

From: Sharon Hoffbeck <sharonhoffbeck@gmail.com>
To: RPEA Members--All
Date: Nov 25, 2016
Subject: Dental/Vision/Audio Plan Premium Increase

Dear RPEA Members---

The Division of Retirement & Benefits (DRB) recently informed RPEA that monthly premiums for the AlaskaCare retiree Dental/Vision/Audio (DVA) health plan will increase effective January 1, 2017. This information has also been posted on the DRB website—link below.

<http://doa.alaska.gov/drb/alaskaCare/retiree/information/premiums.html#dvaPremiums>

There are approximately 70,000 retirees and dependents, and the large majority have elected DVA coverage. That number is expected to grow by 2% per year for the foreseeable future.

Please be aware that RPEA opposed the increase in premiums and is taking action to protest what we consider to be an unnecessary increase. The DVA plan's financial reserves are much greater than the State's consultants recommend to ensure that the plan can meet its obligations.

We are concerned that the premium increase might cause retirees to consider dropping their DVA coverage. RPEA recommends patience in deciding whether to drop this coverage. If you leave the DVA plan you cannot opt back in if you change your mind.

You are no doubt aware that the dental plan changed significantly in 2014 when the State, with no advance notice to retirees, completely rewrote the plan terms and imposed a managed care structure administered by Moda Health.

RPEA has a pending lawsuit against the State to determine whether the constitutional prohibition against diminishment of benefits that protects our pensions and health coverage also applies to the optional retiree coverages included in the DVA plan. Oral arguments in that Superior Court case are scheduled for December 7, 2014.

In response to the premium increase, RPEA is filing a public records request to obtain the documents and records the State relied on to make the decision to increase premiums.

When RPEA met with DRB last month, we stated that we opposed the premium increase based on DRB documents showing the current financial health of the plan, which is funded entirely by retiree premiums and interest earned on plan

reserves—the State does not contribute to the AlaskaCare retiree DVA health plan. Those documents showed that without increasing premiums, plan reserves at the end of FY17 are projected at \$13 million, whereas the State’s consultants recommend target reserves of only \$5.1 million. We have requested that DRB gather more comprehensive information on plan costs and utilization trends, so that we can have a fully informed discussion of premium levels for FY18.

DRB’s documents also showed a sharp increase in the cost of administering the plan in recent years from \$1 million in FY12 and FY13, to more than \$2 million in FY16. RPEA has requested, but not yet received, an explanation for the administrative cost increase.

Based on the State’s response to the public records request, RPEA will decide what further action might be warranted to improve management and administration of the DVA plan.

If anyone has questions, please contact me at sharonhoffbeck@gmail.com.

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President

Retired Public Employees of Alaska

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