



AGENDA

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

EBD Board Room - 501 Building - 5th Floor

July 26, 2013

9:00 a.m.

1. **Call to Order***Lloyd Black, Chair*
2. **Approval of Minutes***Lloyd Black, Chair*
3. **Cheiron**.....*John Colberg, Cheiron*
4. **Director's Report***Doug Shackelford, Interim Executive Director*

**State and Public School Life and
Health Insurance Board
Benefits Sub-Committee
Minutes
July 12, 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
Becky Walker
Bob Alexander

Members Absent

Lloyd Black

Doug Shackelford, Interim Executive Director, Employee Benefits Division(EBD)

Others Present:

Marc Watts, ASEA, Peggy Brown, AR SRC, Steve Singleton, ARTA, Karen Hicks, Sheridan Schools, Rebecca Schatz, Sheridan Schools, Stella Greene, EBD, Michele Hazelet, EBD, David Keisner, UAMS, Amanda Hatfield, AR Children's Hospital, Lori Eden, EBD, Tracy Oberste, EBD, Diann Shoptaw, EBD, Ro McCooey, ACHI, Janna Keathley, EBD, Sherry Bryant, EBD, Donna Cook, EBD, Kathy Ryan, Health Advantage, Ron DeBerry, Apers, Treg Long, American Cancer Society, Angela Norton, LRSD, D. Goodman, Cabot Public Schools, Marla Wallace, EBD, Roberts, ASBP, Jill Johnson, UAMS, Leslie Smith, EBD, Mary A., AHTD, Peggy Nabors, AEA, Rhonda Hill, ACHI, Alicia Hayden, Catamaran, BJ Hines, QualChoice, KMLNCTI, ASTA, Po' Malley, Retiree.

Call to Order

The meeting was called to order by Gwen Wiggins, Vice-Chair.

Approval of Minutes

One correction was made in the minutes; during Jason Lee's farewell directors report it was incorrectly stated that Mallory wished him well. Then Chair, Becky Walker wished him well. After the correction was noted Jeff Altemus moved to accept the minutes, Becky Walker seconded. All were in favor. Minutes approved.

Benefits Strategic Planning Workgroup Report, Doug Shackelford, Interim Executive Director.

Shackelford presented recommendations from the Benefits Strategic Planning Workgroup;

Arkansas State Employees & Public School Employees Health Benefits Program

Preliminary Rates and Benefit Design for CY 2014 Benefits Committee



July 26, 2013

John Colberg, FSA, MAAA



Topics

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Updated Reserve Projections

Assets less IBNR Reserves

	Actual 6/30/2013	Projected from May assets for 6/30/2013	Projected 12/31/2013	Projected 12/31/2014 without contribution increases
PSE	\$ -7.8 million	\$ -7.1 million	\$ 1.6 million	\$ -48.1 million
ASE*	\$60.1 million	\$ 58.4 million	\$49.9 million	\$ 12.3 million

** ASE has \$16.85M held in reserves for 2014; \$6.26M for 2015*



Preliminary Rates with Current Benefits

➤ PSE

- PSE overall 36% employee/retiree contribution increase with maintaining only estimated \$1.6million in catastrophic reserves
- PSE overall 45% employee/retiree contribution increase to rebuild \$11 million catastrophic reserve
- Migration assumption (shown on page 28) is adding as much as 10% to the rate increase

➤ ASE

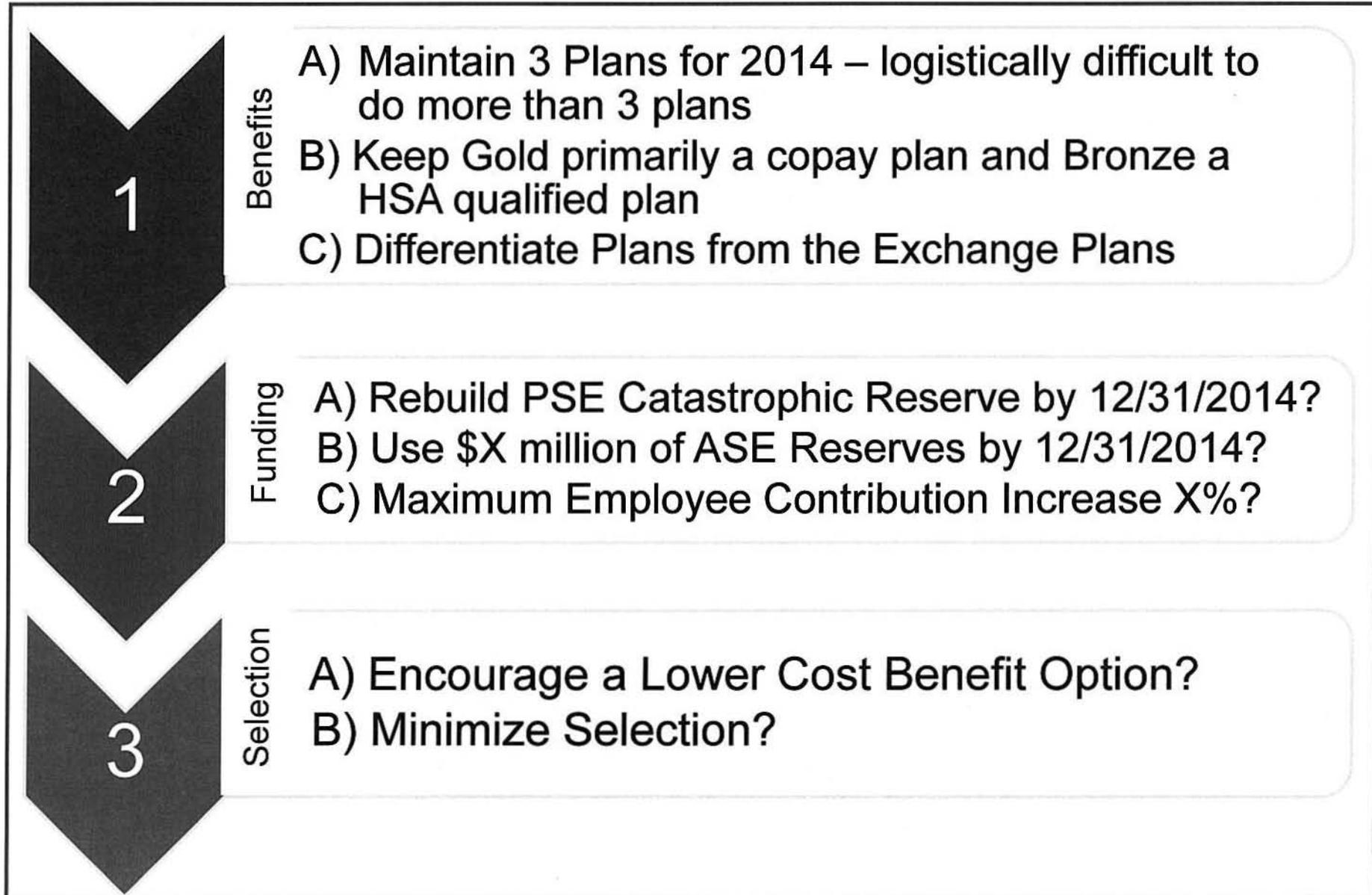
- ASE overall 27% employee/retiree contribution increase using only the \$16.85 million previously set aside for 2014
- ASE overall 21% employee/retiree contribution increase using \$10 million more in reserves

