



**STATE OF ALASKA**  
**GROUP HEALTH AND LIFE FUND**  
(An Internal Service Fund of the State of Alaska)

Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

**STATE OF ALASKA**  
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(An Internal Service Fund of the State of Alaska)

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KPMG LLP  
Suite 600  
701 West Eighth Avenue  
Anchorage, AK 99501

## **Independent Auditors' Report**

The Division of Retirement and Benefits and  
State of Alaska Department of Administration  
State of Alaska Group Health and Life Fund:

We have audited the accompanying financial statements of the State of Alaska Group Health and Life Fund (the Plan), an internal service fund of the State of Alaska, as of and for the years ended June 30, 2021 and 2020, and the related notes to financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the State of Alaska Group Health and Life Fund as of June 30, 2021 and 2020, and its changes in net position and cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



## **Other Matter**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, on pages 3–7, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*KPMG LLP*

December 2, 2021

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Management's Discussion and Analysis (Unaudited)  
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This section presents management's discussion and analysis (MD&A) of the Group Health and Life Fund's (the Plan) financial condition and performance for the years ended June 30, 2021 and 2020. This section is presented as a narrative overview and analysis. Please read the MD&A in conjunction with the financial statements and notes to financial statements to better understand the financial condition and performance of the Plan during the fiscal years ended June 30, 2021 and 2020. Information for fiscal year 2019 is presented for comparative purposes.

**Financial Highlights**

The Plan's financial highlights for the year ended June 30, 2021 were as follows:

- The Plan's net position decreased by \$4.9 million during fiscal year 2021.
- The Plan's health insurance premiums during fiscal year 2021 totaled \$129.4 million, an increase of \$404 thousand from fiscal year 2020.
- The Plan's interest and dividend income during fiscal year 2021 was \$22 thousand.
- The Plan's benefit expense during fiscal year 2021 totaled \$138.2 million, an increase of \$10.1 million from fiscal year 2020.
- The Plan's administrative expense during fiscal year 2021 totaled \$5.8 million, an increase of \$283 thousand from fiscal year 2020.
- The Plan was a subrecipient of funding received from the Department of Health and Social Services for incremental costs covered under the CARES Act; a transfer in of \$4.0 million during fiscal year 2021.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Plan's basic financial statements. The Plan's financial statements comprise four components: (1) statements of net position; (2) statements of changes in net position; (3) statements of cash flows; and (4) notes to financial statements.

*Statements of net position* – These statements present information regarding the Plan's assets, liabilities, and resulting net position. These statements reflect the Plan's cash and cash equivalents, receivables, and other assets less liabilities at June 30, 2021 and 2020.

*Statements of changes in net position* – These statements present how the Plan's net position changed during the fiscal years ended June 30, 2021 and 2020, as a result of health insurance premiums, interest and dividend income, and operating expenses.

*Statements of cash flows* – These statements present cash flows from operating, financing, and investing activities. The Plan presents its cash flows statements using the direct method for reporting cash received and disbursed during the fiscal years ended June 30, 2021 and 2020.

The above statements represent resources available for investment and payment of benefits as of June 30, 2021 and 2020, and the sources and uses of those funds during fiscal years 2021 and 2020.

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*Notes to financial statements* – The notes to financial statements are an integral part of the financial statements and provide additional detailed information and schedules that are essential to a full understanding of the Plan's financial statements.

