



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

Financial Statements

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

**STATE OF ALASKA**  
**GROUP HEALTH AND LIFE FUND**  
(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:

### *Opinion*

We have audited the financial statements of the Group Health and Life Fund (the Fund) of the State of Alaska, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Alaska and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Emphasis of Matter*

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the State of Alaska, as of June 30, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 State of Alaska's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 audits 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*

Anchorage, Alaska  
October 12, 2023

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Management's Discussion and Analysis (Unaudited)  
June 30, 2023 and 2022

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, 2023 and 2022. 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, 2023 and 2022. Information for fiscal year 2021 is presented for comparative purposes.

**Financial Highlights**

The Plan's financial highlights for the year ended June 30, 2023 were as follows:

- The Plan's net position increased by \$1.2 million during fiscal year 2023.
- The Plan's health insurance premiums during fiscal year 2023 totaled \$142.8 million, an increase of \$12.9 million from fiscal year 2022.
- The Plan's investments saw income of \$834 thousand during fiscal year 2023.
- The Plan's benefit expense during fiscal year 2023 totaled \$148.9 million, an increase of \$3.4 million from fiscal year 2022.
- The Plan's administrative expense during fiscal year 2023 totaled \$5.8 million, an increase of \$111 thousand from fiscal year 2022.
- During fiscal year 2023, the Plan received a transfer in of \$55,935 from the State of Alaska's General Fund to bring its unobligated balance to \$9.3 million.

**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, 2023 and 2022.

*Statements of changes in net position* – These statements present how the Plan's net position changed during the fiscal years ended June 30, 2023 and 2022, as a result of health insurance premiums, investment income, operating expenses, and transfers in.

*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, 2023 and 2022.

The above statements represent resources available for investment and payment of benefits as of June 30, 2023 and 2022, and the sources and uses of those funds during fiscal years 2023 and 2022.

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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				
	2023	2022	Increase (decrease)		2021
			Amount	Percentage	
<b>Assets:</b>					
Cash and cash equivalents	\$ 23,715,892	16,663,117	7,052,775	42.3%	\$ 25,511,673
Due from State of Alaska General Fund	2,362,284	9,480,302	(7,118,018)	(75.1)	4,957,744
Accounts receivable	2,053,341	1,713,093	340,248	19.9	—
Other assets	593,160	593,160	—	—	593,160
<b>Total assets</b>	<b>28,724,677</b>	<b>28,449,672</b>	<b>275,005</b>	<b>1.0</b>	<b>31,062,577</b>
<b>Liabilities:</b>					
Claims payable	17,409,000	17,336,000	73,000	0.4	15,888,000
Accrued expenses	2,018,017	1,116,248	901,769	80.8	1,196,951
<b>Total liabilities</b>	<b>19,427,017</b>	<b>18,452,248</b>	<b>974,769</b>	<b>5.3</b>	<b>17,084,951</b>
<b>Unrestricted net position</b>	<b>\$ 9,297,660</b>	<b>9,997,424</b>	<b>(699,764)</b>	<b>(7.0)%</b>	<b>\$ 13,977,626</b>

