideration

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AlaskaCare Retiree Health Plan Advisory Board
Modernization Subcommittee Meeting Minutes

Thursday, May 30, 2024

Board Members		DRB		Guests	
Lorne Bretz	A	Steve Ramos	P	Randall Burns	P
Dallas Hargrave	A	Chris Murray	P	Wendy Wolfe	P
Paula Harrison	P	Richard Ward (Segal)	P	Stephanie Rhodes	P
Michael Humphrey	P	Joel Krzan (Aetna)	P	Judy Salo	A
Cammy Taylor	P	Kurt Bradshaw (VSP)	P		
Nan Thompson	P	Lucinda Ward (VSP)	P	Sharon Hoffbeck	P
		Liz Hawkins	P		
Mauri Long	P	Meghan Jones	P		

Call to Order

The meeting was called to order by Vice Chair Cammy Taylor. Introductions were done.

Approval of Meeting Agenda and Minutes

The agenda was approved.
The minutes were approved.

Ethics Disclosure

Vice Chair Cammy Taylor requested that Board members state any ethics disclosures in the meeting and remind members of the disclosure form available from staff, to keep any necessary disclosures on file.

- No disclosures were stated by Board members.

Public Comment

- Stephanie Rhodes noted only people other than licensed acupuncturists and licensed massage therapists were listed as qualified acupuncture providers under the Retiree Plan. Even if the coverage is expanded, the plan would not allow licensed acupuncturists to bill for the services, which might set people up for thinking they are getting a benefit they will not actually be able to obtain.

Modernization Topics/Priorities

Steve Ramos explained the acupuncture proposal includes the addition of acupuncture based on the claim administrator's medical necessity rules. It is possible that someday the claim administrator will not be Aetna, at which time the medical necessity rules may be different. The Medicare coverage of this is somewhat limited to conditions of back pain, whereas the Aetna clinical policy bulletin has a much more expanded list of things that are considered medically necessary. Regarding provider types, it is

important to recognize that the Retiree Plan is 80 percent members who are age 65 and over and that AlaskaCare becomes supplemental to Medicare when a member reaches age eligibility, so adding provider types not covered by Medicare to this plan would in effect move AlaskaCare to the primary payor. Acupuncture services might be covered from a physical therapist, DO, or MD but not from an acupuncturist, unless the acupuncturist bills under a doctor's license. Changing the provider types in the plan has greater impact than just including acupuncturists, by moving the plan from the secondary payor behind Medicare to the primary payor. This is not a factor for the Employee Plan because it is a completely different design with no statutory obligation to become supplemental to Medicare when a member reaches age eligibility.

- Richard Ward added that as other providers accept Medicare, the coverage would more naturally align.
- Vice Chair Cammy Taylor wondered if offering this service would not be effective since the pool of providers may be too narrow if people licensed to do acupuncture are not listed as qualified providers.
- Nan Thompson noted the plan already has an exception for naturopath coverage and questioned how this is different. She felt if the intent was to update and modernize the plan, it should be done correctly and actually cover what is proposed. She did not believe the vast majority of retirees in Alaska would have the option to take advantage of the acupuncture proposal as it stands. She added acupuncture has already been recognized as an effective modality and the plan has probably saved a lot of money and lives by providing pain care in lieu of opioids for active members. She believed providing the same level of provision of services for retirees should be one of the primary goals.
    - Mr. Ramos did not disagree but stated it was not clear that there was a shortage of acupuncture providers and that physical therapists, MDs, and DOs were not providing these services. He added that changing the provider types was not part of the proposal in front of the Board and that the proposal was adding acupuncture services.
- Paula Harrison thought this would be very misleading to retirees and wanted to make it clear to the retirees that acupuncture is only covered when billed by certain providers.
- Vice Chair Taylor felt it would be helpful to find out how many licensed acupuncturists currently bill under a qualified provider. There was further discussion about whether this was possible.
- Ms. Thompson questioned whether there were pharmacy claims that could be made under this proposal and if the projection of $721M for 2024 was associated with the provision of acupuncture services only or a broader category. She asked if providers are required to utilize the CPT codes that are listed in the bulletin to get paid for those services.
    - Mr. Ramos explained $764M was the projected total medical and drug expenses for the plan and $500,000 was the estimate for expanding or adding the coverage that is being considered. There were no adjustments for the pharmacy specifically for this. He noted that all provider types are expected to bill the code that is most correct for the services they provide and would not be expected to change they way they are billing.

