

State of Alaska
RETIREE HEALTH PLAN ADVISORY BOARD

Related to Updating the Cost Share for Dental Preventive Services, Dental Annual Maximum Benefit,
and Vision Benefits Under the AlaskaCare Retiree Standard Dental-Vision-Audio Plan

Resolution 2024-02

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 AlaskaCare Retiree Health Plan; and

WHEREAS, the AlaskaCare Retiree Dental-Vision-Audio (DVA) Plans are funded by members' monthly premium payments; and

WHEREAS, the Division of Retirement and Benefits (Division) currently administers two DVA Plan options: the Legacy Plan, which maintains fidelity of the DVA Plan benefits established prior to 2014, and the Standard Plan, which was established in 2020 to help retirees offset the cost of their dental care; and

WHEREAS, an annual maximum benefit is the maximum dollar amount that a plan will pay out during each benefit year for eligible services; and

WHEREAS, the dental benefits under the Legacy and Standard DVA Plans currently have a \$2,000 annual maximum benefit; and

WHEREAS, the Division's current contracted third-party vendor, Delta Dental, offers a program titled Preventive First, which covers preventive dental services at 100% coinsurance; and

WHEREAS, the Division may contract with a different third-party vendor in the future to provide similar services; and

WHEREAS, the Standard and Legacy vision plans are currently identical, with coverage for vision services offered under an indemnity plan arrangement with a fixed cost sharing arrangement for covered services and without access to a provider network; and

WHEREAS, the Division of Retirement and Benefits (Division) has proposed 1) implementing Delta Dental's Preventive First Program, 2) increasing the annual dental benefit by \$1,000 to \$3,000, and 3) implementing the Vision Service Plan (VSP) provider network and benefit allowance enhancements for the vision as outlined in detail in the Program Proposal presented to the Retiree Health Plan Advisory Board on August 8, 2024 (Program Proposal); and

WHEREAS, implementing Dental Dental's Preventive First Program under the Standard Plan would mean eligible preventive services would not count toward the member's annual dental benefit maximum, allowing 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; and

WHEREAS, increasing the Standard Plan's dental annual maximum benefit may ease the financial barriers to dental care that members experience once the current \$2,000 maximum is reached, potentially improving their clinical outcomes, and

WHEREAS, under the existing vision plan option, members may currently pay for vision services and supplies up front and then manually file claims for reimbursement, often without knowing what their final out-of-pocket cost will be; and

WHEREAS, with a VSP provider, members would know their out-of-pocket costs when selecting services and would only be responsible for copayments and charges for options that exceed the plan benefit, as network providers would determine the member cost share, file the claim with VSP, and only bill the member for their appropriate portion; and

WHEREAS, members who receive services from an out-of-network provider under the Standard Plan vision benefit would receive lower reimbursement and be responsible for an increased cost share than under the Legacy Plan; and

WHEREAS, the Legacy Plan, which reimburses out of network providers at a higher rate, will continue to be a benefit option for members to choose; and

WHEREAS, through negotiated rates with in-network providers, members enrolled in the Standard Plan utilizing the VSP provider network would experience reduced copayments for comprehensive eye exams, lenses, and frames; and

WHEREAS, members enrolled in the Standard Plan would have access to vision benefit enhancements, including progressive lenses and other lens options currently excluded under the Legacy Plan; and

WHEREAS, the Program Proposal has been evaluated by an independent certified Fellow of the Society of Actuaries, who found that implementing the proposed changes to the dental benefits under the Standard DVA Plan would result in enhancements to the Plan that are favorable for members and would have an actuarial value increase of 7.3 percent; and

WHEREAS, the Program Proposal has been evaluated by an independent certified Fellow of the Society of Actuaries, who found that the proposed changes to the vision benefit under the Standard DVA Plan would result in enhancements to the Plan that are favorable for members and would have an actuarial value increase of 6 percent, but would reduce the annual plan paid amount by \$2.27 million, or 4.2 percent; and

WHEREAS, the Program Proposal has been evaluated by an independent certified Fellow of the Society of Actuaries, who found that the adoption of the proposed changes to both the dental and vision benefits under the Standard DVA plan is anticipated to result in approximately \$320,000, or 0.6 percent in additional annual claim savings to the Plan; and

WHEREAS, the actuarial analysis provided indicates the associated financial impacts of these changes are expected to offset each other;

WHEREAS, the Division has solicited public comments on the Program Proposal to update the Plan's provisions related to the dental benefits under the Standard DVA Plan which resulted in 90% of public comments in favor of the implementation of the Preventive First program and increasing the annual maximum dental benefit to \$3,000 and 10% of public comments opposed to the proposal; and

WHEREAS, the Division has solicited public comments on the Program Proposal to update the Standard DVA Plan's vision benefits to implement the VSP provider network and enhance the vision benefit options, which resulted in 86% of public comments in favor of the proposed Standard DVA plan's vision benefit changes and 14% of public comments opposed to the Program Proposal; 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 Standard DVA Plan implement Delta Dental's Preventive First program, increase the dental annual maximum benefit, and implement the VSP provider network and vision benefit enhancements as outlined in the Program Proposal submitted to the Board on August 8, 2024, to be effective January 1, 2025.

DATED this 3rd day of October 2024.