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This Letter of Agreement (the "Agreement") is entered into between the State of Alaska ("Customer") and Aetna Life Insurance Company, a Connecticut corporation located at 151 Farmington Avenue, Hartford, Connecticut, its other affiliates and subsidiaries, including affiliated HMOs (collectively "Aetna") and is effective as of January 1, 2017 (Effective Date). Customer and Aetna are sometimes referred to individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, Customer has established self-funded employee health benefits plans (collectively, the "Plan"), for certain eligible persons (employees, dependents, beneficiaries, retirees, or members or any term used by the Customer to designate participants in the Plan) (collectively referred to as "Plan Participants") pursuant to the Alaska Employee Health Plan and the Alaska Care Retiree Benefits Plan as described in their governing documents ("Plan Documents"); and

WHEREAS, pursuant to the Plan, Customer wishes to make available one or more products offered by Aetna ("Products"), as specified below; and

WHEREAS, Customer selected Aetna, pursuant to Request for Proposal Number 2013-0200- 1396, to administer these products, effective January 1, 2014; and

WHEREAS, the Parties may be entering into an Administrative Services Agreement ("ASA"); and

WHEREAS, the Parties have previously entered into interim letter agreements covering the initial term of their contractual relationship beginning January 1, 2014 and ending December 31, 2016 memorializing the intent of the Parties pending completion of the ASA; and

WHEREAS, the Parties desire to enter into this Agreement for 2017 until the ASA is executed by all Parties; and

WHEREAS, Aetna has arranged to provide integrated claim administration of the Product(s) and supplemental administrative services (collectively, the "Services")

THEREFORE, in consideration of the mutual covenants and promises stated herein and other good and valuable consideration, the parties hereby enter into this Letter of Agreement, which sets forth the terms and conditions under which Aetna agrees to render the Services, and under which Customer hereby agrees to receive and compensate Aetna for such Services.

Section 1: Term of Agreement

This agreement will commence on January 1, 2017 and terminate on December 31, 2017.

Section 2: Indemnification

Aetna shall indemnify, hold harmless, and defend Customer from and against any claim of or liability for, any error, omission, negligence, fraud, or criminal act of Aetna under this Agreement. Aetna shall not be required to indemnify Customer for a claim of, or liability for, the independent negligence of Customer. If there is a claim of, or liability for, the joint negligent error or omission of Aetna and the independent negligence of the Customer, the indemnification and hold harmless obligation shall be apportioned on a comparative fault basis. "Aetna" and "Customer," as used within this Section include the employees, agents and other contractors who are directly responsible, respectively, to each. The term "independent negligence" is negligence other than in the Customer's selection, administration, monitoring, or controlling of Aetna and in approving or accepting Aetna's work. The health care providers in Aetna's contracted network shall not be deemed "contractors" for purposes of the preceding sentence.

Customer and Aetna agree that: (i) Aetna does not render medical services or treatments to Plan Participants; (ii) neither Customer nor Aetna is responsible for the health care that is delivered by contracting health care providers; (iii) health care providers are solely responsible for the health care they deliver to Plan Participants; (iv) health care providers are not the agents or employees of Customer or Aetna; and (v) the indemnification provisions of this Section do not apply to any portion of any loss, liability, damage, expense, settlement, cost or obligation caused by the acts or omissions of health care providers with respect to Plan Participants.

Section 3: Business Associate Agreement

As part of this Agreement, Aetna has executed a Business Associate Agreement. The provisions of the Business Associate Agreement supersede any other provision of this Agreement.

Section 4: Coverages and Financial Arrangements

The following illustrates the funding arrangements by line of coverage:

Coverage	Funding Arrangement
PPO	Self-Funded
Medicare Direct Indemnity	Self-Funded
Vision	Self-Funded
Audio	Self-Funded
Aetna Pharmacy Management	Self-Funded

Section 5: Administrative Service Fees

Based on the package of services selected and enrollment awarded to Aetna, the per employee per month administrative services fees by plan for 2017 are:

Plan	Projected Enrollment	01/01/2017
PPO (Active Employees)	6,312	\$37.45
PPO (Pre-65 Retirees)	13,029	\$27.70
Med Direct PPO (O65 with U65 Dependents)	3,816	\$27.70
Medicare Direct Indemnity (Post 65 Retirees)	24,176	\$27.70

Self-Funded Fees include:

