



August 16, 2021

Ms. Betsy Wood  
Deputy Health Official  
Division of Retirement and Benefits  
State of Alaska  
P.O. Box 110203  
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**Impact of Potential Change in Prior Authorization of Specialty Medications for AlaskaCare Retiree Health Plan**

Dear Betsy:

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

- **Prior Authorization of Specialty Medications** – The proposed change would require prior authorization of certain specialty medications. There would be no change to the cost sharing required for members and no change in the medications that are covered by the plan. The purpose of this change, which would be administered by OptumRx, is to ensure that members receive the most appropriate treatment while prudently managing the utilization and cost of specialty medications.

Segal provided a memo dated August 10, 2021 which modeled the implementation of prior authorization of specialty medications for both the pre-Medicare (non-EGWP) and Medicare (EGWP) members. Assuming these changes would be effective January 1, 2022, Segal estimated that these options would reduce the retiree health plan cost during 2022 by \$12,300,000 (\$7,000,000 for the non-EGWP members and \$5,300,000 for the EGWP members).

To estimate the financial impact of these changes on PERS/TRS/JRS, we reflected the decreases during 2022 provided by Segal and used the June 30, 2020 valuation assumptions to project future annual cost decreases. Shown in the table below is a summary of the estimated decrease in healthcare Actuarial Accrued Liability (AAL) for each plan, along with the projected decrease in Additional State Contributions (ASC) for FY23 if these changes had been reflected in the June 30, 2020 valuations. It is important to note that the FY23 contribution rates (which determine the FY23 ASC) have not yet been formally approved by the Alaska Retirement Management Board (ARMB). The June 30, 2020 valuation results were approved during the June 2021 ARMB meeting, and the FY23 contribution rates will be adopted during the September 2021 ARMB meeting.

### Prior Authorization of Specialty Medications (\$ millions)

#### Estimated decrease in Healthcare AAL as of June 30, 2020<sup>1</sup>

PERS	(\$126.9)
TRS	(45.0)
JRS	<u>(0.3)</u>
Total	(\$172.2)

#### Estimated decrease in FY23 ASC<sup>1, 3</sup>

PERS	(\$1.3)
TRS	(0.4)
JRS <sup>2</sup>	<u>0.0</u>
Total	(\$1.7)

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

<sup>2</sup> The amount rounds to less than \$0.1M.

<sup>3</sup> Because the healthcare portions of these plans are currently overfunded, the decreases in FY23 ASC for PERS and TRS reflect the decreases in healthcare Normal Costs only. (Future year's ASCs will also be decreased by these proposed changes.) If the healthcare portions of these plans were not overfunded and the decreases in AAL were to be amortized over 25 years according to the ARMB's current funding policy, the total decrease in FY23 ASC would be approximately \$12.8M. Please note that the decrease in FY23 ASC for PERS includes the estimated decrease in the State-as-an-employer contribution under SB 55, which was effective July 1, 2021.

### Additional Notes

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

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

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

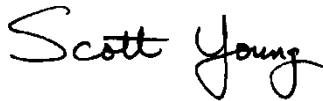
State of Alaska

**Actuarial Certification**

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

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

Respectfully submitted,



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Buck



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