January 31, 2011

Dear UA Faculty and Staff:

The University of Alaska for years has offered a generous health plan to all benefits-eligible employees, their spouses and dependents. With health care costs in Alaska triple the national average, usage at a high level and plan costs estimated to continue increasing at 10 percent each year, we face a real dilemma. UA’s current health plan is no longer sustainable and doing nothing is not an option.

If UA’s health plan remains as-is, costs are expected to double in seven years, from the current $65 million a year to an estimated $131 million a year by 2017. That would be $30,000 in total health care costs per employee in 2017.

The cost increases facing the university and its employees are not unique to UA. Employers across the country are facing sky-high increases in health plan costs. Some of the increases are due to the availability and use of new cutting-edge medical tests and treatments, advancements in pharmaceuticals and an aging population with an unusually high rate of chronic health conditions (heart disease, diabetes, etc.). Part of the increase is due to national health care reform phasing in, which creates new obligations on UA as an employer.

We’ve had two employee groups actively engaged in discussing alternatives—the Staff Health Care Committee, made up of non-unionized staff members, and the Joint Health Care Committee, made up of unionized faculty and staff as well as management and governance representatives from across the UA System.

Some of the ideas they have discussed included eliminating expensive features of the deluxe plan, increasing deductibles and out-of-pocket maximums and changing the pharmacy program to further encourage the use of generic medications and mail-order. Let me assure you, both committees aggressively debated all ideas. On some ideas they were able to come to consensus and for others they were not. But again, doing nothing is not an option.

Shortly, the university will begin a broader communications and outreach effort so all faculty and staff are informed of upcoming plan changes. Most will become effective for FY12, or after July 1, but there are some like a dependent audit that will be occurring sooner than that. You’ll receive information from our Statewide Benefits office at your home and through your UA email. The benefits office will post updates on the Statewide Benefits website (www.alaska.edu/benefits) and will hold meetings across the university so that all employees can receive information on this important topic. They are also exploring a telephone hotline for your questions.

There is no good news here. Many of you probably hoped we could leave the health plan unchanged. We cannot.

Thank you for your understanding and patience. Please watch for more information from Statewide Benefits in the near future.

Sincerely,

Patrick K. Gamble
President