



AGENDA

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

April 10, 2015

10:00 a.m.

EBD Board Room – 501 Building, Suite 500

- I. Call to Order Shelby McCook, Chairman*
- II. Approval of March 6, 2015 Minutes..... Shelby McCook, Chairman*
- III. Alternate Provider Arrangement ConsiderationDr. Andrew Kumpuris, Board Member*
- IV. ARBenefits 2015 Renewal AnalysisEileen Wider & Brian Anderson, Minnesota Life*
- V. Review of Trends for Calendar Year 2016 Rates.....John Colberg, Cheiron*
- VI. Director’s Report..... Bob Alexander, EBD Executive Director*

Upcoming Meetings

May 15th

June 12th

NOTE: All material for this meeting will be available by electronic means only aseps-board@dfa.arkansas.gov

Notice: Silence your cell phones. Keep your personal conversations to a minimum. Observe restrictions designating areas as “Members and Staff only”

**State and Public School Life and
Health Insurance Board
Benefits Sub-Committee
Minutes
April 10, 2015**

The Benefits Sub-Committee of the State and Public School Life and Health Insurance Board (hereinafter called the Committee) met on April 10, 2015 at 10:00 a.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, Arkansas.

Members Present

Janis Harrison
Carla Wooley-Haugen
Dan Honey
Shelby McCook
Jeff Altemus
Angela Avery -Teleconference
Claudia Moran
Becky Walker

Members Absent

Lori Eden, Deputy Executive Director, Employee Benefits Division (EBD)

Others Present

John Kirtley, David Keisner, Jill Johnson, UAMS; Ethel Whittaker, Janna Keathley, Stella Greene, EBD; Pam Lawrence, AHH; Mark Watts, ASEA; Wayne Whitley, Ronda Walthall, AHTD; Sylvia Landers, Brian Anderson, Eileen Wider, Minnesota Life, Andy Davis, Arkansas Democrat Gazette; Ro Summers, Gini Ingram, ACHI; Jackie Baker, ASP; Jennifer Smith, ASU; Donna Morey, ARTA; Bill Clary, H & H; Brenda Robinson, AEA; Takisha Sanders, Kanita Collins, Health Advantage; Martha Hill, Mitchell Williams; Steve Althoff, MTI; Jim House, LSV

Call to Order

The meeting was called to order by Shelby McCook, Chairman

Approval of Minutes

A request was made by McCook to approve the minutes from March 6, 2015. Altemus made the motion to approve. Haugen seconded. All were in favor.

ALTERNATE PROVIDER ARRANGEMENT CONSIDERATION: *by
Dr. Andrew Kumpuris, Board Member*

Dr. Kumpuris reported Healthcare is a market place. The market place consists of Physicians, Hospitals, Insurance Companies, and the users. Arkansas is divided into six (6) healthcare districts. There are six (6) market places in the state of Arkansas. Dr. Kumpuris recommended considering taking advantage of the purchasing power in terms of attempting to lower rates for the members.

There are Accountable Care Organizations forming around the country. These organizations are outside the normal healthcare industry. Arkansas has organizations formed in the central and western part of the state. In order to offer members lower provider rates take the population in one of the defined healthcare areas; with individuals bidding on all the services offered from, physician, to hospital, and pharmacy. This would provide lower rates for members. If the member chooses to go outside that care they would pay an amount that would be more costly.

Dr. Kumpuris has concerns that some areas of the state may have lower rates than others. For those areas Dr. Kumpuris recommended to implement an equalizer taking the savings from one area and subsidize the funds to an area that has fewer saving.

The benefits are; this will create a more competitive market place for physicians and hospitals to compete for patients, and savings to the members.

McCook recommended form a committee with the following members to serve:

- Dr. Andrew Kumpuris
- Shelby McCook
- Dr. John Kirtley
- Bob Boyd
- Dr. Joseph Thompson

Harrison motioned to recommend to the board to form a committee for research and review of the Alternate Provider Program. Haugen seconded. All were in favor.

Motion Approved

ARBENEFITS 2015 RENEWAL ANALYSIS: *by, Eileen Wider, Brain Anderson, Minnesota Life*

The state's active basic life rate was reduced significantly in conjunction with the merger with the Schools, based on expected lower mortality rates among school district employees. When two different groups are brought together at the same time premium rates under a plan, premium rates are established based on expected average mortality across the group as a whole. In general government employees, so the State rates were reduced when the population merged with the Larger School population.

However, a number of unexpected changes took place in following the 2012 RFP that have impacted the experience and resulted in Minnesota Life collecting significantly less premium than expected, and necessary to cover the cost of claim and expenses.

- School Districts were allowed to opt out of the Minnesota Life Group Plan.
- The supplemental life lapse rate among participating school districts has been very high.
- A high number of schools employees chose to cancel existing supplemental life coverage and elect expanded basic life coverage instead.
- The retiree supplemental life rate was capped at \$3.70 for existing school district retirees as of January 1, 2013.

Altemus requested information in terms of the affect it would have if the active PSE employees were required to have the basic life as a part of their health insurance.

Walker requested if Retiree rates change that Minnesota life would send letters to members thirty (30) days prior to the change.

REVIEW OF TRENDS FOR CALENDAR YEAR 2016 RATES: *by, John Colberg, Cheiron*

Based on actual January 2015 enrollment, but using the same underlying claims cost assumptions as were used to set 2015 rates:

- January 2015 enrollment shows a slight increase in the number of active employees but decreases in the number of spouses and retirees enrolled.
- More employees elected premium and fewer elected basic than assumed.
- More employees qualified for wellness incentive than assumed.
- PSE is now receiving FICA savings estimated at \$5.6 million for 2015
- Net Impact is expected to be a gain of \$2.9 million

EBD REPORT: *by Bob Alexander, EBD Executive Director*

Eden reported the 2016 wellness program is on the way. The wellness program for active employees in 2016 will require members to have a wellness exam, and active employees and their spouses take a health assessment. So far over 8,000 members have taken the assessment as a result 500 are in coaching.