Mr. Ramos discussed the dental proposal for the Standard DVA Plan. The first part of the proposal is Preventive First, which is first dollar coverage for class 1 services, such as annual dental exam, annual x-rays, and cleanings. A deductible would not apply, and it would be at 100% coinsurance from a network provider. It would not add those charges to the accumulator for the maximum benefit, so it would essentially increase the average member's maximum dental benefit for the year by about $500. The

actuarial plan value increase is 4.3%, and the financial cost of about $1.15M, a 2.1% increase in plan spend for dental.

- Vice Chair Taylor asked if a member would not benefit from the plan if they were not seeing a dental provider in network.
- Mr. Ramos responded that they would not have first dollar coverage. The deductible and coinsurance would apply, but it would not feed the accumulator to deduct from the $2000.

Mr. Ramos continued that the second piece of the Standard DVA Plan for dental is a maximum benefit increase. An increase of $500 to a total of $2500 would have an actuarial increase of 1.9% and an increase in plan spend of about $½M, almost 1% in additional claims. If the maximum is increased by $1000 to $3000 per year, the actuarial value goes up by 3.5% and the financial plan increase is almost $1M, or 1.7%. The final concept would be to add both the Preventive First and the $1000 max, resulting in an actuarial increase of 7.3% and a financial plan spend of about $2M. All else equal, this would result in a $6/month increase from $69/month now to a forecast possibility of $75/month.

Mr. Ramos next discussed the VSP vision component of the Standard DVA Plan. The goals are to optimize member support for maintaining optical health and offer a modernized vision plan option with set benefit levels. Members will have no surprises in costs. The plan will move from the no-network, 80/20 coinsurance design to co-pays. It is important to inform members that this is a new and different plan and that enrolling in this plan will be great if they go to a VSP provider and more expensive if they go to an out-of-network provider.

- Kurt Bradshaw clarified that in communication to retirees, it needed to be clear that the DVA was a package. Members could choose the Standard or Legacy Dental/Vision/Audio, but VSP is only available in the Standard DVA.
    - Steve was concerned members would choose Enhanced Dental without realizing the Vision portion is only helpful for them if they use a VSP provider. A member going out of network, will have a higher out-of-pocket cost than last year, for example.
- Paula Harrison felt the VSP providers in Alaska were very limited and wanted to know what VSP was doing to increase the network.
- Lucinda Ward gave some context about the provider network, noting was overall relatively stable. She stated they continually look to add new providers to the network and encourage providers to contact them if they are unhappy. She noted if someone is in a rural area and does not have a selection of VSP providers, the member could be authorized by VSP to go to an out-of-network provider and be treated as an in-network experience.
- Vice Chair Cammy Taylor also noted that progressive lenses are covered under the new plan.

Mr. Ramos gave more details of the included benefits: lenses and frames have a $10 material co-pay rather than 80/20; single-line bifocal and lined trifocal are covered; retail frame goes from max of about $150 to $200, and then $220 for a featured frame; there is the same benefit at Walmart, Sam's Club, and Costco; elective contact lenses are more of a benefit than before; lens enhancements become covered; and there are discounts on photo-chromatic tints or transition.

- Vice Chair Taylor commented that people might want to weigh the benefits they get with increased dental coverage versus the vision and look at what their needs are to figure out which plan benefits them the most.

Mr. Ramos continued that this would reduce the plan paid by $2.27M, or 4.2%, and increase the actuarial value by 6%, bringing quite a bit of value and still getting a savings. The plan premium per month for the standard DVA is $69 currently, and all else equal, if this was adopted, the premiums could drop to $62 per month, essentially saving $7 per month. The combined overall effect of adding Preventive First plus $1000 increase to the Dental Plan plus the VSP network could result in plan premiums $1 less for 2025 than they are today.

