

<b>Proposal # and Title</b>	<b>Supplemental Non-Emergent Surgery and Travel Benefits (R001)</b>
<b>Health Plan Affected</b>	Defined Benefit Retiree Plan
<b>Proposed Effective Date</b>	TBD (January 2024-December 2024)
<b>Reviewed By</b>	Public Review
<b>Review Date</b>	May 12, 2023 – June 16, 2023

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# 1) Background

Many AlaskaCare Defined Benefit retiree health plan (Plan) members travel to access medical care. A large portion of the membership lives in Alaska or rural areas where they do not always have local access to the medical care they require. As a result, these members may have no choice but to travel outside their community to obtain certain types of medical care. For others, they may prefer to travel to obtain care that is less expensive than the care available in their community, or to obtain care from a specific provider or facility located outside their community.

## **Current Travel Coverage**

The Plan provides members limited coverage for certain travel costs when members need to travel away from their home to obtain care. The expenses eligible for coverage and the portions of covered travel costs vary depending on the qualified travel circumstance but are typically limited to airfare costs only. Lodging, per diem expenses, and travel for a companion are rarely eligible for coverage.

The Plan currently covers member health related travel costs within the contiguous limits of the United States, Alaska, and Hawaii. Coverage is limited to the member receiving care, unless a companion benefit is clearly stated or authorized by the plan administrator (e.g. a travel companion for a minor) and includes:<sup>1</sup>

- a) Transportation to the nearest hospital by professional ambulance.
- b) Round-trip transportation, not exceeding the cost of coach class commercial air transportation, to the nearest professional treatment.
- c) Documented travel expenses for ground transportation including fares, mileage, food and lodging for the most direct route if ground transportation and the most direct one-way distance exceeds 100 miles. This applies only while the member is in transit and ends once they arrive at the location of treatment.

The plan provides coverage in the following circumstances:

- a) Emergencies
- b) Treatment not available locally. Treatment must be received for travel to be covered.
- c) Second surgical opinions which cannot be obtained locally.
- d) Surgery provided less expensively in another location.

In most circumstances, travel costs do not include the following:

- a) Travel for a companion
- b) Lodging
- c) Food
- d) Other transportation costs

Currently, in order to enable the Plan's claims administrator to determine to maximum payable airfare benefit, travel in most circumstances must be precertified. If travel is not precertified, eligible travel expenses will be paid up to \$500 (not to exceed actual eligible costs). The plan does not pay for travel costs up front, the member is required to front those costs and submit them for reimbursement following completion of the trip.

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<sup>1</sup> For full travel coverage details, see: Retiree Insurance Information Booklet, *Section 3.3.18 Travel*, January 2023. pg. 56-60. [https://drb.alaska.gov/docs/booklets/DB-RetireeInsuranceBooklet\\_WEB.pdf](https://drb.alaska.gov/docs/booklets/DB-RetireeInsuranceBooklet_WEB.pdf).

Members traveling to seek care may see the provider of their choice. Except for transplant and Gene-based Cellular and Other Innovative Therapies (GCIT) services, the plan does not currently passively or actively steer members to providers or facilities who have demonstrated they meet certain quality or outcome metrics or offer members access to decision support tools to seek out high-quality providers and facilities.

### **Supplemental Non-Emergent Surgery & Travel Programs**

Recognizing that traveling to seek care often enables members to visit providers best suited to meet their health needs, many health plans, including the AlaskaCare Employee Health Plan (employee plan) have implemented programs to ease the burden of travel, and to incentivize use of providers who meet certain quality and cost metrics. Plans report benefits from this model including avoided unnecessary procedures, reduced complication and readmittance rates, and discounted costs.<sup>2</sup>

These programs are intended to support members when accessing care outside their community by streamlining the travel process, expanding eligible travel expenses in specific circumstances, providing care coordination support, connecting members to a network of high-quality providers, and ensuring services are provided at cost-effective prices.

## **2) Goals and Objectives**

1. Connect members with specialists that may not be available locally, and who have been vetted against stringent quality measures.
2. Expand travel expenses eligible for Plan coverage in certain circumstances.
3. Streamline the administrative and coordination tasks for members requiring non-emergent surgery.
4. Enhance patient outcomes through reduced complication rates based on the quality of providers available to members through specialized networks.
5. Drive value through competitive pricing.

## **3) Summary of Proposed Change**

This proposal considers adding an optional supplemental travel program coupled with access to a narrow, high-quality network of providers and facilities delivering non-emergency surgical services to the Plan. This proposal does not contemplate changing or updating the standard travel benefits detailed in *Section 3.3.18 Travel* in the AlaskaCare Retiree Insurance Information Booklet.<sup>3</sup> The proposed program would be supplemental to all existing benefits.

The proposed program would:

1. Provide access to dedicated care advocates to assist members with provider selection, care coordination, and travel arrangements.
2. Provide access to a high-quality network of providers.

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<sup>2</sup> Jonathan R. Slotkin, Olivia A. Ross, M. Ruth Coleman, and Jaewon Ryu. *Why GE, Boeing, Lowe's, and Walmart Are Directly Buying Health Care for Employees*. Harvard Business Review. June 08, 2017. <https://hbr.org/2017/06/why-ge-boeing-lowes-and-walmart-are-directly-buying-health-care-for-employees>

<sup>3</sup> Retiree Insurance Information Booklet, *Section 3.3.18 Travel*, January 2023. pg. 56-60. [https://drb.alaska.gov/docs/booklets/DB-RetireeInsuranceBooklet\\_WEB.pdf](https://drb.alaska.gov/docs/booklets/DB-RetireeInsuranceBooklet_WEB.pdf).