Meeting Adjourned



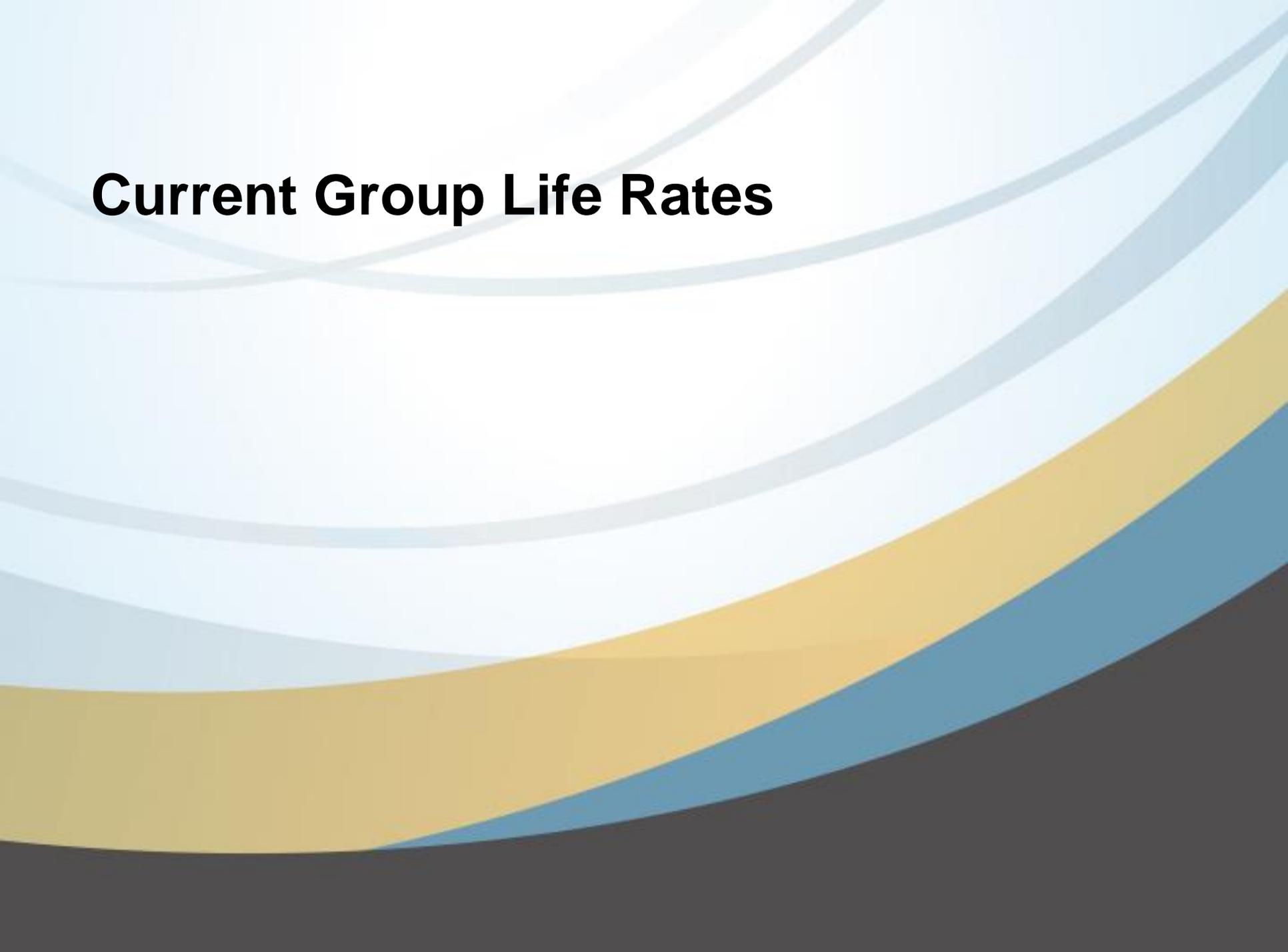
ARBenefits 2015 Renewal Analysis

Brian C. Anderson
Eileen Wider

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- Current Life Rates
- Renewal

Current Group Life Rates

The background features a series of overlapping, flowing waves in shades of light blue, medium blue, and yellow, set against a white and light grey gradient. The waves create a sense of movement and depth, with the colors transitioning smoothly from top to bottom.

Current Rates Guaranteed Until 12/31/2015

	Rate	2014 Premium
Basic + Expanded Basic	\$0.15	\$1,484,314
Active Supplemental	Table	\$4,337,895
Active Spouse	\$0.44	\$548,035
Active Child	\$0.10	\$196,688
Retiree Basic	\$0.29	\$162,398
Retiree Supplemental	Table	\$2,280,793
Retiree Spouse	\$0.44	\$57,139
Basic AD&D	\$0.02	\$204,164
Supplemental AD&D	\$0.02	\$256,242
Total		\$9,527,668

Renewal

- Renewal rates effective 1/1/2016
- Guaranteed to 1/1/2019

Executive Summary

Attached is a summary of estimated split experience for the ASE and PSE populations. While loss ratios for the ASE group are generally higher than loss ratios for the PSE group, this is expected due to different expected mortality rates for the two groups.

The State's active basic life rate was reduced significantly in conjunction with the merger with the Schools, based on expected lower mortality rates among school district employees. When two different groups are brought together at the same premium rates under a plan, premium rates are established based on expected average mortality across the group as a whole. In general, actuarial analyses find that school employees have lower mortality rates than general government employees, so the State rates were reduced when the population merged with the larger Schools population.

Executive Summary

However, a number of unexpected changes took place following the 2012 RFP that have impacted the experience and resulted in Minnesota Life collecting significantly less premium than expected and than necessary to cover the cost of claims and expenses:

- School districts were allowed to opt out of the Minnesota Life group plan.
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Executive Summary

Following the experience summary is a summary of expected experience had all PSE supplemental life volume transferred to Minnesota Life and had PSE supplemental retiree coverage for retirees age 75+ been paid for at the proposed \$7.12 rate. The analysis shows that the current premium rates would be appropriate for the upcoming rate guarantee period.

Based on actual enrollment though, there are several lines of coverage performing poorly for both ASE and PSE. Our renewal recommendation is to confine the renewal rate increases to these coverages and to increase the PSE retiree supplemental life age 75+ rate to the original proposed rate and the rate charged for active employees and ASE retirees:

- Retiree Basic Life: 200% increase
- Retiree Expanded Basic Life: 200% increase
- Retiree Supplemental Life: 10.5% increase (result of increasing PSE 75+ rate to \$7.12)
- Active and Retiree Spouse Life: 50% increase

Estimated ASE vs PSE Experience

Active Basic

	<u>% Total</u>	<u>Estimated Premium¹</u>	<u>Incurred Claims²</u>	<u>Loss Ratio</u>	<u>Change to Current³</u>
State	35.4%	1,098,884	1,392,051	126.7%	42.9%
Schools	64.6%	2,001,641	2,020,224	100.9%	13.9%
Total	100.0%	3,100,525	3,412,275	110.1%	24.1%

Retiree Basic

	<u>% Total</u>	<u>Estimated Premium¹</u>	<u>Incurred Claims²</u>	<u>Loss Ratio</u>	<u>Change to Current³</u>
State	95.0%	280,580	2,385,369	850.2%	859.0%
Schools	5.0%	14,767	116,558	789.3%	790.4%
Total	100.0%	295,347	2,501,927	847.1%	855.6%

Active Expanded Basic

	<u>% Total</u>	<u>Estimated Premium¹</u>	<u>Incurred Claims²</u>	<u>Loss Ratio</u>	<u>Change to Current³</u>
State	33.6%	693,167	374,111	54.0%	-39.1%
Schools	66.4%	1,368,774	259,194	18.9%	-78.6%
Total	100.0%	2,061,941	633,305	30.7%	-65.4%

Estimated ASE vs PSE Experience

Retiree Expanded Basic

	<u>% Total</u>	<u>Estimated Premium¹</u>	<u>Incurred Claims²</u>	<u>Loss Ratio</u>	<u>Change to Current³</u>
State	50.0%	11,899	53,924	453.2%	411.2%
Schools	50.0%	11,899	26,771	225.0%	153.8%
Total	100.0%	23,799	80,695	339.1%	282.5%

Active Supplemental

	<u>% Total</u>	<u>Estimated Premium¹</u>	<u>Incurred Claims²</u>	<u>Loss Ratio</u>	<u>Change to Current³</u>
State	50.0%	3,102,984	1,556,100	50.1%	-43.4%
Schools	50.0%	3,102,908	2,032,283	65.5%	-26.1%
Total	100.0%	6,205,892	3,588,383	57.8%	-34.8%

Retiree Supplemental

	<u>% Total</u>	<u>Estimated Premium¹</u>	<u>Incurred Claims²</u>	<u>Loss Ratio</u>	<u>Change to Current³</u>
State	35.8%	1,621,659	1,390,459	85.7%	-3.3%
Schools	64.2%	2,908,082	3,668,183	126.1%	42.3%
Total	100.0%	4,529,741	5,058,642	111.7%	26.0%

Estimated ASE vs PSE Experience

Active Spouse

	<u>% Total</u>	<u>Estimated Premium¹</u>	<u>Incurred Claims²</u>	<u>Loss Ratio</u>	<u>Change to Current³</u>
State	55.9%	629,594	629,749	100.0%	12.8%
Schools	44.1%	497,627	808,741	162.5%	83.3%
Total	100.0%	1,127,221	1,438,490	127.6%	44.0%

Retiree Spouse

	<u>% Total</u>	<u>Estimated Premium¹</u>	<u>Incurred Claims²</u>	<u>Loss Ratio</u>	<u>Change to Current³</u>
State	96.2%	100,617	495,657	492.6%	455.7%
Schools	3.8%	4,027	13,576	337.1%	280.3%
Total	100.0%	104,644	509,233	486.6%	448.9%

TOTAL

	<u>% Total</u>	<u>Estimated Premium¹</u>	<u>Incurred Claims²</u>	<u>Loss Ratio</u>	<u>Change to Current³</u>
State	43.2%	7,539,384	8,277,420	109.8%	23.8%
Schools	56.8%	9,909,725	8,945,530	90.3%	1.8%
Total	100.0%	17,449,110	17,222,950	98.7%	11.3%

¹Active paid premium split based on current ASE to PSE enrollment; retiree paid premium split based on internal premium allocations

²Incurred claims split based on information provided by ARBenefits

³Change to Current equals Loss Ratio divided by target loss ratio

Adjusted ASE vs PSE Experience

Adjustments

Increased PSE active supplemental premium to expected premium based on 2012 RFP volumes (169% higher).

Adjusted PSE active claims to same 65% incurred loss ratio over the experience period.

Increased PSE supplemental retiree premium by 16.4% (estimated impact of uncapping the 75+ rate).

