



AGENDA

State and Public School Life and Health Insurance Board Benefits Sub-Committee

EBD Board Room - 501 Building - 5th Floor

July 12, 2013

9:00 a.m.

- 1. Call to Order***Gwen Wiggins, Vice Chair*
- 2. Approval of Minutes***Gwen Wiggins, Vice Chair*
- 3. BSPW Report**.....*Doug Shackelford, Interim Executive Director*
- 4. Cheiron**.....*John Colberg*
- 5. Director's Report**.....*Doug Shackelford, Interim Executive Director*

**State and Public School Life and
Health Insurance Board
Benefits Sub-Committee
Minutes
June 24th, 2013**

The Benefits Sub-Committee of the State and Public School Life and Health Insurance Board (hereinafter called the Committee) met on June 24, 2013 in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, Arkansas.

Members Present

Gwen Wiggins
Janis Harrison
Carla Wooley
Jeff Altemus
Lloyd Black
Becky Walker
Bob Alexander

Members Absent

Jason Lee, Executive Director, Employee Benefits Division (EBD).

Others Present:

John Kirtley, Dwight Davis, David Keisner, UAMS; Pamela Lawrence, AHH; Michelle Hazelett, Marla Wallace, Doug Shackelford, Lori Eden, Stella Greene, Sherry Bryant, Leslie Smith, Tracy Butler Oberste, Janna Keathley, Ethel Whittaker, EBD; Ron DeBerry, Takisha Sanders, Kathy Ryan, David Bridges, ABCBS/Health Advantage; Andre Kaufman, Rhonda Walthall, Wayne Whitley, Larry Dickerson, AHTD; Rhonda Hill, ACHI; Alicia Hayden, CTRX; Steve Singleton, ARTA; Mark Watts, ASEA; Donna Morey, Peggy Nabors, AEA; Doug Brown, APSRC, Diann Shoptaw

Call to Order

The meeting was called to order by Becky Walker, Chair

Approval of Minutes

A request was made by Walker to approve the June 10, 2013 minutes. Harrison made the motion to adopt. Altemus seconded. All were in favor. Minutes approved.

REVIEW OF OTHER STATE COVERAGE & RATES, Jason Lee, Executive Director

Lee reviewed the comparison of other State's coverage and rates. States compared are Louisiana, Mississippi, Oklahoma, and Missouri. The following chart shows a small example of different State Plans:

	<u>ARBen Gold</u>	<u>Louisiana HMO</u>	<u>Louisiana PPO</u>	<u>Mississippi Select</u>	<u>Oklahoma High & USA</u>	<u>Missouri PPO 300</u>	<u>UCA Bal</u>	<u>U of A Classic</u>
Deductible Indv	\$.00	\$.00	\$500	\$1000	\$500	\$300	\$1000	\$750
Max out of pkt – ded + Co Ins	\$1500	\$1000	\$10,000 per person	\$2500	\$2800	\$1200	\$3000	\$2000
Ded - Family	\$.00	\$.00	\$500 3 max		\$1500	\$600	\$2000	\$1500
Max out of pkt – ded + Co Ins	\$3000	\$3000	\$10,000 per person		\$8400	\$2400	\$6000	\$4000
Co-Ins rate	80%/20%	80%/20%	90%/10%	80%/20%	80%/20%	90%/10%	80%/20%	80%/20%
Physician Off – Prim Care	\$25	\$15	Deductible	Deductible	\$30	\$25	\$20	\$25
Physician Off - Specialist	\$35	\$25	Deductible	Deductible	\$50	\$40	\$35	\$40
RX – Tier 1	\$10	\$50	\$50	\$12	\$10	\$8	\$10	\$10
RX – Tier 2	\$30	\$65	\$65	\$40	\$15-\$30	\$35	\$35	\$35
RX – Tier 3	\$60	\$65	\$65	\$65	\$30-\$60	\$100	\$50	\$70
RX - Speciality	\$60	\$65	\$65	\$65	\$60 or \$100	\$100		
Employee Base Rate	\$441.26	\$544.12	\$575.92	\$394.00	\$463.99			\$328.22
Family Base Rate	\$1282.26	\$1218.68	\$1290.16	\$1041.00	\$1509.40			\$1039.23
Employee Net Rate	\$95.78	\$136.02	\$143.98	\$38.00		\$110.00	\$51.00	\$63.59
Family Net Rate	\$419.62	\$473.30	\$501.10	\$685.00		\$459.00	\$432.98	\$191.76

There are also comparisons with Hospital In-Patient, Out-Patient, Emergency Room, Emergency Transportation, High Tech Radiology, Rehab/Therapy, & Skilled Nursing.

Lee also discussed the diabetic test strips. The plan currently pays \$2 Million annually on test strips. To reduce the cost there are two (2) options presented for recommendation.

- Option 1 – Maintain \$.00 Co-Pay but limit covered strips to a select brand. This will save \$1.3 Million annually.
- Option 2 – Tier Structure; select brands T1 with the rest T3. Eliminate \$.00 Co-Pay incentive and make strips available to all members with RX. This will save \$500,000 annually.

Lee reported we are not mandated by law to cover test strips.

PLAN DESIGN 2014 DISCUSSION, *Jason Lee, Executive Director*

Lee reported currently we are at a 90% value plan. Looking at Aggregate the ACA calculator minimum value is not the benchmark that we must match. We are not required to be at 90% on our Gold Plan. It was previously discussed to have a Gold, Silver, and Bronze Plans with the goal of 60%, 70%, & 80%. With all options there will be a deductible. The proposed plan presented the Gold Plan value would be 86.7 %, Silver 77.4%, & Bronze 67.6%.

ELECTION OF CHAIR AND VICE-CHAIR, *Jason Lee, Executive Director*

The election of new Officers was held. Harrison nominated Lloyd Black for Chair. Wiggins seconded. All were in favor. Black is approved as the new Chair.

Altemus nominated Wiggins for Vice-Chair. Alexander seconded. All were in favor. Wiggins is approved as the new Vice-Chair.

DIRECTOR'S REPORT *by Jason Lee, Executive Director*

Lee briefly addressed the Benefits Sub-Committee and thanked them for the opportunity to serve with them, as this was his last meeting with Employee Benefits Division. Walker thanked Lee and wished him well in his future endeavors.

Meeting adjourned.



STATE OF ARKANSAS
**Department of Finance
and Administration**

EMPLOYEE BENEFITS DIVISION

501 Woodlane, Suite 500
Little Rock, AR 72201-1011
Post Office Box 15610
Little Rock, AR 72231-5610
Phone: (501) 682-9656
Toll Free: (877) 815-1017
<http://www.arkansas.gov/dfa/ebd>

BSPW REPORT by Doug Shackelford

The following are the recommendations from the Benefits Strategic Planning Workgroup;

- 1) Place diabetic testing strips into the tier structure and eliminate \$0 copay option. All strips will continue to be covered with a prescription but will have a T1, T2, and T3 copay associated with them. Quantity limits still apply.
- 2) Require prior authorization for all compounds. Prior authorization will check for excluded medications and cost appropriateness.

**Arkansas State Employees
& Public School Employees
Health Benefits Program**

**Preliminary Rates and Benefit
Design for CY 2014**
Benefits Committee

July 12, 2013

Karen Mallett, FSA, MAAA

Gaëlle Gravot, FSA, MAAA





Topics

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Updated Reserve Projections

Assets less IBNR

	Actual 5/31/2013	Projected 12/31/2013	Projected 12/31/2014 without contribution increases
PSE	\$ 7.7 million	\$ 1.6 million	\$ -48.1 million
ASE	\$60.7 million	\$ 52.1 million	\$ 12.3 million

Note: The figures presented are preliminary and subject to change.



PSE Actives – Current Benefits Set Percent Change – No New Reserves

Total Active & Ret (\$ mil)	\$335.0	\$49.6	\$84.6	\$200.8	\$147.5	\$53.3	36%	59,211
Actives	Total Monthly Premium	Direct State Contribution	School District Contrib.	2014 Total EE Cost	2013 Total EE Cost	Change in Premiums (\$/%)		Assumed Enrollment
Gold								
Employee Only	\$548.08	\$92.04	\$150.00	\$306.04	\$226.70	\$79.34	35%	17,582
Employee & Spouse	1,315.80	0.00	150.00	1,165.80	1,027.20	138.60	13%	401
Employee & Child(ren)	1,012.56	77.56	150.00	785.00	581.48	203.52	35%	2,567
Family	1,780.28	239.84	150.00	1,390.44	1,029.96	360.48	35%	573
Est. Monthly Total (\$mil)	\$13.8	\$2.0	\$3.2	\$8.7	\$6.5	\$2.2	34%	21,123
Silver								
Employee Only	\$442.46	\$79.76	\$150.00	\$212.70	\$157.56	\$55.14	35%	4,745
Employee & Spouse	1,054.00	0.00	150.00	904.00	713.86	190.14	27%	314
Employee & Child(ren)	812.46	116.92	150.00	545.54	404.10	141.44	35%	1,599
Family	1,423.98	307.68	150.00	966.30	715.78	250.52	35%	745
Est. Monthly Total (\$mil)	\$4.8	\$0.8	\$1.1	\$2.9	\$2.2	\$0.7	34%	7,403
Bronze								
Employee Only	\$236.42	\$32.92	\$150.00	\$53.50	\$10.00	\$43.50	435%	11,536
Employee & Spouse	525.68	48.34	150.00	327.34	242.48	84.86	35%	1,318
Employee & Child(ren)	411.42	115.18	150.00	146.24	108.32	37.92	35%	2,781
Family	700.68	219.92	150.00	330.76	245.00	85.76	35%	2,823
Est. Monthly Total (\$mil)	\$6.5	\$1.4	\$2.8	\$2.4	\$1.4	\$1.0	67%	18,458
Total (Monthly) (\$ mil)	\$25.1	\$4.1	\$7.0	\$13.9	\$10.1	\$3.9	39%	46,983
Est Annual Total (\$ mil)	\$301.4	\$49.6	\$84.6	\$167.2	\$120.7	\$46.5		

Note: The figures presented are preliminary and subject to change. Data is through 6/30/2013.