3. Ease the travel process by coordinating and pre-paying the travel itinerary for the member and a traveling companion for services provided through the program.
4. Bring savings to the Plan through discounted rates.

Currently, the Division has contracted with SurgeryPlus to act as a Third-Party Administrator (TPA) and administer this program for active employee plan members. This proposal contemplates implementing the proposed change by expanding the SurgeryPlus service offering to retiree plan members. As with all AlaskaCare contracted TPA services, the contract currently held by SurgeryPlus will be periodically competitively bid, and a different TPA may administer this program in the future based on the outcome of the procurement process.

## SurgeryPlus Overview

SurgeryPlus has developed a network of providers across the United States that meet certain stringent quality criteria, both objective and subjective. These criteria include verification of licensure, board certification, completion of a fellowship, no state sanctions, a reputational review, passage of a comprehensive malpractice review, and a demonstrated complication rate of less than 1% over the past five years. SurgeryPlus negotiates deeply discounted case rates with these high-quality providers for specific non-emergent services and procedures.

SurgeryPlus' care advocates serve as a single point of contact for members. When members require an elective surgery, they can contact SurgeryPlus to see if the procedure they are seeking is offered through the SurgeryPlus network. If so, a dedicated care advocate will assist the member.

Member's lodging will be covered for a necessary duration as determined by the surgeon. After the member completes the procedure and travels home, follow up care can be provided through their primary care physician or other appropriate local providers, combined with telehealth services as needed. If necessary, the member can travel back to the surgeon for needed follow up care.

Advantages of using the SurgeryPlus benefit include:

- A dedicated care advocate.
- Recommendations to SurgeryPlus network providers, and to Medicare accepting SurgeryPlus network providers.
- Better outcomes with procedure volume requirements and lower complication rates.
- Coordinated travel itinerary.
- Hotel and flights are booked and pre-paid by SurgeryPlus.
- Debit card with applicable travel funds.
- Accessing care from high-quality providers who have agreed to competitive rates brings cost savings to the member and to the plan.

## Episode of Care

An episode of care under the SurgeryPlus benefit can be considered in two categories:

1. Care Coordination and Travel: Includes quality provider recommendations and care coordination from a dedicated Care Advocate, all travel expenses for travel arrangements made through SurgeryPlus (see "Travel Benefits" section below for more detail).

2. Medical Expenses: Includes all services and treatments administered from admission to discharge at the selected venue for a procedure, as well as the pre-operative and post-operative consultations with the SurgeryPlus provider. Any medical services received outside of the episode of care would be covered under the other provisions of the medical plan.

For non-Medicare-eligible members, a SurgeryPlus episode of care includes both the care coordination/travel expenses, and the medical expenses associated with the procedure.

For Medicare-eligible members, a SurgeryPlus episode of care includes the care coordination and travel expenses. To ensure appropriate coordination with Medicare, the medical expenses associated with the procedure will pay under the standard medical benefit and must first be submitted to Medicare before consideration by AlaskaCare.

## Member Cost Share

All expenses included in a Surgery Plus Episode of Care will be subject to the Plan’s standard cost share.

*Table 1. AlaskaCare Retiree Health Plan Member Cost Share<sup>4</sup>*

Deductible	Coinsurance	Out-Of-Pocket Maximum
\$150	80%	\$800; applies after the deductible is satisfied

While a review of other plan’s experience with similar benefits has shown that there is a correlation between higher member participation in a travel surgical program and lower member cost share for the associated services, this proposal maintains the plan’s current standard cost share provisions due to this program being offered as an optional benefit.

## SurgeryPlus Covered Services and Procedures

SurgeryPlus provides coverage for non-emergent procedures, including but not limited to the common procedures listed below. The full list of procedures available will vary based on the current capabilities of SurgeryPlus’ network of providers, or any future TPA’s network of providers.

*Table 2. Common SurgeryPlus Covered Services and Procedures*

<u>AREA</u>	<u>PROCEDURE TYPES</u>	
<b>KNEE</b>	<ul style="list-style-type: none"> <li>• Knee Replacement</li> <li>• Knee Replacement Revision</li> </ul>	<ul style="list-style-type: none"> <li>• Knee Arthroscopy</li> <li>• ACL/MCL/PCL Repair</li> </ul>
<b>HIP</b>	<ul style="list-style-type: none"> <li>• Hip Replacement</li> <li>• Hip Replacement Revision</li> </ul>	<ul style="list-style-type: none"> <li>• Hip Arthroscopy</li> </ul>
<b>SHOULDER</b>	<ul style="list-style-type: none"> <li>• Shoulder Replacement</li> <li>• Shoulder Arthroscopy</li> </ul>	<ul style="list-style-type: none"> <li>• Rotator Cuff Repair</li> <li>• Bicep Tendon Repair</li> </ul>
<b>FOOT AND ANKLE</b>	<ul style="list-style-type: none"> <li>• Ankle Replacement</li> <li>• Bunionectomy</li> <li>• Hammer Toe Repair</li> </ul>	<ul style="list-style-type: none"> <li>• Ankle Fusion</li> <li>• Ankle Arthroscopy</li> </ul>

<sup>4</sup> Retiree Insurance Information Booklet, *Section 1.1 Medical Benefits*, January 2023. pg. 2-4.  
[https://drb.alaska.gov/docs/booklets/DB-RetireeInsuranceBooklet\\_WEB.pdf](https://drb.alaska.gov/docs/booklets/DB-RetireeInsuranceBooklet_WEB.pdf).

