

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #325 (1999-2000)

June 12, 2000

TO: SCHOOL BOARD
FROM: OFFICE OF THE SUPERINTENDENT
SUBJECT: RENEWAL OF CONTRACT: GROUP MEDICAL INSURANCE

RECOMMENDATION:

It is the Administration's recommendation that the School Board approve and authorize the Superintendent to renew the contract for the 2000-2001 fiscal year with Blue Cross of Washington and Alaska for Group Medical, Dental and Vision Care Insurance.

PERTINENT FACTS:

In 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 included two optional renewal years. This is the final option year (2000-2001) of the contract with Blue Cross/Blue Shield. The rate increase requested by the carrier amounted to an overall 15.2 percent over the prior year.

The rate increase is based on claims' experience for the last plan year that was \$941,000 above the premium generated by the District. The plan saw a marked increase in claims over \$25,000 as well as claims in excess of \$150,000. The District's consultant, MARSH, USA, was able to negotiate with Blue Cross/Blue Shield to pool the large claims, which resulted in the 15.2 percent rate increase. Without that intervention, the District was looking at a 20.3 percent increase. Because the rate increase (15.2 percent) is significant, the Director of Benefits asked the Consultant to develop some plan changes or options that would serve to lower the increase. These options were presented to the Health Benefits Task Force at their May 11, 2000 meeting.

The Health Benefits Task Force, comprised of representatives of all affected employee groups, reviewed the renewal offer as well as the options presented by the Consultant to lower premium costs. It was the feeling of the Task Force that employees affected by the rate increase and plan options should be

surveyed for input for its recommendation to Administration. The Director of Benefits developed a survey that was sent to covered employees. Those surveys returned were tabulated and the results were presented to the Task Force at a meeting held May 26, 2000. The results of the survey supported keeping the current plan options as is with employees absorbing the additional premium expense. A copy of the survey results is presented as Attachment A. The Health Benefits Task Force Committee voted to recommend to the Administration that the current plan options be retained with no benefit design changes.

Three plans will be offered to employees again this year: Low Option, Standard Option and High Option. The Low Option Plan, (\$1000 deductible/\$3000 per family) will require little or no employee contribution. The Standard Option Plan, (\$200 deductible/\$600 per family), will require a monthly employee contribution of \$144 to \$156. The High Option Plan, (\$100 deductible /\$200 per family), will require a monthly employee contribution of \$201 to \$213. The total premium charged for the Low Option Plan is \$427.50, for the Standard Option Plan is \$547.70, and for the High Option Plan is \$595.40. The TOTEM agreement requires the District to provide an option at no cost to the employee. The Low Option plan fulfills that obligation.

Since 2001-2002 is a bid year for the health benefit plan, the Task Force has decided to meet monthly beginning in October of this year. Our Consultant is projecting that health care plan costs nationally will increase an annual rate of 7.5 percent to 12 percent over the next few years. The Task Force wants to begin to look at alternative plan designs to mitigate potential trend increases and feels that the survey shows that employees are more open to certain changes than in the past. An example of this is the response to the Preferred Provider Option question on the recent survey. Last year employees' reacted very negatively to this cost containment concept. The survey showed a marked turnaround with some 359 of 815 responses in favor of the Preferred Provider Option. The Task Force identified one of its goals to be providing information to employees that would increase the level of understanding of such options as the Preferred Provider 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.

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, and Exempt employees have a package of Medical,

Dental, and Vision Care benefits with a current monthly cost of \$475.43 per month per employee 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 (164 persons as of April 1, 2000), are covered at District expense with a current annual cost of \$441,896. The annual renewal cost to the District is \$485,702.

Those who retired between July 1, 1977 and July 1, 1990 and elected District benefits (61 persons as of April 1, 2000) 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 \$223.18. Effective July 1, 2000, the rate will increase 10.6 percent to \$246.80.

BC/RA

Attachment

Prepared and Approved By: Russ Ament, Executive Director,
Human Resources.