- Mr. Ward reemphasized that the premium differentials discussed today are for the impact of just the plan changes and introducing the network. Other considerations can have an effect on the premium, and the eventual numbers for 2025 may be slightly different than what was discussed today.
- Vice Chair Taylor asked if there were changes proposed to the audio.
    - Mr. Ramos responded that there were no fundamental change to the audio benefit. However, there is a package of things from True Hearing with VSP that will be available to retirees, such as discounted hearing aids, batteries, and other discount opportunities.
- Ms. Thompson asked about double overage and how it would work if a couple chooses one of each plan.
    - Mr. Ramos did not think it was different than one of a married couple electing the Legacy Dental and the other Standard Dental and they each cover the other. This was discussed further.

Mr. Ramos recapped the way the Pacific Health Coalition health fairs worked in the past. The Retiree Plan members will not be able to participate in a health fair for 2024 and probably going forward. He explained that the defect with health fairs is there were limited communities where the health fairs were being organized and therefore limited availability to members. He also noted that since preventative services have been added, he was unsure if the health fair was important going forward.

- Michael Humphrey described that outside of Anchorage, there was not a good health fair attendance. Annual visits should be done a with primary doctor as wellness benefits are included.
- Vice Chair Cammy Taylor added that flu shots could be done at pharmacies as well and that the new Providence Urgent Cares were doing physicals. She suggested it would be a good idea to report to members that the health fairs would not be available this year and provide a summary of the services that are covered under the plan and how to obtain those services.

Public Comment

Vice Chair Cammy Taylor reminded meeting attendees of the guidelines for public comments provided in the meeting and invited anyone who wishes to provide public comment at this time to speak.

- Randall Burns, President of RPEA, commented that it seemed pretty de minimus in terms of the cost to add acupuncturists and massage therapists to the covered providers. He felt it was incumbent on the RHPAB and the Modernization Subcommittee to focus on improving enhancements to the plan that are relatively inexpensive but also beneficial. He supported the changes to the Standard DVA Plan but felt it made no sense to reduce the premium by $1.
- Regarding the trust fund, Steve Ramos explained the Inflation Reduction Act would change the way the Medicare Part D EGWP plans receive subsidies from the Federal Government. The

federal subsidies are expected to be cut almost in half in 2025, which could substantially affect the health of the trust fund.

Wrap Up / Adjourn

Motion by Nan Thompson to adjourn the meeting. Second by Paula Harrison.
The meeting adjourned.

The next RHPAB meeting will be held on June 21, 2024.

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, 5/30/2024

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.[1] The AlaskaCare retiree plan does not provide coverage for acupuncture services, they are a plan exclusion.[2] 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[3] (CBP) 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.[4]

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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[1] 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.

[2] AlaskaCare Retiree Insurance Information Booklet – Jan 2023. *Section 5.1 Medical Expenses Not Covered*. https://drb.alaska.gov/docs/booklets/DB-RetireeInsuranceBooklet_WEB.pdf

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

[4] 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.

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 retiree plan members

Maintenance treatment, where the member's symptoms are neither regressing nor 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 minimal, 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, 05/30/2024
Reviewed by RHPAB	

Segal

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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:

Deductibles	
Annual individual / family unit deductible	$150 / up to 3x per family
Coinsurance	
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%
Out-of-Pocket Limit	
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
Benefit Maximums	
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

Proposal Title	Prevention 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

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 Standard 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 Dental Plan, unchanged from the 2013 plan design, as an option for members to choose during open enrollment. To ensure the Legacy Dental Plan maintains fidelity to the plan that was in place in 2013, the Division only considers updates for the Standard Dental Plan.

One of the most frequent requests the Division receives from members is a desire for improvement and modernization of the AlaskaCare Retiree Standard Dental 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 Dental Plan.