Active Basic	<u>% Total</u>	<u>Estimated Premium¹</u>	<u>Incurred Claims²</u>	<u>Loss Ratio</u>	<u>Change to Current³</u>
State	35.4%	1,098,884	1,392,051	126.7%	42.9%
Schools	64.6%	2,001,641	2,020,224	100.9%	13.9%
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Schools	5.0%	14,767	116,558	789.3%	790.4%
Total	100.0%	295,347	2,501,927	847.1%	855.6%

Active Expanded Basic

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Adjusted ASE vs PSE Experience

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Schools	50.0%	11,899	26,771	225.0%	153.8%
Total	100.0%	23,799	80,695	339.1%	282.5%

Active Supplemental

	<u>% Total</u>	<u>Estimated Premium¹</u>	<u>Incurred Claims²</u>	<u>Loss Ratio</u>	<u>Change to Current³</u>
State	27.1%	3,102,984	1,556,100	50.1%	-43.4%
Schools	72.9%	8,349,927	5,468,874	65.5%	-26.1%
Total	100.0%	11,452,910	7,024,974	61.3%	-30.8%

Retiree Supplemental

	<u>% Total</u>	<u>Estimated Premium¹</u>	<u>Incurred Claims²</u>	<u>Loss Ratio</u>	<u>Change to Current³</u>
State	32.4%	1,621,659	1,390,459	85.7%	-3.3%
Schools	67.6%	3,384,940	3,668,183	108.4%	22.2%
Total	100.0%	5,006,599	5,058,642	101.0%	14.0%

Adjusted ASE vs PSE Experience

Active Spouse

	<u>% Total</u>	<u>Estimated Premium¹</u>	<u>Incurred Claims²</u>	<u>Loss Ratio</u>	<u>Change to Current³</u>
State	55.9%	629,594	629,749	100.0%	12.8%
Schools	44.1%	497,627	808,741	162.5%	83.3%
Total	100.0%	1,127,221	1,438,490	127.6%	44.0%

Retiree Spouse

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State	96.2%	100,617	495,657	492.6%	455.7%
Schools	3.8%	4,027	13,576	337.1%	280.3%
Total	100.0%	104,644	509,233	486.6%	448.9%

TOTAL

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State	32.5%	7,539,384	8,277,420	109.8%	23.8%
Schools	67.5%	15,633,601	12,382,121	79.2%	-10.7%
Total	100.0%	23,172,986	20,659,541	89.2%	0.6%

¹Active paid premium split based on current ASE to PSE enrollment; retiree paid premium split based on internal premium allocations

²Incurred claims split based on information provided by ARBenefits

³Change to Current equals Loss Ratio divided by target loss ratio

Proposed Renewal Rate Options

<u>Coverage</u>	<u>Current Annual Premium</u>	<u>Recommended Renewal</u>	
		<u>Rate Change</u>	<u>Annual Premium</u>
Active Basic Life	\$ 891,464	0.0%	\$ 891,464
Retiree Basic Life	\$ 150,288	200.0%	\$ 450,864
Active Expanded Basic Life	\$ 592,850	0.0%	\$ 592,850
Retiree Expanded Basic Life	\$ 12,110	200.0%	\$ 36,330
Active Supplemental Life	\$ 4,337,895	0.0%	\$ 4,337,895
Retiree Supplemental Life	\$ 2,280,793	10.5%	\$ 2,520,898
Active Spouse Life	\$ 548,035	50.0%	\$ 822,053
Retiree Spouse Life	\$ 57,139	50.0%	\$ 85,709
Active & Retiree Child Life	\$ 196,688	0.0%	\$ 196,688
Basic AD&D	\$ 204,164	0.0%	\$ 204,164
Supplemental AD&D	\$ 256,242	0.0%	\$ 256,242
Total Life	\$ 9,527,668	9.1%	\$ 10,395,156

Sample Premium Comparisons

<u>Retiree Basic Life</u>	<u>Face Amount</u>	<u>Current Monthly Premium</u>	<u>Renewal Monthly Premium</u>	<u>Monthly Premium Change</u>
Standard Benefit	\$5,000	\$1.45	\$4.35	\$2.90

<u>Retiree Expanded Basic Life</u>	<u>Face Amount</u>	<u>Current Monthly Premium</u>	<u>Renewal Monthly Premium</u>	<u>Monthly Premium Change</u>
Lowest Benefit	\$2,500	\$0.73	\$2.18	\$1.45
Average Benefit	\$6,000	\$1.74	\$5.22	\$3.48
Highest Benefit	\$20,000	\$5.80	\$17.40	\$11.60

<u>PSE Supplemental Retiree Life (75+)</u>	<u>Face Amount</u>	<u>Current Monthly Premium</u>	<u>Renewal Monthly Premium</u>	<u>Monthly Premium Change</u>
Lowest Benefit	\$1,000	\$3.70	\$7.12	\$3.42
Average Benefit	\$12,000	\$44.40	\$85.44	\$41.04
Highest Benefit	\$39,000	\$144.30	\$277.68	\$133.38

<u>Active/Retiree Spouse Life</u>	<u>Face Amount</u>	<u>Current Monthly Premium</u>	<u>Renewal Monthly Premium</u>	<u>Monthly Premium Change</u>
Lowest Benefit	\$1,000	\$0.44	\$0.66	\$0.22
Average Benefit	\$12,000	\$5.28	\$7.92	\$2.64
Highest Benefit	\$50,000	\$22.00	\$33.00	\$11.00

This is a summary of plan provisions related to the insurance policy issued by Minnesota Life to the State of Arkansas. In the event of a conflict between this summary and the policy and/or certificate, the policy and/or certificate shall dictate the insurance provisions, exclusions, all limitations and terms of coverage. All elections or increases are subject to the actively at work requirement of the policy. Elections above the guaranteed issue amount will require medical underwriting and insurance carrier approval before becoming effective.

Products are offered under policy form series number MHC-96-13180.

Minnesota Life Insurance Company
A Securian Company

Securian Life Insurance Company
A New York authorized insurer

Group Insurance
www.LifeBenefits.com

Insurance products are issued by Minnesota Life Insurance Company in all states except New York. In New York, products are issued by Securian Life Insurance Company, a New York authorized insurer. Both companies are headquartered in Saint Paul, MN. Product availability and features may vary by state. Each insurer is solely responsible for the financial obligations under the policies or contracts it issues.

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MINNESOTA LIFE



Executive Summary

- Attached is a summary of estimated split experience for the ASE and PSE populations. While loss ratios for the ASE group are generally higher than loss ratios for the PSE group, this is expected due to different expected mortality rates for the two groups.
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Estimated ASE versus PSE Experience

Active Basic

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	<u>% Total</u>	<u>Estimated Premium¹</u>	<u>Incurred Claims²</u>	<u>Loss Ratio</u>	<u>Change to Current³</u>
State	96.2%	100,617	495,657	492.6%	455.7%
Schools	3.8%	4,027	13,576	337.1%	280.3%
Total	100.0%	104,644	509,233	486.6%	448.9%

TOTAL

	<u>% Total</u>	<u>Estimated Premium¹</u>	<u>Incurred Claims²</u>	<u>Loss Ratio</u>	<u>Change to Current³</u>
State	43.2%	7,539,384	8,277,420	109.8%	23.8%
Schools	56.8%	9,909,725	8,945,530	90.3%	1.8%
Total	100.0%	17,449,110	17,222,950	98.7%	11.3%

¹Active paid premium split based on current ASE to PSE enrollment; retiree paid premium split based on internal premium allocations

²Incurred claims split based on information provided by ARBenefits

³Change to Current equals Loss Ratio divided by target loss ratio

Adjusted ASE versus PSE Experience

Adjustments

Increase PSE active supplemental premium to expected premium based on 2012 RFP volumes (169% higher).

Adjusted PSE active claims to same 65% incurred loss ratio over the experience period.

Increased PSE supplemental retiree premium by 16.4% (estimated impact of uncapping the 75+ rate).

