



Retired Public Employees of Alaska, APEA/AFT

3310 Arctic Blvd., Suite 200, Anchorage, Alaska 99503

Phone: (907) 274-1703 or (800) 478-9992, Fax: (907) 277-4588

Email: rpea@alaska.net

Web site: www.rpea.apea-aft.org

February 11, 2015

Retiree Health Plan Issues--Details

In January 2014 the Department of Administration made significant changes to Alaska's retiree medical, visual, audio and dental health plans and plan management that have:

- reduced coverage and benefits for retirees;
- shifted costs to covered retirees;
- reduced access to and continuity of care;
- made it virtually impossible for retirees to understand coverage, and to effectively plan and manage medical care and costs;
- shifted authority from State officials to the Third Party Administrators (TPAs) - making the TPA not simply the bill-paying manager of Alaska's self-insurance plan but the designer and determiner of plan coverage and benefits.

Below are key issues and suggestions for addressing them. Implementation costs for the suggested remedies would likely be almost entirely borne by the Retiree Trust or retiree premiums and **not** State General Funds.

Harmful Plan Changes & Incomprehensible Documentation

- DOA made and implemented significant changes to the retiree medical, vision, audio and dental plans when it changed TPAs on January 1, 2014.
- These changes were implemented without any prior opportunity for review or input about the changes.
- These Plan changes were issued as amendments separate from the Plan document and were **never** sent to affected retirees. The changes were effective before retirees knew of them or even where to locate them.
- These Plan Amendments effectively gave the TPAs the authority to make ad hoc plan changes. Key elements of coverage, benefits, and processes were changed arbitrarily through internal policy changes made unilaterally by the TPAs.
- Coverage and benefit changes made by the TPA occur without oversight by DRB. Critical health plan elements are no longer guided by longstanding AlaskaCare plan policy, interpretation, accepted medical standards and reimbursement regimes. TPA internal Clinical Policy Bulletins (CPBs) and proprietary reimbursement policies are now determinative of coverages and benefits.
- Aetna's CPBs and reimbursement policies have resulted in reductions in reimbursement and denial of coverage for services that were previously covered and

Protecting and Enriching Your Retirement Years

considered "medically necessary" by both Medicare and other insurers. This has resulted in significant cost shifting to retirees.

- To interpret plan coverage and benefits retirees must reconcile four separate sets of complex and sometimes conflicting provisions: the 2003 Medical Plan Booklet; the January 2014 Plan Amendments; the various FAQs issued via web site by DOA as ad hoc interpretations in response to problems raised by retirees; and the Aetna clinical policy bulletins (CPBs) available on TPA web sites only. Retirees have no single definitive source explaining plan coverage and benefits.
- Plan beneficiaries are entirely denied access to key internal TPA reimbursement policies and other policies that are determinative of coverage and benefit levels because they are deemed "proprietary."

Proposed Remedy:

- *Reverse unnecessary and harmful Plan amendments which result in diminishing coverage and benefits.*
- *Retract the 2014 Plan Amendments that result in TPAs making coverage and benefit changes in the plan based on internal policies and restore proper authority to DRB.*
- *Make **all** policies, rules, and processes that govern the plan transparent and accessible to those covered and create transparency in the development of future policies.*
- *Create, with beneficiary input, a single source of definitive policies and provisions defining the AlaskaCare Retiree Plan that is in plain, understandable language and easily accessible to all retirees, DRB and TPA staff.*

Incompetent Implementation & Oversight of Plan Changes and TPA Contractors

- *Lack of adequate planning and notification*
 - DOA/DRB failed to document and inform covered retirees of proposed changes to coverage, benefits and administrative processes despite having many months in advance to do so.
 - Plan amendments and process changes were made hastily at the last minute.
 - Governing plan and administrative process changes were never fully documented or communicated to affected retirees, DRB or TPA staff.
 - Both DRB and TPA staff were poorly trained and ill-prepared to implement their responsibilities.
- *Lack of adequate understanding of retiree health plans and the effect of plan changes by DOA/DRB and TPAs; incompetent oversight by DRB staff.*
 - Neither the TPAs nor the DRB staff responsible for oversight of the retiree plan administration by the TPAs fully understand the various provisions or their effects, nor could/can they competently and consistently explain the plan to retirees or implement it correctly.
 - Aetna claims processing staff are not familiar with or knowledgeable of the actual provisions of the 2003 Plan, the 2014 Amendments, past practice, or the governing plan interpretations issued by DRB in the form of FAQs. When there is any doubt, the Aetna claims processing staff rely upon Aetna's standard practices or the provisions of a standard Aetna medical plan different from the AlaskaCare plan which creates hardship for retiree beneficiaries who often end up paying for covered care out of their own pockets.
 - DOA removed qualified and experienced DRB health benefits administrators knowledgeable of the retiree plan through re-organization.