Description	Changes in net position				
	2023	2022	Increase (decrease)		2021
			Amount	Percentage	
Unrestricted net position, beginning of year	\$ 9,997,424	13,977,626	(3,980,202)	(28.5)%	\$ 18,853,004
<b>Operating revenue:</b>					
Health insurance premiums	142,801,280	129,817,536	12,983,744	10.0	129,438,750
Other revenue	10,232,419	8,216,113	2,016,306	24.5	5,612,959
<b>Total operating revenue</b>	<b>153,033,699</b>	<b>138,033,649</b>	<b>15,000,050</b>	<b>10.9</b>	<b>135,051,709</b>
<b>Operating expenses:</b>					
Healthcare benefits	148,866,216	145,502,536	3,363,680	2.3	138,181,036
Administrative	5,756,785	5,645,421	111,364	2.0	5,775,400
<b>Total operating expenses</b>	<b>154,623,001</b>	<b>151,147,957</b>	<b>3,475,044</b>	<b>2.3</b>	<b>143,956,436</b>
<b>Operating loss</b>	<b>(1,589,302)</b>	<b>(13,114,308)</b>	<b>11,525,006</b>	<b>(87.9)</b>	<b>(8,904,727)</b>
<b>Nonoperating revenue:</b>					
Investment income (loss)	833,603	(335,371)	1,168,974	(348.6)	22,437
<b>Income (loss) before transfers in</b>	<b>(755,699)</b>	<b>(13,449,679)</b>	<b>12,693,980</b>	<b>(94.4)</b>	<b>(8,882,290)</b>
State of Alaska transfers in	55,935	9,469,477	(9,413,542)	(99.4)	4,006,912
<b>Change in unrestricted net position</b>	<b>(699,764)</b>	<b>(3,980,202)</b>	<b>3,280,438</b>	<b>(82.4)</b>	<b>(4,875,378)</b>
<b>Unrestricted net position, end of year</b>	<b>\$ 9,297,660</b>	<b>9,997,424</b>	<b>(699,764)</b>	<b>(7.0)%</b>	<b>\$ 13,977,626</b>

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**Financial Analysis of the Plan**

The statements of net position as of June 30, 2023 and 2022 show total assets exceeding total liabilities by \$9,297,660 and \$9,997,424, 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 represents a decrease in net position of \$699,764 or 7.0% from fiscal year 2022 to 2023 and a decrease in net position of \$3,980,202 or 28.5% from fiscal year 2021 to 2022. Over the long term, health insurance premiums collected and other income received are anticipated to sufficiently fund the costs of the Plan.

During fiscal year 2023, the Plan saw a slight increase in healthcare benefit costs, up \$3.4 million or 2.3% from fiscal year 2022. While the Division of Retirement and Benefits (Division) works to maintain a level 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 employee health insurance premiums, other revenue, and investment income.

	<b>Revenues</b>				
	<b>2023</b>	<b>2022</b>	<b>Increase (decrease)</b>		<b>2021</b>
			<b>Amount</b>	<b>Percentage</b>	
Health insurance premiums	\$ 142,801,280	129,817,536	12,983,744	10.0%	\$ 129,438,750
Other revenue	10,232,419	8,216,113	2,016,306	24.5	5,612,959
Investment income (loss)	833,603	(335,371)	1,168,974	348.6	22,437
Total	<u>\$ 153,867,302</u>	<u>137,698,278</u>	<u>16,169,024</u>	<u>11.7%</u>	<u>\$ 135,074,146</u>

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Health insurance premiums paid by the State of Alaska were \$1,793 per employee per month during calendar year 2023, \$1,685 per employee per month during calendar year 2022, and were \$1,555 per employee per month in calendar year 2021. 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 year 2023, there was an approximate increase of 120 average monthly employee count that contributed to higher premiums collected from both the employer and the member. In fiscal year 2022, there was a small decrease in average monthly employee counts; however, there was an offsetting cost increase during the 6-months in fiscal year 2022 to both the employer and employee that resulted with increased premiums collected.

Other revenue increased to \$10,232,419 in fiscal year 2023 from \$8,216,113 in fiscal year 2022, an increase of \$2,016,306 or 24.5%, and to \$8,216,113 in fiscal year 2022 from \$5,612,959 in fiscal year 2021, an increase of \$2,603,154 or 46.4%. The increases in fiscal years 2023 and 2022 were primarily due to additional pharmacy rebates received each year.

Investment income increased by \$1,168,974 or 348.6% from amounts recorded in fiscal year 2022, and decreased by \$357,808 or 1,594.7% from amounts recorded in fiscal year 2021. 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 2023 and 2022, the GeFONSI investments generated 3.56% and (1.47%) rates of return, respectively. The GeFONSI annualized rate of return was 0.70% over the last three years and 1.46% over the last five years. The invested balance increased by \$7,052,775 in fiscal year 2023 and decreased by \$8,848,556 in fiscal year 2022.