PSE Non-Medicare Retirees

Current Benefits – No New Reserves

NME Retirees	Total Monthly Premium	Add'l Holdback	2014 Total Ret Cost	2013 Total Ret Cost	Change in Premiums (\$/%)	Assumed Enrollment
Retiree Only	\$548.08	\$0.00	\$548.08	\$469.68	\$78.40	2,051
Retiree & NME SP	1,315.80	0.00	1,315.80	1,186.36	129.44	169
Retiree & Child(ren)	1,012.56	0.00	1,012.56	821.66	190.90	20
Retiree & NME SP&CH	1,780.28	0.00	1,780.28	1,538.32	241.96	17
Retiree & ME SP	698.32	0.00	698.32	609.06	89.26	145
Retiree & ME SP & CH	1,162.80	0.00	1,162.80	961.04	201.76	1
Est. Monthly Total (\$mil)	\$1.5	\$0.0	\$1.5	\$1.3	\$0.2	2,403
Silver						
Employee Only	\$442.46	\$0.00	\$442.46	\$401.62	\$40.84	100
Employee & Spouse	1,054.00	43.40	1,097.40	1,097.40	0.00	3
Employee & Child(ren)	812.46	0.00	812.46	712.64	99.82	-
Family	1,423.98	0.00	1,423.98	1,200.54	223.44	4
Est. Monthly Total (\$mil)	\$0.1	\$0.0	\$0.1	\$0.0	\$0.0	107
Bronze						
Employee Only	\$236.42	\$0.00	\$236.42	\$182.78	\$53.64	953
Employee & Spouse	525.68	0.00	525.68	421.00	104.68	197
Employee & Child(ren)	411.42	0.00	411.42	299.78	111.64	31
Family	700.68	0.00	700.68	538.02	162.66	48
Est. Monthly Total (\$mil)	\$0.4	\$0.0	\$0.4	\$0.3	\$0.1	1,228
Total (Monthly) (\$ mil)	\$1.9	\$0.0	\$1.9	\$1.6	\$0.3	3,739
Est Annual Total (\$ mil)	\$23.1	\$0.0	\$23.1	\$19.6	\$3.5	

Note: The figures presented are preliminary and subject to change. Data is through 6/30/2013.



PSE Retirees – Medicare Eligible

Current Benefits – No New Reserves

ME Retirees	Total Monthly Premium	Subsidy / Holdback	2014 Total Ret. Cost	2013 Total Ret. Cost	Change in Premiums (\$/%)		Assumed Enrollment
Medicare Eligible							
Retiree Only	\$150.24	\$70.57	\$79.67	\$50.14	\$29.53	59%	7,716
Retiree & NME SP	687.11	0.00	687.11	597.87	89.24	15%	103
Retiree & Child(ren)	654.82	10.67	644.15	509.62	134.53	26%	16
Retiree & NME SP&CH	1,382.44	115.74	1,266.70	1,061.68	205.02	19%	3
Retiree & ME SP	300.48	35.28	265.20	206.42	58.78	28%	651
Retiree & ME SP & CH	764.96	0.00	764.96	630.74	134.22	21%	-
Est. Monthly Total (\$mill)	\$1.4	\$0.6	\$0.9	\$0.6	\$0.3	47%	8,489
Total (Est. Annual)	\$17.3	\$6.8	\$10.5	\$7.1	\$3.3		

Note: The figures presented are preliminary and subject to change. Data is through 6/30/2013.



ASE Actives – Current Benefits Scenario 1: No New Reserves Allocated

Total Active & Ret (\$ mil)	\$297.5	\$172.2	\$17.0	\$108.4	\$85.3	\$23.1	27%	38,438
Actives	Total Monthly Premium	State Contrib.	Reserve Alloc.	2014 EE Total Cost	2013 EE Total Cost	Change in Premiums (\$ / %)	Assumed Enrollment	
Gold								
Employee Only	\$484.12	\$326.29	\$44.06	\$113.77	\$95.78	\$17.99	19%	13,357
Employee & Spouse	1,098.22	596.80	80.60	420.82	367.74	53.08	14%	2,941
Employee & Child(ren)	784.42	458.57	61.93	263.92	193.64	70.28	36%	4,644
Family	1,398.50	729.08	98.46	570.96	419.62	151.34	36%	3,058
Est. Monthly Total (\$mil)	\$17.6	\$10.5	\$1.4	\$5.7	\$4.5	\$1.2	26%	24,000
Silver								
Employee Only	\$335.36	\$256.56	\$0.00	\$78.80	\$62.12	\$16.68	27%	865
Employee & Spouse	753.36	465.56	0.00	287.80	282.52	5.28	2%	159
Employee & Child(ren)	539.76	358.76	0.00	181.00	141.44	39.56	28%	233
Family	957.76	567.76	0.00	390.00	324.60	65.40	20%	243
Est. Monthly Total (\$mil)	\$0.8	\$0.5	\$0.0	\$0.3	\$0.2	\$0.0	19%	1,500
Bronze								
Employee Only	\$190.32	\$180.32	\$0.00	\$10.00	\$0.00	\$10.00	n/a	1,434
Employee & Spouse	407.70	289.02	0.00	118.68	77.22	41.46	54%	360
Employee & Child(ren)	296.62	233.48	0.00	63.14	27.84	35.30	127%	353
Family	514.00	342.16	0.00	171.84	92.20	79.64	86%	453
Est. Monthly Total (\$mil)	\$0.8	\$0.6	\$0.0	\$0.2	\$0.1	\$0.1	98%	2,600
Total (Monthly) (\$ mil)	\$19.1	\$11.6	\$1.4	\$6.1	\$4.8	\$1.3	27%	28,100
Est Annual Total (\$ mil)	\$229.7	\$139.1	\$17.0	\$73.6	\$58.0	\$15.6		

The existing reserves are set to cover 76.5% of the employee cost for Gold and Silver, 94.75% of the employee cost for Bronze, 50% of spouse cost for all 3 benefit options, and 50% of child cost for all 3 benefit options.
Note: The figures presented are preliminary and subject to change. Data is through 6/30/2013.



ASE Actives – Current Benefits

Scenario 2: \$10 million Reserves Allocated

Total Active & Ret (\$ mil)	\$297.5	\$172.2	\$22.1	\$103.3	\$85.3	\$18.0	21%	38,438
Actives	Total Monthly Premium	State Contrib.	Reserve Alloc.	2014 EE Total Cost	2013 EE Total Cost	Change in Premiums (\$ / %)		Assumed Enrollment
Gold								
Employee Only	\$484.12	\$329.37	\$57.93	\$96.82	\$95.78	\$1.04	1%	13,357
Employee & Spouse	1,098.22	590.50	103.85	403.87	367.74	36.13	10%	2,941
Employee & Child(ren)	784.42	457.07	80.38	246.97	193.64	53.33	28%	4,644
Family	1,398.50	718.19	126.30	554.01	419.62	134.39	32%	3,058
Est. Monthly Total (\$mil)	\$17.6	\$10.5	\$1.8	\$5.3	\$4.5	\$0.8	17%	24,000
Silver								
Employee Only	\$335.36	\$268.28	\$0.00	\$67.08	\$62.12	\$4.96	8%	865
Employee & Spouse	753.36	477.28	0.00	276.08	282.52	(6.44)	-2%	159
Employee & Child(ren)	539.76	370.48	0.00	169.28	141.44	27.84	20%	233
Family	957.76	579.48	0.00	378.28	324.60	53.68	17%	243
Est. Monthly Total (\$mil)	\$0.8	\$0.5	\$0.0	\$0.2	\$0.2	\$0.0	11%	1,500
Bronze								
Employee Only	\$190.32	\$180.32	\$0.00	\$10.00	\$0.00	\$10.00	n/a	1,434
Employee & Spouse	407.70	289.02	0.00	118.68	77.22	41.46	54%	360
Employee & Child(ren)	296.62	233.48	0.00	63.14	27.84	35.30	127%	353
Family	514.00	342.16	0.00	171.84	92.20	79.64	86%	453
Est. Monthly Total (\$mil)	\$0.8	\$0.6	\$0.0	\$0.2	\$0.1	\$0.1	98%	2,600
Total (Monthly) (\$ mil)	\$19.1	\$11.6	\$1.8	\$5.7	\$4.8	\$0.9	18%	28,100
Est Annual Total (\$ mil)	\$229.7	\$139.1	\$22.1	\$68.6	\$58.0	\$10.6		

Note: The figures presented are preliminary and subject to change. Data is through 6/30/2013.