- Claim Appeals Handling – Option 1 hybrid – Aetna will handle Level 1 and 2 appeals. Clinical appeals along with all documents considered in the Level 1 decision, including but not limited to, relevant clinical policy bulletin will be sent to ERO for Level 2. State of Alaska will defend appeals after Level 2. Aetna shall provide evidence supporting benefit denial decisions in the appeals process, including but not limited to testimony.
- Dedicated Aetna Concierge Team
- Toll free member services number with access to a multi-lingual language line
 - Integrated Voice Response
- Four Local Dedicated Representatives (2 Juneau, 2 Anchorage)
- Dedicated On-shore claims team
- Claims administration for Audio benefits for the AlaskaCare Employee Plan are included under the medical plan.
- iTriage
- Welcome Mailer
- Medicare Direct
- Medical ID Cards
- Retiree Vision-Audio ID Cards
- Online Directories – Custom DocFind site
- Single Invoice for all services and fees
- Medical and Claim reimbursements will be handled via an ACH "push" arrangement. Aetna will allow two business days for claim reimbursements and will hold voluntary seed money of \$1,616,438 to offset late charges that would be assessed as reimbursement would normally be expected within one business day of request.
- Aetna Health Information Advantage Reporting (Aetna Informatics)
 - Level B Reporting (Standard Reports with Additional Parameters)
 - Fifty ad-hoc reporting hours – Utilization Management Reporting for Medical Plan.
- 1 monthly Outbound Universal File
- Aetna Health ConnectionsSM Services
 - Medical Management services including inpatient precertification, case management, concurrent review and discharge planning
 - Intensive Case Management Program
 - Behavioral Health Condition Management Program
 - Institutes of Excellence
 - Flexible Medical Management
 - Aetna NavigatorTM member self-service website
 - Discount Programs for members

Some specific programs/services are not included in the administrative fee and may be charged through the claim wire. Below is the list of programs the State of Alaska has included that will be charged through the claim wire, unless otherwise indicated. We have included the assumed enrollment, associated fees, billing basis and the populations for these programs/services.

Program/Service	Assumed Enrollment	Fee/ Billing Basis	Population	Product(s)
Institutes of Excellence (IOE)	47,333	\$10,000 Flat Amount per Transplant	Employee (Actives) Retirees (Pre and Post 65)	PPO Medicare Direct PPO & Indemnity
National Advantage™ Program (NAP) including Facility Charge Review (FCR) and Itemized Bill Review (IBR)	47,333	30% of savings to a maximum of \$1.00 PEPM	Employee (Actives) Retirees (Pre and Post 65)	PPO Medicare Direct PPO & Indemnity
Claims Subrogation	47,333	A contingency fee of 30% is collected upon recovery	Employee (Actives) Retirees (Pre and Post 65)	PPO Medicare Direct Indemnity

A fee of \$1.00 PEPM will be charged on the monthly invoice for the National Advantage Program (NAP), including Facility Charge Review (FCR) and Itemized Bill review (IBR). Aetna systems are set to withhold through claim wire 0.01% for claims. Any amounts withheld through claim wire for claims will be reflected in the State of Alaska's annual accounting package as a credit.

We reserve the right to revise the fees if:

- There is a material change in claims payment requirements or procedures, account structure, or any other change materially affecting the manner or cost of paying benefits (whether initiated by customer or by legislative or regulatory action).
- The final benefit provisions, account structure, claim payment requirements or services change from those proposed.
- The actual enrollment in total or by plan changes by more than 10% from assumptions below:
 - AlaskaCare Active 6312
 - AlaskaCare Pre65 Retirees 13029
 - AlaskaCare Post 65 Retirees – Indemnity 24176
 - AlaskaCare Post 65 Retirees – PPO 3816
 - **TOTAL 47333**
 - Aetna Pharmacy Management 47333
 - Hearing – Retirees 33178
 - Vision – Retirees 33178
- The plan sponsor extends coverage to employees previously not covered under the plan without prior notification.

Section 6: Performance Guarantees – Medical

The chart below outlines fixed dollar guarantees that apply to specific financial or service measurements for the AlaskaCare Plans.

Penalty Based Guarantee	PPO (Active Employees)	PPO (Pre-65 Retirees)	Medicare Direct PPO (O65 Retirees with U65 Dependents)	Medicare Direct Indemnity (Post 65 Retirees)
Claim Based Guarantee	(\$5.00)	(\$5.00)	N/A	N/A
Medical Discount Guarantee	(\$5.00)	(\$5.00)	N/A	N/A
Demonstrating Value Scorecard	(\$2.80)	(\$2.80)	N/A	N/A
Concierge Incentive	(\$1.00)	(\$1.00)	(\$1.00)	(\$1.00)

Exhibits 1 through 4 provide a detailed summary for each of the above guarantees.