<b>SPINE</b>	<ul style="list-style-type: none"> <li>• Laminectomy/Laminotomy</li> <li>• Anterior Lumbar Interbody Fusion</li> <li>• Posterior Lumbar Interbody Fusion</li> </ul>	<ul style="list-style-type: none"> <li>• Anterior Cervical Disk Fusion</li> <li>• 360 Spinal Fusion</li> <li>• Artificial Disk</li> </ul>
<b>WRIST AND ELBOW</b>	<ul style="list-style-type: none"> <li>• Elbow Replacement</li> <li>• Elbow Fusion</li> <li>• Wrist Fusion</li> </ul>	<ul style="list-style-type: none"> <li>• Wrist Replacement</li> <li>• Carpal Tunnel Release</li> </ul>
<b>GENERAL SURGERY</b>	<ul style="list-style-type: none"> <li>• Gallbladder Removal</li> <li>• Hernia Repair</li> </ul>	<ul style="list-style-type: none"> <li>• Thyroidectomy</li> </ul>
<b>GASTROINTESTINAL</b>	<ul style="list-style-type: none"> <li>• Colonoscopy</li> <li>• Endoscopy</li> </ul>	
<b>GYNECOLOGY</b>	<ul style="list-style-type: none"> <li>• Hysterectomy</li> <li>• Bladder Repair</li> </ul>	<ul style="list-style-type: none"> <li>• Hysteroscopy</li> </ul>
<b>BARIATRIC</b>	<ul style="list-style-type: none"> <li>• Gastric Bypass</li> <li>• Laparoscopic Gastric Bypass</li> </ul>	<ul style="list-style-type: none"> <li>• Laparoscopic Sleeve Gastrectomy</li> </ul>
<b>EAR/NOSE/THROAT</b>	<ul style="list-style-type: none"> <li>• Ear Tube Insertion (Ear Infection)</li> <li>• Septoplasty</li> </ul>	<ul style="list-style-type: none"> <li>• Thyroidectomy</li> <li>• Sinuplasty</li> </ul>

## Care Coordination

After a member reaches out to SurgeryPlus to access their benefit, SurgeryPlus care advocates provide an initial list of providers who are best suited to perform the procedure. For Medicare-eligible members, the care advocates will provide recommendations for SurgeryPlus-contracted providers who accept Medicare.

When a member selects one of the SurgeryPlus-recommended providers, their care advocate will work with the member to arrange for the transfer of the member's medical records to the selected provider who will review the case. Upon review, if the provider accepts the case, SurgeryPlus will begin to schedule the procedure and make arrangements for the member's travel. The member will receive assistance with everything from scheduling to billing, making the experience easier at every step. This care advocate will continue to assist the member through their end-to-end surgical journey and into recovery.

## Travel Benefits

Members utilizing the SurgeryPlus benefit would receive plan coverage for additional travel expenses beyond what is covered under the standard benefit, including coverage for a companion's travel expenses.

Only travel arrangements made through the SurgeryPlus Care Advocate are eligible for coverage under the SurgeryPlus benefits. The specific travel benefit depends on the procedure, the provider and the distance between the provider and a member's residence.

Covered expenses may include the following as arranged by SurgeryPlus:

1. Roundtrip coach class commercial air transportation for patient.
2. Roundtrip coach class commercial air transportation for one companion.
3. Assistance with transportation costs to and from the airport to appointments.
4. Lodging away from home while traveling to receive pre-operative consult services, procedures covered under the SurgeryPlus benefits, and post-procedural consults. Lodging away from home

will be covered until such time as the provider has advised that the patient is cleared to travel and does not require a near term in-person visit with the treating provider, or in any case where the member does not have easy access to primary care.

5. Pre-loaded debit card to cover \$25 per patient per day (\$50 per day for patient & companion) for meals and incidental expenses traveling away from home to receive services covered under the SurgeryPlus benefits, during the stay to obtain a SurgeryPlus Episode of Care and to assist with travel expenses from the place of care to the member's place of residence.
6. When member uses ground transportation in lieu of air travel, and the most direct one-way distance:
  - a. is less than 100 miles from the member's residence, the member receives a pre-loaded debit card of \$25 to help with fuel,
  - b. exceeds 100 miles but is less than 200 miles from the member's residence, the member receives a pre-loaded debit card of \$50 to help with fuel,
  - c. exceeds 200 miles from the member's residence, the member receives a pre-loaded debit card of \$100 to help with fuel.

## Limitations

Certain examinations, tests, treatments or other medical services may be required prior to, or following, a planned medical procedure with a SurgeryPlus provider. Any medical services performed by anyone other than a SurgeryPlus provider, including pre- and post-care, will be subject to the coverage provisions and other terms of the medical plan.

SurgeryPlus Episode of Care does not cover:

1. diagnostic testing in advance to determine whether a procedure is necessary;
2. convenience expenses;
3. procedures or care that are not medically necessary; and
4. treatment for any complications that arise during an episode of care that requires the member to be discharged from the facility and transported via ambulance to an appropriate venue (*e.g.*, Emergency Room).

After an Episode of Care, if a member needs emergency care for any reason, that care would be covered under the standard terms of the Plan.

SurgeryPlus travel benefits may not be used in conjunction with other AlaskaCare travel benefits provided by the Plan. SurgeryPlus travel benefits cannot be combined with travel benefits provided by other plans, and these benefits do not coordinate with other primary or secondary plans.

## Coverage Scenarios

### Coverage Scenario 1 – SurgeryPlus Network Provider

If a member receives services from a SurgeryPlus network provider, the member will be eligible for SurgeryPlus benefits. For common procedure types provided in locations most utilized by Alaska-based members, overlap between the SurgeryPlus provider network and Medicare is 100%.

### Coverage Scenario 2 - Surgical Care Outside of the SurgeryPlus Program

Members have the right to obtain care from any provider they choose. If a member elects to seek surgical care outside of the SurgeryPlus program, standard plan provisions apply. A member is *not eligible*

for the additional benefits provided by this program if they elect not to see a SurgeryPlus network provider or SurgeryPlus approved provider, or do not schedule or obtain their services through SurgeryPlus.

