



AGENDA

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

**April 8, 2016
10:00 a.m.**

EBD Board Room – 501 Building, Suite 500

- I. Call to Order Jeff Altemus, Chairman***
- II. Approval of March 11, 2016 Minutes..... Jeff Altemus, Chairman***
- III. ASE/PSE March 2016 Financials.....Marla Wallace, EBD Chief Fiscal Officer***
- IV. 2017 ASE/PSE Preliminary Rates Update..... John Colberg &
..... Gaelle Gravot, Cheiron, Inc.***
- V. Director's Report..... Janis Harrison, EBD Interim Director***

Upcoming Meetings

May 6, June 10, July 8, 2016

***NOTE: All material for this meeting will be available by electronic means only
ethel.whittaker@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 8, 2016**

The Benefits Sub-Committee of the State and Public School Life and Health Insurance Board (hereinafter called the Committee) met on April 8, 2016, at 10:00 a.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, Arkansas.

Members Present

Becky Walker
Dan Honey
Shelby McCook
Jeff Altemus
Claudia Moran
Ronnie Kissire
Susan Gardner
Carla Haugen

Members Absent

Janis Harrison, Interim Director, Employee Benefits Division (EBD)

Others Present

Sherry Bryant, Jill Johnson, Keith Olsen, John Kirtley, UAMS; Janna Keathley, Marla Wallace, Gretchen Baggett, Ethel Whittaker, Andrew Carle, Cecilia Walker, Stella Greene, EBD; Kristi Jackson, Jennifer Vaugh, Com Psych; Pam Lawrence, AHH; Sylvia Landers, Minnesota Life; Marc Watts, ASEA; Raina Porchay, Optum Rx; Ronda Walthall, Mike Boyd, AHTD; Steve Althoff, MTI; Scott McRae, APSRC; Mark Adkison, Stephen Carroll, Allcare; Takisha Sanders, Jessica Atkins, M. Carlson, Health Advantage; Karyn Langley, QualChoice; Jackie Baker, ASP; Bill Clary, H&H; Scott Pace, John Vinson, APA; Robyn Keene, AAEA; Erica Gee, Attorney; Kim Henderson, ADFA; Martha Hill, MW; B. Fry, UHG

CALL TO ORDER

The meeting was called to order by Jeff Altemus, Chairman

APPROVAL OF MINUTES

A request was made by Altemus to approve the minutes from March 11, 2016. McCook made the motion to approve. Honey seconded. All were in favor.

Minutes Approved.

ASE/PSE FINANCIALS: *by Marla Wallace, EBD Fiscal Officer*

Wallace reported financials for March 2016. For March, PSE five (5) weeks of medical and pharmacy claims were paid. The fifth week of claims was \$4.1 million. There was a gain of \$1 million for the month, and the year-to-date net gain is \$13.26 million. The FICA savings for the month was \$490,000. Net assets available are \$46.7 million.

For ASE, the month of March five (5) weeks of medical and pharmacy claims were paid. There was a loss of \$803,000 for the month. The year-to-date net gain is \$7.5 million. The net assets available are \$35.4 million.

2017 PRELIMINARY PROJECTIONS: *by John Colberg, Gaelle Gravot, Cherion, Inc.*

Colberg reported on the Pharmacy Reimbursement Decision, Trend Experience, Updated 2016 Projections, and Preliminary 2017 Projections.

The Board adopted MedImpact's proposed rates for the vast majority of pharmacies.

- AWP – 15.65% for brand (13.65% for certain rural pharmacies)
- Dispensing fee of \$1.50
- New MAC pricing

The projected savings of \$16 million is as follows:

- \$8 million to members
- \$8 million to the plan
 - o Assuming a reduction of over 8% for ASE and over 4% for PSE
- Savings could be higher if usual and customary prices remain below the AWP of 15.65% for non-MAC generic drugs.

Based on actual March 2016 enrollment and calendar year, 2015 claims paid through February 2016 assumed trends of:

- 6% medical for actives and Non-Medicare retirees (to allow for resuming to position pattern environment plus leveraging)
- 10% pharmacy (national average projection plus leveraging)
- 5% medical for Medicare-Eligible retirees

Colberg reported the options for the 2017 preliminary rate change for PSE is as follows:

- 2017 stable population, no allocated reserves; same State & District contributions.
- 2017 stable population, \$200,000 new reserve allocated; same State & District contributions, HSA contributions of \$25/\$50 for Actives in Classic or Basic.

Colberg reported the options for the 2017 preliminary rate change for ASE is as follows:

- 2017 stable population and \$8.2 million new allocated reserves
- 2017 above; \$5 million less state contribution: need \$18.2 million new allocated reserves
- 2017 above; \$10 million less state contribution: need \$28.2 million new allocated reserves.

Altemus inquired if the performance is identical for each group or is there a difference? Altemus would like the option to review the actual trends for each group.

McCook would like to know the concerns of the teachers. Moran reported complaints are: the plans are identical; however, the cost is different.

Honey recommended continue saving reserves before using the benefits. Altemus and Moran inquired how much reserves should be kept before utilizing?