ASE NME Retirees – Current Benefits Scenario 1 or 2

NME Retirees	Total Monthly Premium	State Contrib.	Reserve Alloc.	2014 Ret. Total Cost	2013 Ret. Total Cost	Change in Premiums (\$ / %)	Assumed Enrollment
Gold							
Retiree Only	\$484.12	\$193.65	\$0.00	\$290.47	\$235.74	\$54.73	1,668
Retiree & NME SP	1,098.22	347.17	0.00	751.05	575.88	175.17	560
Retiree & Child(ren)	784.42	268.72	0.00	515.70	439.84	75.86	79
Retiree & NME SP&CH	1,398.50	422.24	0.00	976.26	916.72	59.54	34
Retiree & ME SP	860.74	287.80	0.00	572.94	401.54	171.40	236
Retiree & ME SP & CH	1,161.04	362.88	0.00	798.16	606.77	191.39	9
Est. Monthly Total (\$mil)	\$1.7	\$0.6	\$0.0	\$1.1	\$0.9	\$0.2	2,587
Silver							
Employee Only	\$335.36	\$100.61	\$0.00	\$234.75	\$202.08	\$32.67	4
Employee & Spouse	753.36	163.31	0.00	590.05	490.66	99.39	9
Employee & Child(ren)	539.76	131.27	0.00	408.49	375.60	32.89	2
Family	957.76	193.97	0.00	763.79	671.96	91.83	3
Est. Monthly Total (\$mil)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	18
Bronze							
Employee Only	\$190.32	\$38.06	\$0.00	\$152.26	\$146.46	\$5.80	7
Employee & Spouse	407.70	48.93	0.00	358.77	300.92	57.85	12
Employee & Child(ren)	296.62	43.38	0.00	253.24	202.14	51.10	1
Family	514.00	54.25	0.00	459.75	330.88	128.87	12
Est. Monthly Total (\$mil)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	33
Total (Monthly) (\$ mil)	\$1.8	\$0.6	\$0.0	\$1.1	\$0.9	\$0.2	27%
Est Annual Total (\$ mil)	\$21.3	\$7.5	\$0.0	\$13.7	\$10.8	\$2.9	27%

The non-Medicare retirees cost are set to be covered at 40% for Gold, 30% for Silver, 20% for Bronze for retirees.

The dependents are set to 25% for Gold, 15% for Silver, and 5% for Bronze.

Note: The figures presented are preliminary and subject to change. Data is through 6/30/2013.



ASE ME Retirees – Current Benefits Scenario 1 or 2

ME Retirees	Total Monthly Premium	State Contrib.	Reserve Alloc.	2014 Ret. Total Cost	2013 Ret. Total Cost	Change in Premiums (\$ / %)	Assumed Enrollment
Medicare Eligible							
Retiree Only	\$376.62	\$225.97	\$0.00	\$150.65	\$117.12	\$33.53	29%
Retiree & NME SP	860.75	414.03	0.00	446.72	446.72	0.00	0%
Retiree & Child(ren)	709.42	359.09	0.00	350.33	314.86	35.47	11%
Retiree & NME SP&CH	1,291.00	591.73	0.00	699.28	644.48	54.80	9%
Retiree & ME SP	753.25	376.62	0.00	376.62	278.49	98.13	35%
Retiree & ME SP & CH	1,053.54	496.74	0.00	556.80	476.24	80.56	17%
Est. Monthly Total (\$ mil)	\$3.9	\$2.1	\$0.0	\$1.8	\$1.4	\$0.4	27%
Total (Est. Annual)	\$46.6	\$25.6	\$0.0	\$21.0	\$16.5	\$4.5	

The Medicare retirees cost are set to be covered at 60% for retirees and 40% for dependents.
 Note: The figures presented are preliminary and subject to change. Data is through 5/31/2013.



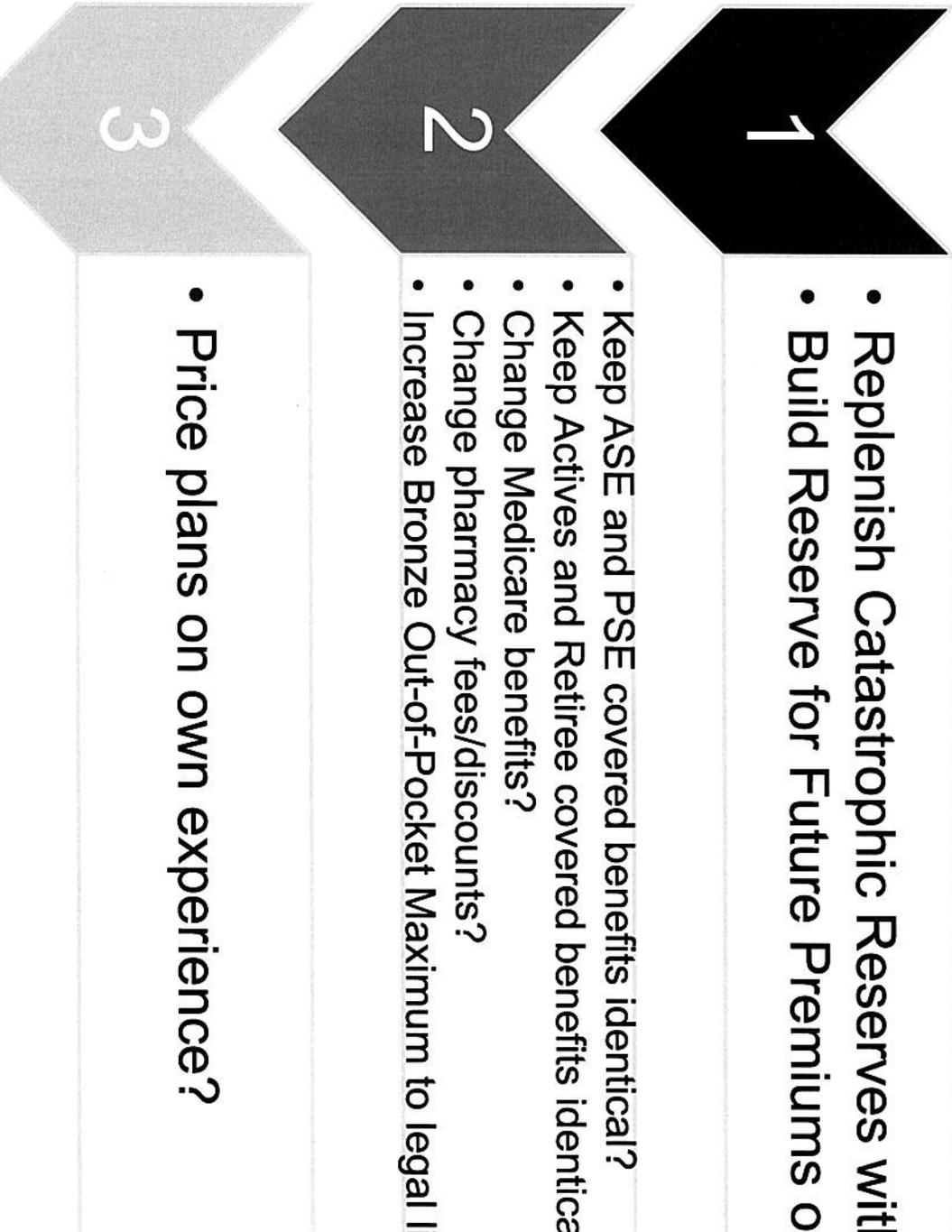
Setting/Verifying Goals and Objectives

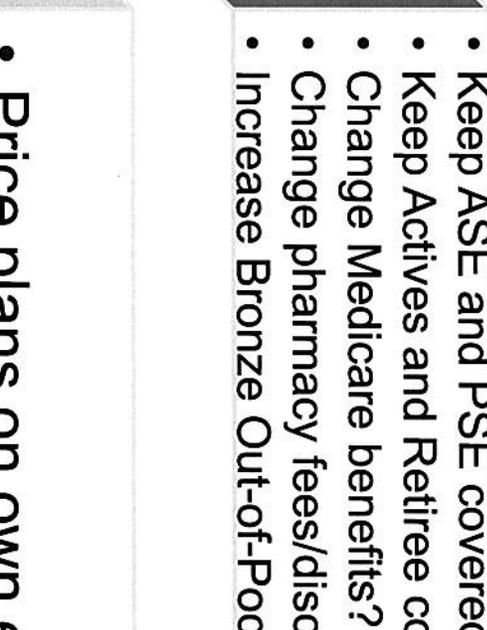
- 1**
- A) Rebuild PSE Catastrophic Reserve by 12/31/2014?
 - B) Maximum Employee Contribution Increase 20%?

- 2**
- A) Maintain 3 Plans: No Deductible, Typical Deductible, HSA Qualified High Deductible?
 - B) Match or Differ from Exchange Benefit Ratios?
 - C) Benefits Encourage Effective Use of Healthcare System?

- 3**
- A) Encourage a Lower Cost Benefit Option?
 - B) Or Minimize Selection?