➤ Overall a 1% reduction in benefits results in approx.

- 2% decrease in participant total contributions for PSE
- 3% decrease in participant total contributions for ASE



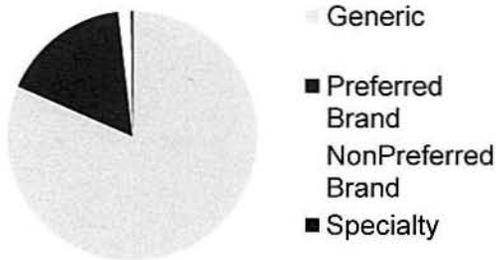
AR Health Goals/Philosophies



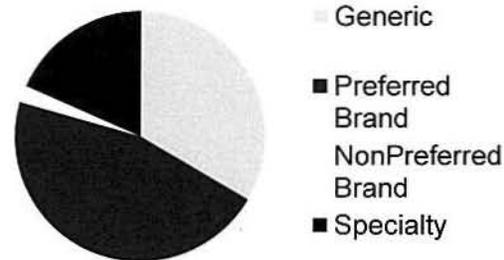


Pharmacy Issues – Aligning Incentives

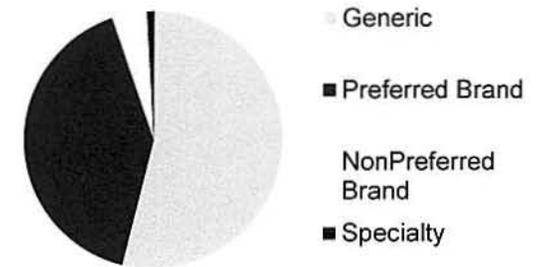
Utilization



Plan Costs



Member Costs



		ASE Plan	ASE Member	PSE Plan	PSE Member
Gold:	- Total \$ (in millions)	\$51.6	\$13.5	\$60.0	\$16.1
	- % of Med+Rx	25%	38%	25%	40%
Silver:	- Total \$ (in millions)	\$0.4	\$0.1	\$0.9	\$0.3
	- % of Med+Rx	20%	22%	18%	24%
Bronze:	- Total \$ (in millions)	\$0.3	\$0.3	\$2.0	\$3.0
	- % of Med+Rx	10%	18%	9%	22%
Total:	- Total \$ (in millions)	\$52.3	\$13.9	\$62.9	\$19.4
	- % of Med+Rx	25%	37%	24%	35%



Pharmacy Issues - Coupons

- Manufacturer provides a coupon to pay all or a portion of participant's copay
- Subsidies to pharmacies to market coupons
- Encourage Patients to Use High Cost Drugs
 - Projected to cost Arkansas employers \$307 million from 2012-21*
- Growing Problem
 - July 2009, 86 different drugs with copay coupons*
 - By November 2011, 362 different drugs with copay coupons*
- Federal programs (Medicare/Medicaid) forbid them
- Massachusetts originally outlawed but overturned after 3-year battle
- Ways to combat
 - Increase Specialty Copay
 - Reference pricing
 - Step Therapy
 - Aggressive Prior Authorization
 - Require mail order (may not be possible)

**Visante - How Copay Coupons Could Raise Prescription Drug Costs By \$32 Billion Over the Next Decade, Nov 2011*



Pharmacy Issues – Fees & Discounts

	ASE & PSE In 2012	Average 2012 Survey*	Recent Observations**
Dispensing Fees			
- Retail Generic	\$2.00-\$6.00	\$1.66	\$0.85 to \$1.00
- Retail Brand	\$2.00	\$1.68	\$0.85 to \$1.00
- Specialty	\$2.00	\$1.10	\$0 to \$5.00
Discount Off AWP			
- Retail Generic	69.8%	70.6%	75 to 78%
- Retail Brand	10.5%	16.4%	15 to 16%
- Specialty	12.6%	16.3%	13 to 18%
Rebates	100% of actual	87% of actual	70 to 100% of actual + \$/script guarantees
Admin Fees	\$0.65 per Rx	Not surveyed	\$0 to \$1.25 per Rx

➤ Generic Incentive Program

- Innovative and effective when implemented in 2007
- Tremendous change the industry
- Increased use of reference pricing
- Removing had \$2 million impact on PSE in 6 months

*PBMI 2012-2013 Prescription Drug Cost and Benefit Design Report; Averages for Large Employers.

Note that Retail Brand discount is a blend of pre and post the First DataBank modifications.