**Condensed Financial Information**

Description	Net position				
	2021	2020	Increase (decrease)		2019
			Amount	Percentage	
<b>Assets:</b>					
Cash and cash equivalents	\$ 25,511,673	34,037,405	(8,525,732)	(25.0)%	\$ 32,439,809
Due from State of Alaska General Fund	4,957,744	—	4,957,744	—	—
Other assets	593,160	593,160	—	—	593,160
Total assets	<u>31,062,577</u>	<u>34,630,565</u>	<u>(3,567,988)</u>	<u>(10.3)</u>	<u>33,032,969</u>
<b>Liabilities:</b>					
Claims payable	15,888,000	15,065,000	823,000	5.5	13,261,000
Due to State of Alaska General Fund	—	43,781	(43,781)	(100.0)	43,192
Accrued expenses	1,196,951	668,780	528,171	79.0	1,008,360
Total liabilities	<u>17,084,951</u>	<u>15,777,561</u>	<u>1,307,390</u>	<u>8.3</u>	<u>14,312,552</u>
Unrestricted net position	<u>\$ 13,977,626</u>	<u>18,853,004</u>	<u>(4,875,378)</u>	<u>(25.9)%</u>	<u>\$ 18,720,417</u>

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Description	Changes in net position				
	2021	2020	Increase (decrease)		2019
			Amount	Percentage	
Unrestricted net position, beginning of year	\$ 18,853,004	18,720,417	132,587	0.7%	\$ 11,076,096
Operating revenue:					
Health insurance premiums	129,438,750	129,034,366	404,384	0.3	130,180,310
Other revenue	5,612,959	3,959,776	1,653,183	41.7	3,328,600
Total operating revenue	135,051,709	132,994,142	2,057,567	1.5	133,508,910
Operating expenses:					
Healthcare benefits	138,181,036	128,071,357	10,109,679	7.9	121,685,452
Administrative	5,775,400	5,492,666	282,734	5.1	5,051,147
Total operating expenses	143,956,436	133,564,023	10,392,413	7.8	126,736,599
Operating income (loss)	(8,904,727)	(569,881)	(8,334,846)	1,462.6	6,772,311
Nonoperating revenue:					
Interest and dividend income	22,437	702,468	(680,031)	(96.8)	872,010
Income (loss) before transfers in	(8,882,290)	132,587	(9,014,877)	1,365.8	7,644,321
State of Alaska transfers in	4,006,912	—	4,006,912	100.0	—
Change in unrestricted net position	(4,875,378)	132,587	(5,007,965)	(3,777.1)	7,644,321
Unrestricted net position, end of year	\$ 13,977,626	18,853,004	(4,875,378)	(25.9)%	\$ 18,720,417

**Financial Analysis of the Plan**

The statements of net position as of June 30, 2021 and 2020 show total assets exceeding total liabilities by \$13,977,626 and \$18,853,004, respectively. This represents the total plan net position held in trust for healthcare benefits on each of those dates. The entire amount is available to cover the Plan's obligation to pay healthcare benefits for its members and their beneficiaries, as well as administrative costs.

This also represents a decrease in net position of \$4,875,378 or 25.9% from fiscal year 2020 to 2021 and an increase of \$132,587 or 0.7% from fiscal year 2019 to 2020. Over the long term, health insurance premiums collected, other income received, and investment income earned are anticipated to sufficiently fund the costs of the Plan. During fiscal year 2021, the Plan saw a significant increase in healthcare benefit costs, up \$10.1 million or 7.9% from fiscal year 2020. This includes a \$823 thousand increase in claims payable. These cost increases were partially offset by a \$4.0 million subrecipient funding transfer from the Department of Health and Social Services for CARES Act funding and a \$1.7 million increase in other revenue. During fiscal year 2020, the Plan saw an increase in both per-member healthcare benefit costs and administrative expenses and a modest decrease in premiums due to a decrease in covered members. These were partially offset by an increase in other revenue. During fiscal year 2020, the Plan saw stable operating revenues, significant increases in per member healthcare costs and administrative expenses and was still able to maintain reserves similar to fiscal year 2019. While the Division of Retirement and Benefits (the Division) works to maintain a level

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premium and use of network medical providers to contain costs, medical conditions may exist within the membership that drive costs higher than anticipated. The Division continues to work with the Plan's actuaries and administration to monitor and adjust premiums while managing expenses to control costs. The Division expects that there will continue to be increases in future healthcare benefit costs. The Plan must continue to balance revenue while managing expenses to meet current and future healthcare benefit costs.