	<u>% Total</u>	<u>Estimated Premium¹</u>	<u>Incurred Claims²</u>	<u>Loss Ratio</u>	<u>Change to Current³</u>
State	35.4%	1,098,884	1,392,051	126.7%	42.9%
Schools	64.6%	2,001,641	2,020,224	100.9%	13.9%
Total	100.0%	3,100,525	3,412,275	110.1%	24.1%

Retiree Basic

	<u>% Total</u>	<u>Estimated Premium¹</u>	<u>Incurred Claims²</u>	<u>Loss Ratio</u>	<u>Change to Current³</u>
State	95.0%	280,580	2,385,369	850.2%	859.0%
Schools	5.0%	14,767	116,558	789.3%	790.4%
Total	100.0%	295,347	2,501,927	847.1%	855.6%

Active Exp Basic

	<u>% Total</u>	<u>Estimated Premium¹</u>	<u>Incurred Claims²</u>	<u>Loss Ratio</u>	<u>Change to Current³</u>
State	33.6%	693,167	374,111	54.0%	-39.1%
Schools	66.4%	1,368,774	259,194	18.9%	-78.6%
Total	100.0%	2,061,941	633,305	30.7%	-65.4%

Retiree Exp Basic

	<u>% Total</u>	<u>Estimated Premium¹</u>	<u>Incurred Claims²</u>	<u>Loss Ratio</u>	<u>Change to Current³</u>
State	50.0%	11,899	53,924	453.2%	411.2%
Schools	50.0%	11,899	26,771	225.0%	153.8%
Total	100.0%	23,799	80,695	339.1%	282.5%

Active Supplemental

	<u>% Total</u>	<u>Estimated Premium¹</u>	<u>Incurred Claims²</u>	<u>Loss Ratio</u>	<u>Change to Current³</u>
State	27.1%	3,102,984	1,556,100	50.1%	-43.4%
Schools	72.9%	8,349,927	5,468,874	65.5%	-26.1%
Total	100.0%	11,452,910	7,024,974	61.3%	-30.8%

Retiree Supplemental

	<u>% Total</u>	<u>Estimated Premium¹</u>	<u>Incurred Claims²</u>	<u>Loss Ratio</u>	<u>Change to Current³</u>
State	32.4%	1,621,659	1,390,459	85.7%	-3.3%
Schools	67.6%	3,384,940	3,668,183	108.4%	22.2%
Total	100.0%	5,006,599	5,058,642	101.0%	14.0%

Active Spouse

	<u>% Total</u>	<u>Estimated Premium¹</u>	<u>Incurred Claims²</u>	<u>Loss Ratio</u>	<u>Change to Current³</u>
State	55.9%	629,594	629,749	100.0%	12.8%
Schools	44.1%	497,627	808,741	162.5%	83.3%
Total	100.0%	1,127,221	1,438,490	127.6%	44.0%

Retiree Spouse

	<u>% Total</u>	<u>Estimated Premium¹</u>	<u>Incurred Claims²</u>	<u>Loss Ratio</u>	<u>Change to Current³</u>
State	96.2%	100,617	495,657	492.6%	455.7%
Schools	3.8%	4,027	13,576	337.1%	280.3%
Total	100.0%	104,644	509,233	486.6%	448.9%

TOTAL

	<u>% Total</u>	<u>Estimated Premium¹</u>	<u>Incurred Claims²</u>	<u>Loss Ratio</u>	<u>Change to Current³</u>
State	32.5%	7,539,384	8,277,420	109.8%	23.8%
Schools	67.5%	15,633,601	12,382,121	79.2%	-10.7%
Total	100.0%	23,172,986	20,659,541	89.2%	0.6%

¹Active paid premium split based on current ASE to PSE enrollment; retiree paid premium split based on internal premium allocations

²Incurred claims split based on information provided by ARBenefits

³Change to Current equals Loss Ratio divided by target loss ratio

ARBenefits Life Proposed Renewal Rate Options

<u>Coverage</u>	<u>Current Annual Premium</u>	<u>Recommended Renewal</u>	
		<u>Rate Change</u>	<u>Annual Premium</u>
Active Basic Life	\$ 891,464	0.0%	\$ 891,464
Retiree Basic Life	\$ 150,288	200.0%	\$ 450,864
Active Expanded Basic Life	\$ 592,850	0.0%	\$ 592,850
Retiree Expanded Basic Life	\$ 12,110	200.0%	\$ 36,330
Active Supplemental Life	\$ 4,337,895	0.0%	\$ 4,337,895
Retiree Supplemental Life	\$ 2,280,793	10.5%	\$ 2,520,898
Active Spouse Life	\$ 548,035	50.0%	\$ 822,053
Retiree Spouse Life	\$ 57,139	50.0%	\$ 85,709
Active & Retiree Child Life	\$ 196,688	0.0%	\$ 196,688
Basic AD&D	\$ 204,164	0.0%	\$ 204,164
Supplemental AD&D	\$ 256,242	0.0%	\$ 256,242
Total Life	\$ 9,527,668	9.1%	\$ 10,395,156

ARBenefits Life Sample Premium Comparisons

<u>Retiree Basic Life</u>	<u>Face Amount</u>	<u>Current Monthly Premium</u>	<u>Renewal Monthly Premium</u>	<u>Monthly Premium Change</u>
Standard Benefit	\$5,000	\$1.45	\$4.35	\$2.90

<u>Retiree Expanded Basic Life</u>	<u>Face Amount</u>	<u>Current Monthly Premium</u>	<u>Renewal Monthly Premium</u>	<u>Monthly Premium Change</u>
Lowest Benefit	\$2,500	\$0.73	\$2.18	\$1.45
Average Benefit	\$6,000	\$1.74	\$5.22	\$3.48
Highest Benefit	\$20,000	\$5.80	\$17.40	\$11.60

<u>PSE Supplemental Retiree Life (75+)</u>	<u>Face Amount</u>	<u>Current Monthly Premium</u>	<u>Renewal Monthly Premium</u>	<u>Monthly Premium Change</u>
Lowest Benefit	\$1,000	\$3.70	\$7.12	\$3.42
Average Benefit	\$12,000	\$44.40	\$85.44	\$41.04
Highest Benefit	\$39,000	\$144.30	\$277.68	\$133.38

<u>Active/Retiree Spouse Life</u>	<u>Face Amount</u>	<u>Current Monthly Premium</u>	<u>Renewal Monthly Premium</u>	<u>Monthly Premium Change</u>
Lowest Benefit	\$1,000	\$0.44	\$0.66	\$0.22
Average Benefit	\$12,000	\$5.28	\$7.92	\$2.64
Highest Benefit	\$50,000	\$22.00	\$33.00	\$11.00

Arkansas State Employees & Public School Employees Health Benefits Program



Review of Trends for Calendar Year 2016 Rating

April 10, 2015
Benefits Committee Meeting

John Colberg, FSA, MAAA
Gaelle Gravot, FSA, MAAA

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1) Updated Projections presented at March 17 Board Meeting	2
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PSE: 2015 Updated Projections



Based on actual January 2015 enrollment, but using the same underlying claims costs assumptions as were used to set 2015 rates.

- January 2015 enrollment shows a slight increase in the number of active employees but decreases in the number of spouses and retirees enrolled.
- More employees elected premium and fewer elected basic than assumed.
- More employees qualified for wellness incentive than assumed.
- PSE is now receiving FICA savings estimated at \$5.6 million for 2015.
- Net impact is expected, gain of \$2.9 million.

PSE Updated Projections for 12/31/2015



(In Millions \$)

	As of	12/31/2014	Updated Projection 12/31/2015	Adverse Scenario 12/31/2015
Net Assets before IBNR	\$	75.4	\$ 78.3	\$ 69.6
IBNR Reserve		(29.4)	(29.4)	(29.4)
Reserve for Current and Future Premiums		(20.0)	(20.0)	(20.0)
Catastrophic Reserve		(11.1)	(11.1)	(11.1)
Net Assets Available	\$	14.9	\$ 17.8	\$ 9.1

	Actual Paid	Projected Incurred
Claims and Expenses for Jan. & Feb. 2015	\$ 38.4	\$ 37.7

Additional analysis is in process to determine whether and to what degree claims are below projected.