Setting/Verifying Philosophies

- 
- 1
- Replenish Catastrophic Reserves within 1 year?
 - Build Reserve for Future Premiums over X years?

- 
- 2
- Keep ASE and PSE covered benefits identical?
 - Keep Actives and Retiree covered benefits identical?
 - Change Medicare benefits?
 - Change pharmacy fees/discounts?
 - Increase Bronze Out-of-Pocket Maximum to legal limits?

- 
- 3
- Price plans on own experience?



Satisfying Goals of Requested Alternatives

Goal	Gold Options									Silver Options				Bronze Options					
	Current	G1	G2	G3	G4	G5	G6	G7	G8	G9	Current	S1	S2	S3	Current	B1	B2	B3	B4
1A - Rebuild Catastrophic Reserve	Maybe	Maybe	Maybe	Maybe	Maybe	Maybe	Maybe	Maybe	Maybe	Maybe	Maybe	Maybe	Maybe	Maybe	Maybe	Maybe	Maybe	Maybe	Maybe
1B - Max 20% EE Increase	No	Yes	No	No	No	No	No	No	No	No	No								
2A - Maintain 3 Plans	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2B - Match Exchanges	No	No	No	No	No	No	No	No	No	Yes	No	No	No	No	No	No	No	No	No
2C - Encourage Cost Effective	Yes	Mixed	Maybe	No	Mixed	Better	Maybe	Maybe	Better	Maybe	No								
3A - Encourage Low Cost Option	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3B - Minimize Selection *	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No

* Greatly depends on revised employee contributions or benefits changes in one option vs. another option





Plan Cost of Requested Alternatives - Gold

Yellow highlight means the coverage is changed

	Current OPTIONS:									
	Gold	G1	G2	G3	G4	G5	G6	G7	G8	G9
Deductible - Individual	\$0	\$0	\$500	\$500	\$500	\$750	\$1,000	\$500	\$750	\$1,000
Coinsurance Limit - Individual (after deductible)	\$1,500	\$2,000	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$2,000	\$2,000	\$2,000
Max. Out-of-Pocket (Deductible + Coinsurance)	\$1,500	\$2,000	\$2,000	\$2,000	\$2,000	\$2,250	\$2,500	\$2,500	\$2,750	\$3,000
Deductible - Family	\$0	\$0	\$1,500	\$1,500	\$1,000	\$1,500	\$2,000	\$1,000	\$1,500	\$2,000
Co-Insurance Limit - Family (after deductible)	\$3,000	\$4,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$4,000	\$4,000	\$4,000
Max. Out-of-Pocket (Deductible + Coinsurance)	\$3,000	\$4,000	\$4,500	\$4,500	\$4,000	\$4,500	\$5,000	\$4,000	\$4,500	\$5,000
Co-Insurance Rate	80%/20%	80%/20%	90%/10%	90%/10%	90%/10%	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%
Physician Office Visit - Primary Care - Co-pay	\$25	\$25	\$25	\$25	\$30	\$30	\$30	\$30	\$30	\$30
Physician Office Visit - Specialist - Co-pay	\$35	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
Rx - Tier 1	\$10	\$15	\$10	\$10	\$15	\$15	\$15	\$15	\$15	\$15
Rx - Tier 2	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30
Rx - Tier 3	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60
Rx - Specialty	\$60	\$100	\$60	\$60	\$100	\$100	\$100	\$100	\$100	\$100
Rx - OTC	\$10	\$15	\$10	\$10	\$15	\$15	\$15	\$15	\$15	\$15
Hospital / Facility - In-Patient- Co-pay Per Admission	\$250	\$0	\$0	\$250	\$0	\$0	\$0	\$0	\$0	\$0
Hospital / Facility - In-Patient - Coinsurance	80%/20%	80%/20%	90%/10%	90%/10%	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%
Hospital / Facility - Outpatient - Co-pay	\$100	\$0	\$0	\$100	\$0	\$0	\$0	\$0	\$0	\$0
Hospital / Facility - Outpatient - Coinsurance	80%/20%	80%/20%	90%/10%	90%/10%	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%
Lab Services / X-Ray / Diagnostic Evaluation	\$100	\$150	\$100	\$100	\$150	\$150	\$150	\$150	\$150	\$150
Emergency Room Visit	\$100	\$150	\$100	\$100	\$150	\$150	\$150	\$150	\$150	\$150
Emergency Transportation - Ambulance	\$0	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
High Tech Radiology - Co-pay	\$250	\$150	\$0	\$150	\$150	\$150	\$150	\$150	\$150	\$150
High Tech Radiology - Coinsurance	80%/20%	90%/10%	90%/10%	90%/10%	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%
Rehab / Therapy - Outpatient - Physical	80%/20%	\$25	\$25	\$25	\$30	\$30	\$30	\$30	\$30	\$30
Rehab / Therapy - Outpatient - Speech	80%/20%	\$25	\$25	\$25	\$30	\$30	\$30	\$30	\$30	\$30
Rehab / Therapy - Outpatient - Occupational	80%/20%	\$25	\$25	\$25	\$30	\$30	\$30	\$30	\$30	\$30
Rehab / Therapy - Outpatient - Chiropractic- Co-pay	\$35	\$50	\$0	\$0	\$50	\$50	\$50	\$50	\$50	\$50
Rehab / Therapy - Outpatient - Chiropractic- Coinsurance	80%/20%	90%/10%	90%/10%	90%/10%	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%
Skilled Nursing - Co-pay	\$250	\$30	\$0	\$0	\$100	\$100	\$100	\$100	\$100	\$100
Skilled Nursing - Coinsurance	80%/20%	90%/10%	90%/10%	90%/10%	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%
Skilled Nursing - Notes		Max 10 days								
Co-pays apply after deductible?	N	N	Y	Y	N	N	N	N	N	N
OptumInsight Benefit Ratio (All Benefits)	85.8%	83.1%	82.6%*	81.7%*	81.6%	80.2%	79.0%	80.9%	79.5%	78.2%
Minimum Value Calculator Score (Essential Benefits)	89.6%	87.1%	**	**	84.3%	83.4%	82.6%	83.7%	82.8%	82.0%
PSE Premium Increase no New Reserves	36.2%	31.6%	31.4%	30.1%	30.0%	28.1%	26.4%	29.0%	27.2%	25.4%
ASE Premium Increase no New Reserves	27.0%	17.9%	17.2%	14.4%	14.2%	10.0%	6.2%	12.0%	7.8%	4.0%

* OptumInsight model cannot price benefit with copay after deductible. Actual claim experience is used to estimate benefit ratios.
 ** Minimum Value Calculator cannot price benefit with copay after deductible





Plan Cost of Requested Alternatives - Silver

Yellow highlight means the coverage is changed		Current	OPTIONS:		
		Silver	S1	S2	S3
Deductible - Individual		\$750	\$1,500 1000	\$1,000	\$1,000
Coinsurance Limit - Individual (after deductible)		\$2,000	\$2,000 1000	\$2,000	\$2,000
Max. Out-of-Pocket (Deductible + Coinsurance)		\$2,750	\$3,500 2000	\$3,000	\$3,000
Deductible - Family		\$1,500	\$3,000 2000	\$2,000	\$2,000
Co-Insurance Limit - Family (after deductible)		\$4,000	\$4,000 2000	\$3,000	\$3,000
Max. Out-of-Pocket (Deductible + Coinsurance)		\$5,500	\$7,000 3000	\$5,000	\$5,000
Co-Insurance Rate		80%/20%	80%/20%	85%/15%	85%/15%
Physician Office Visit - Primary Care - Co-pay		\$25	\$35	\$35	\$35
Physician Office Visit - Specialist - Co-pay		\$50	80%/20%	\$60	\$60
Rx - Tier 1		\$10	\$15 15	\$10	\$10
Rx - Tier 2		\$35	\$35 40	\$35	\$35
Rx - Tier 3		\$70	\$70 50	\$70	\$70
Rx - Specialty		\$70	\$100 100	\$70	\$70
Rx - OTC		\$10	\$15	\$10	\$10
Hospital / Facility - In-Patient- Co-pay Per Admission		\$300	300 \$0 50	\$0	\$300
Hospital / Facility - In-Patient - Coinsurance		80%/20%	80%/20%	85%/15%	85%/15%
Hospital / Facility - Outpatient - Co-pay		\$150	150 \$0	\$0	\$150
Hospital / Facility - Outpatient - Coinsurance		80%/20%	80%/20%	85%/15%	85%/15%
Lab Services / X-Ray / Diagnostic Evaluation		\$150	150 80%/20%	85%/15%	85%/15%
Emergency Room Visit		\$0	80%/20%	85%/15%	85%/15%
Emergency Transportation - Ambulance		\$300	300 \$0	\$0	\$250
High Tech Radiology - Co-pay		80%/20%	80%/20%	85%/15%	85%/15%
High Tech Radiology - Coinsurance		80%/20%	80%/20%	85%/15%	85%/15%
Rehab / Therapy - Outpatient - Physical		80%/20%	\$35	\$35	\$35
Rehab / Therapy - Outpatient - Speech		80%/20%	\$35	\$35	\$35
Rehab / Therapy - Outpatient - Occupational		80%/20%	\$35	\$35	\$35
Rehab / Therapy - Outpatient - Chiropractic- Co-pay		\$50	50		
Rehab / Therapy - Outpatient - Chiropractic- Coinsurance		80%/20%	80%/20%	85%/15%	85%/15%
Skilled Nursing - Co-pay		\$300	300 \$0	\$0	\$0
Skilled Nursing - Coinsurance		80%/20%	80%/20%	85%/15%	85%/15%
Skilled Nursing - Notes					
Co-pays apply after deductible?		N	N	Y	Y
OptumInsight Benefit Ratio (All Benefits)		78.7%	73.1%	73.4%*	72.1%*
Minimum Value Calculator Score (Essential Benefits)		83.4%	79.3%	**	**
PSE Premium Increase no New Reserves		36.2%	33.1%	33.3%	32.6%
ASE Premium Increase no New Reserves		27.0%	26.4%	26.5%	26.3%