**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>2023</b>	<b>2022</b>	<b>Increase (decrease)</b>		<b>2021</b>
			<b>Amount</b>	<b>Percentage</b>	
Healthcare benefits	\$ 148,866,216	145,502,536	3,363,680	2.3%	\$ 138,181,036
Administrative	5,756,785	5,645,421	111,364	2.0	5,775,400
Total	<u>\$ 154,623,001</u>	<u>151,147,957</u>	<u>3,475,044</u>	<u>2.3%</u>	<u>\$ 143,956,436</u>

Healthcare benefit expenses increased by \$3,363,680 or 2.3% in fiscal year 2023 and increased by \$7,321,500 or 5.3% in fiscal year 2022. Fiscal year 2023 reflects a 3.4% increase in healthcare benefit membership counts and a 1.3% decrease in healthcare benefit cost per member, while in fiscal year 2022 reflected an increase in healthcare benefit costs per member.

Administrative expenses increased by \$111,364 or 2.0% in fiscal year 2023, and increased \$129,979, or 2.3% in fiscal year 2022. The increase in administrative expenses during fiscal year 2023 was primarily due to an increase in contractual services. For fiscal year 2022, the decrease in administrative expenses was primarily due to a decrease in contractual services.



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

The net investment rate of return of 3.56% during fiscal year 2023 was significantly higher than the five-year average of 1.46%.

Due to the increased utilization of the health plan for medical services and specialty medications, as well as high costs related to a small portion of membership, the Plan saw a drop in available balance for payment of healthcare claims costs. For fiscal year 2023, healthcare claims costs drew down on Plan assets. The Plan requested and received a transfer in of \$55,935 to maintain a minimum target claim reserve balance of one and one-half times the amount of the outstanding claims in the Plan, which was \$26.1 million. For fiscal year 2022, healthcare claims costs drew down on Plan assets. The Plan requested and received a transfer in to maintain an unobligated balance of \$10 million.

**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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets:		
Cash and cash equivalents:		
Investment in State of Alaska General Fund and Other Nonsegregated Investments Pool	\$ 23,715,892	16,663,117
Due from State of Alaska General Fund	2,362,284	9,480,302
Accounts receivable	2,053,341	1,713,093
Other assets	593,160	593,160
Total assets	<u>28,724,677</u>	<u>28,449,672</u>
Liabilities:		
Claims payable	17,409,000	17,336,000
Accrued expenses	2,018,017	1,116,248
Total liabilities	<u>19,427,017</u>	<u>18,452,248</u>
Unrestricted net position	<u>\$ 9,297,660</u>	<u>9,997,424</u>

See accompanying notes to financial statements.

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Statements of Changes in Net Position