**Insurance Premium Calculations**

The overall objective of the Plan is to have sufficient funds to meet healthcare benefit costs. The insurance premiums are recommended each year by the Division's benefit consultant with review by the advisory committee and the administrator's approval. Insurance premiums are based on the Plan's benefit year. The benefit consultant reviews the historical claims experience and administrative costs and uses that data to estimate trends to recommend premiums for the next benefit year.

**Health Insurance Premiums and Investment Income**

The revenue required to fund healthcare benefits is accumulated through a combination of employer and member health insurance premiums, other revenue, and investment income.

	Revenues				
	2021	2020	Increase (decrease)		2019
			Amount	Percentage	
Health insurance premiums	\$ 129,438,750	129,034,366	404,384	0.3%	\$ 130,180,310
Other revenue	5,612,959	3,959,776	1,653,183	41.7	3,328,600
Interest and dividend income	22,437	702,468	(680,031)	(96.8)	872,010
Total	<u>\$ 135,074,146</u>	<u>133,696,610</u>	<u>1,377,536</u>	<u>1.0%</u>	<u>\$ 134,380,920</u>

Health insurance premiums paid by the State of Alaska were \$1,555 per employee per month in fiscal years 2021, 2020, and 2019. Changes to health insurance premiums are the result of actual and anticipated changes in healthcare costs related to covered benefits. Premiums are based on historical and anticipated experience. During fiscal years 2021 and 2020 there was a small decrease in average monthly member counts. This decrease was matched by a decrease in insurance premiums paid by the employer. During fiscal year 2021, the Plan collected \$1.1 million of employer premiums that were unpaid during fiscal years 2020 and portions of fiscal year 2021, resulting in a slight increase in total premiums and other income recorded.

Other revenue increased to \$5,612,959 in fiscal year 2021 from \$3,959,776 in fiscal year 2020, an increase of \$1,653,183 or 41.7%. This increase was primarily due to additional pharmacy rebates received in fiscal year 2021. Other revenue increased to \$3,959,776 in fiscal year 2020 from \$3,325,600 in fiscal year 2019, an increase of \$631,176 or 19.0%. This increase was primarily due to additional pharmacy rebates received in fiscal year 2020.



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Interest and dividend income decreased by \$680,031 or 96.8% from amounts recorded in fiscal year 2020, and decreased by \$169,542 or 19.4% from amounts recorded in fiscal year 2019. The Plan is invested in the General Fund and Other Nonsegregated Investments (GeFONSI), which is an investment pool managed by the State of Alaska, Treasury Division in the Department of Revenue. For fiscal years 2021 and 2020, the GeFONSI investments generated 0.09% and 2.15% rates of return, respectively. The GeFONSI annualized rate of return was 1.77% over the last three years and 1.38% over the last five years. The invested balance decreased by \$8,525,732 in fiscal year 2021 and increased by \$1,597,596 in fiscal year 2020.

**Benefits and Expenses**

The primary expense of the Plan is the payment of healthcare benefits. These cost of benefits and administering the Plan comprise the cost of operations.

	<b>Expenses</b>				
	<b>2021</b>	<b>2020</b>	<b>Increase (decrease)</b>		<b>2019</b>
			<b>Amount</b>	<b>Percentage</b>	
Healthcare benefits	\$ 138,181,036	128,071,357	10,109,679	7.9%	\$ 121,685,452
Administrative	5,775,400	5,492,666	282,734	5.1	5,051,147
Total	<u>\$ 143,956,436</u>	<u>133,564,023</u>	<u>10,392,413</u>	<u>7.8%</u>	<u>\$ 126,736,599</u>

Healthcare benefit expenses increased by \$10,109,679 or 7.9% in fiscal year 2021, and increased by \$6,385,905 or 5.2% in fiscal year 2020. Fiscal year 2021 saw stable membership and a 7.9% increase in average healthcare benefit costs per member. Fiscal year 2020 saw a 1.6% decrease in average covered members and a 6.9% increase in average healthcare benefit costs per member.