* OptumInsight model cannot price benefit with copay after deductible. Actual claim experience is used to estimate benefit ratios.
 ** Minimum Value Calculator cannot price benefit with copay after deductible

Modeling to the Network





Plan Cost of Requested Alternatives - Bronze

Yellow highlight means the coverage is changed

	Current Bronze	OPTIONS			
		B1	B2	B3	B4
Deductible - Individual	\$1,500 2,000	\$2,000	\$1,500	\$2,000	\$2,000
Coinsurance Limit - Individual (after deductible)	\$2,500 4,000	\$2,500	\$2,500	\$2,500	\$2,000
Max. Out-of-Pocket (Deductible + Coinsurance)	\$4,000 6,000	\$4,500	\$4,000	\$4,500	\$4,000
Deductible - Family	\$3,000 4,000	\$4,000	\$3,000	\$3,500	\$4,000
Co-Insurance Limit - Family (after deductible)	\$5,000 7,000	\$5,000	\$5,000	\$5,000	\$4,000
Max. Out-of-Pocket (Deductible + Coinsurance)	\$8,000	\$9,000	\$8,000	\$8,500	\$8,000
Co-Insurance Rate	80%/20%	80%/20%	80%/20%	80%/20%	70%/30%
Physician Office Visit - Primary Care - Co-pay			\$35		
Physician Office Visit - Specialist - Co-pay			\$60		
Rx - Tier 1			\$10		
Rx - Tier 2			\$35		
Rx - Tier 3			\$70		
Rx - Specialty			\$70		
Rx - OTC			\$10		
Hospital / Facility - In-Patient- Co-pay Per Admission					
Hospital / Facility - In-Patient - Coinsurance					
Hospital / Facility - Outpatient - Co-pay					
Hospital / Facility - Outpatient - Coinsurance					
Lab Services / X-Ray / Diagnostic Evaluation					
Emergency Room Visit					
Emergency Transportation - Ambulance					
High Tech Radiology - Co-pay					
High Tech Radiology - Coinsurance					
Rehab / Therapy - Outpatient - Physical					
Rehab / Therapy - Outpatient - Speech					
Rehab / Therapy - Outpatient - Occupational					
Rehab / Therapy - Outpatient - Chiropractic- Co-pay					
Rehab / Therapy - Outpatient - Chiropractic- Coinsurance					
Skilled Nursing - Co-pay					
Skilled Nursing - Coinsurance					
Skilled Nursing - Notes					
Co-pays apply after deductible?	N	N	Y	N	N
OptumInsight Benefit Ratio (All Benefits)	73.3%	69.4%	69.7%*	69.4%	68.7%
Minimum Value Calculator Score (Essential Benefits)	76.4%	73.1%	**	73.1%	72.6%
PSE Premium Increase no New Reserves	36.2%	33.3%	33.4%	33.6%	32.9%
ASE Premium Increase no New Reserves	27.0%	26.7%	26.7%	26.7%	26.6%

* OptumInsight model cannot price benefit with copay after deductible. Actual claim experience is used to estimate benefit ratios.

** Minimum Value Calculator cannot price benefit with copay after deductible





PSE Actives – Options G9, S3 & B4

Rebuilds Catastrophic Reserves with a 25% Rate Increase

Total Active & Ret (\$ mil)	\$310.4	\$40.8	\$84.6	\$185.0	\$147.5	\$37.5	25%	59,211
	Total Monthly Premium	Direct State Contribution	School District Contrib.	2014 Total EE Cost	2013 Total EE Cost	Change in Premiums (\$/%)		Assumed Enrollment
Actives								
Gold								
Employee Only	\$503.24	\$90.26	\$150.00	\$262.98	\$226.70	\$36.28	16%	17,582
Employee & Spouse	1,206.30	0.00	150.00	1,056.30	1,027.20	29.10	3%	401
Employee & Child(ren)	928.60	104.08	150.00	674.52	581.48	93.04	16%	2,567
Family	1,631.64	286.88	150.00	1,194.76	1,029.96	164.80	16%	573
Est. Monthly Total (\$mil)	\$12.6	\$2.0	\$3.2	\$7.5	\$6.5	\$1.0	15%	21,123
Silver								
Employee Only	\$406.82	\$63.02	\$150.00	\$193.80	\$157.56	\$36.24	23%	4,745
Employee & Spouse	967.86	0.00	150.00	817.86	713.86	104.00	15%	314
Employee & Child(ren)	746.26	99.22	150.00	497.04	404.10	92.94	23%	1,599
Family	1,307.32	276.92	150.00	880.40	715.78	164.62	23%	745
Est. Monthly Total (\$mil)	\$4.4	\$0.7	\$1.1	\$2.6	\$2.2	\$0.5	22%	7,403
Bronze								
Employee Only	\$222.74	\$22.74	\$150.00	\$50.00	\$10.00	\$40.00	400%	11,536
Employee & Spouse	495.46	0.00	150.00	345.46	242.48	102.98	42%	1,318
Employee & Child(ren)	387.74	57.92	150.00	179.82	108.32	71.50	66%	2,781
Family	660.46	103.76	150.00	406.70	245.00	161.70	66%	2,823
Est. Monthly Total (\$mil)	\$6.2	\$0.7	\$2.8	\$2.7	\$1.4	\$1.3	88%	18,458
Total (Monthly) (\$ mil)	\$23.2	\$3.4	\$7.0	\$12.8	\$10.1	\$2.7	27%	46,983
Est Annual Total (\$ mil)	\$278.6	\$40.8	\$84.6	\$153.2	\$120.7	\$32.5		

The figures above assume \$9 million allocated to rebuilding catastrophic reserves.

Note: All figures presented are preliminary and subject to change.





ASE Actives – Options G9, S3 & B4

No New Reserves Allocated

Total Contribution Drops from 27% to 3%

Total Active & Ret (\$ mill)	Total Monthly Premium	State Contrib.	Reserve Alloc.	2014 EE Total Cost	2013 EE Total Cost	Change in Premiums (\$ / %)	3%	Assumed Enrollment
Total Active & Ret (\$ mill)	\$276.5	\$172.2	\$16.8	\$87.5	\$85.3	\$2.2	3%	38,438
Actives	Total Monthly Premium	State Contrib.	Reserve Alloc.	2014 EE Total Cost	2013 EE Total Cost	Change in Premiums (\$ / %)		Assumed Enrollment
Gold								
Employee Only	\$443.32	\$339.55	\$45.03	\$58.74	\$95.78	(\$37.04)	-39%	13,357
Employee & Spouse	1,005.58	587.77	77.94	339.87	367.74	(27.87)	-8%	2,941
Employee & Child(ren)	718.28	460.94	61.12	196.22	193.64	2.58	1%	4,644
Family	1,280.54	709.15	94.04	477.35	419.62	57.73	14%	3,058
Est. Monthly Total (\$mill)	\$16.1	\$10.6	\$1.4	\$4.2	\$4.5	(\$0.4)	-9%	24,000
Silver								
Employee Only	\$307.44	\$266.70	\$0.00	\$40.74	\$62.12	(\$21.38)	-34%	865
Employee & Spouse	691.08	458.52	0.00	232.56	282.52	(49.96)	-18%	159
Employee & Child(ren)	495.04	360.50	0.00	134.54	141.44	(6.90)	-5%	233
Family	878.68	552.32	0.00	326.36	324.60	1.76	1%	243
Est. Monthly Total (\$mill)	\$0.7	\$0.5	\$0.0	\$0.2	\$0.2	(\$0.0)	-13%	1,500
Bronze								
Employee Only	\$179.00	\$169.00	\$0.00	\$10.00	\$0.00	\$10.00	n/a	1,434
Employee & Spouse	384.60	271.80	0.00	112.80	77.22	35.58	46%	360
Employee & Child(ren)	279.54	219.26	0.00	60.28	27.84	32.44	117%	353
Family	485.12	322.06	0.00	163.06	92.20	70.86	77%	453
Est. Monthly Total (\$mill)	\$0.7	\$0.6	\$0.0	\$0.2	\$0.1	\$0.1	89%	2,600
Total (Monthly) (\$ mill)	\$17.5	\$11.7	\$1.4	\$4.5	\$4.8	(\$0.3)	-7%	28,100
Est Annual Total (\$ mill)	\$210.6	\$139.9	\$16.8	\$53.9	\$58.0	(\$4.1)		

The State contributions and existing reserves are set to cover 86.75% of the employee cost for Gold and Silver, 94.41% of the employee cost for Bronze, 50% of spouse cost for all 3 benefit options, and 50% of child cost for all 3 benefit options.
 Note: The figures presented are preliminary and subject to change. Data is through 6/30/2013.