- Reorganization within DRB significantly reduced the ability and capacity of DRB to oversee and effectively manage the TPA contracts. Long time, highly qualified staff left the organization. Inexperienced personnel who lack adequate knowledge of health benefits administration, routine business processes for third party administrators, and in-depth working knowledge of the retiree medical and DVA plans are now responsible for TPA oversight and plan management. DRB staff are noticeably deficient in knowledge of how the AlaskaCare medical and DVA Plans have been interpreted and implemented in the past, current plan provisions, and how to access relevant and definitive information. This is evident when claims are denied that have been covered previously and ultimately are covered, but only following an appeal of the denials.
- Instead of exercising appropriate oversight and providing direction to TPA claims staff, DRB personnel regularly defer to the TPA determination on policy or implementation questions often ignoring past practice or actual plan provisions.

Proposed Remedy:

- *Hire qualified, experienced health care benefits administrators who know the AlaskaCare plan and are familiar with the proper implementation of the plan to review current practice and provide necessary oversight and management of TPA contracts.*
- *Temporarily employ former DRB staff members who have expertise after many years of implementing the retiree health plans to train current or new DRB staff to assure historical information is conveyed, documented and institutionalized within DRB.*
- *Require TPAs to adequately train TPA staff, particularly claims processors, to administer the AlaskaCare Retiree Plan and implement error elimination performance requirements in TPA contracts.*

Issues of Specific Concern

- The dental plan, funded entirely by retiree premiums, underwent substantial change with adoption of a new, standardized Moda Health/Delta Dental network plan, ostensibly to reduce costs even though there was a surplus of funds resulting in a lowering of premiums.
- The new dental plan imposes punitive, unnecessary, and often unavoidable financial penalties (25% in Alaska and varying from 25% to 50% in other states) on retirees who receive out-of-network care. The penalties apply even when there are no network providers in a community or the fees charged by an out-of-network provider are the same as or less than a network provider's fees.
- In many communities there are no in-network providers, and for certain types of specialty care no qualified network providers in Alaska.
- Moda Health is not required by contract to maintain an adequate network to assure retirees can access in-network care and avoid unnecessary penalties. DRB and Moda have placed responsibility on retirees to recruit providers.
- Moda Health has implemented a policy of denying payment for covered dental services not because the services are not needed or covered in our plan, but because the TPA has determined that the "prognosis not good". This is an arbitrary change in the plan that denies covered services by substituting the judgment of Moda's sole, non-practicing dental "expert" applying an undefined "standard" in place of the judgment of the practitioner providing dental care for the retiree.
- Aetna has failed to properly implement coordination of benefits involving covered Medicare services and retirees commonly face erroneous duplication of deductibles.

- Hospitals enrolled in Aetna's network are not required to ensure that separately-billed services provided within the hospital are also in-network. Beneficiaries are penalized by unexpected out-of-pocket costs beyond their control when a network hospital uses the services of emergency room physicians, anesthesiologists, assistant surgeons, laboratories, imaging units and other providers not enrolled in the TPA network, despite being assured that their care is "in-network" by the hospital and TPA pre-authorization process.
- The Explanation of Benefits (EOB) documents provided to retirees, particularly by Aetna, are difficult to read and understand, and do not inform retirees which claims were paid, at what levels, why claims were not paid, and retiree financial responsibilities.
- Retirees are increasingly forced to accept erroneous claims denials or other decisions, or pursue new and obscure appeals processes run by the TPA, without any review by trained DRBs before the final hearing before the Office of Administrative Hearings (OAH) administrative law judge.
- The Plans' appeal provisions are misleading and incomplete. DRB acknowledges that the third level of appeal - to OAH as required by statutes - does not appear in plan documents, nor is any information provided to retirees in any Aetna denial notices.

Proposed Remedy:

- *Implement dental plan changes and contract provisions eliminating unnecessary penalties and requiring the TPA to establish an adequate network.*
- *Either require that all in-network hospital services be provided at in-network costs or that Aetna reimburse out-of-network providers serving patients at in-network hospitals at out-of-network costs rather than shifting costs to retirees.*
- *Require TPAs to revise EOBs (with input of covered retirees) so that they are informative, understandable, and useful to beneficiaries.*
- *Review and revise the appeal process, including consideration of re-establishing a level of review by trained DRB staff.*
- *Assure that statutory appeal provisions are provided in denials and retirees are fully informed of appeal processes by TPA staff and Plan documents.*

Retiree Health Plan Governance

- State law defines the members of the Alaska Retirement Management (ARM) Board as the trustees for the retirement health plans and the Commissioner of Administration as administrator of the plan.
- Informal legal advice provided to the ARM Board during the Murkowski Administration indicated that ARM Board authority for the retiree health trust was limited to oversight of investment of the plan's assets.
- As a result a single individual, the plan administrator, is free to unilaterally alter plan policies, regulations, and benefits. The Commissioner of Administration has exercised unfettered final authority over the retiree health plan with no direct oversight of health plan condition and management.
- Neither retiree beneficiaries nor the ARM Board has had any input into retiree health plan coverage, benefits, policies, or management

Proposed Remedy:

- *Develop legislation to restore beneficiary involvement in retiree health plan design and management through a statutorily defined oversight board.*
- *Develop formal policies and informal mechanisms to assure broader retiree participation in retiree health plan design and management.*
- *Develop formal policies requiring timely notification of retirees of proposed and adopted changes in health plan policies, coverage, benefits, governing processes, TPA selection and changes.*