



Retired Public Employees of Alaska, APEA/AFT

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Equivalency Analysis: EGWP/Wrap

1. Is there an identified legitimate need to change the benefits provided?

Two reasons are given by DOA – a) improve financial efficiency of retiree program while b) preserving overall benefit value and minimizing member impact.

2. What are the reasons for the proposed change?

DOA identifies a) cost savings by switching from RDS to EGWP and b) help reduce OPEB liabilities associated with retiree health benefits.

3. What data exists that supports the proposed change?

DOA does not provide data but does claim that RDS subsidies are approximately \$19M -- \$21M annually and EGWP is estimated to be \$35 -- \$44M in savings annually which results in an immediate reduction to the OPEB liability. However, no data is provided that supports these assertions.

4. Does the proposed change substantially reconfigure the mix of current benefits?

DOA states that the vast majority of members will experience no change in benefits. However, the summary comparison of particular benefits or coverage provided by DOA shows generally several areas that change, such as network, benefits, pre-authorization, formulary, clinical programs, out-of-country coverage and plan fiduciary. Unfortunately, there is little information or specific data to allow an appropriate assessment of the degree of reconfiguration of current benefits.

5. Will the proposed change result in any unusual gaps in the benefits or coverage currently provided?

Without more detailed data, it is difficult to discern what gaps may occur under the EGWP program, such as benefits, pre-authorization, formulary and clinical programs. Based on the summary information provided by DOA, the most obvious gap created by switching to the EGWP is the appeal process. Under the current RDS program, members are entitled to utilize a statutory three-step appeal process that allows a final review by Alaska courts, while the EGWP requires a member to utilize a cumbersome five-step appeal process under federal regulations with final review in federal court. In addition, EGWP is a federal program that could be modified, suspended or terminated at any time.

6. Does the proposed changes involve the restriction, reduction or elimination of currently provided benefits?

As noted above, EGWP requires members to follow federal regulations rather than current plan language, eliminates the plan statutory appeal process and changes the plan fiduciary from DOA to the PBM. Without greater specific benefit usage data provided by DOA, it is difficult to determine what other benefits under the current plan are restricted, reduced or eliminated. Again, as a federal program EGWP could be suspended, modified or terminated at any time.

7. If so, how many members will be impacted by each particular change?

EGWP would apply to all members 65 and over. The changes to federal regulations, the new appeal process and plan fiduciary would impact all those members. How many members would be affected by changes in benefits provided, pre-authorization, formulary, the clinical programs, or out-of-country availability is unclear without further specific data.

8. Will the proposed change predictably cause hardship to a significant number of members who cannot be specifically identified?

Given the age of the impacted members, it seems likely that many will have a difficult time understanding the changed program and new federal procedures that apply under EGWP. Without additional specific data covering the number of

members affected by these changes, based on actual experience, hardship to a significant number of members seems predictable but unclear.

9. Have all members affected by the proposed change been given adequate notice of the proposed change?

It appears DOA has provided general public notice of the intended change of the current retiree drug program to the EGWP but has not provided sufficient direct individual notice of the change and possible impacts to members 65 and older.

10. Have the affected members been given adequate opportunity to question or obtain additional information about the proposed change?

It is essential that DOA not only give general notice of the intended change to EGWP but that it give specific opportunities to affected members to obtain more specific information about the program, what options will be available and how it will impact each of them specifically. DOA must provide adequate and appropriate opportunities for the impacted members to ask questions in public meetings and describe the hardship any changes might inflict on them individually. DOA must make every reasonable effort to avoid the confusion and uncertainty that resulted from the 2014 amendments imposed without adequate notice and information to members.

11. Have the affected members been given adequate opportunity to show the proposed change may result in substantial hardship?

Once DOA has provided adequate notice, information and meetings with members to educate about the change, it must then provide an adequate opportunity for individual members to show the EGWP change will result in substantial hardship to them.

12. Is any substantial hardship offset by comparable advantages?

DOA claims that the vast majority of members will experience no change with implementation of the EGWP. This is based on claims that overall benefit levels can be maintained by such devices as a supplemental “wrap” program or enrollment in an “alternative prescription drug program.” However, little specific reliable data based on actual experience has been provided by DOA to substantiate these claims.

13. Does the proposed change result in the diminishment or impairment of any current benefits?

As discussed above, it appears there will be a diminishment or impairment of the benefits and/or coverage under the current retiree drug program but the actual experience-based data that would show whether or not that is true has not been provided yet by DOA.

14. Has there been an adequate and timely comparative analysis performed to determine if there is equivalent value between the offsetting advantages and disadvantages under this proposed change?

If DOA has performed a comparative analysis to determine if there is equivalent value under the change to the EGWP program, that analysis has not been made public yet.

15. What specific solid statistical data, drawn from actual experience, has been used in this comparative analysis?

Once the analysis has been performed and made public, the data utilized and relied upon by DOA in performing the analysis should be made available to all affected members.

16. Has the comparative analysis and the data upon which it is based been made available to all affected members sufficiently before the implementation of the proposed changes to allow their response and input?

Not presently.