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Memorandum

Department of Administration
Division of Retirement
DEPARTMENT OF ADMINISTRATION
COMMISSIONER'S OFFICE

To: Annette Kreitzer
Commissioner

Date: October 20, 2008

From: Pat Shier
Director

Phone: 465-4817

Subject: Select Benefits Plan Premium Rate for FY10 Plan Year

At the request of the Division, Buck Consulting, benefit consultants for the Division, completed the analysis of the rate development for the medical, dental, and vision plans offered under the State of Alaska's Select Benefits Plan for the FY10 plan year. If approved, the premium rates would be effective July 1, 2009 through June 30, 2010. A copy of the report outlining the results of the premium analysis is attached for your review and information.

Based on the benefit analysis, Buck Consulting recommends that the FY10 funding levels increase by 5.0% for medical, 5% for dental and 5% for vision. Claim experience over the past year has included a \$9 million increase for this group. The drivers are overall utilization, increases in the cost of all services purchased, and an abnormal increase in high dollar claims (over \$50,000 per occurrence) indicating that large claimants experienced more intensive care needs and services. One sick newborn in FY08 incurred claims in excess of \$283,000. One dialysis patient is also having a large impact on outpatient facility costs.

A factor that is important in establishing the premium rate increase is the cash fund balance or reserve account. The current unencumbered reserves are \$38.9 million compared with \$47 million as of June 30, 2008. The net fund balance as of June 30, 2008, was 11.1% of projected FY10 incurred claims compared with last year at 13.2%. As a result, Buck recommended an adjustment to the FY10 renewal by offsetting the percentage increase using \$8.9 million held in reserve. The recommended increase to the plan would be 16.2% without applying reserves.

The chart below and the attached report by Buck represent the proposed recommendations by the Division in concert with Buck Consulting, and members of the Health Benefits Evaluation Committee. Please note that the FY07 funding rate of \$835.00 PEPM applied to bargaining union members who did not have ratified contracts as of July 1, 2007.

	Premium		Standard	Economy
	Employee	Std. Family	Single/Family	Single/Family
Med/Aud/Rx				
FY09 Rates	\$1,040.00	\$1,227.00	\$953.00	\$822.00
% Change	5.0%	5.0%	5.0%	5.0%
FY10 Rates	\$1,092.00	\$1,288.00	\$1,001.00	\$863.00
Dental				
FY09		\$175.00	\$105.00	\$45.00
% Change		5.0%	5.0%	5.0%
FY10 Rates		\$184.00	\$110.00	\$47.00
Vision			Standard	Managed Care
FY09 Rates			\$33.00	\$22.00
% Change			5.0%	5.0%
FY10 Rates			\$35.00	\$23.00

Total Economy Plan (Economy Medical/Preventive Dental/No Vision)	Single/Family
Total FY09 Funding Rate	\$867.00
Renewal Change	5.0%
Total FY10 Funding Rate	\$910.00

Please note your approval or disapproval of the premium renewal changes for FY10 below:

Approve recommended FY10 premiums

Disapprove recommended premiums


 Annette Kreitzer
 Commissioner

10-20-08
 Date

PS/flm

Attachment(s)

cc: Rachael Petro, Deputy Commissioner
 Eric Swanson, Director, Administrative Services
 Freda Miller, Benefits Manager
 Kevin Worley, Chief Financial Officer
 Kathy Lea, Retirement Manager

Tim Adair, Administrative Manager
Claudette Kreuzenstein, Communication Officer
Joan Brown, Chief Budget Analyst, OMB
Members, Health Benefits Evaluation Committee