

Blue Cross to administer State Health Benefits Plan starting July 1, 2006

I've attached a [copy](#) of a News Release the Department of Administration sent out yesterday following the Commissioner's 11:00 a.m. press briefing. Several pages of data come with it. The bottom line is that Aetna's contract is up this year and that Blue Cross will replace them starting 1 July, 2006.

Most of you know that the role Aetna plays in our health benefits is simply one of administering the State's program and acting in an advisory capacity to the State. Aetna never provided the actual insurance. This will not change when Blue Cross takes over as plan administrator. The Plan Administrator processes claims in accordance with rules spelled out in the State's Health Benefits Plan Booklet and as spelled out by their contract with the State. Claims payments you receive may have the name Aetna or Blue Cross on the check, but ultimately the money comes from a State account containing the fees the State and the participants pay in every month. Most of you will recall my annual discussions that fees are set based on the previous year's claims experience and current trends.

Over the years the State has worked hand-in-hand with participating bargaining unit representatives, through the Health Benefits Evaluation Committee, in efforts to contain rising health care fees. As I mentioned, the fees you pay are based on the plan's actual expense experience, so any money saved for the plan ultimately affects the cost of your monthly payments. The State expects to save the \$10.9 million dollars over the next three years by switching from Aetna to Blue Cross. I'd love to be able to tell you you'll see a reduction in your monthly fees because of this, but I can't. Unfortunately, the cost of claims rises each year as health care costs increase and for the past several years costs have exceeded the savings realized from changes such as this. If health care costs continue to escalate it is unlikely you will see reduced fees. What is more likely is that the size of any fee increases you see will be softened because of this change. For example, the increase you will see in your FY 2007 fees is 1.8% while the national trend in health care premium increases is from 9.2% to 13.9%. This, in part, is due to savings realized through plan changes such as the Anchorage and lower forty-eight preferred hospital provider change instituted last year, the verification of dependant eligibility instituted this year, and other changes such as efforts to increase the utilization of generic drugs.

How can you expect a change to Blue Cross to affect you? We are assured there will be no plan or benefits changes due to this change. We are assured Blue Cross will apply the same plan provisions and make payments in accordance with the same Usual and Customary Rates (UCR) used by Aetna. We expect a smooth transition and are assured you will receive a new plan booklet with new phone numbers, addresses and forms before July first. There should be no degradations in the quality of service you receive and I'm certain the Health Benefits folks at Retirement and Benefits will want to hear about it if you do receive poor service. My expectation and hope is that service will improve, that the contract will be monitored to insure it does, and that increases in your monthly fees in FY 2008 will be further contained because of savings from this change.

I apologize that you were not informed prior to the State's public announcement yesterday, but the fact is the rules surrounding awarding State contracts are very specific and tightly controlled.

Please stay safe, Jim