

July 1, 2007 through June, 30, 2008 Health Benefit Rates Set

Each year, at about this time, I share information regarding State Health Benefit plan charges for the following year and I spend a few minutes attempting to explain how the amount charged is determined. Before I do that, I usually take a moment to explain that the fees you pay are not paid to an insurance company to make a profit for its shareholders. Do not let the Premera name fool you; you and approximately five thousand other State employees in the Select Benefits Plan have joined together in what is most easily described as a self-insured group. Premera administers that plan for the State, but is not the insurer.

The fees collected from participants, along with the State's payment of an amount equal to the cost of the default plan times the number of participants, goes into an interest bearing account. The money in this account is used to pay all of the medical, dental, and vision claims paid out by the plan; to pay for Premera to act as the plan's third party administrator; to pay all of the plan's other expenses, such as consulting and accounting fees; and to maintain a reserve consistent with industry standards to cover any un-forecast or extraordinary expenses that might be incurred. The check you or your provider receives in payment for a claim carries the Premera logo, but ultimately the money comes from this account.

The final authority on all matters relating to the plan, including the fees that are charged, is the Commissioner of the Department of Administration, supported by his team in the Department, and by the Department's Retirement and Benefits personnel. Working closely with the State's team is a group called the Health Benefits Evaluation Committee, or HBEC. This is an advisory group comprised of representatives from each of the involved bargaining units. Sergeant Danny Colang and I represent you in this group and are privileged to work with some very motivated, knowledgeable, and experienced representatives from other labor organizations.

The Health Benefits Committee met with the State in October to review data provided by Premera and by Buck Consulting regarding health care cost trends and nationwide experience. Premera and Buck representatives were present to answer questions on the data they provided in advance and to support the group with additional information as needed. We reviewed information such as the status of the State's health benefits account; the dollar value of the claims paid from 2002 through 2006; national trends and projections; statewide trends and projections; historic and forecast administrative costs, and the status of the plan's reserves. None of us welcome any increase in the cost to our members, but agreed that an increase is necessary and felt fortunate we were holding below the average increases nationwide. After considerable discussion and review, the Health Benefits Evaluation Committee members unanimously voted to join the State's team in forwarding the Buck Consulting recommendation for a 2% increase in the cost for medical coverage and a 0% increase in vision and dental fees to the Commissioner for approval. On November 14th Commissioner Nordstrand approved this 2 % increase.

Holding increases to a minimum and protecting plan strength while at the same time providing worthwhile benefits for participants is always our goal. The fact is that rising health care costs continues to be a national problem that whittles away at all of our paychecks and on occasion, our benefits. If there is any good news, it is that we have held the increase to 2%, which is well below the national average and that the plan is healthy and the benefits continue. The remaining good news is that members who select the default plan will continue to pay nothing out of pocket as, by contract, the State contributes that amount to all members. Unfortunately, those in the advanced plans will see increases from \$18 to \$24 depending on which plan they select. The letter endorsing this increase with the Commissioner's endorsement approving it is attached. The Commissioner's letter reflects the actual fees that will take effect starting July first of 2007.

I'll do my best to answer any questions you might have. Please call me at the office or e-mail me at jim@acoa.us. Stay safe! Jim