**Range from winning proposals for three large Cheiron clients in the past year.



Skilled Nursing Facility

- **Skilled Nursing Facility – currently**
 - Disincentive/lack of incentive to use benefits:
 - Co-pay of \$250
 - Prior Authorization required
 - No hospital discharge planning except for large case management
 - DRG contract – means cheaper to stay in hospital for non-outlier
 - Utilization is 9 days/ 1000 members and \$0.27 allowed PMPM; Typical is 12 days/ 1000 members and \$0.42 allowed PMPM.
- **Skilled Nursing Facility – suggestions**
 - Consider starting a MUEC
 - Talk to AHH about options

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

Chiropractic

➤ Chiropractic utilization vs. cost

	AR Health Total		OptumInsight (OI)		Gold - AR		Gold - OI	
	Util/1000	PPPM	Util/1000	PPPM	Util/1000	PPPM	Util/1000	PPPM
Chiro Visits*	818	\$1.80	1,278	\$3.59	907	\$2.00	1,244	\$3.50
Back Surgery **	88	\$3.49	n/a	n/a	106	\$4.31	n/a	n/a

	Silver - AR		Silver - OI		Bronze - AR		Bronze - OI	
	Util/1000	PPPM	Util/1000	PPPM	Util/1000	PPPM	Util/1000	PPPM
Chiro Visits*	485	\$0.73	1,567	\$4.36	564	\$1.23	1,358	\$3.79
Back Surgery **	90	\$2.34	n/a	n/a	33	\$0.94	n/a	n/a

* Utilization unit is procedure.

** patients with ICD9 = 080.5x (Artificial disks), 081.xx (Spinal Fusion), 720.xx - 724.xx (Dorsopathies) and with Surgery procedure codes or revenue codes, including other claims for diagnosis.

- Chiropractor use and costs are below benchmark
- Back surgery costs are nearly double chiropractor
- Suggest keeping chiropractic at PCP levels



Health Saving Account Rules

	Current Bronze	2013 Limits	2014 Limits
Deductible		(minimums)	(minimums)
- Employee Only	\$1,500	\$1,250	\$1,250
- Family	\$3,000	\$2,500	\$2,500
Plan Coinsurance	80%	n/a	n/a
Out-of-Pocket Maximum			
- Employee Only	\$2,500	\$6,250	\$6,350
- Family	\$5,000	\$15,500	\$12,700
100% Covered	Preventive Care	Preventive Care	Preventive Care
Co-pays	None	- Preventive Rx - Any after Deductible Satisfied	- Preventive Care Rx - Any after Deductible Satisfied
Max Contribution	Legal Limit		
- Employee Only		\$3,250	\$3,300
- Family		\$6,450	\$6,550
- Catch-up 55+		\$1,000	\$1,000



Out of Pocket Maximums

- Effective 1/1/2014, plans cannot have in network out of pocket maximums in excess of \$6,350 individual/\$12,700 family ***including copays***
 - Transition rule in 2014, do not need to include Rx
- Two approaches to consider
 - Integrated Approach – Have one OOP Max that includes copays
 - Easier to communicate
 - Enhances distinction between plans; greater likelihood to control migration
 - Secondary Approach – Have coinsurance maximum and then secondary maximum with copays
 - Lower cost

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



Mini-Benchmark Report

Review Out-of-Network Use

Incurred from 1/1/2012 to 12/31/2012; paid thru 6/30/2013; PSE Non-Medicare Only

	<u>% of Claim #</u>	<u>% Plan Paid \$</u>	<u>Actual Plan Paid \$</u>
Out-of-Network			
- Gold	0.9%	2.8%	\$4,935,220
- Silver	1.0%	0.0%	\$923
- Bronze	1.0%	2.3%	\$497,811
Total	0.9%	2.7%	\$5,433,954



Mini-Benchmark Report

Incurred from 1/1/2012 to 12/31/2012; paid thru 5/31/2013; **PSE Non-Medicare only**

	AR Health Total		OptumInsight (OI)		Gold - AR		Gold - OI	
	Util/1000	PPPM	Util/1000	PPPM	Util/1000	PPPM	Util/1000	PPPM
1 Inpatient Admission	325	\$84.59	365	\$92.75	374	\$95.93	357	\$90.37
2 Office Visits								
2a - Primary Care MD	2,558	\$17.33	1,882	\$11.75	2,890	\$19.53	1,874	\$11.70
2b - Specialist MD	1,199	\$9.88	1,283	\$8.75	1,410	\$11.74	1,266	\$8.64
3 Chiro Visits	818	\$1.80	1,278	\$3.59	907	\$2.00	1,244	\$3.50
4 Outpatient Surgery	N/A	\$24.34	141	\$34.18	N/A	\$27.02	136	\$33.01
5 Outpatient Radiology	N/A	\$8.62	288	\$23.28	N/A	\$9.37	278	\$22.46
6 Outpatient Others	N/A	\$20.45	481	\$9.85	N/A	\$24.05	468	\$9.61
7 Emergency Room	153	\$14.09	208	\$20.61	168	\$15.92	212	\$21.01
8 Urgent Care	36	\$0.70	192	\$1.97	36	\$0.71	195	\$1.99
9 Professional Others	N/A	\$94.93	N/A	\$108.94	N/A	\$109.21	N/A	\$106.60
10 Total Medical		\$276.73		\$315.67		\$315.49		\$308.89

	Silver - AR		Silver - OI		Bronze - AR		Bronze - OI	
	Util/1000	PPPM	Util/1000	PPPM	Util/1000	PPPM	Util/1000	PPPM
1 Inpatient Admission	220	\$51.68	480	\$125.21	177	\$51.19	380	\$97.19
2 Office Visits								
2a - Primary Care MD	2,236	\$16.28	2,078	\$12.92	1,514	\$10.32	1,890	\$11.79
2b - Specialist MD	653	\$6.23	1,552	\$10.51	570	\$4.21	1,311	\$8.93
3 Chiro Visits	485	\$0.73	1,567	\$4.36	564	\$1.23	1,358	\$3.79
4 Outpatient Surgery	N/A	\$35.80	196	\$47.73	N/A	\$14.46	151	\$36.60
5 Outpatient Radiology	N/A	\$27.24	405	\$32.77	N/A	\$4.32	309	\$24.97
6 Outpatient Others	N/A	\$10.23	655	\$13.12	N/A	\$9.84	507	\$10.29
7 Emergency Room	124	\$5.43	202	\$20.01	108	\$9.03	196	\$19.38
8 Urgent Care	23	\$0.11	200	\$2.11	36	\$0.73	184	\$1.90
9 Professional Others	N/A	\$78.44	N/A	\$138.42	N/A	\$50.33	N/A	\$113.51
10 Total Medical		\$232.16		\$407.16		\$155.66		\$328.36

* Utilization units for inpatient is days and professional is procedure.