Option 1. Prevention First

The AlaskaCare Standard Dental 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 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 Dental 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 Dental 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.
This proposal would increase the annual maximum benefit for the AlaskaCare Retiree Standard Dental plan 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. 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 $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 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	$1,620
With Prevention 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. 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[5].

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 value[6].

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 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.

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 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 – Prevention 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 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 impact to the Standard Dental Plan only. There is no

[5] 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

[6] 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

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.

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	Prevention First	$500 Dental Max Increase	$1000 Dental Max Increase	Prevention First and $500 Dental Max Increase	Prevention 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
Overall Rate Change	0.0%	4.8%	2.1%	3.8%	6.4%	8.1%

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 Prevention 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) 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, 05/30/2024
Reviewed by RHPAB	

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

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. The Division works to maintain these benefits while keeping premiums affordable. Effective for plan year 2020, AlaskaCare began offering two retiree dental plan options, the Legacy Dental Plan, and the Standard Dental Plan. Although the Legacy and Standard dental plans have different dental coverage provisions, they have had identical vision and audio benefits.

The Legacy Dental Plan is the plan design that was in place in 2013 and one of its noteworthy differences from the Standard Dental Plan is that it reimburses out of network providers at a higher rate. To maintain fidelity with the 2013 Plan design, the Division is committed to maintaining the Legacy Dental Plan and by extension, the Legacy DVA Plan, as an option for members to choose during annual open enrollments.

Going forward there will be two DVA packages or plans, the Legacy DVA plan and the Standard DVA plan. This proposal discusses changes to the vision benefits in the Standard DVA Plan only. Currently, coverage for vision services is offered under an indemnity plan arrangement. The current vision coverage does not utilize a network and has a fixed cost sharing arrangement for covered services. Members have a 20% cost share for all vision benefits up to the Plan allowed maximum reimbursement per service. Members must pay for services and supplies up front and then file claims for reimbursement. This results in a less customer-friendly experience and doesn't provide members with any network discounts.

2) Objectives

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

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

Two changes are being considered:

1. Implement the VSP provider network. With a network provider, members would only be responsible for copayments and charges for options that exceed the plan benefit. Network providers would collect the appropriate Vision Plan copayment, file a claim with VSP, and only bill the member for any remaining expenses that exceeded the vision benefit. Plan reimbursements for services and supplies obtained from out-of-network (OON) providers must be lower than those for network providers. Members who obtain care from an out-of-network provider will be responsible for an increased share of the costs under the Standard DVA plan than they would under the Legacy DVA plan. Members residing more than 25 miles from a network provider should contact VSP for special claim handling.

2. Shift from members paying 20% coinsurance to a copayment. Enhance the network benefit allowances to reduce

retiree costs for a variety of vision products and services. Provide discounts for additional services that were not previously covered.

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

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

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

Frequencies	Proposed VSP Signature Plan
Examination	Every 12 Months
Lenses	Every 12 Months
Frame	Every 24 Months
Benefits with a VSP Network Provider	
Examination	$10 Copay
Contact Lens Examination	$20 Copay
Essential Medical Eyecare	$60 Copay
Lenses/Frame	$10 Copay
Lenses	
Single Vision	Covered
Lined Bifocal	Covered
Lined Trifocal	Covered
Allowances	
Retail Frame	$200
Featured Frame Brand	$220
Walmart/Sam's Club/Costco Frame Allowance Match	$200
Elective Contact Lenses *In lieu of lenses or frames*	$150
Lens Enhancement Out-of-Pocket Cost	
Anti-Reflective	Covered
Polycarbonate Lenses	Covered
Scratch-Resistant	Covered
Standard Progressive	Covered
Custom and Premium Progressive	Covered
Photochromic & Tints	Up to 40% Discount
All Other Lens Enhancements	Up to 40% Discount
Out of Network Provider Allowances	
Examination	$100
Single Vision	$75
Lined Bifocal	$115

Lined Trifocal	$130
Lenticular	$185
Progressives	$115
Frame	$70
Necessary Contact Lenses	$210
Elective Contact Lenses *In lieu of lenses or frames*	$135

4) Analysis

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

Retiree Standard DVA Plan out of pocket costs for obtaining services from an out of network provider will be substantially higher than the Legacy DVA Plan.