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenue:		
Employer health insurance premiums	\$ 123,100,188	110,695,785
Employee health insurance premiums	<u>19,701,092</u>	<u>19,121,751</u>
Total health insurance premiums	<u>142,801,280</u>	<u>129,817,536</u>
Other revenue:		
Pharmacy rebate	9,916,291	8,059,101
Pharmacy management allowance	166,558	138,382
Miscellaneous revenue	<u>149,570</u>	<u>18,630</u>
Total other revenue	<u>10,232,419</u>	<u>8,216,113</u>
Total operating revenue	<u>153,033,699</u>	<u>138,033,649</u>
Operating expenses:		
Healthcare benefits	148,866,216	145,502,536
Administrative	<u>5,756,785</u>	<u>5,645,421</u>
Total operating expenses	<u>154,623,001</u>	<u>151,147,957</u>
Operating loss	<u>(1,589,302)</u>	<u>(13,114,308)</u>
Nonoperating revenue (expense):		
Investment income (loss)	<u>833,603</u>	<u>(335,371)</u>
Income (loss) before transfers in	(755,699)	(13,449,679)
Transfers in	<u>55,935</u>	<u>9,469,477</u>
Change in unrestricted net position	(699,764)	(3,980,202)
Total unrestricted net position, beginning of year	<u>9,997,424</u>	<u>13,977,626</u>
Total unrestricted net position, end of year	<u>\$ 9,297,660</u>	<u>9,997,424</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received for premiums from the State of Alaska and employees	\$ 140,493,614	130,423,953
Cash received from third-party administrator	9,923,301	6,474,109
Cash payments for benefits to third-party administrator	(147,907,126)	(143,930,589)
Cash payments to employees	(462,451)	(457,346)
Cash payments to suppliers	<u>(5,297,643)</u>	<u>(5,030,224)</u>
Net cash used in operating activities	<u>(3,250,305)</u>	<u>(12,520,097)</u>
Cash flows from noncapital financing activity:		
Operating subsidies and transfers in from other funds	<u>9,469,477</u>	<u>4,006,912</u>
Cash flows from investing activities:		
Investment income received (deducted)	<u>833,603</u>	<u>(335,371)</u>
Net increase(decrease) in cash and cash equivalents	7,052,775	(8,848,556)
Cash and cash equivalents, beginning of year	<u>16,663,117</u>	<u>25,511,673</u>
Cash and cash equivalents, end of year	<u>\$ 23,715,892</u>	<u>16,663,117</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (1,589,302)	(13,114,308)
Adjustments to reconcile operating loss to net cash used in operating activities:		
(Increase) decrease in assets:		
Due from State of Alaska General Fund	(2,295,524)	940,007
Accounts receivable	(340,248)	(1,713,093)
Increase (decrease) in liabilities:		
Claims payable	73,000	1,448,000
Accrued expenses	<u>901,769</u>	<u>(80,703)</u>
Net cash used in operating activities	<u>\$ (3,250,305)</u>	<u>(12,520,097)</u>
Supplemental schedule of noncash financing activities:		
Transfers in	\$ 55,935	9,469,477

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, 2023 and 2022, there were 5,943 and 5,747 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 employee health insurance premiums. Operating expenses for the Plan include healthcare benefits and administrative costs. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expense.

**(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 of Alaska 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, 2023 and 2022. 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, Teladoc and Hinge Health. Other administrative expenses are related to employees of the Division and related office expenses.

**(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 State of Alaska General Fund**

Amounts due from State of Alaska General Fund represent the net revenues received 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 [treasury.dor.alaska.gov/home/investments/annual-investment-reports](https://treasury.dor.alaska.gov/home/investments/annual-investment-reports)

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

Notes to Financial Statements

June 30, 2023 and 2022

**(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 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>2023</b>	<b>2022</b>
Total, beginning of year	\$ 17,336,000	15,888,000
Healthcare benefits	148,866,216	145,502,536
Benefits paid	(148,793,216)	(144,054,536)
Total, end of year	\$ 17,409,000	17,336,000
End of year:		
Incurred but not reported	\$ 17,409,000	17,336,000
Total, end of year	\$ 17,409,000	17,336,000

**(5) Transfers In**

During fiscal year 2023, even with higher revenues from increased employer and member health insurance premiums, the Plan encountered asset drawdown of \$755,699, which was significantly less than fiscal year 2022. As a result, the Plan requested and received a transfer in from the General Fund as enacted in House Bill 281 [HB281, Sec 63(d), page 171, line 9] to maintain the Plan's minimum target reserve balance of one and one-half times the amount of outstanding claims in the Plan. The operating transfer was received by the Plan in September 2023.

During fiscal year 2022, the Plan encountered a significant drawdown of assets due to increased claims costs. As a result, the Plan requested and received a transfer in from the General Fund as enacted in House Bill 69 [HB69, Sec 56(d), page 139, line 12] to maintain the Plan's unobligated balance of \$10 million. The operating transfer was received by the Plan in September 2022.