A Look Ahead: PSE (baseline)



	Total Premium	Direct State Contribution (subsidy for ME)	School District Contrib.	Reserves Allocated / (Added)	Current Year Total EE/Ret Cost	Prior Year Total EE/Ret Cost	Change in EE/Ret Cost (\$/%)	Assumed Enrollment
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Updated 2015 Projections

Actives	\$255.6	\$86.3	\$81.1	(\$2.8)	\$91.0	\$101.9	(\$10.9) -11%	44,178
Non-Medicare Eligible Retirees	\$23.0	\$0.0	\$0.0	\$0.0	\$23.0	\$18.2	\$4.8 26%	3,743
Medicare Eligible Retirees	\$20.5	\$6.4	\$0.0	(\$0.1)	\$14.2	\$12.4	\$1.8 15%	9,930
Total	\$299.1	\$92.7	\$81.1	(\$2.9)	\$128.2	\$132.5	(\$4.3) -3%	57,851

2016 if Total Premium increases 6%; stable active population, growing retirees, and no allocated reserves

Actives	\$270.9	\$88.1	\$81.1	\$0.0	\$101.7	\$91.0	\$10.7 12%	44,178
Non-Medicare Eligible Retirees	\$26.1	\$0.0	\$0.0	\$0.0	\$26.1	\$24.6	\$1.5 6%	4,000
Medicare Eligible Retirees	\$24.1	\$6.4	\$0.0	\$0.0	\$17.7	\$15.7	\$2.0 13%	11,000
Total	\$321.1	\$94.5	\$81.1	\$0.0	\$145.5	\$131.3	\$14.2 11%	59,178

2016 above with \$14 million allocated reserves (\$7 million used for 2016)

Actives	\$270.9	\$88.1	\$81.1	\$5.8	\$95.9	\$91.0	\$4.9 5%	44,178
Non-Medicare Eligible Retirees	\$26.1	\$0.0	\$0.0	\$0.2	\$25.9	\$24.6	\$1.3 5%	4,000
Medicare Eligible Retirees	\$24.1	\$6.4	\$0.0	\$1.0	\$16.7	\$15.7	\$1.0 6%	11,000
Total	\$321.1	\$94.5	\$81.1	\$7.0	\$138.5	\$131.3	\$7.2 5%	59,178

The Change in EE/Ret cost represents the change in dollars needed under the illustration. Actual rate changes could vary significantly from the amounts shown.

A Look Ahead: PSE (3% adverse experience)



	Total Premium	Direct State Contribution (subsidy for ME)	School District Contrib.	Reserves Allocated / (Added)	Current Year Total EE/Ret Cost	Prior Year Total EE/Ret Cost	Change in EE/Ret Cost (\$/%)	Assumed Enrollment
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Updated 2015 Projections

Actives	\$263.3	\$86.6	\$81.1	\$4.6	\$91.0	\$101.9	(\$10.9) -11%	44,178
Non-Medicare Eligible Retirees	\$23.7	\$0.0	\$0.0	\$0.7	\$23.0	\$18.2	\$4.8 26%	3,743
Medicare Eligible Retirees	\$21.1	\$6.4	\$0.0	\$0.5	\$14.2	\$12.4	\$1.8 15%	9,930
Total	\$308.1	\$93.0	\$81.1	\$5.8	\$128.2	\$132.5	(\$4.3) -3%	57,851

2016 if Total Premium increases 6%; stable active population, growing retirees, and no allocated reserves

Actives	\$279.1	\$88.1	\$81.1	\$0.0	\$109.9	\$91.0	\$18.9 21%	44,178
Non-Medicare Eligible Retirees	\$26.8	\$0.0	\$0.0	\$0.0	\$26.8	\$24.6	\$2.2 9%	4,000
Medicare Eligible Retirees	\$24.8	\$6.4	\$0.0	\$0.0	\$18.4	\$15.7	\$2.7 17%	11,000
Total	\$330.7	\$94.5	\$81.1	\$0.0	\$155.1	\$131.3	\$23.8 18%	59,178

2016 above with \$9 million allocated reserves (\$4.5 million used for 2016)

Actives	\$279.1	\$88.1	\$81.1	\$4.3	\$105.6	\$91.0	\$14.6 16%	44,178
Non-Medicare Eligible Retirees	\$26.8	\$0.0	\$0.0	\$0.0	\$26.8	\$24.6	\$2.2 9%	4,000
Medicare Eligible Retirees	\$24.8	\$6.4	\$0.0	\$0.2	\$18.2	\$15.7	\$2.5 16%	11,000
Total	\$330.7	\$94.5	\$81.1	\$4.5	\$150.6	\$131.3	\$19.3 15%	59,178

The Change in EE/Ret cost represents the change in dollars needed under the illustration. Actual rate changes could vary significantly from the amounts shown.

ASE: 2015 Updated Projections



Based on actual January 2015 enrollment, but using the same underlying claims costs assumptions as were used to set 2015 rates.

- January 2015 enrollment shows a significant decrease in the number of active employees and in the number of spouses enrolled.
- Increase in State contribution from \$410 to \$420 per budgeted position was deferred.
- More employees qualified for wellness incentive than assumed.
- Net impact is expected gain of \$7.3 million, which means \$4.4 million of reserves expected to be used instead of \$11.7 million allocated.

ASE Updated Projections for 12/31/2015



ASE

(In Millions \$)

	As of	12/31/2014	Updated Projection 12/31/2015	Adverse Scenario 12/31/2015
Net Assets before IBNR	\$	78.1	\$ 73.7	\$ 65.6
IBNR Reserve		(26.5)	(26.5)	(26.5)
Reserve for Current and Future Premiums		(15.3)	(3.6)	(3.6)
Catastrophic Reserve		(10.6)	(10.6)	(10.6)
Net Assets Available	\$	25.7	\$ 33.0	\$ 24.9

	Actual Paid	Projected Incurred
Claims and Expenses for Jan. & Feb. 2015	\$ 35.5	\$ 37.6

Additional analysis is in process to determine whether and to what degree claims are below projected.

A Look Ahead: ASE (baseline)



	Total Premium	State Contribution	Reserves Allocated / (Added)	Current Year Total EE/Ret Cost	Prior Year Total EE/Ret Cost	Change in EE/Ret Cost (\$/%)	Assumed Enrollment
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Updated 2015 Projections

Actives	\$202.7	\$142.4	\$1.8	\$58.5	\$63.2	(\$4.7) -7%	27,295
Non-Medicare Eligible Retirees	\$20.5	\$7.2	\$0.6	\$12.7	\$11.3	\$1.4 12%	2,848
Medicare Eligible Retirees	\$48.2	\$21.6	\$2.0	\$24.6	\$22.0	\$2.6 12%	8,477
Total	\$271.4	\$171.2	\$4.4	\$95.8	\$96.5	(\$0.7) -1%	38,620

2016 if Total Premium increases 6%; stable active population, growing retirees, and no new allocated reserves

Actives	\$214.9	\$144.1	\$1.4	\$69.4	\$58.5	\$10.9 19%	27,295
Non-Medicare Eligible Retirees	\$22.9	\$7.3	\$0.1	\$15.5	\$13.4	\$2.1 16%	3,000
Medicare Eligible Retirees	\$54.2	\$21.9	\$2.1	\$30.2	\$26.1	\$4.1 16%	9,000
Total	\$292.0	\$173.3	\$3.6	\$115.1	\$98.0	\$17.1 17%	39,295

2016 above with \$25 million new allocated reserves (additional \$12.5 million used for 2016)

Actives	\$214.9	\$144.1	\$9.6	\$61.2	\$58.5	\$2.7 5%	27,295
Non-Medicare Eligible Retirees	\$22.9	\$7.3	\$1.5	\$14.1	\$13.4	\$0.7 5%	3,000
Medicare Eligible Retirees	\$54.2	\$21.9	\$5.0	\$27.3	\$26.1	\$1.2 5%	9,000
Total	\$292.0	\$173.3	\$16.1	\$102.6	\$98.0	\$4.6 5%	39,295

The Change in EE/Ret cost represents the change in dollars needed under the illustration. Actual rate changes could vary significantly from the amounts shown.

