

ANCHORAGE SCHOOL DISTRICT

ANCHORAGE, ALASKA

ASD MEMORANDUM # 323 (98-99) June 14, 1999

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: RENEWAL OF CONTRACTS: GROUP MEDICAL
INSURANCE/GROUPS COVERED BY BLUE CROSS-BLUE
SHIELD (NON AEA OR BUS)

RECOMMENDATION:

It is the Administration's recommendation that the School Board approve and authorize the Superintendent to renew the contract for the 1999-2000 fiscal year with Blue Cross of Washington and Alaska for Group Medical, Dental, and Vision Care Insurance.

PERTINENT FACTS:

For the 1996-97 school/fiscal year, the Anchorage School District submitted to competitive bid the entire package of insurance benefit programs for employees for a three year period. The contract established with Blue Cross/Blue Shield provides for an option to renew for the 1999-2000 year. The rate increase requested by the carrier amounted to 9.8% over the prior year.

The Health Benefits Task Force, comprised of representatives of all affected employee groups, has reviewed the renewal of the health care program. While the Task Force believes that the renewal rates are congruent with the rising costs of medical care, the Task Force remains concerned that the cost of coverage is rising at a faster rate than the district's contribution to premium. However, we have been able to reduce the impact of cost increases for next year by modifying the plan which will be designated "Standard."

Last year, the default plan was the best and most expensive of the three provided. In other words, if employees failed to return an election form indicating a preference, they were automatically placed into a plan which required more than \$100 per month in employee contribution. Per the terms of the new Agreement with the TOTEM Association, the district was obliged to design a Standard Plan which required no more than \$800 per year in employee contribution. That obligation has been met.

Three plans will be offered to employees again this year: low Option, standard, and High Option. The Low Option Plan will require little or no employee contribution. Predictably, the deductibles charged will be high: \$1000 per individual/\$3000 per family. The Standard plan will require a monthly employee contribution of between \$58 to \$95, depending on bargaining unit. Since the District varies its contribution through the bargaining process, employee contribution for a defined coverage plan will also vary. The deductibles charged under the Standard Plan will be \$200 per person/\$600 per family. The High Option Plan will be virtually identical to this year's Standard plan. It will require monthly employee contributions between \$104 and \$120. The deductibles will be \$100 per person/\$300 per family. A more detailed summary of plan differences is attached. In addition, to changes in charged deductibles, we are also providing an incentive under the Low and Standard Plans for use of generic brand prescription drugs. The total premium charged for the Standard Plan will be \$475.50. The full premium for the High Option Plan will be \$521.50.

Independent of the coverage provided but important to rate maintenance is our commitment to set aside

%500,000 in unexpended funds from the benefits claims account for use by the carrier in the event that projected cost increases are exceeded during the new plan year.

Finally, the task Force had a prolonged discussion about moving toward a preferred provider list of local physicians. Blue Cross is finally able to offer such a list and our acceptance of it would have saved employees about \$11 per month. However, the Task force felt that we should take more time to allow the list to expand and to prepare employees for this change over the next year. We will distribute one-page mailers beginning in October to educate employees about this new option.

The District currently provides coverage for health care expenses for all permanent full-time District employees and certain retirees as a result of past practice and collective bargaining, except for Teachers represented by the Anchorage Education Association and Bus Drivers and Attendants represented by Teamsters Local #959. Both Bus Drivers and Attendants represented by Teamsters Local #959 and Custodians represented by Public Employee Local #71 are currently in contract negotiations with the District; those negotiations could affect whether either or both groups will be part of the District Health Plan.

Members of the Anchorage Council of Education (ACE), TOTEM Association of Educational Support Personnel, Custodians represented by Public Employees Local #71, Maintenance and Warehouse Employees represented by Teamsters

Local #959, Anchorage Principals Association (APA), the Food Service workers represented by Teamsters Local #959, and exempt employees have a package of Medical, Dental, and Vision Care benefits with a current monthly cost of \$474.70 per employee per month for a Standard Plan.

Another class of coverage is for District retirees who retired prior to July 1, 1990. Retirees who retired between July 1, 1974 and July 1, 1977 (165 persons as of May 1, 1999), are covered at District expenses with a current annual cost of \$402,455. The annual renewal cost to the District is \$441,896.

Those who retired between July 1, 1977 and July 1, 1990 and elected District benefits (69 persons as of May 1, 1999) are covered at their own expense. All covered retirees have a package of Medical, Dental, and Vision benefits equal to the District's health plan in effect on June 30, 1990. Retiree benefits are secondary to the health benefits provided for retirees under the State of Alaska retirement system. Effective July 1, 1999, the monthly rate was \$203.26. Effective July 1, 1999, the rate will increase 9.8 per cent to \$223.18.

BC/LCW

Attachments

Prepared and Approved By: Lee Wilson, Executive Director, of Labor Relations