

State of Alaska
RETIREE HEALTH PLAN ADVISORY BOARD
Related to updating the Lifetime Maximum in the
AlaskaCare Defined Benefit Retiree Health Plan

Resolution 2023-01

WHEREAS, the Retiree Health Plan Advisory Board (Board) is authorized by Administrative Order No. 336 to facilitate engagement and coordination between the State of Alaska's retirement systems' members, the Alaska Retirement Management Board, and the Commissioner of Administration regarding the administration of the retiree health plan; and

WHEREAS, the Alaska retiree health care trusts provide health coverage through the AlaskaCare Defined Benefit Retiree Health Plan (Plan) to retirees and their dependents; and

WHEREAS, a lifetime maximum is the maximum dollar amount that a health plan will pay out during a member's lifetime for healthcare services; and

WHEREAS, the Plan currently contains a \$2 million lifetime maximum, with up to \$5,000 in medical expenses automatically reinstated annually, or the full annual spent maximum may be restored if the member submits proof of good health satisfactory to the claims administrator within the following year; and

WHEREAS, once a Plan member becomes Medicare-eligible, the Plan becomes supplemental to Medicare and claims costs are then limited by Medicare's fee schedule, and the Plan's responsibility is limited to amounts not covered by Medicare, typically leaving a much smaller amount to be considered by AlaskaCare; and

WHEREAS, members not eligible for Medicare who are facing extraordinarily high health care costs are disproportionately impacted by the current lifetime maximum as they do not have guaranteed access to other health insurance the way Medicare-eligible members do; and

WHEREAS, the automatic reinstatement of \$5,000 in medical expenses can prevent non-Medicare eligible members from qualifying for other health coverage; and

WHEREAS, the Plan's \$2 million lifetime maximum has not been updated since 1999; and

WHEREAS, there are few group health plans remaining in the United States that include a lifetime benefit maximum; and

WHEREAS, removing or increasing the Plan's lifetime maximum provision would ensure members retain access to health insurance during a catastrophic health event, and

WHEREAS, the Division of Retirement and Benefits (Division) has proposed to consider 1) increasing the lifetime maximum to \$8 million and removing the reinstatement provisions, or 2) removing the Lifetime Maximum, as outlined in detail in the Program Proposal presented to the Retiree Health Plan Advisory Board on June 29, 2023 (Program Proposal); and

WHEREAS, the Division has solicited public comments on the Program Proposal to update the Plan's provisions related to the Lifetime Maximum, which resulted in 87% of public comments in favor of removal of the Lifetime Maximum and 13% of public comments in favor of increasing the Lifetime Maximum to \$8,000,000; and

WHEREAS, the Program Proposal is anticipated to have minimal impact on the financial health of the trusts, specifically:

1. the Program Proposal has been evaluated by an independent certified Fellow of the Society of Actuaries, who found that the proposed change is anticipated to increase the actuarial value of the Plan by 0.35%-0.40%; and
2. the Program Proposal has been evaluated by an independent certified Fellow of the Society of Actuaries, who found that the proposed change is anticipated to increase near-term annual Plan costs by approximately \$2.40 – \$2.74 million; and
3. the Program Proposal has been evaluated by an independent certified Fellow of the Society of Actuaries, who found that the proposed change may have long-term impacts on the healthcare Accrued Actuarial Liability (AAL) associated with the plan, representing a potential increase in the AAL of 0.25%-0.28% (\$22.9 – \$25.6 million); and

WHEREAS, over the long-term, the financial impact of increasing the Lifetime Maximum to \$8,000,000 would be very close to removing the Lifetime Maximum completely; and

WHEREAS, the Division's analysis has included: evaluation of the need and rationale for the proposed change, data analysis based on actual experience, evaluation of the impact of the changes to the current benefits; evaluation of any gaps, restrictions, reductions, eliminations, expansions, or additions to the current benefits; the number of members potentially impacted by changes and the seriousness of any impacts;

NOW THEREFORE, BE IT RESOLVED THAT THE RETIREE HEALTH PLAN ADVISORY BOARD recommends the AlaskaCare Defined Benefit retiree health plan adopt and implement removal of the Plan's Lifetime Maximum as outlined in the Program Proposal submitted to the Board on June 29, 2023, to be effective January 1, 2024.

DATED this 29th day of June 2023.