A Look Ahead: ASE (3% adverse experience)



	Total Premium	State Contribution	Reserves Allocated / (Added)	Current Year Total EE/Ret Cost	Prior Year Total EE/Ret Cost	Change in EE/Ret Cost (\$/%)	Assumed Enrollment
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Updated 2015 Projections

Actives	\$208.8	\$142.4	\$7.9	\$58.5	\$63.2	(\$4.7) -7%	27,295
Non-Medicare Eligible Retirees	\$21.1	\$7.2	\$1.2	\$12.7	\$11.3	\$1.4 12%	2,848
Medicare Eligible Retirees	\$49.6	\$21.6	\$3.4	\$24.6	\$22.0	\$2.6 12%	8,477
Total	\$279.5	\$171.2	\$12.5	\$95.8	\$96.5	(\$0.7) -1%	38,620

2016 if Total Premium increases 6%; stable active population, growing retirees, and no new allocated reserves

Actives	\$221.3	\$144.1	\$1.4	\$75.8	\$58.5	\$17.3 30%	27,295
Non-Medicare Eligible Retirees	\$23.6	\$7.3	\$0.1	\$16.2	\$13.4	\$2.8 21%	3,000
Medicare Eligible Retirees	\$55.8	\$21.9	\$2.1	\$31.8	\$26.1	\$5.7 22%	9,000
Total	\$300.7	\$173.3	\$3.6	\$123.8	\$98.0	\$25.8 26%	39,295

2016 above with \$24 million new allocated reserves (additional \$12.0 million used for 2016)

Actives	\$221.3	\$144.1	\$10.5	\$66.7	\$58.5	\$8.2 14%	27,295
Non-Medicare Eligible Retirees	\$23.6	\$7.3	\$1.0	\$15.3	\$13.4	\$1.9 14%	3,000
Medicare Eligible Retirees	\$55.8	\$21.9	\$4.1	\$29.8	\$26.1	\$3.7 14%	9,000
Total	\$300.7	\$173.3	\$15.6	\$111.8	\$98.0	\$13.8 14%	39,295

The Change in EE/Ret cost represents the change in dollars needed under the illustration. Actual rate changes could vary significantly from the amounts shown.

Sensitivity of Contributions



- Each 1% change in projected claims translates to approximately a 3% change in employee/retiree contributions
 - Applies to both ASE and PSE in aggregate; specific plans/groups can change more or less.
- Calendar year 2014 claims experience was approximately 3% below what was projected in June/July when setting 2015 rates.
- Expecting higher trends, particularly in pharmacy.

Medical Trend



- Projected national average trends (per PWC's Health Research Institute (HRI))
 - 2014 projected 6.5%
 - 2015 projected 6.8%
- Excluding benefit and demographic changes, medical trend *decreased* approximately 3% for ASE & PSE
- Possible reasons for changes
 - Increased utilization/case management
 - Per AHH report, impact likely <1%
 - Increased participant cost share
 - Claims fluctuations
 - More efficiency in health care practice patterns
 - Wellness incentives (although usually a lag in impact)
- Current assumption of 6% per year, below projected national average

Pharmacy Trend: 2014 vs 2013



	Unit Cost	Utilization	Total
<i>National Average*</i>			
Traditional	6.5%	-0.1%	6.4%
Specialty	25.2%	5.8%	30.9%
Total Overall	13.2%	-0.04%	13.1%
<i>ASE&PSE</i>			
Brand	18.5%	-27.4%	-14.0%
Generic	-10.6%	1.0%	-9.7%
Traditional	-9.0%	-3.3%	-12.0%
Specialty	8.0%	-15.1%	-8.4%
Total Overall	-8.4%	-3.3%	-11.5%

*Per <http://lab.express-scripts.com/drug-trend-report>

The above figures are before changes in copays & other participant cost sharing

Reasons for lower ASE&PSE trends



- Additional reference pricing
 - Decreases overall unit cost
 - Shifts brand utilization to generic utilization
 - Decreases overall utilization (since some generics less than copay)
- New Hepatitis C medications not covered in 2014
 - Primary reason for increase in specialty national average was new Hepatitis C medications
- Management of MAC pricing
 - Decreases generic unit cost
- Increases in copays
 - Shifts utilization to lower copays
 - Decreases generic utilization (since more generics less than copay)
 - Can decrease overall utilization (people foregoing medications)
- Compound medication limitations
 - Prevented unit cost increases

Pharmacy Trend: Traditional Therapy



2015 - 2017

THERAPY CLASS	TREND FORECAST		
	2015	2016	2017
Diabetes	18.3%	18.3%	18.3%
High Blood Cholesterol*	-8.5%	-14.3%	-24.7%
Compounded Medications	-45.0%	8.0%	8.0%
Pain/Inflammation	13.1%	9.4%	9.5%
High Blood Pressure/Heart Disease	-3.5%	-6.7%	-10.6%
Heartburn/Ulcer Disease	-31.4%	-34.0%	-30.7%
Asthma	12.7%	9.8%	9.9%
Attention Disorders	11.8%	11.0%	10.2%
Depression	-26.3%	-10.8%	-0.8%
Mental/Neurological Disorders	0.7%	-6.0%	-5.5%
Contraceptives	15.0%	11.0%	9.0%
Anticoagulants	25.1%	15.5%	12.3%
Other Traditional Classes	1.7%	3.1%	2.4%
TOTAL TRADITIONAL	-0.5%	3.9%	4.3%

*Due to uncertainty regarding price projections and regulatory guidance, PCSK9 inhibitors products were excluded from our forecast.

Source: <http://lab.express-scripts.com/drug-trend-report>



Classic Values, Innovative Advice.

4/10/2015

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Pharmacy Trend: Specialty Therapy



2015 - 2017

THERAPY CLASS	TREND FORECAST**		
	2015	2016	2017
Inflammatory Conditions	21.6%	21.6%	21.1%
Multiple Sclerosis	11.3%	6.5%	3.0%
Oncology	21.6%	20.4%	19.8%
Hepatitis C	66.5%	55.4%	44.3%
HIV	17.3%	16.6%	16.2%
Miscellaneous Specialty Conditions	31.1%	29.7%	28.2%
Growth Deficiency	12.5%	10.4%	10.5%
Hemophilia	3.9%	3.3%	3.4%
Pulmonary Arterial Hypertension	12.5%	12.0%	12.1%
Transplant	-5.8%	-1.3%	0.0%
Hereditary Angioedema	22.5%	24.2%	20.7%
Other Specialty Classes	6.7%	6.7%	6.4%
TOTAL SPECIALTY	22.6%	22.3%	21.3%

**Trend is forecast only for specialty medications billed through the pharmacy benefit.

Source: <http://lab.express-scripts.com/drug-trend-report>



Classic Values, Innovative Advice.

4/10/2015

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Pharmacy Trend Considerations for 2016



- Generic utilization at 88.5%
 - Probably effectively higher since many generics less than copay
 - Unlikely to see much additional shift to generics
- Assuming 2014 national average changes...
 - Traditional unit cost increases of 6.5%
 - Specialty unit cost increases of 25.2%
 - Specialty utilization increases of 5.8%

...annual trend would likely be 12-14%

 - Would increase projected costs 2-3% for actives; higher for Medicare retirees.
- Rates will consider
 - New strategies implemented where reasonable
 - Emerging experience, particularly of Hepatitis C medications



CHEIRON



Classic Values, Innovative Advice.

***Cheiron** (pronounced kī'ron), the immortal centaur from Greek mythology, broke away from the pack and was educated by the Gods. Cheiron became a mentor to classical Greek heroes, then sacrificed his immortality and was awarded in eternity as the constellation Sagittarius*



Classic Values, Innovative Advice.