Benefits Committee Requested Pricing

<i>Yellow highlight means the coverage is changed</i>	Current	Alternative 1	Alternative 2	Current	Alternative 1	Alternative 2	Current	Alternative 1	Alternative 2
In-Network:	Gold	Gold	Gold	Silver	Silver	Silver	Bronze	Bronze	Bronze
Deductible - Individual	\$0	\$0	\$0	\$750	\$1,000	\$1,000	\$1,500	\$2,000	\$2,000
Coinsurance Limit - Individual (after deductible)	\$1,500	\$2,000	\$2,000	\$2,000	\$3,000	\$3,000	\$2,500	\$4,350	\$4,350
Max. Out-of-Pocket (Deductible + Coinsurance)	\$1,500	\$2,000	\$2,000	\$2,750	\$4,000	\$4,000	\$4,000	\$6,350	\$6,350
True Out-of-Pocket (Deductible + Coinsurance + Co-pay*)	\$6,350	\$6,350	\$6,350	\$6,350	\$6,350	\$6,350	\$4,000	\$6,350	\$6,350
Deductible - Family	\$0	\$0	\$0	\$1,500	\$2,000	\$1,500	\$3,000	\$4,000	\$3,000
Co-Insurance Limit - Family (after deductible)	\$3,000	\$4,000	\$3,000	\$4,000	\$6,000	\$4,500	\$5,000	\$8,700	\$6,525
Max. Out-of-Pocket (Deductible + Coinsurance)	\$3,000	\$4,000	\$3,000	\$5,500	\$8,000	\$6,000	\$8,000	\$12,700	\$9,525
True Out-of-Pocket (Deductible + Coinsurance + Co-pay*)	\$12,700	\$12,700	\$12,700	\$12,700	\$12,700	\$12,700	\$8,000	\$12,700	\$12,700
Co-insurance Rate	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%
Physician Office Visit - Primary Care - Co-pay	\$25	\$35	\$35	\$25	\$35	\$35			
Physician Office Visit - Specialist - Co-pay	\$35	\$70	\$70	\$50	\$70	\$70			
Rx - Tier 1 - Generic	\$10	\$15	\$15	\$10	\$15	\$15			
Rx - Tier 2 - Preferred Brand	\$30	\$40	\$40	\$35	\$40	\$40			
Rx - Tier 3 - non-Preferred Brand	\$60	\$80	\$80	\$70	\$80	\$80			
Rx - Specialty	\$60	\$100	\$100	\$70	\$100	\$100			
Rx - Over-The-Counter	\$10	\$15	\$15	\$10	\$15	\$15			
Hospital / Facility - In-Patient- Co-pay Per Admission	\$250	\$250	\$250	\$300	\$300	\$300			
Hospital / Facility - In-Patient - Coinsurance	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%			
Hospital / Facility - Outpatient - Co-pay	\$100	\$100	\$100	\$150	\$150	\$150			
Hospital / Facility - Outpatient - Coinsurance	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%			
Lab Services / X-Ray / Diagnostic Evaluation	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%			
Urgent Care Visit	\$100	\$100	\$100	\$150	\$150	\$150			
Emergency Room Visit	\$100	\$250	\$250	\$150	\$300	\$300			
Emergency Transportation - Ambulance	\$0	\$50	\$50	\$0	\$50	\$50			
High Tech Radiology - Co-pay (1st Procedure Only)	\$250	\$250	\$250	\$300	\$300	\$300			
High Tech Radiology - Coinsurance	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%			
Rehab / Therapy - Outpatient - Physical/Speech/Occup	80%/20%	\$35	\$35	80%/20%	\$35	\$35			
Rehab / Therapy - Outpatient - Chiropractic- Co-pay	\$35	\$35	\$35	\$50	\$50	\$50			
Rehab / Therapy - Outpatient - Chiropractic- Coinsurance	80%/20%	0%	0%	80%/20%	0%	0%			
Skilled Nursing - Co-pay	\$250	\$250	\$250	\$300	\$300	\$300			
Skilled Nursing - Coinsurance	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%			
<i>Deductible does not apply if co-pay exist?</i>	N	N	N	N	N	N			
Out-of-Network:									
Deductible - Individual/Family	\$1,000/\$2,000	\$1,000/\$2,000	\$1,000/\$2,000	\$1,500/\$3,000	\$2,000/\$4,000	\$2,000/\$4,000	\$3,000/\$6,000	\$4,000/\$8,000	\$4,000/\$8,000
Co-Insurance	60%/40%	60%/40%	60%/40%	60%/40%	60%/40%	60%/40%	60%/40%	60%/40%	60%/40%
Coinsurance Limit - Individual/Family (after deductible)	\$5,000/\$10,000	\$5,000/\$10,000	\$5,000/\$10,000	\$5,000/\$10,000	\$6,000/\$12,000	\$6,000/\$10,000	\$5,000/\$10,000	\$8,700/\$17,400	\$8,700/\$13,000
Max. Out-of-Pocket (Deductible + Coinsurance)	\$6,000/\$12,000	\$6,000/\$12,000	\$6,000/\$12,000	\$6,000/\$12,000	\$8,000/\$16,000	\$8,000/\$14,000	\$8,000/\$16,000	\$12,700/\$25,400	\$12,700/\$19,000
OptumInsight Benefit Ratio (All Benefits)**	85.2%	81.1%	82.3%**	77.3%	72.1%	74.6%**	73.3%	67.8%	71.5%**
Minimum Value Calculator Score (Essential Benefits)	89.6%	84.7%	84.7%	83.4%	78.8%	78.8%	76.4%	71.3%	71.3%
PSE Premium Increase no New Reserves	37.6%	24.8%	30.3%	37.6%	24.8%	30.3%	37.6%	24.8%	30.3%
ASE Premium Increase no New Reserves	29.0%	13.4%	18.2%	29.0%	13.4%	18.2%	29.0%	13.4%	18.2%

