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December 12, 2023

To: Mathew Mund, JHCC Chair

From: Memry Dahl, CHRO

CC: Jill Dumensil, UNAC Chair
Ronnie Houchin, Staff Alliance Co-chair
DeAnne Ruiz, Staff Alliance Co-chair
Charlie Silva, L6070 Chair
Nick Clark, Firefighters Association Chair
Heather Arana, Director of Benefits and Compensation

Re: Response to Joint Health Care Committee Recommendations

Thank you for your November 17, 2023, memorandum forwarding recommendations for changes to the FY25 health benefits. These recommendations are made pursuant to the terms contained in your respective collective bargaining agreements. This memorandum represents my response to the recommendations as also required by the CBAs.

Like other members of the JHCC, I am committed to providing healthcare benefits that show our employees that the University is invested in not only their overall health, but their future. To that end, I know that any change to healthcare benefits needs to be made cautiously and with the University and its employees at the forefront of the decision.

In framing my response, I look to the purpose of the Joint Health Care Committee (JHCC) as set forth in those CBAs: to review health benefits and to investigate, study and design *possible solutions to rising health care costs and other mutual problems*. The CBAs also expressly provide that the University will not adopt changes suggested by the JHCC that would:

1. result in a violation of established laws or regulations;
2. alter the administration or management of health care benefits;
3. result in a projected cost increase to the University, in any year, unless the parties agree by Memorandum of Agreement;
4. be detrimental to the financial interests of the University, as determined by the President.

My responses to the JHCC benefit recommendations are set forth below.

FY25 Benefit Recommendations

The JHCC recommends increasing deductibles for FY25 to:

- a. Premium \$800 individual / \$2,400 family
- b. Basic \$1,325 individual / \$3,200 family
- c. HDHP \$1,600 individual / \$3,200 (aligned with FY25 IRS requirement)

During the November Knowledge Management meeting, representatives from Lockton and Premera Alaska presented the JHCC with the most recent claims and trend data for the University's health plan in FY23. During FY23, the overall claims increased 15.2% over FY22. This increase continues a 3-year trend of increases to the University's health plan and aligns with national healthcare trends.

Area	Pending Decisions (7/1/2024) Lockton Recommendations: 11/13/23	Yes	No	Estimated Cost/(Savings)
Deductible	<input type="checkbox"/> Deductible Option 1: HSA \$1,600/\$3,200, Premium \$1,000/\$3,000, Basic \$1,500/\$3,750	<input type="checkbox"/>	<input checked="" type="checkbox"/>	(\$803,000)
	<input type="checkbox"/> Deductible Option 2: HSA \$1,800/\$3,600, Premium \$1,000/\$3,000, Basic \$1,500/\$3,750	<input type="checkbox"/>	<input checked="" type="checkbox"/>	(\$964,000)
	<input type="checkbox"/> Deductible Option 3: HSA \$2,000/\$4,000, Premium \$1,000/\$3,000, Basic \$1,500/\$3,750	<input type="checkbox"/>	<input checked="" type="checkbox"/>	(\$1,112,000)
	<input checked="" type="checkbox"/> Deductible Option 4: HSA \$1,600/\$3,200, Premium \$800/\$2,400, Basic \$1,325/\$3,200 (JHCC developed)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(\$263,000)

Lockton and UA HR provided various solutions to mitigate rising health care costs. Rather, than align with one of these recommendations, the committee proposed placing all FY25 healthcare increases into employee and employer premiums.

The recommendation developed by the committee would result in a savings of approximately \$253,000 in FY25. This is substantially lower than the three options recommended by Lockton (option 1 - \$803K, option 2 - \$964K, option 3 - \$1.1M). The recommendation also falls well short of the projected (February 2023) increase from FY24 to FY25 of \$4.9M and does not consider a likely under recovery of actual health plan costs, in FY24.

The University supports a cost-sharing approach, and I am unwilling to place all the burden of increasing costs on premiums. Until I can assess the actual FY24 claims for the period of July 1 - December 31, 2023, I will not be making a final determination on whether to accept the recommendation of the JHCC. I am therefore not adopting the committee's recommendation at this time, and I will provide my final decision to the JHCC at the regular meeting in January.

The JHCC opposes any changes to the Out-of-Pocket Maximums on any of the three plans.

The University's current healthcare plans have out-of-pocket maximums that are considerably lower than **the 2024 IRS limits of \$9,450 for individuals and \$18,900 for family coverage**. Lockton recommended the following increases: Health Savings Account \$6,000 individual/\$7,150 family, Premium \$5,000 individual/\$10,000 family, and Basic \$6,000

individual/\$12,000 family. Employees also have the option of participating in either a flexible spending or health savings account. Based on Lockton's recommendation an incremental increase in the out-of-pocket maximums would have resulted in a savings opportunity of \$673,000 and would have impacted less than 12% of our participants.

Bundle	FY 2025 Plan Design Bundle	Savings Opportunity	Considerations
Out-of-Pocket Maximum	HDHP w/ HSA from \$5,000/\$6850 to \$6,000/\$7,150 Premium from \$4,250/\$9,250 to \$5,000/\$10,000 Basic from \$5,000/\$11,000 to \$6,000/\$12,000	(\$673,000)	<ul style="list-style-type: none"> • Increase EE out of pocket maximum • Employee Cost Shift • 7/22 to 6/23: <ul style="list-style-type: none"> - Premium - 167 members out of 1,478 (11.3%) met Out-of-Pocket Maximum - Basic - 190 members out of 2,032 (9.4%) met Out-of-Pocket Maximum - HDHP w/ HSA - 160 out of 1,970 (8.1%) met Out-of-Pocket Maximum • 7/21 to 6/22: <ul style="list-style-type: none"> - Premium- 167 members out of 1,395 (12.0%) met Out-of-Pocket Maximum - Basic - 145 members out of 2,007 (7.2%) met Out-of-Pocket Maximum - HDHP w/ HSA - 132 out of 1,813 (7.3%) met Out-of-Pocket Maximum

I will likewise defer my decision on the increase of out-of-pocket maximums until after I have received the actual plan costs through December 31, 2023. If there is a projected under recovery for FY24 I will not accept the JHCC's recommendation.

The JHCC recommends adopting the MASA Air and Ground Ambulance Gold Plan as an optional coverage option.

I concur with the committee's recommendation to extend the 100% voluntary benefit option for MASA Air and Ground Ambulance Gold Plan.