Administrative expenses increased by \$282,734, or 5.1%, in fiscal year 2021, and increased \$441,519, or 8.7%, in fiscal year 2020. The increase in administrative expenses during fiscal year 2021 was primarily due to an increase in fees paid to one of the claims administrators. The increase in administrative expenses during fiscal year 2020 was primarily due to fees paid to Plan consultants.

**Economic Conditions, Market Environment, and Results**

The net investment rate of return of 0.09% during fiscal year 2021 fell short of the five-year average of 1.38%.

Due to the increased utilization of the health plan, as well as high costs related to a small portion of membership, the Plan saw a drop in available balance for payment of health costs. The Division requested and received \$4.0 million as subrecipient funding from the Department of Health and Social Services in CARES Act funding for coronavirus related costs incurred by the Plan to assist in the cash flow and increase the net position of the Plan. The Division continues to work on ways to control costs going forward, along with prudent management of premiums to maintain adequate funding. The Plan continues to analyze various methods to manage its net position centered around adjustments to health insurance premiums and working with TPAs to further contain medical costs.

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**Requests for Information**

This financial report is designed to provide a general overview of the Plan's financial condition for those with interest in the Plan's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

State of Alaska Group Health and Life Fund  
Division of Retirement and Benefits, Finance Section  
P.O. Box 110203  
Juneau, Alaska 99811-0203

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Statements of Net Position

June 30, 2021 and 2020

	<b>2021</b>	<b>2020</b>
<b>Assets:</b>		
Cash and cash equivalents:		
Investment in State of Alaska General Fund and Other Nonsegregated Investments Pool	\$ 25,511,673	34,037,405
Due from State of Alaska General Fund	4,957,744	—
Other assets	593,160	593,160
Total assets	31,062,577	34,630,565
<b>Liabilities:</b>		
Claims payable	15,888,000	15,065,000
Due to State of Alaska General Fund	—	43,781
Accrued expenses	1,196,951	668,780
Total liabilities	17,084,951	15,777,561
Unrestricted net position	\$ 13,977,626	18,853,004

See accompanying notes to financial statements.

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Statements of Changes in Net Position

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenue:		
Employer health insurance premiums	\$ 110,489,020	109,254,300
Member health insurance premiums	<u>18,949,730</u>	<u>19,780,066</u>
Total health insurance premiums	<u>129,438,750</u>	<u>129,034,366</u>
Other revenue:		
Pharmacy rebate	4,791,450	3,746,602
Pharmacy management allowance	208,547	—
Miscellaneous revenue	<u>612,962</u>	<u>213,174</u>
Total other revenue	<u>5,612,959</u>	<u>3,959,776</u>
Total operating revenue	<u>135,051,709</u>	<u>132,994,142</u>
Operating expenses:		
Healthcare benefits	138,181,036	128,071,357
Administrative	<u>5,775,400</u>	<u>5,492,666</u>
Total operating expenses	<u>143,956,436</u>	<u>133,564,023</u>
Operating loss	<u>(8,904,727)</u>	<u>(569,881)</u>
Nonoperating revenue:		
Interest and dividend income	<u>22,437</u>	<u>702,468</u>
Income (loss) before transfers in	(8,882,290)	132,587
Transfers in	<u>4,006,912</u>	<u>—</u>
Change in unrestricted net position	(4,875,378)	132,587
Total unrestricted net position, beginning of year	<u>18,853,004</u>	<u>18,720,417</u>
Total unrestricted net position, end of year	<u>\$ 13,977,626</u>	<u>18,853,004</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2021 and 2020