* Rx Co-pays can be excluded for 2014

**OptumInsight model can only apply the same family multiplier for deductible and coinsurance on both INN and OON.



PSE Actives – Benefit Committee Request Maintains Reserve at Projected \$1.6 million with a 25% Rate Increase

Total Active & Ret (\$ mil)	\$318.6	\$50.0	\$84.6	\$184.0	\$147.5	\$36.5	25%	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	\$522.38	\$93.88	\$150.00	\$278.50	\$226.70	\$51.80	23%	17,582
Employee & Spouse	1,253.48	0.00	150.00	1,103.48	1,027.20	76.28	7%	401
Employee & Child(ren)	964.70	100.36	150.00	714.34	581.48	132.86	23%	2,567
Family	1,695.80	280.50	150.00	1,265.30	1,029.96	235.34	23%	573
Est. Monthly Total (\$mil)	\$13.1	\$2.1	\$3.2	\$7.9	\$6.5	\$1.4	22%	21,123
Silver								
Employee Only	\$416.38	\$72.82	\$150.00	\$193.56	\$157.56	\$36.00	23%	4,745
Employee & Spouse	990.68	0.00	150.00	840.68	713.86	126.82	18%	314
Employee & Child(ren)	763.84	117.40	150.00	496.44	404.10	92.34	23%	1,599
Family	1,338.12	308.78	150.00	879.34	715.78	163.56	23%	745
Est. Monthly Total (\$mil)	\$4.5	\$0.8	\$1.1	\$2.6	\$2.2	\$0.5	22%	7,403
Bronze								
Employee Only	\$224.40	\$32.12	\$150.00	\$42.28	\$10.00	\$32.28	323%	11,536
Employee & Spouse	498.12	50.24	150.00	297.88	242.48	55.40	23%	1,318
Employee & Child(ren)	390.00	106.92	150.00	133.08	108.32	24.76	23%	2,781
Family	663.74	212.76	150.00	300.98	245.00	55.98	23%	2,823
Est. Monthly Total (\$mil)	\$6.2	\$1.3	\$2.8	\$2.1	\$1.4	\$0.7	47%	18,458
Total (Monthly) (\$ mil)	\$23.8	\$4.2	\$7.0	\$12.6	\$10.1	\$2.6	26%	46,983
Est Annual Total (\$ mil)	\$286.1	\$50.0	\$84.6	\$151.5	\$120.7	\$30.8		

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



ASE Actives – Benefit Committee Request

Use only Scheduled \$16.85 million of Reserve Expected Assets less IBNR on 12/31/2014 are \$35.2 million 13% Rate Increase

Total Active & Ret (\$ mil)	\$285.8	\$172.2	\$16.9	\$96.8	\$85.3	\$11.5	13%	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	\$461.92	\$334.21	\$44.56	\$83.15	\$95.78	(\$12.63)	-13%	13,357
Employee & Spouse	1,047.82	592.69	79.03	376.10	367.74	8.36	2%	2,941
Employee & Child(ren)	748.42	460.60	61.42	226.40	193.64	32.76	17%	4,644
Family	1,334.34	719.10	95.88	519.36	419.62	99.74	24%	3,058
Est. Monthly Total (\$mil)	\$16.8	\$10.5	\$1.4	\$4.9	\$4.5	\$0.3	7%	24,000
Silver								
Employee Only	\$315.90	\$278.00	\$0.00	\$37.90	\$62.12	(\$24.22)	-39%	865
Employee & Spouse	709.44	474.76	0.00	234.68	282.52	(47.84)	-17%	159
Employee & Child(ren)	508.34	374.22	0.00	134.12	141.44	(7.32)	-5%	233
Family	901.88	570.98	0.00	330.90	324.60	6.30	2%	243
Est. Monthly Total (\$mil)	\$0.7	\$0.5	\$0.0	\$0.2	\$0.2	(\$0.0)	-14%	1,500
Bronze								
Employee Only	\$181.32	\$159.56	\$0.00	\$21.76	\$0.00	\$21.76	n/a	1,434
Employee & Spouse	388.48	263.14	0.00	125.34	77.22	48.12	62%	360
Employee & Child(ren)	282.62	210.22	0.00	72.40	27.84	44.56	160%	353
Family	489.78	313.80	0.00	175.98	92.20	83.78	91%	453
Est. Monthly Total (\$mil)	\$0.7	\$0.5	\$0.0	\$0.2	\$0.1	\$0.1	129%	2,600
Total (Monthly) (\$ mil)	\$18.3	\$11.6	\$1.4	\$5.2	\$4.8	\$0.4	8%	28,100
Est Annual Total (\$ mil)	\$219.0	\$139.5	\$16.9	\$62.6	\$58.0	\$4.6		

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



Additional Considerations

- Consider making an improvement in an area that will incent more efficient care (e.g., generic drug copay)
 - A \$5 generic co-pay would cost PSE about \$630,000 and ASE about \$505,000 in lost co-pays, but that could be more than made up with a 0.5% increase in the generic dispensing rate
- Avoid increasing costs for primary care to levels that could dis-incent appropriate use of physicians
- Integrated or supplemental approach to OOP Max
 - For example, for PSE Gold changing from current \$1,500 coinsurance maximum to the following True OOP Max (coinsurance + co-pays) saves the Plan the following percent in medical cost:

New True OOP	% Medical Cost Are Lowered by
\$2,000	1%
\$4,000	3%
\$6,350	5%
- Changes to Medicare retirees
 - Impact of applying copays (after Medicare payment) – PSE retiree only rate decreases 8.6% from 2013 (otherwise 46.6% increase)
 - Impact of applying coinsurance up to OOP Max (after Medicare payment) – PSE retiree only rate increases 8.5% from 2013 (otherwise 46.6% increase)
- Changes in contribution rates to narrow difference between Gold and Bronze



Appendices



Appendix A – Benefit Ratios / Minimum Values

- Current Plans (PSE)

