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April 6, 2013

The Honorable Mike Dunleavy  
Senate  
Alaska State Capitol  
Juneau, AK 99801-1182

Re: Opposition SB 90 to include in Bill Packet

The NEA-Alaska Health Plan (Trust) was formed in 1996 as a self-insured health trust for the benefit of public education employees. We serve over 5,800 members and including their dependents provide direct services to over 17,000 individuals. The Trust has worked collaboratively with both school districts, employers and bargaining associations to create benefit options that meet the needs of those members.

Through the Trust we are able to provide:

- Eight different medical plan designs
- Two different dental plan designs
- Vision and prescription benefits
- Member (employee) assistance programs
- Orthodontia coverage

Each association/school district has the option of selecting any of the plan design offerings and the associated deductible/out-of-pocket combination. Often the choice is made according to the benefit level although many choose to select a plan based upon its premium. Individual school districts have different approaches in attracting and retaining quality employees to their area. The Trust affords them this opportunity in selecting the plan design that fits their needs.

For the past 15 years the Trust has averaged a less than 10% increase annually in premiums. As a non-profit entity, all monies collected by the Trust must be only utilized for the health and welfare benefits of the members. In addition to our lower than average annual health plan cost increases, the Trusts administrative costs are only 3%, national benchmarks are 6% with several fully insured products averaging closer to 20%. To state it another way, 97 cents of every premium dollar collected goes towards paying for the health care received by the members of the Trust. I would challenge any carrier to match that low administrative fee.

Last year the Trust had a zero percent rate increase in its premium. This was a substantial savings for many of Alaska's school districts who were faced with the public news of high double digit increases expected due to ACA.

We work closely with the school districts in helping their employees understand their benefits and our office in Anchorage is a point of contact for members experiencing difficulties with claims and understanding their

benefits. The level of customer service provided to both the members and their employers is important to the Trust. We are able to remove grievance issues from the employers as well as the administrative burden of keeping up with health care reform.

As one of the largest self-insured trusts in Alaska we are able to negotiate very favorable contracts with providers in Alaska as well as our contracts with specialists outside of Alaska.

In addition over the last year the Trust has:

- Audited our pharmacy vendor to assure they are in compliance performance standards
- Did a complete assessment of our disease management program to measure its effectiveness
- Identified a need for a new vendor to address behavioral health issues
- Are addressing the cost of air ambulance services
- Piloted a surgical travel benefit
- Are piloting a bio-metric screening program to better manage the populations health
- Are aggressively applying data analytics in order to understand what member health issues we should be focused on
- Are responding to the changing needs of the members as healthcare evolves in Alaska
- Seeking to pilot preferred relationships with medical providers that measure cost and quality

The Trust is always assessing its costs and service to its members and as a result modifies the plans on an annual basis. **In this environment any health plan that is restrained so that it can only address its costs every three years at the bargaining table or through a lengthy procurement process cannot be efficient, effective and affordable.**

A number of consultants have expressed concern that a State Government take-over of insurance industry, third party administration service seems a little at odds with policy prescriptions in favor of private sector free enterprise

The comments from the sponsor suggest that the State would negotiate with carriers. This implies that the State might enter into a fully-insured contract on behalf of the school districts. This would do nothing but add costs to the programs as new PPACA taxes are going to much more aggressive for fully-insured plans than self-funded programs.

If the State intends to self-fund this plan then it would become the sponsor. The State already sponsors a plan for its employees and retired members. There is nothing to suggest that the State has done a more effective job at maintaining costs and securing preferred contracts that would be better than what most school districts already enjoy.

**The State, should it become a sponsor, would have to allow vendors to compete through a restrictive and antiquated procurement process.** Healthcare is changing and buying care or more importantly buying services is not the same as buying pencils. The NEA Health Plan is nimble and can respond to the changing needs of the healthcare concerns of our members without being tied to the bureaucratic processes that the State must comply with. **The current TPA bid that the State is involved with has already gone on four months longer than anticipated.**

We oppose SB 90 and HB 196, the mandate to purchase health insurance through the State of Alaska. The Trust provides school districts with cost effective plan designs, provides low administrative services leaving more premium for benefits, provides local knowledgeable customer service, provides aggressive contract negotiations and has demonstrated successfully since 1996 that we are able to work with our members to control costs and improve their health.

Nothing in the SB 90 or HB 196 demonstrates the ability for the State to have a positive impact on controlling healthcare spending, improve on measurable health of participants, or increase customer service quality.

Rhonda R. Kitter  
Chief Financial Officer

Cc: Senate Education Committee, State of Affairs, Senate Finance Committee