#### 4) Analysis

The expansion of covered travel costs in certain circumstances will benefit the membership and will ease the process for people who need to seek care outside of their community. The addition of a supplemental, narrow, travel-related network will provide members with access to surgeons who demonstrate they meet and maintain a combination of objective and subjective quality metrics. For Medicare-eligible members, the additional support and provider recommendations will help them to identify the Medicare-accepting provider best suited to deliver the care they need.

Note: These benefits are available to be added based on services being offered by a third-party provider (currently SurgeryPlus). The ability to continue to offer them is dependent on the continued availability of third-party service providers offering these or similar services. If this service model changes in the future, the plan benefit will be impacted.

#### Members Traveling Now for Care

The Division estimates that utilization of travel benefits provided through SurgeryPlus will increase from travel claims today, However, it is difficult to predict with certainty what actual usage will be.

Member requesting travel reimbursement has been trending down. Due to COVID-19, there was a decline in in-person medical services and elective surgeries during 2020 and 2021 as well as a decline in members seeking travel reimbursement.

*Table 3. AlaskaCare Retiree Health Plan Travel Expense Claims*

Year	Number of Travel Claims	Total Spend on Travel Claims
2022 (Q1 and Q2 only)	224	\$45,698
2021	444	\$100,780
2020	402	\$77,483
2019	624	\$115,994
2018	822	\$92,851

The above table may not fully reflect the volume of members traveling to receive care. Factors that can impact member utilization of travel benefits include:

- A. Members may have traveled to receive care, but were denied coverage for their travel expenses due to a failure to precertify their travel;
- B. Members may have traveled to receive care and not realized their travel expenses were eligible for coverage and therefore did not apply for reimbursement;

#### Employee Plan Experience with SurgeryPlus

SurgeryPlus benefits were implemented on August 1, 2018 for the AlaskaCare employee plan and have been quite successful. From 2018 through 2022, 166 procedures were completed, resulting in combined



savings of nearly \$6 million<sup>5</sup>.

Table 4. AlaskaCare Employee Plan: SurgeryPlus Highlights

Lifetime Utilization Metrics	166 completed procedures
Lifetime ROI	7.51X
Lifetime Savings Metrics	\$5,989,257 in Procedure Savings \$527,824 in Avoided Procedures \$900,093 in Avoided Complications
SOA Member Survey Results	Overall rating on the benefit: <i>Very Positive</i> How likely are you to recommend the benefit: <i>10/10</i> Most important factor to choosing SurgeryPlus: <i>Cost and Care Advocacy</i>

## 5) Impacts

### Actuarial Impact | Neutral

Decrease | Neutral | Increase

The proposed program would result in enhancements to the plan that are favorable for members and promote efficient utilization of services. However, as this proposal does not suggest changes to how a member’s cost share for medical services is calculated, the actuarial impact will be neutral. This impact is discussed in the attached Segal Consulting memorandum.<sup>6</sup>

### Financial Impact | Cost Decrease

Decrease | Neutral | Increase

#### Projected Annual Financial Impact

Based on book of business data provided by SurgeryPlus, it is estimated that approximately 400 procedures (20% of eligible procedures) annually will be provided through the SurgeryPlus program, resulting in savings due to the utilization of lower cost providers and fewer associated complications. Offset by contractual administrative expenses and assuming an average of \$3,000 per procedure in travel costs, it is estimated there will be approximately \$2,800,000 in annual savings to the Plan associated with the SurgeryPlus program. This estimate is discussed in the attached Segal Consulting memorandum.<sup>7</sup>

#### Projected Long-Term Financial Impact

The cost decrease associated with the proposed benefit additions may have long-term impacts to the healthcare Actuarial Accrued Liability (AAL)<sup>8</sup> and to the Additional State Contributions (ASC) associated with the Plan.

In an illustrative example, the tables below summarize the estimated impact on the healthcare AAL for the Public Employees Retirement System (PERS), Teachers Retirement System (TRS), and Judicial

<sup>5</sup> SurgeryPlus utilization 2018 through year-to-date November 2022.

<sup>6</sup> Segal Consulting Memorandum, *Travel Benefits Focus on Actuarial and Financial Impact for the Retiree Plan*, December 21, 2022.

<sup>7</sup> Ibid.

<sup>8</sup> AAL: The health Actuarial Accrued Liability is equal to the total accumulated cost to fund the postemployment benefits arising from service in all prior years.

Retirement System (JRS) combined and the estimated impact on the ASC for FY25. These estimates, along with the projected impact on the ASC through 2039 if this change had been reflected in the June 30, 2022, valuations are discussed in the attached Buck memorandum.<sup>9</sup>

It is important to note that the June 30, 2022, valuations and FY25 contribution rates (which determine the FY25 ASC) have not yet been formally approved by the Alaska Retirement Management Board (Board). The June 30, 2022, valuation results are expected to be approved during the June 2023 Board meeting, and the FY25 contribution rates will be adopted during the September 2023 Board meeting. Impacts are also shown as a percentage (decrease).<sup>10</sup>

The projected healthcare AAL for the defined benefit retiree systems combined (PERS, TRS, and JRS) as of the June 30, 2022, valuation is \$9,117.7 million. Contemplating a scenario where SurgeryPlus was implemented for the retiree plan, the illustrative impact on the AAL is a decrease of \$14.4 million. This represents a -0.16% impact on the overall AAL.