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

- Preliminary impact of selected options derived from May 10th 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: Last Modified: Expected Benefit Ratio: Provider Network:	Gold 1/1/2013 0.83 Health Advantage	Silver 1/1/2013 0.75 QualChoice	Bronze 1/1/2013 0.69 Health Advantage
<u>In-Network (INN) Benefits</u>			
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
<u>Out-of-Network (OON) Benefits ¹</u>			
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
<u>Prescription Drugs</u>			
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.
<u>Selected Detail Benefits</u>			
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 ear 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	Not Available	Not Available
Non- Medicare Benefits Covered:	Yes, same as NME		
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:

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	
	A	B	C	D	E	F	G	H	I
1 Total Incurred Medical & Rx Claims (Experience Period)	\$154,565,067	\$53,945,066	\$208,510,132	\$14,158,045	\$5,378,232	\$19,536,277	\$34,064,252	\$4,844,237	\$38,908,489
2 Less High Cost Claims Above (Med/Rx)	\$11,397,093	\$4,687,584	\$16,084,676	\$580,987	\$746,057	\$1,327,044	\$3,362,081	\$119,732	\$3,481,813
3 Net Incurred Claims below Pooling Point [1 - 2]	\$143,167,974	\$49,257,482	\$192,425,456	\$13,577,058	\$4,632,174	\$18,209,232	\$30,702,171	\$4,724,505	\$35,426,676
4 Person Months for Experience Period	517,086	514,359	516,388	78,765	79,580	78,972	289,632	293,871	290,197
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$276.87	\$95.76	\$372.63	\$172.37	\$58.21	\$230.58	\$106.00	\$16.08	\$122.08
6 Change in Benefits & Network/Contract During Experience Period	0.9859	0.9131		1.0903	0.9103		0.9564	0.8123	
7 Change in Demographics or Illness Burden During Experience Period	1.0147	1.0146		1.0030	1.0054		1.0009	1.0095	
8 Change in Geographic During Experience Period	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
9 a) Annual Trend Rate	6.0%	5.0%		6.0%	5.0%		6.0%	5.0%	
b) Months to Trend	20	19		20	19		20	19	
c) Trend Adjustment	1.1020	1.0803		1.1020	1.0803		1.1020	1.0803	
10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]	\$305.24	\$95.84	\$401.08	\$207.72	\$57.55	\$265.27	\$111.81	\$14.25	\$126.05
11 Charge for Claims above Pooling Point PPPM	\$18.39	\$5.92	\$24.32	\$11.45	\$3.60	\$15.05	\$7.04	\$0.99	\$8.04
12 Total Claims Charged PPPM [10 + 11]	\$323.64	\$101.76	\$425.40	\$219.17	\$61.15	\$280.32	\$118.85	\$15.24	\$134.09
13 Change in Future Benefits & Networks/Contracts	1.0000	1.0600		1.0000	1.0600		1.0000	1.0600	
14 Change in Future Demographics (Age/Gender/Family) or Illness Burden	1.0486	1.0486		1.1826	1.1826		1.2185	1.2185	
15 Change in Future Geographic	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
16 Rating Incurred Claim PPPM [13 x 14 x 15]	\$339.38	\$113.12	\$452.49	\$259.18	\$76.65	\$335.83	\$144.82	\$19.68	\$164.50
17 ACA Transitional Reinsurance Fee PPPM			\$5.25			\$5.25			\$5.25
18 Projected Persons Months	370,035	370,035	370,035	158,029	158,029	158,029	420,435	420,435	420,435
19 Projected Total Incurred Claims & Fee [(16 + 17) x 18]	\$125,581,194	\$41,856,737	\$169,380,614	\$40,957,843	\$12,113,647	\$53,901,140	\$60,886,888	\$8,275,752	\$71,369,925
20 PEPM Expense Load as % of Claims			\$40.10			\$35.56			\$38.06
21 Retiree Subsidy / Holdback PEPM			\$11.20			\$11.20			\$11.20
22 Projected Expense Loaded Cost [19 + (20+21) x 23]			\$183,936,976			\$58,114,535			\$83,005,695
23 Conversion to Rating Tiers [19 x rating tier x counts]									
Method:	Person								
	x tier	Projected		x tier	Projected		x tier	Projected	
	factor	Ee Months	PEPM	factor	Ee Months	PEPM	factor	Ee Months	PEPM
a) Employee Only	1.09	238,569	\$548.08	1.16	58,142	\$442.47	1.10	149,873	\$236.43
b) Employee & Spouse	2.76	6,838	\$1,315.80	2.95	3,799	\$1,054.00	2.81	18,174	\$525.68
c) Employee & Child(ren)	2.10	31,105	\$1,012.56	2.24	19,192	\$812.45	2.13	33,737	\$411.43
d) Family	3.78	7,073	\$1,780.28	4.04	8,984	\$1,423.98	3.84	34,449	\$700.68
e) Child(ren) of Medicare Retirees	1.01	191	\$515.78						
24 Rates Balance Confirmation		283,775	\$183,936,976		90,116	\$58,114,535		236,233	\$83,005,695

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	Medicare	
	Medical 5/12 - 4/13	Total
	5/12 - 6/13	
1 Total Incurred Medical & Rx Claims	\$12,794,237	\$12,794,237
2 <u>Less High Cost Claims Above (Med/Rx)</u>	\$0	\$0
	\$125,000	\$25,000
3 Net Incurred Claims below Pooling Point [1 - 2]	\$12,794,237	\$12,794,237
4 <u>Person Months for Experience Period</u>	94,810	94,810
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$134.95	\$134.95
6 Change in Benefits & Network/Contract During Experience Period	1.0000	
7 Change in Demographics or Risk During Experience Period	1.0000	
8 Change in Geographic During Experience Period	1.0000	
9 a) Annual Trend Rate	6.0%	
b) Months to Trend	20	
c) <u>Trend Adjustment</u>	1.1020	
10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]	\$148.71	\$148.71
11 <u>Charge for Claims above Pooling Point PPPM</u>	<u>\$1.53</u>	<u>\$1.53</u>
12 Total Claims Charged PPPM [10 + 11]	\$150.24	\$150.24
13 Change in Future Benefits & Networks/Contracts	1.0000	
14 Change in Future Demographics (Age/Gender/Family) or Illness Burden	1.0000	
15 <u>Change in Future Geographic</u>	<u>1.0000</u>	
16 Projected Incurred Claim PPPM [13 x 14 x 15]	\$150.24	\$150.24
17 <u>Projected Persons Months</u>	111,447	111,447
18 Projected Total Incurred Claims [16 x 17]	\$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