Walker recommended reviewing deductibles for each plan for possible lower rates. Previously, the deductible was set according to the guidelines of the Cadillac Tax. Boyd reported the Cadillac Tax has been delayed for two years. Therefore, deductibles can be reviewed.

Altemus requested the committee voice their concerns regarding additional information. The committee sought accurate projections based on the current benefits.

EBD DIRECTOR'S REPORT: *by Janis Harrison, EBD Interim Director*

Harrison stated there are approximately 200 accounts in the transfer process. WageWorks has completed the bulk transfer of assets from DataPath to WageWorks on HSA accounts.

On March 23, 2016, the Health Insurance Representatives were notified going forward if an employee wishes to transfer their funds, a request form must be submitted. Only accounts with a balance exceeding \$100.00 will qualify for transfer. Those accounts with a balance of \$100.00 or less will remain with DataPath. There are approximately 6,300 accounts already transferred.

McCook requested additional data regarding: of the 1571 State Employees who have an HSA account what is the ratio of those supporting their accounts financially?

Altemus requested additional data regarding Public School Employees: of the 6300 employees who have an HSA account, what is the average contribution amount? Baggett, EBD Operations Manager, reported the report will not provide the amount. However, it will provide if the employee is participating. Baggett said the data will be given at the next Benefits meeting.

MEETING ADJOURNED

Arkansas State Employees (ASE) Financials - January 1, 2015 through March 31, 2015

	EMPLOYEE ONLY					EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL		ACTIVES	RETIREES	MEDICARE	TOTAL
BASIC	886	14		900		1568	28		1596
CLASSIC	1822	55		1877		3134	85		3219
PREMIUM	24704	2151		26855		43209	2784		45993
PRIMARY		229	8667	8896			469	11454	11923
TOTAL	27412	2449	8667	38528		47911	3366	11454	62731

REVENUES & EXPENDITURES

	Current Month	Year to Date (3 Months)
Funding		
State Contribution	\$ 14,362,878	\$ 43,069,364
Employee Contribution	\$ 8,047,498	\$ 24,200,978
Other	\$ 711,116	\$ 1,787,942
Allocation for Actives - Plan Year 2015	\$ 971,667	\$ 2,915,000
Total Funding	\$ 24,093,159	\$ 71,973,285
Expenses		
Medical Expenses		
Claims Expense	\$ 10,873,595	\$ 34,943,496
Claims IBNR	\$ -	\$ -
Medical Administration Fees	\$ 1,151,541	\$ 3,195,108
Refunds	\$ (1,248)	\$ (26,459)
Employee Assistance Program (EAP)	\$ 56,559	\$ 169,561
Life Insurance	\$ 55,141	\$ 165,294
Pharmacy Expenses		
RX Claims	\$ 4,144,230	\$ 15,049,230
RX IBNR	\$ -	\$ -
RX Administration	\$ 212,858	\$ 637,604
Plan Administration	\$ 288,301	\$ 1,000,085
Total Expenses	\$ 16,780,977	\$ 55,133,920
Net Income/(Loss)	\$ 7,312,182	\$ 16,839,365

BALANCE SHEET

Assets	
Bank Account	\$ 20,375,436
State Treasury	\$ 71,145,590
Due from Cafeteria Plan	\$ 709,521
Due from PSE	\$ -
Receivable from Provider	\$ -
Accounts Receivable	\$ 147,014
Total Assets	\$ 92,377,560
Liabilities	
Accounts Payable	\$ 4,014
Deferred Revenues	\$ -
Due to Cafeteria	\$ 57
Due to PSE	\$ 344,690
Due to Federal Government (\$44 fee)	\$ -
Health IBNR	\$ 24,700,000
RX IBNR	\$ 1,800,000
Total Liabilities	\$ 26,848,761
Net Assets	\$ 65,528,800
Less Reserves Allocated	
Premiums for Plan Year 1/1/15 - 12/31/15 (\$6,260,000 + \$5,400,000)	\$ (8,745,000)
Premiums for Plan Year 1/1/16 - 12/31/16 (\$3,600,000)	\$ (3,600,000)
Catastrophic Reserve (2015 \$10,400,000)	\$ (10,400,000)
Net Assets Available	\$ 42,783,800

Fifth Week of Claims \$

Arkansas State Employees (ASE) Financials - January 1, 2016 through March 31, 2016

	EMPLOYEE ONLY				EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL	ACTIVES	RETIREES	MEDICARE	TOTAL
BASIC	1247	27		1274	2077	41		2118
CLASSIC	1694	64		1758	2839	87		2926
PREMIUM	23523	2167		25690	41025	2785		43810
PRIMARY		215	9110	9325		438	11928	12366
TOTAL	26464	2473	9110	38047	45941	3351	11928	61220