*Table 5. FY22 Healthcare AAL Illustrative Impact on Combined PERS/TRS/JRS DB if SurgeryPlus Implemented (\$ millions)*

Scenario	Current Healthcare AAL for Combined DB as of 6/30/2022	Illustrative (Decrease) in 6/30/2022 AAL	Illustrative % (Decrease) in 6/30/2022 AAL
1   SurgeryPlus Implemented	\$9,117.7	(\$14.4)	(0.16%)

The ASC is a mechanism for the State to provide payment assistance to participating employers' Actuarially Determined Contribution (ADC). The ADC is determined by adding the normal cost<sup>11</sup> to the amount needed to offset the amortization of any existing unfunded accrued liability over a period of 25 years.

Contemplating a scenario where SurgeryPlus was implemented for the retiree plan, the illustrative impact on the ASC for FY25 was a decrease of \$300k, representing a -0.07% percent change.

*Table 6. FY25 Impact on Combined PERS/TRS/JRS DB Contributions if SurgeryPlus Implemented (\$ millions)*

Scenario	Pension and Healthcare Current FY25 Contributions for Combined DB	Illustrative (Decrease) in FY25 Additional State Contributions	Illustrative % (Decrease) in FY25 Contributions
1   SurgeryPlus Implemented	\$486.9	(\$0.3)	(0.07%)

The illustrative decrease to the FY25 ASC is associated with the normal cost only. The current overfunded status of retiree health care liabilities has eliminated the immediate need for amortization payments to offset any health care unfunded liability. It is important to note the that long-term funded status of the trusts is subject to change in response to market volatility and many other factors.

<sup>9</sup> Buck Memorandum, *Impact of Adding an Optional Supplemental Travel Program through SurgeryPlus for AlaskaCare Retiree Health Plan*, March 3, 2023.

<sup>10</sup> Ibid.

<sup>11</sup> The normal cost represents the present value of benefits earned by active employees during the current year.

## Member Impact | Enhancement

Members would benefit from the addition of this program, as it would provide additional financial assistance in covering the cost of travel for themselves and a companion. It will facilitate access for members requiring care from specialists that are not available locally. It may also result in better outcomes through reduced complication rates due to the provider quality of the SurgeryPlus network. It can be difficult to identify the best physician or surgeon for a procedure and tools to do so are limited. The physician credentialing and recommendations along with the scheduling assistance and care coordination can assist members in navigating that process.

- SurgeryPlus does not currently have any Alaska-based providers in their network. Any Alaska-based member using SurgeryPlus to receive care would need to travel out of state.<sup>12</sup>
- Members utilizing SurgeryPlus would not have to pay out of pocket for their eligible travel expenses and seek reimbursement later. While the travel benefits available to members under this program would be different from the current travel coverage offered under the Plan, the addition of this program does not represent a change to covered medical expenses.

### Non-Medicare Eligible Members

Members who are not eligible for Medicare will benefit from the expanded coverage for travel expenses, the care coordination services, and from the anticipated positive outcomes associated with high quality care from the SurgeryPlus network of providers.

Members will be required to pay any applicable deductible and coinsurance to SurgeryPlus prior to receiving care, but then all travel and medical costs will be covered by SurgeryPlus. The member will not have to pay bills after their procedure and will not have to cover the cost of their travel up front and submit for reimbursement after the fact.

### Medicare Eligible Members

Under normal plan provisions Medicare eligible members can seek services from any provider that accepts Medicare, and any services provided would be subject to Medicare's fee schedule.

However, if the member seeks care from a SurgeryPlus network provider that also accepts Medicare, the member will be able to utilize SurgeryPlus for travel arrangement and care coordination. SurgeryPlus' care advocates can offer Medicare-accepting provider recommendations from within the providers who participate in the SurgeryPlus network.

As detailed in Figure 1, for the common procedure types for markets most utilized by Alaska-based members, overlap between the SurgeryPlus provider network and Medicare is 100%. This information is not representative of all markets where SurgeryPlus' provider network is active, rather it is meant to provide an overview of key markets with direct flights from areas where AlaskaCare members are concentrated. SurgeryPlus has confirmed that within each covered procedure category, the network has providers that can accept Medicare primary patients.

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<sup>12</sup> SurgeryPlus is willing to begin contracting discussions with any Alaska-based providers that meet the credentialing requirements.

Figure 1. Medicare Accepting Providers in Current Surgery Plus Network; Key Markets

	Joint	Spine	General	Cardiac
Seattle	100% Accept Medicare	100% Accept Medicare	100% Accept Medicare	100% Accept Medicare
Phoenix	100% Accept Medicare	100% Accept Medicare	100% Accept Medicare	100% Accept Medicare
Los Angeles	100% Accept Medicare	100% Accept Medicare	100% Accept Medicare	NA
Chicago	100% Accept Medicare	100% Accept Medicare	100% Accept Medicare	NA

Medicare does not cover travel, so the expansion of travel coverage beyond the standard benefit to include costs for a member and companion will provide a better benefit to members who are Medicare eligible.

### Operational Impact (DRB) | **Neutral**

Decrease | Neutral | Increase

The Division anticipates moderate operational impacts initially during the implementation process, with minimal ongoing impact as the SurgeryPlus program is already provided to Employee Plan members. The combined teams have completed a successful implementation and transition to operations. Though all parties (the Division, SurgeryPlus, Aetna) currently coordinate to cover care for Employee Plan members, scaling operational tasks to include the retiree population will require a greater degree of collaboration and fine tuning of existing processes.

Staff will need to oversee expansion of SurgeryPlus’ services offering to the retiree plan population, resulting in a minor increase to the routine work to administer and monitor the benefit including quality control, reporting, billing, responding to eligibility questions, and communications.