Appendices



Appendix A –

Benefit Ratios / Minimum Values

- Current Plans (PSE)

	AR Health	Optum	ACA
	Actual	Industry	Min Value
	<u>2012</u> <u>Average</u> <u>Calculator</u>		
Gold	85%	83%	90%
Silver	81%	75%	83%
Bronze	64%	69%	76%

- Preliminary impact of selected options derived from May 10 Benefits Committee Meeting plus two unsolicited alternatives from Arkansas Blue Cross Blue Shield
 - Impact on Actives & NME Retirees estimated using Optum Industry Average for Benefits Committee options and using Arkansas BCBS's estimates for their options
 - For July meetings we anticipate update based on latest data and using actual claims data



Appendix B - Benefit Summary

Benefit Option Name:	Gold 1/1/2013 0.83 Health Advantage	Silver 1/1/2013 0.75 QualChoice	Bronze 1/1/2013 0.69 Health Advantage
Last Modified:			
Expected Benefit Ratio:			
Provider Network:			
In-Network (INN) Benefits			
Deductible (Individual / Family)	None / None	\$750 / \$1500	\$1500 / \$3000
Coinsurance	20%	20%	20%
Copays			
Office Visit - Primary Care (PCP)	\$25	\$25	Ded. & Coins.
OV - Specialist Care Provider (SCP)	\$35	\$50	Ded. & Coins.
Urgent Care (UC)	\$100	\$150	Ded. & Coins.
Emergency Room (ER) Non-admitted	\$100	\$150	Ded. & Coins.
Outpatient Surgery	\$100 then Ded. & Coins.	\$150 then Ded. & Coins.	Ded. & Coins.
Hospital Inpatient	\$250 then Ded. & Coins.	\$300 then Ded. & Coins.	Ded. & Coins.
Out-of-Pocket Max (Individual / Family)	\$1500 / \$3000	\$2000 / \$4000	\$2500 / \$5000
Out-of-Network (OON) Benefits ¹			
Deductible (Individual / Family)	\$1000 / \$2000	\$1500 / \$3000	\$3000 / \$6000
Coinsurance	40%	40%	40%
Out-of-Pocket Max (Individual / Family)	\$5000 / \$10000	\$5000 / \$10000	\$5000 / \$10000
Annual Maximum INN / OON	Unlimited / Unlimited	Unlimited / Unlimited	Unlimited / Unlimited
Prescription Drugs			
Separate Deductible then the following Copays:			
Retail (31 Days) - Generic/Formulary / Non-Form.	\$10 / \$30 / \$60	\$10 / \$35 / \$70	Ded. & Coins.
Mail Order (93 Days) - Generic/Form. / Non-Form.	\$30 / \$90 / \$180	\$30 / \$105 / \$210	Ded. & Coins.
Selected Detail Benefits			
Psychiatry	INN: \$25 Copay; OON: Ded & Coins.	INN: \$25 Copay; OON: Ded & Coins.	Ded. & Coins.
Rehabilitation (i.e., speech, occup. physical):	Ded. & Coins.	Ded. & Coins.	Ded. & Coins.
Chiropractors:	INN: \$35 then Ded & Coins; OON: Ded & Coins.	INN: \$50 then Ded & Coins; OON: Ded & Coins.	Ded. & Coins.
Hearing Aids:	No Cost; Limit of \$1400 per ear every 3 years	No Cost; Limit of \$1400 per car every 3 years	Ded. & Coins.
Durable Medical Equipment (DME):	Ded. & Coins.	Ded. & Coins.	Ded. & Coins.
Preventive Care:	INN: No Cost; OON: Coins. except immun. no cost	INN: No Cost; OON: Coins. except immun. no cost	INN: No Cost; OON: Coins. except immun. no cost



Appendix B - Benefit Summary

Medical Management			
PCP referral to specialists required:	No	No	No
Inpatient:	Yes	Yes	Yes
Outpatient:	Selected	Selected	Selected
Case Management:	Yes	Yes	Yes
Disease Management:	Yes, select conditions	Yes, select conditions	Yes, select conditions
Wellness:	Yes	Yes	Yes
Nurse-Line / Informed Decision Support:	Yes	Yes	Yes
Medicare Integration:	Coordination of Benefits Yes, same as NME	Not Available	Not Available
Non- Medicare Benefits Covered:	Non-Par & Non-Accepting		
Non- Medicare Providers Covered:	Non-Par & Non-Accepting		
Pharmacy Covered:	Non-Par & Non-Accepting		

¹When an in-network provider is not available within 50 miles for a hospital and 25 miles for all other providers, then in-network



Appendix C - PSE Actives & NME Retirees

PSE ACTIVE RATE DEVELOPMENT for CY2014

Plan: **Gold**
 Benefit: **Medical Pharmacy Total**
 Experience Period - Service (Incurred) Dates
 Experience Period - Processed (Paid) Dates

Medical	Pharmacy	Total
5/12 - 4/13	6/12 - 5/13	
5/12 - 6/13	6/12 - 6/13	

Medical	Pharmacy	Total
5/12 - 4/13	6/12 - 5/13	
5/12 - 6/13	6/12 - 6/13	

Medical	Pharmacy	Total
5/12 - 4/13	6/12 - 5/13	
5/12 - 6/13	6/12 - 6/13	

- 1 Total Incurred Medical & Rx Claims (Experience Period) **\$125,000** **\$25,000**
- 2 Less High Cost Claims Above (Med/Rx)
- 3 Net Incurred Claims below Pooling Point [1 - 2]
- 4 Person Months for Experience Period
- 5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]
- 6 Change in Benefits & Network/Contract During Experience Period
- 7 Change in Demographics or Illness Burden During Experience Period
- 8 Change in Geographic During Experience Period
- 9 a) Annual Trend Rate
b) Months to Trend
- c) Trend Adjustment
- 10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]
- 11 Change for Claims above Pooling Point PPPM
- 12 Total Claims Charged PPPM [10 + 11]
- 13 Change in Future Benefits & Networks/Contracts
- 14 Change in Future Demographics (Age/Gender/Family) or Illness Burden
- 15 Change in Future Geographic
- 16 Rating Incurred Claim PPPM [13 x 14 x 15]
- 17 ACA Transitional Reinsurance Fee PPPM
- 18 Projected Persons Months
- 19 Projected Total Incurred Claims & Fee [(16 + 17) x 18]
- 20 PEPM Expense Load as % of Claims **8.0%**
- 21 Retiree Subsidy / Holdback PEPM
- 22 Projected Expense Loaded Cost [(19 + (20*21) x 23]
- 23 Conversion to Rating Tiers [19 x rating tier x counts]

A	B	C
\$154,565,067	\$53,945,066	\$208,510,132
\$11,397,093	\$4,687,584	\$16,084,676
\$143,167,974	\$49,257,482	\$192,425,456
517,086	514,359	516,388
\$276.87	\$95.76	\$372.63
0.9859	0.9131	
1.0147	1.0146	
1.0000	1.0000	
6.0%	5.0%	
20	19	
1.1020	1.0803	
\$305.24	\$95.84	\$401.08
\$18.39	\$5.92	\$24.32
\$323.64	\$101.76	\$425.40
1.0000	1.0600	
1.0486	1.0486	
1.0000	1.0000	
\$339.38	\$113.12	\$452.49
		\$5.25
370,035	370,035	370,035
\$125,581,194	\$41,856,737	\$169,380,614
		\$40.10
		\$11.20
		\$183,936,976

D	E	F
\$14,158,045	\$5,378,232	\$19,536,277
\$580,987	\$746,057	\$1,327,044
\$13,577,058	\$4,632,174	\$18,209,232
78,765	79,580	78,972
\$172.37	\$58.21	\$230.58
1.0903	0.9103	
1.0030	1.0054	
1.0000	1.0000	
6.0%	5.0%	
20	19	
1.1020	1.0803	
\$207.72	\$57.55	\$265.27
\$11.45	\$3.60	\$15.05
\$219.17	\$61.15	\$280.32
1.0000	1.0600	
1.1826	1.1826	
1.0000	1.0000	
\$259.18	\$76.65	\$335.83
		\$5.25
158,029	158,029	158,029
\$40,957,843	\$12,113,647	\$53,901,140
		\$35.56
		\$11.20
		\$58,114,535

G	H	I
\$34,064,252	\$4,844,237	\$38,908,489
\$3,362,081	\$119,732	\$3,481,813
\$30,702,171	\$4,724,505	\$35,426,676
289,632	293,871	290,197
\$106.00	\$16.08	\$122.08
0.9564	0.8123	
1.0009	1.0095	
1.0000	1.0000	
6.0%	5.0%	
20	19	
1.1020	1.0803	
\$111.81	\$14.25	\$126.05
\$7.04	\$0.99	\$8.04
\$118.85	\$15.24	\$134.09
1.0000	1.0600	
1.2185	1.2185	
1.0000	1.0000	
\$144.82	\$19.68	\$164.50
		\$5.25
420,435	420,435	420,435
\$60,886,888	\$8,275,752	\$71,369,925
		\$38.06
		\$11.20
		\$83,005,695

24 Rates Balance Confirmation

Note: The figures presented are preliminary and subject to change.





