

FY 09 Health Benefits

Introduction: Each year at about this time, members of the Health Benefits Evaluation Committee meet with the State to discuss next year's monthly fees. I try to use this event as a spring-board to communicate general information to our members about the mechanics of the plan, on how the fees are set, and on what we think next year's fees might be.

First, General Information: The Commissioner of the Department of Administration, governed by Alaska Statute, has the final say in all plan matters. The Health Benefits Evaluation Committee, comprised of representatives from the State and from each union that participates in the plan, serves in an advisory role. The working relationship between the Committee and the State has been positive and the State's Health Benefits guru, Freda Miller, is an excellent and knowledgeable advocate for all participants.

More Background Information: The State's Health Benefits Plan more closely resembles "self insurance" than it does "insurance". Many think we buy insurance from Premera. We do not; Premera does not sell health insurance to the Health Benefits Plan. Premera's role, like that of Aetna before them, is to administer the State's plan in accordance with plan provisions adopted by the State. Claims are not paid out of Premera's pocket. Claims are paid out of the Health Benefits account containing the funds the State and the participating members pay in each month. The amount paid by the State is determined by employee bargaining contracts. The State's contribution for Correctional Officers is equal to the cost of the Economy Medical Plan plus the Preventative Dental Plan. Members who select this "default" option do not have money deducted from their paychecks for health benefits, although they may have deductions for other Select Benefits options they select, such as Life or Disability Insurance. Members who select one of the advanced plans pay the difference between the cost of the option they selected and the State's contribution.

How the Fees are Set: Each year, at about this time, the State and the Health Benefits Evaluation Committee meet to discuss next year's fees. With assistance from Buck Consulting and Premera, we review such things as national health benefit trends and costs, Alaska health benefits trends and costs, projected trends and costs, actual plan experience in terms of claims payments and administrative expenses, the actual status of the Health Benefits account and the reserves on hand, and any planned plan changes that could add to or reduce claims. The process is a thorough one.

Next Year's Projections: By now, those of you who have been through this with me before are asking me to cut to the chase, wanting to know how much of an increase we face come July 1, 2008. I can tell you what we discussed and what our recommendation to the Commissioner is. We looked at four scenarios. The first was a "self supporting" scenario, with no reduction in the plan reserves. That option would have resulted in an 11.6% increase in the cost of all plans. I am very happy to report that is not the option we recommended. The second option we discussed was to support half of increased projected expenses with increased fees and support the other half by drawing down the plan's reserves. The second option would have resulted in a 5.9% increase in the cost of all plans. I'm happy to report that the second option was not our recommendation. The third option was a compromise that would have increased next year's fees by 2.48% across the board. That was a much better option than the first two, but it was not our recommendation. So, here at last is the recommendation the Health Benefits Evaluation Committee made to the Commissioner: a 2% increase in the cost of the Medical Plan and a 0% increase in the cost of the Dental and Vision Plans.

Nothing is locked in until the Commissioner finalizes and signs the memo, but it seems safe to bet that our increase next year will be between 2 and 2.48%. A 2% increase for someone selecting the Premium Family Medical Plan would be an increase of \$24 a month. A 2% increase for someone selecting the Standard Plan would be \$18 a month.