### Operational Impact (TPA) | **Increase**

Decrease | Neutral | Increase

The impact to the medical Third-Party Administrator (TPA), Aetna is anticipated to be high for several reasons:

- Aetna will need to enhance and streamline the coordination activities with an external vendor (SurgeryPlus) to share member accumulator data, eligibility, and claims data.
- Aetna will provide eligibility to the external vendor.
- Aetna will need to maintain its existing process for travel claims administration in parallel with the additional services provided by the external vendor.

The impact to the current supplemental travel and non-emergent surgery benefit administrator (SurgeryPlus) is anticipated to be high for several reasons:

- SurgeryPlus will need to enhance and streamline the coordination activities with the medical TPA to share member accumulator data, eligibility, and claims data.
- SurgeryPlus will need to scale its operations to effectively service a larger population than it does today for the State.

## 6) Considerations

### Clinical Considerations

These changes are anticipated to result in overall better quality of care for members. Surgery Plus drives value and positive patient outcomes by only contracting with providers that meet strict quality standards. Not only must providers be licensed, board certified, fellowship trained, have no state sanctions, pass reputational and malpractice reviews, but they and the facility they practice at must meet additional quality metrics related to procedure-specific volume, patient support programs, complication, outcome, and readmission rates, and more.<sup>13</sup>

Across their book of business, SurgeryPlus reports a <1% complication rate for joint, spine, bariatric, and general procedures, while the industry complication rate for the same procedure categories ranges from 8 – 15%.<sup>14</sup>

### Provider Considerations

The expansion of travel benefits, particularly the SurgeryPlus program, could create additional competition in the Alaska medical marketplace as providers compete with those offering the same services outside of their community. This could result in reduced costs and better services as providers work to remain competitive. Alternatively, as members in small communities seek care elsewhere, any fixed cost for providing those services could be spread across a smaller number of patients increasing costs for those who receive care at home.

## 7) Implementation and Communication Overview

Division staff have already worked with SurgeryPlus to successfully implement this program beginning August 1, 2018 for the AlaskaCare employee plan.

The travel and surgery coverage benefit is not dependent on alignment with the start of a plan year, and could be added mid-year. Of note is a seasonal trend of when more surgical procedures are typically performed, which is in the fourth quarter of the year.

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

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<sup>13</sup> SurgeryPlus presentation to RHPAB. Transforming Access to Excellent Care. November 3, 2022. p 9.

<sup>14</sup> Ibid. p 10.

Due to the level of coordination and integration required between the current medical Third-Party Administrator and the supplemental non-emergent surgery and travel benefit administrator, the implementation process will be critical to ensure smooth service delivery. The effective date of this benefit addition will be dependent on the implementation process and will be set once all parties have scoped the work and timeline to ensure a successful launch. Implementation is initially targeted for the first half of 2024.

## 8) Proposal Recommendations

### DRB Recommendation

The Division **recommends/does not recommend** implementation of the supplemental non-emergent surgery & travel programs.

### RHPAB Board Recommendation

The RHPAB board voted on **##/##/## to recommend/not to recommend** implementation of the supplemental non-emergent surgery & travel programs.

### Commissioner of Administration Recommendation

The plan administrator made the determination on **##/##/## to recommend/not to recommend** implementation of the supplemental non-emergent surgery & travel programs.

Description	Date
Proposal Drafted	07/20/2018
Reviewed by Modernization Subcommittee	08/10/2018, 09/28/2018, 10/30/2018, 04/23/2019, 06/12/2019, 1/4/2022
Reviewed by RHPAB	08/29/2018, 11/28/2018, 02/06/2019, 05/08/2019, 08/07/2019, 05/04/2023

## 9) Plan Language

New language for the Retiree Health Plan will need to be drafted.



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## Memorandum

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

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

**Date:** December 21, 2022

**Re:** Travel Benefits – Focus on Actuarial and Financial Impact for the Retiree Plan

The AlaskaCare Retiree Plan currently reimburses for coach airfare associated with select services and treatments. Precertification is required and travel is restricted to the treatment facility. The Plan does not reimburse members if airline miles are used to purchase tickets, nor does it reimburse for the cost of food, lodging, or local ground transportation such as airport shuttles, cabs or rental cars.

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

The Department of Administration is contracting with SurgeryPlus to provide enhanced travel benefits, which include a per diem for lodging and meals, companion airfare, and concierge-level member services to coordinate travel arrangements with medical care. The scope of covered services and procedures eligible for travel benefits will also be expanded to include the following:

Circumstance	Current Benefit	Proposed Benefit
Emergency travel	Transportation to nearest hospital by professional ambulance	No change
Transplant via Aetna Institute of Excellence	-Member and companion -Overnight stay: -\$50 per person/night -\$100/night maximum -Companion expense: -\$31/night	No change
Travel for minor	-Minor and companion -Transportation covered	-Add overnight lodging benefit of \$80/night up to 14-day maximum -Add per diem benefit of \$31 per patient/day; or \$62 per patient & companion/day
Second surgical opinion	-Transportation covered for member only	-Add lodging and per diem benefit as described above
Treatment and diagnostic services not available locally	-Transportation, lodging and per diem covered for member only -Limited to treatment only -Limited to the following visit per benefit year: -1 treatment for condition -1 for follow-up -1 pre- or post-natal care -1 for maternity delivery -1 pre- or post-surgery -1 per surgical procedure -1 per allergic condition	-Restrict to services received from a network provider -Add lodging and per diem benefit as described above to cover the member's entire length of stay subject to medical necessity -Allow for both pre- and post-op visit coverage if post-op received within 60-days of discharge -Add companion benefit if procedure requires general anesthesia