Appendix C - PSE Medicare Retirees

PSE MEDICARE RETIREE RATE DEVELOPMENT for CY2014

Plan:

Benefit:

Experience Period - Service (Incurred) Dates
 Experience Period - Processed (Paid) Dates

1 Total Incurred Medical & Rx Claims

2 Less High Cost Claims Above (Med/Rx) \$125,000 \$25,000

3 Net Incurred Claims below Pooling Point [1 - 2]

4 Person Months for Experience Period

5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]

6 Change in Benefits & Network/Contract During Experience Period

7 Change in Demographics or Risk During Experience Period

8 Change in Geographic During Experience Period

9 a) Annual Trend Rate

b) Months to Trend

c) Trend Adjustment

10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]

11 Charge for Claims above Pooling Point PPPM

12 Total Claims Charged PPPM [10 + 11]

13 Change in Future Benefits & Networks/Contracts

14 Change in Future Demographics (Age/Gender/Family) or Illness Burden

15 Change in Future Geographic

16 Projected Incurred Claim PPPM [13 x 14 x 15]

17 Projected Persons Months

18 Projected Total Incurred Claims [16 x 17]

	Medical	Medicare	Total
	5/12 - 4/13		
	5/12 - 6/13		
	\$12,794,237		\$12,794,237
	<u>\$0</u>		<u>\$0</u>
	\$12,794,237		\$12,794,237
	94,810		94,810
	\$134.95		\$134.95
	1.0000		
	1.0000		
	1.0000		
	6.0%		
	20		
	<u>1.1020</u>		
	\$148.71		\$148.71
	<u>\$1.53</u>		<u>\$1.53</u>
	\$150.24		\$150.24
	1.0000		
	1.0000		
	<u>1.0000</u>		
	\$150.24		\$150.24
	111,447		111,447
	\$16,743,605		\$16,743,605

Note: The figures presented are preliminary and subject to change.





Appendix C - PSE Medicare Retirees

PSE GOLD RETIREE RATE DEVELOPMENT for CY2014

19 Conversion to Rating Tiers from PPPM [16]

Method:	Person	x Non-Med.		x Medicare		Projected Ret Months	TOTAL PEPM
		tier factor	Non-Med. PEPM	tier factor	Medicare PEPM		
a)	NME Retiree	1.09	\$548.08	-	\$0.00	24,608	\$548.08
b)	NME Retiree & NME Spouse	2.76	\$1,315.80	-	\$0.00	2,030	\$1,315.80
c)	NME Retiree & Child(ren)	2.10	\$1,012.56	-	\$0.00	244	\$1,012.56
d)	NME Retiree & NME Spouse & Child(ren)	3.78	\$1,780.28	-	\$0.00	203	\$1,780.28
e)	NME Retiree & ME Spouse	1.09	\$548.08	1.00	\$150.24	1,744	\$698.31
f)	NME Retiree & ME Spouse & Child(ren)	2.10	\$1,012.56	1.00	\$150.24	12	\$1,162.80
g)	ME Retiree		\$0.00	1.00	\$150.24	92,596	\$150.24
h)	ME Retiree & NME Spouse	1.09	\$536.88	1.00	\$150.24	1,230	\$687.11
i)	ME Retiree & Child(ren)	1.01	\$504.58	1.00	\$150.24	191	\$654.82
j)	ME Retiree & NME Spouse & Child(ren)	2.69	\$1,232.21	1.00	\$150.24	41	\$1,382.44
k)	ME Retiree & ME Spouse		\$0.00	2.00	\$300.48	7,816	\$300.48
l)	ME Retiree & ME Spouse & Child(ren)	1.01	\$464.48	2.00	\$300.48	-	\$764.96
20 Rates Balance Confirmation			<u>\$18,540,850</u>		<u>\$16,743,605</u>		<u>\$35,284,454</u>

Note: The figures presented are preliminary and subject to change.



Appendix C - ASE Actives & NME Retirees

ASE ACTIVE RATE DEVELOPMENT for CY2014

Plan:
Benefit:
Experience Period - Service (Incurred) Dates
Experience Period - Processed (Paid) Dates

	Gold			Silver			Bronze		
	Medical	Pharmacy	Total	Medical	Pharmacy	Total	Medical	Pharmacy	Total
5/12 - 4/13	6/12 - 5/13			5/12 - 4/13	6/12 - 5/13		5/12 - 4/13	6/12 - 5/13	
5/12 - 6/13	6/12 - 6/13			5/12 - 6/13	6/12 - 6/13		5/12 - 6/13	6/12 - 6/13	

1 Total Incurred Medical & Rx Claims (Experience Period)
2 Less High Cost Claims Above (Med/Fx) **\$125,000** **\$25,000**

A	B	C
\$159,044,881	\$52,970,877	\$212,015,558
\$9,526,235	\$4,383,138	\$13,909,372
\$149,518,446	\$48,587,740	\$198,106,186

3 Net Incurred Claims below Pooling Point [1 - 2]

D	E	F
\$2,379,663	\$795,600	\$3,175,262
\$0	\$70,270	\$70,270
\$2,379,663	\$725,330	\$3,104,992

4 Person Months for Experience Period
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]

600,043	600,062	600,048
\$249.18	\$80.97	\$330.15

6 Change in Benefits & Network/Contract During Experience Period
7 Change in Demographics or Risk During Experience Period

G	H	I
\$3,104,808	\$305,884	\$3,410,692
\$96,664	\$0	\$96,664
\$3,008,144	\$305,884	\$3,314,028

8 Change in Geographic During Experience Period
9 a) Annual Trend Rate
b) Months to Trend

1.0000	1.0000	1.0000
6.0%	5.0%	5.0%
20	19	19

10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]

\$272.69	\$85.45	\$358.13
\$15.88	\$7.30	\$23.18
\$288.56	\$92.75	\$381.31

11 Change in Future Benefits & Networks/Contracts
12 Total Claims Charged PPPM [10 + 11]

1.0000	1.0000	1.0000
1.0112	1.0112	1.0112
\$291.80	\$93.79	\$385.60

13 Change in Future Demographics (Age/Gender/Family) or Risk
14 Change in Future Geographic
15 Rating Incurred Claim PPPM [13 x 14 x 15]

571,573	571,573	571,573
\$166,786,658	\$53,609,593	\$223,397,006
		\$32.50

16 ACA Transitional Reinsurance Fee PPPM
17 Projected Persons Months
18 Projected Total Incurred Claims & Fee [(16 + 17) x 18]

33,293	33,293	33,293
\$6,652,283	\$2,031,306	\$8,683,378
		\$27.96

19 PEPM Expense Load as % of Claims
20 PEPM Expense Load as % of Claims

		5.0%
		\$32.50

21 Projected Expense Loaded Cost [19 + 20 x 22]

		\$233,951,961
--	--	----------------------

22 Conversion to Rating Tiers [21 x rating tier x counts]

x tier	Projected	PEPM
a) Employee Only	187,527	\$484.12
b) Employee & Spouse	42,014	\$1,098.21
c) Employee & Child(ren)	57,141	\$784.41
d) Family	37,104	\$1,398.50
e) Child(ren) of Medicare Retirees	940	\$332.79
23 Rates Balance Confirmation	324,727	\$233,951,961

Note: The figures presented are preliminary and subject to change.





Appendix C - ASE Medicare Retirees

ASE MEDICARE RETIREE RATE DEVELOPMENT for CY2014

Plan:

Benefit:

Experience Period - Service (Incurred) Dates
 Experience Period - Processed (Paid) Dates

1 Total Incurred Medical & Rx Claims *

2 Less High Cost Claims Above (Med/Rx) **\$125,000** **\$25,000**

3 Net Incurred Claims below Pooling Point [1 - 2]

4 Person Months for Experience Period

5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]

6 Change in Benefits/Network During Experience Period

7 Change in Demographics or Risk During Experience Period

8 Change in Geographic During Experience Period

9 a) Annual Trend Rate

b) Months to Trend

c) Trend Adjustment

10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]

11 Charge for Claims above Pooling Point PPPM

12 Total Claims Charged PPPM [10 + 11]

13 Change in Future Benefits (Level/Mgt/Discounts)

14 Change in Future Demographics (Age/Gender/Family) or Risk

15 Change in Future Geographic

16 Projected Incurred Claim PPPM [13 x 14 x 15]

17 Projected Persons Months

18 Projected Total Incurred Claims [16 x 17]

	Medical	Pharmacy	Total
5/12 - 6/13	6/12 - 5/13	6/12 - 6/13	
\$18,004,610	\$21,728,157	\$39,732,767	
\$69,753	\$1,792,072	\$1,861,825	
\$17,934,857	\$19,936,084	\$37,870,942	
114,255	114,747	114,514	
\$156.97	\$173.74	\$330.71	
1.0000	1.0000		
0.9984	1.0000		
1.0000	1.0000		
6.0%	5.0%		
20	19		
1.1020	1.0803		
\$172.70	\$187.69	\$360.40	
\$0.61	\$15.62	\$16.23	
\$173.31	\$203.31	\$376.62	
1.0000	1.0000		
1.0000	1.0000		
1.0000	1.0000		
\$173.31	\$203.31	\$376.62	
119,337	119,337	119,337	
\$20,682,571	\$24,262,517	\$44,945,088	

* Pharmacy Cost for Medicare has subtracted the RDS Subsidy.