In total, we will put 40% of our applicable guarantee period administrative service fees at risk through Performance Guarantees on service. Applicable guarantee period administrative fees are defined as the medical, vision and audio administrative fees less the amounts shown above in the chart which are already at risk for the guarantees shown. Exhibit 5 provides an outline and the specifics of the other medical performance guarantees for the 2017 calendar year.

Section 7: Pharmacy Services

Aetna will provide Pharmacy Plan Administration for the AlaskaCare Employee and Retiree pharmacy plans.

- Pharmacy Administration fee is \$0.00 PEPM.
- RX Check Program - Retrospective Drug Review Program -has been elected for an administration fee of \$0.55 PEPM.
- \$25,000 Communication Allowance included
- Additionally, there are specific financial guarantees related to discount levels, dispensing fees and rebates. Exhibit 6 is attached and provides an outline of the financial pharmacy guarantees.
- Pharmacy Service Performance Guarantees are outlined in Exhibit 7.

Section 8: COBRA Services

PayFlex, an Aetna subsidiary, will be performing COBRA Administration for the State of Alaska. COBRA Administration includes the following services for the fees listed.

- Initial COBRA Notices for new eligible participants under the plan.
- COBRA Notification Packets will be sent to individuals who have had a COBRA event due to loss of coverage under the AlaskaCare Plan.
- Billing and Premium Collection for members who elect to continue coverage through COBRA
- Premium Remittance will be sent to the State of Alaska Monthly.
- Eligibility is passed to Aetna and Moda for their respective lines of coverage.
- Fee is charged at \$0.46 PEPM for the "active" population covered under the Employee AlaskaCare Plan.
- Aetna will retain the 2% administrative fee paid by the beneficiary with their plan premiums.
- Additional fees include: \$1,000 annual renewal fee each year.

Section 9: Retiree Direct Bill Services

PayFlex, an Aetna subsidiary, will be performing Retiree Direct Bill Administration for the State of Alaska. Retiree Direct Bill Administration includes the following services for the fees listed.

- Billing and Premium Collection for retiree AlaskaCare members who elect retiree coverage and their pension payment is not enough to cover their premiums.
- Billing and Premium Collection is included for the following coverages: Medical, Dental- Vision- Audio, and Long Term Care.
- Premium Remittance will be sent to the State of Alaska Monthly
- Eligibility is passed to Aetna and Moda for their respective coverages.
- Eligibility will also be shared for Long Term Care as directed by the State of Alaska.
- Fee is charged at \$4.60 PPPM for each participant that is direct billed for their retiree coverage.
- Late Payment Notices will be distributed at a fee of \$3.00 per notice.
- Additional fees include: \$1,000 annual renewal fee each year.
- Services include the billing and premium collection for Defined Contribution Retiree plan members.

Section 10: Flexible Spending Account Administration Services

PayFlex, an Aetna subsidiary, will be performing Flexible Spending Account Administration for the State of Alaska for healthcare accounts. Flexible Spending Account Administration includes the following services for the fees listed.

- Ongoing account recordkeeping as reported in files from State of Alaska for members who have elected participation in healthcare spending accounts.
- Claims administration for healthcare spending accounts.
- Reimbursement of claims for flexible spending account claims will be done on a weekly basis via an ACH "push" arrangement.
- Fee is charged at \$3.25 PPPM for each participant enrolled in a healthcare and/or dependent care spending account.
- Additional fees include: \$1,000 annual renewal fee each year.

Section 11: EAP Services- AlaskaCare Employee Plan

EAP Services will be provided by Aetna for members of the AlaskaCare Employee Plan only. EAP services include the following for the fees listed.

- 8 visits per member per issue per year.
- Includes legal and financial guidance
- Includes work/life program
- 20 hours for Critical Incidence Stress Debriefings (CISD)
- 20 hours for Training
- \$2.65 PEPM for services above
- Additional fees will apply for travel for CISDs of \$50 per hour for clinician and direct reimbursement of additional travel expenses when overnight stays are required.
- EAP Service Performance Guarantees are outlined in Exhibit 8.

Section 12: Vision Services

Vision Administration Services will be provided by Vision Service Plan (VSP) for the Alaska Care Employee Plan and by Aetna for the Alaska Care Retiree Plan. Specifics:

- The Employee Plan with Vision Services Plan is self-insured and has an administration fee of \$2.03 PEPM.
- Aetna will provide payment to VSP for the administrative fees and claim funding.
- Aetna will request VSP claims reimbursement from the State in the regular, claim funding requests for medical and pharmacy claims. *Account structure is separated so vision claims may be reported.*
- The Retiree Plan has a Basic Vision Plan. Aetna will charge a separate fee of \$1.00 PEPM for each retiree enrolled in the Basic Vision Plan.
Aetna will administer retiree vision claims as outlined in the AlaskaCare Retiree Plan SPD.