4/10/2015

Appendix A – PSE Actives

2015 Final Rate Details



Actives	Unadjusted Total Rate	Direct State Contrib.	Reserve Used / (Added)	School District Contrib.	2015 Employee Cost with & without Wellness Visit		2014 Employee Cost	Change in EE Cost (\$/%) with & without Wellness Visit				Assumed Enrollment
					with	without*		with		without		
Premium							2014 Silver					
Employee Only	\$641.14	\$300.96	\$7.80	\$153.00	\$179.38	\$254.38	\$173.32	\$6.06	3%	\$81.06	47%	12,146
Employee & Spouse	1,457.18	479.04	12.42	153.00	812.72	887.72	785.24	27.48	3%	102.48	13%	285
Employee & Child(ren)	1,192.60	564.88	14.64	153.00	460.08	535.08	444.52	15.56	4%	90.56	20%	1,348
Family	2,008.64	1,014.42	26.30	153.00	814.92	889.92	787.36	27.56	4%	102.56	13%	421
Est. Monthly Total (\$mil)	\$10.7	\$5.0	\$0.1	\$2.2	\$3.4	\$0.1	\$3.3	\$0.1	3%	\$0.1	36%	14,200
Classic							2014 Bronze					
Employee Only	\$267.94	\$68.17	\$1.77	\$153.00	\$45.00	\$120.00	\$11.00	\$34.00	309%	\$109.00	991%	15,641
Employee & Spouse	554.68	53.55	1.39	153.00	346.74	421.74	266.72	80.02	30%	155.02	58%	1,154
Employee & Child(ren)	469.82	157.83	4.09	153.00	154.90	229.90	119.16	35.74	30%	110.74	93%	3,424
Family	731.56	222.43	5.77	153.00	350.36	425.36	269.50	80.86	30%	155.86	58%	2,552
Est. Monthly Total (\$mil)	\$8.3	\$2.2	\$0.1	\$3.5	\$2.5	\$0.2	\$1.6	\$1.0	60%	\$0.2	169%	22,772
Basic							2014 Bronze					
Employee Only	\$148.50	\$0.00	(\$15.50)	\$153.00	\$11.00	\$86.00	\$11.00	\$0.00	0%	\$75.00	682%	3,910
Employee & Spouse	269.72	0.00	(\$150.00)	153.00	266.72	341.72	266.72	0.00	0%	75.00	28%	289
Employee & Child(ren)	238.52	0.00	(\$33.64)	153.00	119.16	194.16	119.16	0.00	0%	75.00	63%	856
Family	334.74	0.00	(\$87.76)	153.00	269.50	344.50	269.50	0.00	0%	75.00	28%	638
Est. Monthly Total (\$mil)	\$1.1	\$0.0	(\$0.2)	\$0.9	\$0.4	\$0.0	\$0.4	\$0.0	0%	\$0.0	108%	5,693
Total (Monthly) (\$ mil)	\$20.0	\$7.2	(\$0.0)	\$6.5	\$6.3	\$0.3	\$5.2	\$1.1/\$1.4		20%/27%		42,665
Est Annual Total (\$ mil)	\$240.5	\$86.6	(\$0.0)	\$78.3	\$75.6	\$3.8	\$62.8	\$12.8/\$16.6		20%/27%		
vs 2014 plan elections (minimum District) - with/without wellness				\$78.3	\$75.6	\$3.8	\$98.9	-\$23.3/-19.5		-24%-20%		
vs 2014 plan elections (estimated District) - with/without wellness				\$94.5	\$59.4	\$3.8	\$82.7	-\$23.3/-19.5		-28%-24%		
Total Active & Ret (\$ mil)	\$281.9	\$86.6	\$0.0	\$78.3	\$117.0	\$3.8	\$96.2	\$20.8	22%	\$24.6	26%	56,827



Appendix A - PSE Retirees

Non-Medicare Eligible 2015 Final Rate Details



NME Retirees	Unadjusted Total Rate	Direct State Contrib.	Reserve Used / (Added)	2015 Retiree Cost	2014 Total Retiree Cost	Change in Retiree Cost (\$/%)		Assumed Enrollment
Premium					2014 Silver			
Retiree Only	\$641.14	\$0.00	\$0.00	\$641.14	\$426.54	\$214.60	50%	2,054
Retiree & NME SP	1,457.18	0.00	0.00	1,457.18	1,107.40	349.78	32%	141
Retiree & Child(ren)	1,192.60	0.00	0.00	1,192.60	779.76	412.84	53%	21
Retiree & NME SP&CH	2,008.64	0.00	0.00	2,008.64	1,363.04	645.60	47%	15
Retiree & ME SP	795.12	0.00	0.00	795.12	508.22	286.90	56%	159
Retiree & ME SP & CH	1,346.58	0.00	0.00	1,346.58	861.44	485.14	56%	-
Est. Monthly Total (\$mil)	\$1.7	\$0.0	\$0.0	\$1.7	\$1.2	\$0.6	48%	2,391
Classic					2014 Bronze			
Employee Only	\$267.94	\$0.00	\$0.00	\$267.94	\$267.66	\$0.28	0%	1,254
Employee & Spouse	554.68	0.00	0.00	554.68	600.98	(46.30)	-8%	243
Employee & Child(ren)	469.82	0.00	0.00	469.82	468.20	1.62	0%	33
Family	731.56	0.00	0.00	731.56	801.52	(69.96)	-9%	41
Est. Monthly Total (\$mil)	\$0.5	\$0.0	\$0.0	\$0.5	\$0.5	\$0.0	-3%	1,571
Basic					2014 Bronze			
Employee Only	\$148.50	\$0.00	\$0.00	\$148.50	\$267.66	(\$119.16)	-45%	139
Employee & Spouse	269.72	0.00	0.00	269.72	600.98	(331.26)	-55%	27
Employee & Child(ren)	238.52	0.00	0.00	238.52	468.20	(229.68)	-49%	4
Family	334.74	0.00	0.00	334.74	801.52	(466.78)	-58%	5
Est. Monthly Total (\$mil)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	\$0.0	-48%	175
Total (Monthly) (\$ mil)	\$2.3	\$0.0	\$0.0	\$2.3	\$1.7	\$0.5	29%	4,137
Est Annual Total (\$ mil)	\$27.0	\$0.0	\$0.0	\$27.0	\$20.9	\$6.1		



Appendix A – PSE Retirees

Medicare Eligible 2015 Final Rate Details



Medicare Eligible	Unadjusted Total Rate	Subsidy	Reserve Used / (Added)	2015 Retiree Cost	2014 Total Retiree Cost	Change in Retiree Cost (\$/%)		Assumed Enrollment
Retiree Only	\$153.98	\$55.18	\$0.00	\$98.80	\$81.68	\$17.12	21%	9,087
Retiree & NME SP	783.92	0.00	0.00	783.92	708.98	74.94	11%	96
Retiree & Child(ren)	757.10	0.00	0.00	757.10	665.66	91.44	14%	17
Retiree & NME SP&CH	1,521.48	0.00	0.00	1,521.48	1,310.62	210.86	16%	1
Retiree & ME SP	285.46	27.58	0.00	257.88	271.04	(13.16)	-5%	824
Retiree & ME SP & CH	888.57	0.00	0.00	888.57	788.44	100.13	13%	-
Est. Monthly Total (\$mil)	\$1.7	\$0.5	\$0.0	\$1.2	\$1.0	\$0.2	15%	10,026
Total (Est. Annual)	\$20.7	\$6.3	\$0.0	\$14.4	\$12.6	\$1.8		

Appendix A – ASE Actives

2015 Final Rate Details



Actives	Risk Adjusted Total Rate	State Contrib.	Reserve Used / (Added)	2015 Employee Cost with & without Wellness Visit		2014 Employee Cost	Change in EE Cost (\$/%) with & without Wellness Visit				Assumed Enrollment
				with	without*		2014 Gold		with	without	
Premium											
Employee Only	\$431.08	\$305.75	\$20.55	\$104.78	\$179.78	\$96.68	\$8.10	8%	\$83.10	86%	14,304
Employee & Spouse	968.92	552.69	37.15	379.08	454.08	371.24	7.84	2%	82.84	22%	3,155
Employee & Child(ren)	723.48	481.10	32.34	210.04	285.04	195.48	14.56	7%	89.56	46%	4,970
Family	1,261.32	728.04	48.94	484.34	559.34	423.60	60.74	14%	135.74	32%	3,403
Est. Monthly Total (\$mil)	\$17.1	\$11.0	\$0.7	\$5.4	\$0.2	\$5.0	\$0.4	8%	\$0.2	47%	25,832
Classic						2014 Bronze					
Employee Only	\$372.78	\$305.75	\$20.55	\$46.48	\$121.48	\$0.00	\$46.48	n/a	\$121.48	n/a	952
Employee & Spouse	832.86	552.69	37.15	243.02	318.02	77.96	165.06	212%	240.06	308%	280
Employee & Child(ren)	622.90	481.10	32.34	109.46	184.46	28.10	81.36	290%	156.36	556%	249
Family	1,082.96	728.02	48.94	306.00	381.00	93.08	212.92	229%	287.92	309%	346
Est. Monthly Total (\$mil)	\$1.1	\$0.8	\$0.1	\$0.2	\$0.0	\$0.1	\$0.2	302%	\$0.0	527%	1,827
Basic						2014 Bronze					
Employee Only	\$326.30	\$305.75	\$20.55	\$0.00	\$75.00	\$0.00	\$0.00	n/a	\$75.00	n/a	238
Employee & Spouse	722.32	552.69	37.15	132.48	207.48	77.96	54.52	70%	129.52	166%	70
Employee & Child(ren)	541.60	481.10	32.34	28.16	103.16	28.10	0.06	0%	75.06	267%	62
Family	937.62	728.04	48.94	160.64	235.64	93.08	67.56	73%	142.56	153%	86
Est. Monthly Total (\$mil)	\$0.2	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	63%	\$0.0	288%	457
Total (Monthly) (\$ mil)	\$18.5	\$12.0	\$0.8	\$5.7	\$0.2	\$5.0	\$0.6/\$0.8			12%16%	28,115
Est Annual Total (\$ mil)	\$221.7	\$144.1	\$9.7	\$67.9	\$2.5	\$60.5	\$7.4/\$9.9			12%16%	
vs 2014 plan elections - with/without wellness			\$9.7	\$67.9	\$2.5	\$65.1	\$2.8/\$5.3			4%8%	
Total Active & Ret (\$ mil)	\$291.3	\$173.3	\$11.6	\$106.3	\$2.5	\$94.8	\$11.6	12%	\$14.1	15%	39,574