	<b>2021</b>	<b>2020</b>
Cash flows from operating activities:		
Cash received for premiums from the State of Alaska	\$ 128,791,837	129,034,366
Cash received from third-party administrator	5,608,500	3,959,776
Cash payments for benefits to third-party administrator	(136,995,760)	(126,267,357)
Cash payments to employees	(301,505)	(368,621)
Cash payments to suppliers	(5,651,241)	(5,463,036)
Net cash provided by (used in) operating activities	(8,548,169)	895,128
Cash flows from investing activities:		
Interest and dividend income received	22,437	702,468
Net increase (decrease) in cash and cash equivalents	(8,525,732)	1,597,596
Cash and cash equivalents, beginning of year	34,037,405	32,439,809
Cash and cash equivalents, end of year	\$ 25,511,673	34,037,405
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (8,904,727)	(569,881)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
(Increase) decrease in assets:		
Due from State of Alaska General Fund	(950,832)	—
Increase (decrease) in liabilities:		
Claims payable	823,000	1,804,000
Due to State of Alaska General Fund	(43,781)	589
Accrued expenses	528,171	(339,580)
Net cash provided by (used in) operating activities	\$ (8,548,169)	895,128
Supplemental schedule of noncash financing activities:		
Transfers in	\$ 4,006,912	—

See accompanying notes to financial statements.

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**(1) Description**

The following brief description of the State of Alaska Group Health and Life Fund (the Plan), an Internal Service Fund of the State of Alaska (the State), is provided for general information purposes only. Participants should refer to the Select Benefits Information Booklet for more complete information.

**(a) General**

The Plan was established on July 1, 1997, to provide self-insured healthcare benefits to eligible employees of the State. The Plan is an internal service fund of the State financial reporting entity and is included as such in the State's Annual Comprehensive Financial Report (ACFR). As of June 30, 2021 and 2020, there were 5,799 and 5,741 employees, respectively, excluding dependents, covered by the Plan.

Prior to July 1, 1997, healthcare benefits for state employees were fully insured through the payment of premiums to an insurance company.

**(b) Benefits**

The Plan offers medical, dental, vision, and audio benefits to eligible state employees and their dependents.

**(c) Eligibility**

The Plan does not provide benefits to members of the following collective bargaining units, who chose to receive health coverage through a union trust:

- Labor, Trades, and Crafts Unit
- Public Safety Airport Security Unit
- Public Safety Troopers Unit
- Masters, Mates, and Pilots
- General Government Unit.

Long-term nonpermanent employees of the State are covered by the Plan, including permanent and long-term nonpermanent seasonal and part-time employees who elect coverage.

The Plan also provides coverage for state legislators and elected officials.

**(d) Flexible Benefits**

Employees who are not covered through a union trust are eligible for flexible healthcare benefits. A monthly employer premium is paid for each eligible employee under this program. The amount of employer premium paid for each eligible employee is determined by the Department of Administration, Division of Retirement and Benefits (the Division) and the consulting actuary, and can be adjusted annually. The legislative branch approves the premiums through the budgetary process. Employees select from available coverage options that offer different benefits or pay benefits at different rates. In

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most instances, the employee is responsible to pay a portion of the health costs through a pretax payroll contribution, and the amount of the contribution will vary based on collective bargaining provisions and the employee coverage option selected.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Accounting**

The Plan's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). Insurance premiums are recognized as revenue in the period in which they are due. Benefits are recognized when due and payable and expenses are recorded when the corresponding liabilities are incurred, regardless of when premiums are received, or payment is made.

**(b) Financial Statement Presentation**

The Plan distinguishes operating revenue and expenses from nonoperating revenue and expenses. The principal operating revenue of the Plan is employer and member health insurance premiums. Operating expenses for the Plan include benefits and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**(c) Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

**(d) Investments**

The Plan participates in the State General Fund and Other Nonsegregated Investments (GeFONSI) pool, which invests in fixed-income securities that are valued each business day using an independent pricing service. The Department of Revenue, Division of Treasury (the Treasury) calculates a participant's daily cash balance in the GeFONSI using the GeFONSI's actual daily rate of return. Interest is compounded daily.