Circumstance	Current Benefit	Proposed Benefit
Surgery and diagnostic services in other locations less expensive	<ul style="list-style-type: none"> <li>-Only applicable for surgery</li> <li>-Transportation covered for member only</li> <li>-Total cost may not exceed the recognized charge for same expenses received locally</li> <li>-Total cost must include:               <ul style="list-style-type: none"> <li>-surgery</li> <li>-hospital room and board</li> <li>-travel to another location</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>-Restrict to services received from a network provider</li> <li>-Add "if not available through the SurgeryPlus program"</li> <li>-Add coverage for companion if procedure requires general anesthesia</li> <li>-Add lodging and per diem benefit as described above to cover the member's entire length of stay subject to medical necessity</li> </ul>
SurgeryPlus Program	-Not currently available to retiree members	<ul style="list-style-type: none"> <li>-All travel includes member and companion</li> <li>-Travel costs arranged for and covered up front by SurgeryPlus</li> <li>-Hotels arranged and paid for by plan</li> <li>-\$31 per diem for member/\$62 with companion</li> <li>-Members receive pre-loaded debit card in advance of trip</li> </ul>

Additionally, the Division would maintain prior-authorization requirements and add new requirements for prior-authorization if a member is seeking less expensive treatment and intend to have travel arranged through SurgeryPlus.

The Division is considering the standard SurgeryPlus benefits, as described above, for non-Medicare members. The current consideration for the Medicare members is to provide access to the travel coverage, provider recommendations and care coordination component of the SurgeryPlus offerings. The Division has indicated that they are planning to undertake additional negotiations to ensure that the plan will still coordinate with Medicare with no impact to the member or the plans status as a secondary coverage.

## Actuarial Value

While these enhancements are favorable for the member, there will be no impact on actuarial value. These changes promote efficient utilization of medical services, which helps manage program costs. However, there are no changes to how the cost share is determined and therefore, the enhanced travel benefits do not affect the actuarial value of the program.

Additional incentives that affect cost sharing (such as waiving deductibles and/or coinsurance) would likely result in an increase to actuarial value.

## Financial Impact

While there is no impact on the Plan's actuarial value, there would be a financial impact.

Based on previous analysis utilizing Book of Business data from SurgeryPlus, it is estimated that 20% of eligible procedures will result in about 400 procedures accessing the SurgeryPlus network and associated travel benefit annually, resulting in savings due to the utilization of lower cost providers and fewer associated complications. Offset by contractual administrative expenses and assuming \$3,000 per procedure in travel costs, it is estimated there will be approximately \$2,800,000 in annual savings to the Plan associated with the SurgeryPlus program.

Segal reviewed the assumptions used by SurgeryPlus and consider them to be reasonable. For budgeting purposes, to be conservative in projecting the impact of a new program, Segal's analysis utilizes a 20% margin.

## 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 considers 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 over time.

The Coronavirus (COVID-19) pandemic continues to evolve and will likely continue to impact the 2022 and 2023 US economy and health plan claims projections for most Health Plan Sponsors. Unanticipated changes in the pandemic may impact the retirees' ability to utilize this program and result in experience that deviates from these projections.

cc: Betsy Wood, Division of Retirement and Benefits  
Andrea Mueca, Division of Retirement and Benefits  
Noel Cruse, Segal  
Eric Miller, Segal  
Quentin Gunn, Segal



March 3, 2023

Ms. Betsy Wood  
Acting Chief Health Administrator  
Division of Retirement and Benefits  
State of Alaska  
P.O. Box 110203  
Juneau, AK 99811-0203

### **Impact of Adding an Optional Supplemental Travel Program through SurgeryPlus 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:

- **Addition of Optional Supplemental Travel Program through SurgeryPlus** – Currently the AlaskaCare Retiree Health Plan provides limited coverage for certain member health related travel costs associated with select services and treatments. Qualified expenses are typically limited to airfare costs only and require precertification. Lodging, per diem expenses, and travel for a companion are rarely eligible for coverage. The change being considered is to add an optional supplemental travel program coupled with access to a narrow, high-quality network of providers and facilities delivering non-emergency surgical services to the Plan.

Segal provided a memo dated December 21, 2022 which modeled the addition of the supplemental travel program through SurgeryPlus. The travel cost for each procedure is assumed to be \$3,000. Based on follow-up discussions with Mr. Richard Ward of Segal, medical claims savings of \$30,000 for each pre-Medicare surgical procedure performed is expected due to the utilization of lower cost providers who have a demonstrated ability to achieve fewer associated complications for their patients. Experience from active members already using SurgeryPlus benefits supports this assumption. No medical savings were considered for Medicare members, but Mr. Ward indicated that there is likely an opportunity for some medical savings due to this initiative. Segal estimated the SurgeryPlus network and associated travel benefit will be accessed for 133 pre-Medicare and 267 Medicare procedures annually, resulting in net annual savings of \$2.8M.

The undersigned actuaries have relied on Mr. Ward's utilization assumptions as summarized above, as we are not able to assess the reasonableness of this assumption for the purpose of this measurement without a significant amount of additional research and effort beyond the scope of this engagement. We note that SurgeryPlus estimated more utilization by pre-Medicare members relative to Medicare members than what was assumed by Mr. Ward. This suggests that Mr. Ward's assumption is more conservative as net plan savings are only expected for pre-Medicare members.

The proposed effective date is yet to be determined. We have assumed this change would be effective January 1, 2024. To estimate the financial impact of this change on PERS/TRS/JRS, we reflected the costs and savings provided by Segal to our projected cost during 2024 based on our most recent actuarial valuations as of June 30, 2022. Future net annual cost/saving increases were projected using the June 30, 2022 valuation assumptions.