- 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)

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

20 Rates Balance Confirmation

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	
	A	B	C	D	E	F	G	H	I
1 Total Incurred Medical & Rx Claims (Experience Period)	\$159,044,681	\$52,970,877	\$212,015,558	\$2,379,663	\$795,600	\$3,175,262	\$3,104,808	\$305,884	\$3,410,692
2 Less High Cost Claims Above (Med/Rx) \$125,000 \$25,000	\$9,526,235	\$4,383,138	\$13,909,372	\$0	\$70,270	\$70,270	\$96,664	\$0	\$96,664
3 Net Incurred Claims below Pooling Point [1 - 2]	\$149,518,446	\$48,587,740	\$198,106,186	\$2,379,663	\$725,330	\$3,104,992	\$3,008,144	\$305,884	\$3,314,028
4 Person Months for Experience Period	600,043	600,062	600,048	17,067	17,472	17,162	37,586	38,192	37,642
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$249.18	\$80.97	\$330.15	\$139.43	\$41.51	\$180.94	\$80.03	\$8.01	\$88.04
6 Change in Benefits & Network/Contract During Experience Period	0.9909	0.9736		1.0256	0.9775		0.9715	0.9341	
7 Change in Demographics or Risk During Experience Period	1.0022	1.0033		1.0003	1.0063		1.0024	1.0039	
8 Change in Geographic During Experience Period	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
9 a) Annual Trend Rate	6.0%	5.0%		6.0%	5.0%		6.0%	5.0%	
b) Months to Trend	20	19		20	19		20	19	
c) Trend Adjustment	1.1020	1.0803		1.1020	1.0803		1.1020	1.0803	
10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]	\$272.69	\$85.45	\$358.13	\$157.63	\$44.11	\$201.74	\$85.89	\$8.11	\$94.00
11 Charge for Claims above Pooling Point PPPM	\$15.88	\$7.30	\$23.18	\$0.00	\$4.02	\$4.02	\$2.57	\$0.00	\$2.57
12 Total Claims Charged PPPM [10 + 11]	\$288.56	\$92.75	\$381.31	\$157.63	\$48.13	\$205.76	\$88.46	\$8.11	\$96.57
13 Change in Future Benefits & Networks/Contracts	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
14 Change in Future Demographics (Age/Gender/Family) or Risk	1.0112	1.0112		1.2676	1.2676		1.3806	1.3806	
15 Change in Future Geographic	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
16 Rating Incurred Claim PPPM [13 x 14 x 15]	\$291.80	\$93.79	\$385.60	\$199.81	\$61.01	\$260.82	\$122.12	\$11.20	\$133.33
17 ACA Transitional Reinsurance Fee PPPM			\$5.25			\$5.25			\$5.25
18 Projected Persons Months	571,573	571,573	571,573	33,293	33,293	33,293	59,768	59,768	59,768
19 Projected Total Incurred Claims & Fee [(16 + 17) x 18]	\$166,786,658	\$53,609,593	\$223,397,006	\$6,652,283	\$2,031,306	\$8,858,378	\$7,299,100	\$669,563	\$8,282,444
20 PEPM Expense Load as % of Claims 5.0%			\$32.50			\$27.96			\$30.46
21 Projected Expense Loaded Cost [19 + 20 x 22]			\$233,951,961			\$9,367,771			\$9,244,987
22 Conversion to Rating Tiers [21 x rating tier x counts]									
Method: Person	x tier	Projected	PEPM	x tier	Projected	PEPM	x tier	Projected	PEPM
	factor	Ee Months		factor	Ee Months		factor	Ee Months	
a) Employee Only	1.16	187,527	\$484.12	1.16	10,428	\$335.37	1.15	17,290	\$190.32
b) Employee & Spouse	2.73	42,014	\$1,098.21	2.73	2,010	\$753.36	2.72	4,465	\$407.70
c) Employee & Child(ren)	1.92	57,141	\$784.41	1.92	2,818	\$539.77	1.92	4,252	\$296.62
d) Family	3.49	37,104	\$1,398.50	3.49	2,960	\$957.76	3.49	5,589	\$513.99
e) Child(ren) of Medicare Retirees	0.77	940	\$332.79						
23 Rates Balance Confirmation		324,727	\$233,951,961		18,216	\$9,367,771		31,596	\$9,244,987



Appendix C - ASE Medicare Retirees

ASE MEDICARE RETIREE RATE DEVELOPMENT for CY2014

Plan: Benefit: Experience Period - Service (Incurred) Dates Experience Period - Processed (Paid) Dates	Medicare		Total
	Medical	Pharmacy	
	5/12 - 4/13	6/12 - 5/13	
	5/12 - 6/13	6/12 - 6/13	
1 Total Incurred Medical & Rx Claims *	\$18,004,610	\$21,728,157	\$39,732,767
2 Less High Cost Claims Above (Med/Rx) \$125,000 \$25,000	\$69,753	\$1,792,072	\$1,861,825
3 Net Incurred Claims below Pooling Point [1 - 2]	\$17,934,857	\$19,936,084	\$37,870,942
4 Person Months for Experience Period	114,255	114,747	114,514
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$156.97	\$173.74	\$330.71
6 Change in Benefits/Network During Experience Period	1.0000	1.0000	
7 Change in Demographics or Risk During Experience Period	0.9984	1.0000	
8 Change in Geographic During Experience Period	1.0000	1.0000	
9 a) Annual Trend Rate	6.0%	5.0%	
b) Months to Trend	20	19	
c) Trend Adjustment	1.1020	1.0803	
10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]	\$172.70	\$187.69	\$360.40
11 Charge for Claims above Pooling Point PPPM	\$0.61	\$15.62	\$16.23
12 Total Claims Charged PPPM [10 + 11]	\$173.31	\$203.31	\$376.62
13 Change in Future Benefits (Level/Mgt/Discounts)	1.0000	1.0000	
14 Change in Future Demographics (Age/Gender/Family) or Risk	1.0000	1.0000	
15 Change in Future Geographic	1.0000	1.0000	
16 Projected Incurred Claim PPPM [13 x 14 x 15]	\$173.31	\$203.31	\$376.62
17 Projected Persons Months	119,337	119,337	119,337
18 Projected Total Incurred Claims [16 x 17]	\$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)

