



## Retired Public Employees of Alaska, APEA/AFT

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August 16, 2018

Dear Advisory Board Members,

RPEA submits this letter to explain its position on the advisory vote about the EGWP plan proposed for its August 29 meeting. RPEA believes, and requests, that RHPAB should not vote in favor of implementing the proposed EGWP at this time. Let us explain why we make that request.

To begin, the more RPEA learns about the enhanced EGWP proposed by DRB, the more RPEA hopes it is workable. If this proposed plan actually works the way it is proposed – that is, if it actually results in little change to the prescription and other drugs retirees receive under the current plan, and also results in substantially greater subsidies and thereby reduces the reported unfunded liability of the retirement trusts – then it would be a positive change. However, since all DRB has provided to the RHPAB are proposals it is premature for the Board to vote in favor of implementing the EGWP under the current circumstances when it is not fully informed.

Let us explain the reasons why RPEA has reached this position. First, DRB has not yet disclosed the actual terms of the enhanced EGWP. All it has provided thus far is the proposal. DRB does not have answers to important questions and cannot provide them until it discloses the actual terms of the EGWP. Until the actual terms are provided, there can be no way to fully and fairly evaluate the impact the proposed changes would have on retirees and to determine specific answers to these remaining questions. All anyone can do in these circumstances – DRB or RHPAB or RPEA – is make guesses. That is not a sound basis upon which the RHPAB should vote to approve this proposed EGWP.

Second, retirees and RHPAB should receive answers to a number of legitimate questions about how this proposed EGWP would actually work. These include whether the enhanced EGWP actually preserves the appeal process provided by statute under Alaska law and protected by the Alaska Constitution. Despite more than three months since DRB provided the proposal to the RHPAB in early May, it has not yet reached any definitive answer on this critical question. Over that same period RPEA has searched and reviewed not only the Medicare Part D regulations but other information available online and has not found any waiver made by Medicare to an EGWP plan nor any other EGWP plan that has substituted an appeal process different or separate from those required by Medicare regulations. If there is some way to allow the state appeal process, that information has not yet been provided. RPEA plans to provide separately other similar concerns before the August 29 meeting.

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Third, until DRB has disclosed the actual terms of the EGWP, it cannot provide adequate notice and information about the proposed plan changes to the retirees who would be affected by the plan changes. It has been repeatedly pointed out during RHPAB meetings that the retirees who will be most directly affected by this change are older retirees who may be easily confused about what the changes are and what they are required to do under EGWP. In fact, many of the comments sent by retirees to RHPAB indicate the lack of adequate understanding of how the plan may impact them. Certainly, it is in everyone's interest to make every reasonable effort to avoid the confusion that occurred after the precipitous imposition of the 2014 retiree health care plan changes.

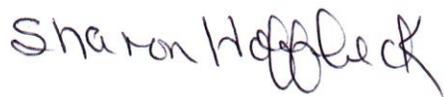
Fourth, DRB has a fiduciary duty to make sure the affected retirees not only obtain complete accurate information about the actual changes that would result from the EGWP, but an adequate opportunity to be heard and establish any of these changes might result in serious individual hardship. That is one of the requirements established by the Alaska Supreme Court under the *Duncan* decision.

Fifth, although DRB asserts the EGWP does not diminish or impair any retiree benefits or coverage—and apparently has not conducted the *Duncan* equivalency analysis—doesn't it make sense for DRB to conduct an appropriate analysis based on the available reliable data to show that position is correct? Doesn't it make better sense to conduct this analysis now, in order to avoid having to do it later and the risk of having to make significant changes after the EGWP has been imposed?

In sum, whatever the potential benefits of the proposed enhanced EGWP to the State and retirees, RPEA contends it is premature to rush the implementation of the plan before critical questions have been answered.

For the above reasons, RPEA urges the RHPAB to decline to vote in support of the EGWP at this point—before all the critical information is available to answer the key user and legal questions—and those answers provided to everyone.

Respectfully Submitted,



Sharon Hoffbeck  
President



Brad Owens  
Executive Vice President