Shown in the table below is a summary of the estimated (decrease) in healthcare Actuarial Accrued Liability (AAL) for PERS, TRS, and JRS combined, the projected (decrease) in Additional State Contributions (ASC) for FY25 if this change had been reflected in the June 30, 2022 valuations, and the projected (decrease) in ASC through 2039. It is important to note that the June 30, 2022 valuations and FY25 contribution rates (which determine the FY25 ASC) have not yet been formally approved by the Alaska Retirement Management Board (Board). The June 30, 2022 valuation results are expected to be approved during the June 2023 Board meeting, and the FY25 contribution rates will be adopted during the September 2023 Board meeting. Impacts are also shown as a percentage increase/(decrease). See Appendix A for the impacts split by plan.

<b>FY22 Healthcare AAL Impact on Combined PERS/TRS/JRS DB if SurgeryPlus Implemented (\$ millions)</b>		
<b>Current Healthcare AAL for Combined DB as of 6/30/2022<sup>1</sup></b>	<b>(Decrease) in 6/30/2022 AAL<sup>2</sup></b>	<b>% (Decrease) in 6/30/2022 AAL</b>
\$9,117.7	(\$14.4)	(0.16%)

<b>FY25 Impact on Combined PERS/TRS/JRS DB Contributions if SurgeryPlus Implemented (\$ millions)</b>		
<b>Pension and Healthcare Current FY25 Contributions for Combined DB<sup>1</sup></b>	<b>(Decrease) in FY25 Contributions<sup>2,3</sup></b>	<b>% (Decrease) in FY25 Contributions</b>
\$486.9	(\$0.3)	(0.07%)

<b>FY25-39 Impact on Combined PERS/TRS/JRS DB Contributions if SurgeryPlus Implemented (\$ millions)</b>		
<b>Pension and Healthcare Current FY25-39 Contributions for Combined DB<sup>1</sup></b>	<b>(Decrease) in FY25-39 Contributions<sup>2</sup></b>	<b>% (Decrease) in FY25-FY39 Contributions</b>
\$8,697.0	(\$2.1)	(0.03%)

<sup>1</sup> Current AAL shown includes only Healthcare. Current and projected contributions include both Healthcare and Pension reflecting State as an Employer and Additional State Contributions.

<sup>2</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, 2022.

<sup>3</sup> Because the healthcare portions of these plans are currently overfunded, the changes in FY25 ASC for PERS and TRS reflects the decrease in Normal Cost only. If the healthcare portions of these plans were not overfunded and the decreases in Actuarial Accrued Liability (AAL) were to be amortized over 25 years according to the Board's current funding policy, the total FY25 Additional State Contributions (ASC) would decrease by approximately \$1.2M (an additional \$0.9M reduction beyond the normal cost reduction of \$0.3M).

State of Alaska

### **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, 2022 actuarial valuation reports.

The Retiree Health Plan Advisory Board (RHPAB), staff of the State of Alaska and the Board 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 Board 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, Buck recommends requesting its advanced review of any statement to be based on information contained in this letter. Buck will accept no liability for any such statement made without its prior review.

Future actuarial measurements may differ significantly from current measurements presented in this letter due to plan experience differing from that anticipated by the actuarial assumptions, changes expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. In particular, retiree group benefits models necessarily rely on the use of approximations and estimates and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements. An analysis of the potential range of such future differences is beyond the scope of this letter.

### **Actuarial Certification**

This letter was prepared under our supervision and in accordance with all applicable Actuarial Standards of Practice. We are Associates of the Society of Actuaries and 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, Stephen can be reached at (215) 586-1227 and Christian can be reached at (717) 308-8981.

Respectfully submitted,



Stephen Oates, ASA, EA, MAAA, FCA  
Principal, Health  
Buck



Christian Hershey, ASA, MAAA  
Senior Consultant, Health  
Buck

## Appendix A – Summary of Impacts Split by Plan

(\$ millions)	Addition of SurgeryPlus	
	\$ Impact	% Impact <sup>1</sup>
<b>(Decrease) in Healthcare AAL as of June 30, 2022<sup>2</sup></b>		
PERS	(\$10.4)	(0.16%)
TRS	(4.0)	(0.17%)
JRS <sup>3</sup>	<u>(0.0)</u>	(0.05%)
Total	(\$14.4)	
<b>(Decrease) in FY25 ASC<sup>2, 4</sup></b>		
PERS	(\$0.2)	(0.07%)
TRS	(0.1)	(0.06%)
JRS <sup>3</sup>	<u>0.0</u>	(0.00%)
Total	(\$0.3)	
<b>(Decrease) in ASC through FY39</b>		
PERS	(\$1.6)	(0.03%)
TRS	(0.5)	(0.02%)
JRS <sup>3</sup>	<u>0.0</u>	(0.00%)
Total	(\$2.1)	

<sup>1</sup> (Decrease) in Healthcare AAL as a percentage of the June 30, 2022 Healthcare AAL. (Decrease) in FY25 ASC as a percentage of the FY25 Contributions for Pension and Healthcare. Increase in ASC through FY39 as a percentage of the projected Contributions for Pension and Healthcare through FY39. Current and projected Contributions include both Healthcare and Pension reflecting State as an Employer and Additional State Contributions.

<sup>2</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, 2022.

<sup>3</sup> The amount rounds to less than \$0.1M where \$0.0 is shown.

<sup>4</sup> Because the healthcare portions of these plans are currently overfunded, the changes in FY25 ASC for PERS and TRS reflects the decrease in Normal Cost only. If the healthcare portions of these plans were not overfunded and the decreases in Actuarial Accrued Liability (AAL) were to be amortized over 25 years according to the Board's current funding policy, the total FY25 Additional State Contributions (ASC) would decrease by approximately \$1.2M (an additional \$0.9M reduction beyond the normal cost reduction of \$0.3M).