Note: The figures presented are preliminary and subject to change.



Appendix C - ASE Medicare Retirees

ASE GOLD RETIREE RATE DEVELOPMENT for CY2014

19 Conversion to Rating Tiers from PPPM [16]

Method:

Person

- a) NME Retiree
- b) NME Retiree & NME Spouse
- c) NME Retiree & Child(ren)
- d) NME Retiree & NME Spouse & Child(ren)
- e) NME Retiree & ME Spouse
- f) NME Retiree & ME Spouse & Child(ren)
- g) ME Retiree
- h) ME Retiree & NME Spouse
- i) ME Retiree & Child(ren)
- j) ME Retiree & NME Spouse & Child(ren)
- k) ME Retiree & ME Spouse
- l) ME Retiree & ME Spouse & Child(ren)

20 Rates Balance Confirmation

	<u>x</u> Non-Med. tier factor	<u>Non-Med.</u> PEPM	<u>x</u> Medicare tier factor	<u>Medicare</u> PEPM	<u>Projected</u> Ee Months	<u>TOTAL</u> PEPM
a) NME Retiree	1.16	\$484.12	-	\$0.00	20,021	\$484.12
b) NME Retiree & NME Spouse	2.73	\$1,098.21	-	\$0.00	6,726	\$1,098.21
c) NME Retiree & Child(ren)	1.92	\$784.41	-	\$0.00	944	\$784.41
d) NME Retiree & NME Spouse & Child(ren)	3.49	\$1,398.50	-	\$0.00	405	\$1,398.50
e) NME Retiree & ME Spouse	1.16	\$484.12	1.00	\$376.62	2,837	\$860.75
f) NME Retiree & ME Spouse & Child(ren)	1.92	\$784.41	1.00	\$376.62	110	\$1,161.04
g) ME Retiree	-	\$0.00	1.00	\$376.62	62,950	\$376.62
h) ME Retiree & NME Spouse	1.16	\$484.12	1.00	\$376.62	4,386	\$860.75
i) ME Retiree & Child(ren)	0.77	\$332.79	1.00	\$376.62	719	\$709.42
j) ME Retiree & NME Spouse & Child(ren)	2.34	\$914.38	1.00	\$376.62	357	\$1,291.00
k) ME Retiree & ME Spouse	-	\$0.00	2.00	\$753.25	23,767	\$753.25
l) ME Retiree & ME Spouse & Child(ren)	0.77	\$300.29	2.00	\$753.25	222	\$1,053.54
		<u>\$22,601,576</u>		<u>\$44,945,088</u>		<u>\$67,546,664</u>

Note: The figures presented are preliminary and subject to change.



Appendix D - Impact of Selected Benefit Changes PSE Only – Presented April 2013

Administrative Expenses, Benefits, Medical Management

For 2013
\$ million

1) New Generic Copay Remains at Brand Copay	1) \$0.2
2) For Gold & Silver: Change office visit co-pay 6 months early for	
a) Physical Therapy(PT)/Occupational Therapy(OT)/Speech Therapy(ST) = \$25	2a) \$0.2 or
b) PT/OT/ST and Primary Care Physicians (PCP) = \$30	2b) \$0.6 or
c) PT/OT/ST and PCP = \$35	2c) \$1.0
3) Change Gold Emergency Room Co-pay to \$150 for NME	3) \$0.5
4) Charge \$250 Co-pay for all MRIs for Gold & Silver for NME	4) \$0.1
5) Add a Specialty Drug Co-pay of \$100 for Gold & Silver	5) \$0.1
6) Add \$5 to Tier 2 Rx Co-pay and \$10 to Tier 3 Rx Copay for Gold & Silver	6) \$0.5
7) Add \$5 to the Generic Copay for Gold & Silver	7) \$0.2
8) Increase Out-of-Pocket Maximum for Gold/Silver/Bronze to \$2000/\$3000/\$3000	8) \$1.0
9) Add \$500 to the deductible for all plans	9) \$3.5
10) Add a \$5/10 PCP/SCP Co-Pay for Medicare eligible participants office visits	10) <u>\$0.1</u>
Total	Up to \$7.2

All figures are preliminary and will be refined. Figures shown are approximately one-half of annual impact.





Appendix D - Impact of Selected Benefit Changes (Presented August 2012)

		Estimated Reduction in FY 2013 Claims & Expenses (\$ in millions)		
		PSE	ASE	Total
Actives & NME Retirees				
1	Current OV & ER Copays after Medicare	n/a	n/a	n/a
2	Gold: OV to \$30/40; Silver to \$30/50	\$ 1.4	\$ 1.3	\$ 2.7
3	Gold: ER Copay to \$150	\$ 0.5	\$ 0.7	\$ 1.1
4	Gold: Add \$250/\$500 INN Deductible	\$ 4.7	\$ 4.5	\$ 9.2
5	Gold: Rx Copays to \$10/\$35/\$70	\$ 1.2	\$ 1.1	\$ 2.3
6	Gold/Silver Specialty Rx \$100 Copay	\$ 0.1	\$ 0.1	\$ 0.2
ME Retirees				
1	Current OV & ER Copays after Medicare	\$ 1.2	\$ 1.4	\$ 2.6
2	Gold: OV to \$30/40	\$ 0.1	\$ 0.1	\$ 0.1
3	Gold: ER Copay to \$150	\$ 0.0	\$ 0.1	\$ 0.1
4	Gold: Add \$250/\$500 INN Deductible	\$ 1.9	\$ 2.5	\$ 4.4
5	Rx Copays to \$10/\$35/\$70	\$ 0.0	\$ 0.5	\$ 0.5
6	Specialty Rx \$100 Copay	\$ 0.0	\$ 0.0	\$ 0.0

Note: The impact of multiple changes is not necessarily the sum of individual changes. Assumes no additional changes in migration as a result of benefit changes. Assumes office visit and ER copays and deductibles applied after Medicare payments.



Appendix D - Impact of Selected Benefit Changes (Presented August 2012) (cont.)

	Impact on Total Premium					
	PSE Gold Active Ee Only	PSE Gold Active Family	PSE Gold Retiree Medicare	ASE Gold Active Ee Only	ASE Gold Active Family Retiree Medicare	
Total Premium: No additional benefit changes	\$466.80	\$1,538.40	\$139.94	\$443.80	\$1,283.44	\$360.23
1 Current OV & ER Copays after Medicare	\$0.00	\$0.00	(\$12.39)	\$0.00	\$0.00	(\$12.48)
2 Gold: OV to \$30/40; Silver to \$30/50	(\$2.70)	(\$9.12)	(\$0.58)	(\$2.54)	(\$7.36)	(\$0.55)
3 Gold: ER Copay to \$150	(\$0.98)	(\$3.30)	(\$0.33)	(\$1.30)	(\$3.76)	(\$0.48)
4 Gold: Add \$250/\$500 INN Deductible	(\$9.32)	(\$31.54)	(\$20.01)	(\$8.96)	(\$25.94)	(\$21.34)
5 Rx Copays to \$10/\$35/\$70	(\$2.46)	(\$8.32)	\$0.00	(\$2.18)	(\$6.30)	(\$4.18)
6 Specialty Rx \$100 Copay	(\$0.24)	(\$0.80)	\$0.00	(\$0.20)	(\$0.54)	(\$0.26)

*Note: The impact of multiple changes is not necessarily the sum of individual changes.
 Assumes no additional changes in migration as a result of benefit changes.
 Assumes office visit and ER copays and deductibles applied after Medicare payments.
 Impact shown is on total premium only. The Trustees will need to decide how to allocate to employee/retiree contributions.*



Appendix E – Assumptions and Methods

Use & Disclosures

Key assumptions and methods are shown on the rating worksheets and detailed financial pages developing the rates. Note that results are not final and can change. Additional details about the assumptions and methods will be provided in follow-up documentation once final rates are adopted. For this presentation, CY2010 large claims are assumed to be the most representative.

In preparing the information in this presentation, we relied without audit, on information (some oral and some written) supplied by the Employee Benefits Division of the State of Arkansas (EBD) and the Plan's vendors. This information includes, but is not limited to, the plan provisions, employee eligibility data, financial information and claims data. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice #23.

This presentation does not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010, related legislation, or regulations.

Cheiron's analysis was prepared exclusively for EBD for the specific purpose of providing projections and options to the Arkansas State and Public School Life and Health Insurance Board. Our analysis is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

The figures in this presentation are preliminary and subject to change or modification as more detailed information is gathered and depending upon decisions made by the Board. The figures #2, 3, 4, and 10 on page 30 were provided by EBD.



Appendix E – Assumptions and Methods

Comparative Risk/Morbidity Analysis

- PSE

	Actives	Retirees
Gold	0.85	1.58
Silver	0.52	0.99
Bronze	0.37	0.92

- ASE

	Actives	Retirees
Gold	0.76	1.58
Silver	0.32	0.64
Bronze	0.26	0.44

Source: Integrail