	<u>x Non-Med.</u>	<u>Non-Med.</u>	<u>x Medicare</u>	<u>Medicare</u>	<u>Projected</u>	<u>TOTAL</u>
	<u>tier factor</u>	<u>PEPM</u>	<u>tier factor</u>	<u>PEPM</u>	<u>Ee Months</u>	<u>PEPM</u>
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>

20 Rates Balance Confirmation

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



Appendix D – Enrollment Details Actives

Average for Year Ending		PSE			ASE		
		12/31/2012	Actual 6/30/2013	Updated Proj. 12/31/2014	12/31/2012	Actual 6/30/2013	Updated Proj. 12/31/2014
Gold	Single	28,924	23,609	17,582	14,545	13,990	13,357
	Employee/Spouse	954	538	401	3,180	3,080	2,941
	Employee/Child(ren)	5,173	3,447	2,567	4,913	4,864	4,644
	Family	1,539	769	573	3,234	3,203	3,058
	Total	36,591	28,364	21,123	25,872	25,138	24,000
	Member Counts	51,771	37,674	28,057	46,638	45,825	43,747
Silver	Single	502	2,768	4,745	337	649	865
	Employee/Spouse	39	183	314	80	119	159
	Employee/Child(ren)	193	933	1,599	93	175	233
	Family	139	435	745	104	183	243
	Total	872	4,319	7,403	613	1,126	1,500
	Member Counts	1,697	7,612	13,048	1,154	2,052	2,735
Bronze	Single	5,955	9,095	11,536	844	1,003	1,434
	Employee/Spouse	709	1,039	1,318	200	252	360
	Employee/Child(ren)	1,138	2,192	2,781	192	247	353
	Family	1,457	2,225	2,823	267	317	453
	Total	9,259	14,552	18,458	1,503	1,819	2,600
	Member Counts	16,435	26,375	33,454	2,792	3,431	4,903
TOTAL	Single	35,381	35,473	33,863	15,726	15,642	15,655
	Employee/Spouse	1,702	1,760	2,033	3,460	3,451	3,459
	Employee/Child(ren)	6,504	6,573	6,947	5,197	5,286	5,230
	Family	3,135	3,429	4,140	3,606	3,703	3,755
	Total	46,721	47,234	46,983	27,989	28,083	28,100
	Member Counts	69,903	71,661	74,558	50,584	51,307	51,385



Appendix D – Enrollment Details Retirees

Average for Year Ending		PSE			ASE		
		12/31/2012	Actual 6/30/2013	Updated Proj. 12/31/2014	12/31/2012	Actual 6/30/2013	Updated Proj. 12/31/2014
Retirees Non Medicare	Retiree Only	1,963	1,965	2,051	1,513	1,651	1,668
	Retiree + NME Spouse	178	160	169	517	551	560
Eligible (NME)	Retiree + Child(ren)	16	20	20	75	79	79
	Retiree + NME Spouse + Child(ren)	17	17	17	35	32	34
Gold	Retiree + ME Spouse	129	139	145	213	229	236
	Retiree + ME Spouse + Child(ren)	1	1	1	13	8	9
	Total	2,304	2,302	2,403	2,366	2,549	2,587
Silver	Retiree Only	9	29	100	0	5	4
	Retiree + NME Spouse	-	1	3	2	6	9
	Retiree + Child(ren)	-	1	-	1	1	2
	Retiree + NME Spouse + Child(ren)	-	1	4	1	3	3
Total	9	31	107	4	14	18	
Bronze	Retiree Only	221	539	953	6	7	7
	Retiree + NME Spouse	46	110	197	6	12	12
	Retiree + Child(ren)	7	17	31	1	2	1
	Retiree + NME Spouse + Child(ren)	9	29	48	7	12	12
Total	284	694	1,228	19	33	33	
TOTAL	NME Retirees	2,597	3,027	3,739	2,389	2,595	2,638
Retirees Medicare	Retiree Only	6,271	6,860	7,716	4,939	5,137	5,246
	Retiree + NME Spouse	98	90	103	359	359	365
Eligible (ME)	Retiree + Child(ren)	14	14	16	58	58	60
	Retiree + NME Spouse + Child(ren)	2	3	3	28	30	30
	Retiree + ME Spouse	530	583	651	1,854	1,933	1,981
	Retiree + ME Spouse + Child(ren)	1	0	-	18	19	18
Total	ME Retirees	6,916	7,550	8,489	7,254	7,536	7,700



Appendix E - Plan Migration Illustration

	<u>All in Gold</u>	<u>All in Silver</u>	<u>All in Bronze</u>	<u>Year 1</u>	<u>Year 2</u>	
Adam	\$600	\$540	\$480	\$600	\$600	
Betty	550	495	440	550	550	
Charlie	500	450	400	500	500	
Doug	450	405	360	450	450	
Emma	400	360	320	400	360	
Francis	350	315	280	350	280	
Greg	300	270	240	270	270	
Heather	250	225	200	225	200	
Ida	200	180	160	160	160	
Joe	150	135	120	120	120	
<u>Averages</u>						<u>increase</u>
Gold	\$375	n/a	n/a	\$475	\$525	10.5%
Silver	n/a	\$338	n/a	\$248	\$315	27.3%
Bronze	n/a	n/a	\$300	\$140	\$190	35.7%
All Plans	\$375	\$338	\$300	\$363	\$349	-3.7%

Illustrative Only: Actual morbidity, provider discounts, and medical management will impact the figures



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

Administrative Expenses, Benefits, Medical Management	<u>For 2013</u> <u>\$ million</u>
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



Appendix F - 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 F - 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	ASE Gold 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 G – 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 April 2013



Appendix G – 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.