

ANCHORAGE SCHOOL DISTRICT  
ANCHORAGE, ALASKA

ASD MEMORANDUM #333 (2000-2001)

June 11, 2001

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: CONTRACT RENEWAL: GROUP HEALTH INSURANCE

RECOMMENDATION:

It is the Administration's recommendation that the School Board approve and authorize the Superintendent to renew the contract for the 2001-2002 fiscal year with Blue Cross, Blue Shield of Alaska for Group Medical, and Dental care; and with States West Life Insurance Company for life insurance. It is also recommended that vision care insurance be provided by VSP (Vision Services Plan).

PERTINENT FACTS:

In March 2001, the Anchorage School District submitted to competitive bid the entire health insurance package. This package includes medical, dental and vision care insurance. In response to the Request for Proposal, the District's first and only bid was received from Blue Cross of Washington and Alaska. Great West, Mutual of Omaha, and Aetna all declined to bid as they could not make a competitive offer. A separate bid for vision service was secured from VSP by the District's consultant.

The District's consultant, MARSH, USA, negotiated with Blue Cross, which resulted in an overall increase over the prior year. The impact on the four individual plans is as follows: Low Option Plan increase, 11.1 percent; Standard Option Plan increase, 12.8 percent; High Option Plan increase, 29.1 percent; Retiree Plan increase, 16.4 percent. The rate increase is based on (1) High Plan claims experience; (2) health care inflationary trends; and (3) adverse selection between plans anticipated as a reaction to increasing cost. The plan saw a marked second year increase in claims over \$25,000. Furthermore, expenses under the High Option Plan averaged close to \$900 per month, per covered employee. There was no increase in the life insurance rate. Although the

District's overall plan experience this year will result in a virtual break even position, with about \$11-15,000 in deficit, there is a carry-over deficit from the 1999-2000 plan year of approximately \$850,000. We have retained somewhat more than that amount in a Rate Stabilization Reserve Account, to help offset the impact of poor experience in the future.

Three plans will be offered to employees again this year: Low Option, Standard Option and High Option. The Low Option Plan, (\$1,000 deductible, \$3,000 per family) will require no employee contribution. The Standard Option Plan, (\$200 deductible, \$600 per family) will require, on a 12-month calculation, a monthly employee contribution of \$143.00. The High Option Plan, (\$100 deduction, \$300 per family) will require, on a 12-month calculation, a monthly employee contribution of \$294.00. For each of these plans the District makes a contribution of \$475.00 a month.

The District currently provides coverage for health care expenses for all regular, full-time District employees, and certain retirees as a result of past practice and collective bargaining, except for Teachers represented by the Anchorage Educational Association, and Bus Drivers and Attendants represented by Teamsters #959. These employees are covered by Union Trust plans. Employees represented by Public Employees Local 71 will also move to coverage under a Union Trust, effective July 1, 2001.

Members of the Anchorage Council of Education (ACE), TOTEM Association of Educational Support Personnel, Foodservice Workers, Maintenance and Warehouse Employees represented by Teamsters Local #959, and exempt employees are all provided health care insurance through Blue Cross.

CC/LW

Prepared and Approved by: Lee Wilson, Executive Director, Employee Relations