

Retiree Health Plan Advisory Board (RHPAB)
Public Comment from August 2019

Stephanie Alexander
ARMB Liaison Officer
PO Box 110405
Juneau, AK 99811-0405

7 August 2019

Dear Ms. Alexander,

The health benefit value of Alaska Care coverage diminishes significantly when Alaska retirees reach the age of 65 when the 80% coverage shifts from Alaska Care to Medicare resulting in significant savings to the Alaska Care plan and an increase in costs of coverage for the retiree; a cost shift.

By moving to Medicare, the cost of hospital Part A and Part B coverage, Alaska retirees incur a significant jump in their out of pocket (OOP) expenses due to the new, added cost of the Medicare coverage. With no improvement or increase in hospital and other medical care, a retiree can see an OOP expense increase of between 100-200% for what is essentially the same coverage as the retiree receives under the Alaska Care plan. Adding insult to injury, the Medicare coverage is pegged to one's income and could result in even higher premiums depending on one's income...which may be affected by one's retiree income. As I am sure you are aware, the monthly average retiree benefit is \$1895.

We can understand that the RetBen staff must evaluate the cost of the active and the retiree plans and make recommendations to the Alaska Retirement Management Board (the Board) about how to keep the plans solvent. We expect that their recommendations regarding increases in monthly premiums and or out of pocket expenses are actuarially driven. The Board, on the other hand, is charged with and obligated to assess the impacts of any proposed increases in OOP expenses to Alaska Care retirees. It is their fiduciary responsibility to manage the assets of the retirement system to maintain its integrity so as not to cause harm to active and retired employees who may in many cases suffer significant economic harm and the Board must implement a remedy designed to mitigate that harm.

In my particular case for example, when I turned 65 [REDACTED], my OOP payments increased from \$800/year to 2426/year. If the Board adopts increases in the state's OOP from \$800 to \$2400 then my OOP will increase to \$4026/ annually. That is more than a five fold increase that many retirees have not budgeted for and can't afford.

The diminishment of benefits that results when retirees turn 65 can't be the outcome envisioned by the State of Alaska, the APEA and the other employee bargaining units.

It is our understanding that the courts have ruled that if benefits are changed, the changes must not diminish the plan overall, and that the Board must conduct a proper analysis of impacts of any plan changes to make sure that the constitutionally protected benefits are not eroded or otherwise diminished. From our perspective, it doesn't seem like the State or the Board has been doing the proper analysis which is one of the issues in the current lawsuit.

If the State of Alaska saves money when we turn 65 years old and Medicare covers 80% of our health costs, it seems appropriate that the State should segregate those savings and dedicate them to cover actuarial increases and the cost shift which occurs to senior retirees. Ideally, these savings should be designed to offset the impact of all OOP costs in excess of \$800/year.

Sincerely,

Paul Schutt
Retiree

Co-signed by:
Mark Boyer
Retiree
Former Alaska State Legislator
Former Commissioner of Alaska Department of Administration