Section 13: Audio Services- AlaskaCare Retiree Plan

Audio Claim Administration will be provided by Aetna for the AlaskaCare Retiree Plan. The AlaskaCare Retiree Audio Plan is self-insured and has an administration fee of \$0.60 PEPM.

Section 14: Active Health Medical Management Services

Specific medical management and wellness services will be provided by Active Health, an Aetna subsidiary, as noted below for the fees shown:

- AlaskaCare Employee Plan
 - MyActiveHealth Portal with Personal Health Record- Monthly fee of \$0.89 PEPM.
 - Lifestyle Management- Monthly fee of \$1.25 PEPM will apply.
 - Disease Management Program -Monthly fee of \$2.00 PEPM will apply.
 - Maternity Management Program- Monthly fee of \$0.75 PEPM.
- AlaskaCare Retiree Plan
 - Will apply to under 65 retirees only.
 - Care engine administration to determine gaps in care --\$0.71 PMPM
 - Maternity Management- High Risk-- \$487 per case

- Weight Watchers
 - The Active Health team has coordinated with Weight Watchers on behalf of the State of Alaska for specific services.
 - Active Health will separately invoice the state for the Weight Watchers services on a quarterly basis.
- Active Health Performance Guarantees are outlined in Exhibit 9.

Section 15: HDMS Data Warehouse Services

- State of Alaska will be paying the following fee for the data warehouse services for 2017.
 - Annual charge is \$205,000
 - Aetna will include on the master single invoice each month as requested by the State in the monthly amount of \$17,083.33
- HDMS will provide a data warehouse (DART) available to be accessed by the State of Alaska and its designated users, and will include monthly updates, along with the inclusion of historical data:
 - Aetna Medical Claims
 - Aetna Rx Claims
 - Aetna Eligibility Data
 - HealthSmart Medical Claims (history only)
 - Envision RX Claims (history only)
 - HealthSmart Eligibility Data
- Along with the warehouse (DART), HDMS will provide to the State:
 - HDMS Compass and HDMS Careshield
 - HDMS DART License
 - Help Desk Support and DART maintenance
 - Analytical and reporting support from HDMS Employer Client Services Team

Section 16: Health Reimbursement Account (HRA) Administration Services

PayFlex, an Aetna subsidiary, will be performing Health Reimbursement Account (HRA) Administration for the State of Alaska for the Defined Contribution Retiree population. Health Reimbursement Account Administration includes the following services for the fees listed.

- Ongoing account recordkeeping as reported in files from State of Alaska for Defined Contribution Retiree Plan members.
- Claims administration for health reimbursement accounts.
- Reimbursement of claims for health reimbursement claims will be done on a weekly basis via an ACH "push" arrangement.
- Aetna considers the Health Reimbursement Account administration as an expansion to the Flexible Spending Account administration. Fee is charged at \$3.25 PPM for each participant enrolled in a health reimbursement account. Future fee changes for HRA will occur at the same time and "mirror" any changes to the FSA fee.
- No installation or annual fees will apply on a separate basis for the HRA administration.

Section 17: Miscellaneous

Each party agrees (i) to execute and deliver such other documents and (ii) to do and perform such other acts as the other party may reasonably request, in order to carry out the intent and accomplish the objectives of this Agreement.

If any provision of this Agreement shall be invalid or unenforceable in any respect for any reason, the validity and enforceability of any such provision in any other respect and of the remaining provisions of this letter of agreement shall not be in any way impaired.

This Agreement may be modified and supplemented only by written agreement of the parties.

This Agreement does not limit in any respect negotiations between the parties relative to the terms of the ASA. When executed, the ASA shall supercede this Agreement and this Agreement shall be of no further use or effect.

IN WITNESS WHEREOF, AETNA has signed this Letter of Understanding to become effective January 1, 2017, and to extend through December 31, 2017.

Signed by Aetna on December 29, 2016 _____



Regional Director

Signed by State of Alaska on 12/29/2016


Signature

Commissioner
Official Title

cc: Joan Wilkerson
Lynda Gable
Debbie Dexter
Joshua Miller
John Allen
Cassandra Newman
Steve Fisher
Michele Michaud
Steve LeBrun