Retiree Health Plan Issues
Executive Summary

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 administrator 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 be likely almost entirely borne by the Retiree Trust or retiree premiums and not State General Funds.

Harmful Plan Changes & Incomprehensible Documentation

- New TPAs on January 1, 2014
- No prior opportunity for review or input about the changes.
- Plan amendments were separate from the Plan document and were effective before retirees knew of them or even where to locate them.
- Amendments effectively gave the TPAs the authority to make ad hoc plan changes of coverage, benefits, and processes arbitrarily through internal policy changes.
- Coverage and benefit changes made by the TPA occur without oversight by DRB.
- Aetna’s Clinical Policy Bulletins (CPBs) and reimbursement policies resulted in reductions in reimbursement, denial of coverage for services previously covered and significant cost shifting to retirees.
- Four separate sets of sometimes conflicting provisions exist.
- TPAs refuse to provide information based on "proprietary" claim.

Proposed Remedy:

- Review and 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 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
• DOA/DRB failure to adequately inform covered retirees of proposed changes.
• Both DRB and TPA staff were poorly trained and ill-prepared to implement their responsibilities.
• Neither the TPAs nor the DRB staff fully understand the various Plan provisions.
• Aetna claims staff are not familiar with or knowledgeable of the actual provisions of the AlaskaCare Plan.
• Aetna claims staff utilize Aetna’s standard practices.
• Over the past several years, loss of qualified and experienced DRB health benefits staff and their institutional knowledge.
• DOA placed unqualified, inexperienced personnel in the position of overseeing and managing the TPA contracts.
• DRB staff lack knowledge about AlaskaCare medical/DVA Plan past practice
• DRB personnel regularly defer to the TPA determination on coverage questions

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 substantially changed by new, standardized Moda Health/Delta Dental network plan, including new frequency limits on cleanings and emergency visits.
• 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
• In many communities there are no in-network providers
• Moda Health is not required to maintain an adequate network
• Moda Health has a policy of denying payment for covered dental services based on "poor" prognosis.
• Aetna has failed to properly implement coordination of benefits and 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
• Aetna’s Explanation of Benefits (EOB) documents are difficult to read and understand
Retirees are increasingly forced to accept erroneous claims denials or pursue obscure appeals processes run by the TPA. The Plan’s appeal provisions are misleading and incomplete.

**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 (perhaps 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**

- The Alaska Retirement Management (ARM) Board are the trustees for the retirement health plans.
- ARM Board members have been prevented by DOA from exercising their duty as trustees.
- The Commissioner of Administration has exercised unfettered final authority over plan policy.
- Neither retiree beneficiaries nor the ARM Board has had any input into design, management or other health plan policy matters.

**Proposed Remedy:**

- Establish policy requiring DOA Commissioner to invite ARM Board to provide formal input into retiree health plan policy development.
- Review AG opinion restricting ARM Board policy role and take executive action if possible or propose legislation to restore and formalize ARM Board policy role in retiree health plan policy development and management.
- 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.

Sincerely,

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