Appendix A - ASE Retirees: Non-Medicare Eligible 2015 Final Rate Details



NME Retirees	Risk Adjusted Total Rate	State Contrib.	Reserve Used / (Added)	2015 Retiree Cost	2014 Total Retiree Cost	Change in Retiree Cost (\$/%)		Assumed Enrollment
Premium					2014 Gold			
Retiree Only	\$431.08	\$161.58	\$10.86	\$258.64	\$237.98	\$20.66	9%	1,900
Retiree & NME SP	968.92	287.57	19.33	662.02	581.36	80.66	14%	606
Retiree & Child(ren)	723.48	230.08	15.46	477.94	444.02	33.92	8%	104
Retiree & NME SP&CH	1,261.32	356.07	23.93	881.32	925.42	(44.10)	-5%	39
Retiree & ME SP	790.98	272.86	18.34	499.78	405.36	94.42	23%	251
Retiree & ME SP & CH	1,083.38	341.36	22.94	719.08	612.54	106.54	17%	9
Est. Monthly Total (\$mil)	\$1.7	\$0.6	\$0.0	\$1.1	\$1.0	\$0.1	12%	2,909
Classic					2014 Bronze			
Employee Only	\$372.78	\$161.58	\$10.86	\$200.34	\$147.86	\$52.48	35%	27
Employee & Spouse	832.86	287.57	19.33	525.96	303.78	222.18	73%	18
Employee & Child(ren)	622.90	230.08	15.46	377.36	204.06	173.30	85%	4
Family	1,082.96	356.05	23.93	702.98	334.02	368.96	110%	12
Est. Monthly Total (\$mil)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	74%	60
Basic					2014 Bronze			
Employee Only	\$326.30	\$161.58	\$10.86	\$153.86	\$147.86	\$6.00	4%	3
Employee & Spouse	722.32	287.57	19.33	415.42	303.78	111.64	37%	2
Employee & Child(ren)	541.60	230.08	15.46	296.06	204.06	92.00	45%	0
Family	937.62	356.07	23.93	557.62	334.02	223.60	67%	1
Est. Monthly Total (\$mil)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	37%	7
Total (Monthly) (\$ mil)	\$1.8	\$0.6	\$0.0	\$1.1	\$1.0	\$0.1	12%	2,975
Est Annual Total (\$ mil)	\$21.4	\$7.3	\$0.5	\$13.6	\$12.1	\$1.5		



Appendix A – ASE Retirees: Medicare Eligible 2015 Final Rate Details



Medicare Eligible	Risk Adjusted Total Rate	State Contrib.	Reserve Used / (Added)	2015 Retiree Cost	2014 Total Retiree Cost	Change in Retiree Cost (\$/%)		Assumed Enrollment
Retiree Only	\$359.90	\$185.48	\$12.46	\$161.96	\$148.10	\$13.86	9%	5,797
Retiree & NME SP	790.99	211.44	14.21	565.34	480.82	84.52	18%	399
Retiree & Child(ren)	692.48	291.62	19.60	381.26	347.70	33.56	10%	62
Retiree & NME SP&CH	1,190.13	379.95	25.54	784.64	680.46	104.18	15%	34
Retiree & ME SP	697.31	289.81	19.48	388.02	340.86	47.16	14%	2,170
Retiree & ME SP & CH	1,029.88	395.95	26.61	607.32	540.48	66.84	12%	21
Est. Monthly Total (\$mil)	\$4.0	\$1.8	\$0.1	\$2.1	\$1.8	\$0.2	12%	8,483
Total (Est. Annual)	\$48.2	\$21.9	\$1.5	\$24.8	\$22.2	\$2.7		

Appendix B – 2015 Plan Design



<i>Yellow highlight means the coverage is changed</i>	2014 Gold	ASE Premium	PSE Premium	2014 Bronze	ASE Classic	PSE Classic	ASE Basic	PSE Basic
Monthly Plan HSA Contribution (Ind./Family)	n/a	n/a	n/a	\$0	\$25/\$50	\$0	\$25/\$50	\$0
In-Network:								
Deductible - Individual	\$0	\$500	\$1,000	\$2,000	\$2,500	\$2,000	\$6,450	\$4,250
Co-Insurance Limit - Individual (after Deductible)	\$2,500	\$2,500	\$2,500	\$4,350	\$3,950	\$4,450	n/a	\$2,200
Med. Out-of-Pocket Max (Ded. + Co-Ins. + Med. Co-Pay)	\$2,500	\$3,000	\$3,500	\$6,350	\$6,450	\$6,450	\$6,450	\$6,450
Deductible - Family	\$0	\$1,000	\$2,000	\$3,000	\$5,000	\$3,000	\$12,900	\$8,500
Co-Insurance Limit - Family (after Deductible)	\$5,000	\$5,000	\$5,000	\$6,525	\$7,900	\$6,675	n/a	\$4,400
Med. Out-of-Pocket Max (Ded. + Co-Ins. + Med. Co-Pay)	\$5,000	\$6,000	\$7,000	\$9,525	\$12,900	\$9,675	\$12,900	\$12,900
Coinsurance Rate	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%	100%/0%	80%/20%
Physician Office Visit - Primary Care - Co-Pay	\$35	\$25	\$25					
Physician Office Visit - Specialist - Co-Pay	\$70	\$50	\$50					
Rx - Deductible	None	None	None	Incl. w/ Med.	Incl. w/ Med.	Incl. w/ Med.	Incl. w/ Med.	Incl. w/ Med.
Rx - Tier 1 - Generic	\$15	\$15	\$15		**	**	**	**
Rx - Tier 2 - Preferred Brand	\$40	\$40	\$40		**	**	**	**
Rx - Tier 3 - Non-Preferred Brand	\$80	\$80	\$80		not covered	not covered	not covered	not covered
Rx - Specialty	\$100	\$100	\$100		**	**	**	**
Rx - Out of Pocket Maximum (Individual/Family)	n/a	\$3,600/\$7,200	\$3,100/\$6,200	n/a	n/a	n/a	n/a	n/a
Hospital / Facility - Inpatient & SNF - Co-Pay Per Admission*	\$250	\$0	\$0					
Hospital / Facility - Outpatient - Co-Pay*	\$100	\$0	\$0					
Urgent Care Visit	\$100	\$100	\$100					
Emergency Room Visit	\$250	\$250	\$250					
Emergency Transportation - Ambulance	\$50	\$50	\$50					
High Tech Radiology - Co-Pay (1st Procedure Only)*	\$250	\$0	\$0					
Rehab / Therapy - Outpatient - Physical/Speech/Occup	\$35	\$25	\$25					
Rehab / Therapy - Outpatient - Chiropractic - Co-Pay	\$35	\$25	\$25					
Out-of-Network:								
Deductible - Individual/Family	\$1,000/\$2,000	\$2,000/\$4,000	\$2,000/\$4,000	\$3,000/\$6,000	\$4,000/\$8,000	\$3,000/\$6,000	not covered	not covered
Co-Insurance	60%/40%	60%/40%	60%/40%	60%/40%	60%/40%	60%/40%	not covered	not covered
Co-Insurance Limit - Individual/Family (after Deductible)	\$5,000/\$10,000	None	None	\$5,000/\$10,000	None	None	not covered	not covered
Max. Out-of-Pocket (Deductible + Co-Insurance)	\$6,000/\$12,000	None	None	\$8,000/\$16,000	None	None	not covered	not covered

*Deductible & Co-Insurance also applies



Appendix C - Use & Disclosures



- The assumptions and methods for updated projections are as described on our monitoring reports dated February 16, 2015. Projections do not reflect any updated claims experience since the rates were established in 2015. All projections for 2016 are illustrative and are not intended to convey any projected rate changes.
- In preparing the information in this presentation, we relied without audit, on information (some oral and some written) supplied by the 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 the Employee Benefits Division of the State of Arkansas 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.