


Executive Summary	Lifetime Maximum (R008)		
Health Plan Affected	Defined Benefit Retiree Plan		
Proposed Effective Date	January 1, 2024		
Reviewed By	Public Review		
Review Date	May 12, 2023 – June 16, 2023		

1) Background

The lifetime maximum insurance benefit is the maximum dollar amount that AlaskaCare Defined Benefit Retiree Health Plan (Plan) will pay out during a member’s lifetime for healthcare services. The Plan currently contains a \$2 million lifetime maximum benefit. Every year, up to \$5,000 of medical benefits used is automatically reinstated. Members may submit proof of good health and request that the full amount of medical benefits used in a year be reinstated.

The lifetime maximum provision currently in the plan represents an increase from the initial plan provision which set the limit at \$250,000. In 1985, the \$250,000 lifetime max was increased to \$1 million, and in 1999 it was increased again to the present limit of \$2 million. In 2009, the Patient Protection and Affordable Care Act (PPACA) required most health plans to remove any lifetime maximum. There are very few group plans remaining with similar limits on lifetime benefits due to the Affordable Care Act, these are limited to retiree-only plans.

2) Objectives

- a) Ensure members retain access to health insurance during a catastrophic health event.
- b) Implement strategies to prudently utilize the funds that support the AlaskaCare Retiree Health Plan.

3) Summary of Proposed Change

This proposal considers two options:

- a) Increase the lifetime maximum to \$8 million and remove the reinstatement of benefits provisions related to the lifetime maximum.
- b) Remove the lifetime maximum limit.

4) Actuarial and Financial Impacts of Proposed Change

The actuarial impact of this proposal will vary depending on the option selected for implementation:

- a) Option 1: Lifetime Maximum Increased to \$8 million: 0.35% increase to actuarial value.
- b) Option 2: Lifetime Maximum Removed: 0.40% increase to actuarial value.

The financial impact of this proposal will vary depending on the option selected for implementation, and whether any members with claims over \$2 million are eligible for Medicare or not. Estimated near-term financial impacts:

- a) Option 1: Lifetime Maximum Increased to \$8 million: \$2.4 million annual increase.
- b) Option 2: Lifetime Maximum Removed: \$2.74 million annual increase.

Implementation of this proposal may have long-term impacts on the healthcare Accrued Actuarial Liability (AAL) associated with the plan (\$9,117.7 million as of the 6/30/2022 valuation):

- a) Option 1: Lifetime Maximum Increased to \$8 million: 0.25% – .028% increase, representing \$22.9 – \$25.6 million.
- b) Option 2: Lifetime Maximum Removed: 0.25% – .028% increase, representing \$22.9 – \$25.6 million.

This change could decrease the AAL by 0.16%, representing a decrease of \$14.4 million.