5) Impacts

Actuarial Impact to AlaskaCare | Increase

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

Financial Impact to AlaskaCare | Decrease

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

Member Impact | Enhancement

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

extrapolated to what the VSP plan would have covered.

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

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

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

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

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

Member Premium Impact | Decrease

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

Premiums with Standard DVA Plan	Plan Year 2024	VSP Standard Plan Addition
Retiree Only	$69	$62
Retiree & Spouse	$138	$125
Retiree & Child(ren)	$125	$113
Retiree & Family	$196	$178

Operational Impact (DRB)| Neutral

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

Operational Impact (TPA) | Neutral

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

Provider Impact | Low

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

6) Implementation and Communication Overview

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

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

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

7) RHPAB Recommendation

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

- ☐ Standard DVA Plan Vision Enhancements and VSP Network Addition

Description	Date
Proposal Drafted	05/2024
Reviewed by Modernization Subcommittee	05/30/2024
Reviewed by RHPAB	

Segal

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Memorandum

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

From: Richard Ward, FSA, FCA, MAAA

Date: May 21, 2024

Re: Addition of Prevention First for the Standard Dental Plan and Increasing the Plan Maximum and Addition of VSP Signature Plan for the Standard Plan – Focus on Actuarial, Financial and Potential Premium Impact to the Retiree Standard Dental, Vision, and Audio Plan

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

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

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

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

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

Plan Changes

Specific to the Standard Dental plan, 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.

Specific to the Standard Vision plan, the State is considering implementing the VSP provider network and paying non-network providers at levels comparable to network provider payments. In conjunction with adding the network, the State is considering enhancing the payment schedule to reduce retiree costs for a number of products and services:

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

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

No changes are being considered to the Legacy Dental or Vision plan.

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:

	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 – 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 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 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 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.

Actuarial Value – Vision Network and Payment Schedule

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

Financial Impact – Vision Network and Payment Schedule

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

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

Summary – Actuarial and Financial Impact

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

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

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	Prevention First	Incr Max $500	Incr Max $1,000	Prevention First & Incr Max $500	Prevention 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**	**Prevention First & Standard Vision**	**Incr Max $500 & Standard Vision**	**Incr Max $1,000 & Standard Vision**	**Prevention First & Incr Max $500 & Standard Vision**	**Prevention 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%)

The scenario in the bottom right corner of the previous table shows the impact on premiums associated with the largest enhancements for the dental benefits, in conjunction with the changes to the vision plan. The associated impacts of these changes almost fully offset one another. Please note this impact is due solely to the changes in benefits and underlying provider costs. Final premiums will be based on analysis utilizing updated claims data, anticipated migration between plans, as well funding needs and expected premium volatility both near-term and longer-term.

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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Retiree PHC Health Fairs

DRB has been in discussions with the Pacific Health Coalition (PHC) related to retiree members' participation in annual PHC Health Fairs. Historically, even though AlaskaCare retiree members were not PHC members, the PHC always allowed them to attend health fairs as a courtesy to AlaskaCare considering that the AlaskaCare employee population is a PHC member. In 2023, the membership issue was brought back up by the PHC and an agreement was extended to AlaskaCare that would allow retiree members to participate in the 2023 health fairs in exchange for a one-time access payment of $15,000.00. In early 2024, the DRB team participated in negotiations with the PHC in an attempt to obtain health fair access for retirees once again in exchange for a $15,000.00 "access fee". This proposal was discussed by the PHC board which ultimately decided that AlaskaCare retirees would no longer be extended an invitation to the annual health fair events. Following their determination, the DRB met internally and decided that full PHC membership for the AlaskaCare retiree population did not provide enough overall value for the plan or retiree members and therefore, would not be pursued. Considering the preventive benefits that were added to the retiree health plans in 2022 allow retirees to access most services provided at PHC health fairs with zero cost share, the DRB has decided that we will no longer be seeking access to or participation in annual PHC health fair events for the AlaskaCare retiree population.