GeFONSI investment income is distributed to pool participants if prescribed by statute or if appropriated by state legislature.

**(e) Statements of Cash Flows**

For purposes of reporting cash flows, cash and cash equivalents include the Plan's investment in the GeFONSI at June 30, 2021 and 2020. This investment pool has the general characteristics of a demand deposit account.

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**(f) Administration**

The Plan is administered by the Division, which utilizes the services of claims administrators Aetna and Delta Dental of Alaska to process medical, dental, and vision claims and utilizes the services of pharmacy benefit manager OptumRx to process prescription drug claims. Some of the specialized benefits provided by the Plan are administered by Vision Service Plan, PayFlex, EDHC (Surgery Plus), Beacon OHSS, and Hinge Health.

**(g) Funding**

The Plan is self-insured for all benefits. The Plan's funding policy provides for the collection of insurance premiums from employees, if applicable, and the State. Insurance premium amounts are actuarially determined on an annual basis and adjusted as necessary. The State retains the risk of loss of allowable claims.

**(h) Due from (to) State of Alaska General Fund**

Amounts due from (to) the State of Alaska General Fund represent the net revenues and expenditures received (paid) after June 30, but not otherwise recorded as accruals.

**(i) Federal Income Tax Status**

The Plan is an internal service fund of the State financial reporting entity and is included as such in the State's ACFR. The Plan is not subject to federal income tax by virtue of the Plan's status as a government entity.

**(3) Investments**

The Treasury has created a pooled environment by which it manages the investments. The Commissioner of Revenue (the Commissioner) has fiduciary responsibility. Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The fund invests in the State's internally managed GeFONSI pool. The complete financial activity of the funds is shown in the State of Alaska ACFR available from the Department of Administration, Division of Finance.

Assets in the pool are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Securities are valued each business day using prices obtained from a pricing service.

The accrual basis of accounting is used for investment income and GeFONSI investment income is distributed to pool participants monthly if prescribed by statute or if appropriated by the state legislature.

For additional information on interest rate risk, credit risk, foreign exchange, derivatives, fair value, and counterparty credit risk, see the separately issued report on the "Invested Assets Under the Investment Authority of the Commissioner of Revenue (Audited)" at <http://treasury.dor.alaska.gov/Investments/Annual-Investment-Reports.aspx>.



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**(4) Claims Payable**

The liabilities for claims payable and claims incurred but not reported (IBNR) represent the estimated amounts necessary to settle all outstanding claims incurred as of the balance sheet date. The Plan's reserve estimates for IBNR are based primarily on historical development patterns adjusted for current trends that would modify past experience. Claims are reevaluated periodically to consider the effects of inflation, claims settlement trends, and other economic factors. The process of establishing loss reserves is subject to uncertainties that are normal, recurring, and inherent in the healthcare business.

Changes in the balances of claims liabilities were as follows:

	<b>2021</b>	<b>2020</b>
Total, beginning of year	\$ 15,065,000	13,261,000
Healthcare benefits	138,181,036	128,071,357
Benefits paid	(137,358,036)	(126,267,357)
Total, end of year	\$ 15,888,000	15,065,000
End of year:		
Incurred but not reported	\$ 15,888,000	15,065,000
Total, end of year	\$ 15,888,000	15,065,000

**(5) Transfers In**

The Plan became aware of higher utilization and higher cost claimants during fiscal year 2021, some of which was COVID-19 related. Analysis indicated that additional funds were necessary in order to continue paying claims, allow time for the Division to look at possible premium modifications, and devise ways to mitigate the higher claims costs.

In order to secure the necessary funds, the Division requested and received from the Department of Health and Social Services coronavirus funds as a subrecipient to pay for COVID-19 related claims costs and to provide the needed cash infusion for payment of claims and operations. Payment was received by the Plan in September 2021.