REVENUES & EXPENDITURES

	Current Month	Year to Date (3 Months)
Funding		
1 State Contribution	\$ 14,694,092	\$ 44,080,848
2 Employee Contribution	\$ 7,976,701	\$ 23,986,330
3 Other	\$ 874,050	\$ 2,047,953
4 Allocation of Reserves	\$ 1,350,000	\$ 4,050,000
Total Funding	\$ 24,894,843	\$ 74,165,131
Expenses		
Medical Expenses		
5 Claims Expense	\$ 16,376,663	\$ 41,659,170
6 Claims IBNR	\$ -	\$ -
7 Medical Administration Fees	\$ 1,114,779	\$ 3,298,963
8 Refunds	\$ -	\$ -
9 Employee Assistance Program (EAP)	\$ 55,379	\$ 166,139
10 Life Insurance	\$ 79,490	\$ 238,458
Pharmacy Expenses		
11 RX Claims	\$ 7,568,151	\$ 19,650,121
12 RX IBNR	\$ -	\$ -
13 RX Administration	\$ 214,855	\$ 639,034
14 Plan Administration	\$ 289,418	\$ 975,530
Total Expenses	\$ 25,698,735	\$ 66,627,414
15 Net Income/(Loss)	\$ (803,892)	\$ 7,537,717

BALANCE SHEET

Assets		
16 Bank Account		\$ 5,786,779
17 State Treasury		\$ 86,364,280
18 Due from Cafeteria Plan		\$ 5,195,886
19 Due from PSE		\$ -
20 Receivable from Provider		\$ -
21 Accounts Receivable		\$ 398,711
Total Assets		\$ 97,745,656
Liabilities		
22 Accounts Payable		\$ 654
23 Deferred Revenues		\$ -
24 Due to Cafeteria		\$ 2,063
25 Due to PSE		\$ 355,749
26 Due to Federal Government (\$44 fee)		\$ -
27 Health IBNR		\$ 24,700,000
28 RX IBNR		\$ 1,800,000
Total Liabilities		\$ 26,858,466
Net Assets		\$ 70,887,190
Less Reserves Allocated		
29 Premiums for Plan Year 1/1/16 - 12/31/16 (\$3,600,000 + \$12,600,000)		\$ (12,150,000)
30 Premiums for Plan Year 1/1/17 - 12/31/17 (\$7,560,000)		\$ (7,560,000)
31 Premiums for Plan Year 1/1/18 - 12/31/18 (\$5,040,000)		\$ (5,040,000)
32 Catastrophic Reserve (2016 \$10,700,000)		\$ (10,700,000)
33 Net Assets Available		\$ 35,437,190

34 Fifth Week of Claims \$4,879,419.53

Public School Employees (PSE) Financials - January 1, 2015 through March 31, 2015

	EMPLOYEE ONLY				EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL	ACTIVES	RETIREES	MEDICARE	TOTAL
BASIC	2383	125		2508	3529	150		3679
CLASSIC	21524	1578		23102	39456	1921		41377
PREMIUM	20881	1298		22179	26785	1398		28183
PRIMARY		111	9893	10004		224	10822	11046
TOTAL	44788	3112	9893	57793	69770	3693	10822	84285

REVENUES & EXPENDITURES

	Current Month	Year to Date (3 Months)
Funding		
Per Participating Employee Funding (PPE Funding)	\$ 8,257,199	\$ 24,754,572
Employee Contribution	\$ 9,121,748	\$ 27,561,833
Department of Education \$35,000,000 & \$15,000,000	\$ 19,475,771	\$ 29,589,408
Other	\$ 829,072	\$ 1,801,416
Allocation for Actives	\$ 1,666,667	\$ 5,000,000
Total Funding	\$ 39,350,457	\$ 88,707,229
Expenses		
Medical Expenses		
Claims Expense	\$ 10,388,602	\$ 36,703,663
Claims IBNR	\$ -	\$ -
Medical Administration Fees	\$ 1,569,656	\$ 4,640,545
Refunds	\$ -	\$ (3,153)
Employee Assistance Program (EAP)	\$ 77,462	\$ 232,531
Pharmacy Expenses		
RX Claims	\$ 2,411,685	\$ 9,199,339
RX IBNR	\$ -	\$ -
RX Administration	\$ 293,859	\$ 872,975
Plan Administration	\$ 371,566	\$ 1,167,459
Total Expenses	\$ 15,112,831	\$ 52,813,359
Net Income/(Loss)	\$ 24,237,626	\$ 35,893,870

BALANCE SHEET

Assets	
Bank Account	\$ 23,084,895
State Treasury	\$ 78,532,994
Receivable from Provider	\$ -
Accounts Receivable	\$ 4,669,983
Due to ASE	\$ -
Total Assets	\$ 106,287,872
Liabilities	
Accounts Payable	\$ 875
Due to ASE	\$ -
Deferred Revenues	\$ -
Due to Federal Government (\$44 fee)	\$ -
Health IBNR	\$ 28,000,000
RX IBNR	\$ 1,400,000
Total Liabilities	\$ 29,400,875
Net Assets	\$ 76,886,997
Less Reserves Allocated	
Premiums for Plan Year 1/1/15 - 12/31/15 (\$20,000,000 rec'd from Dept. of Education)	\$ (15,000,000)
Premium Assistance (FICA Savings)	\$ (1,421,023)
Catastrophic Reserve (2015 \$10,900,000)	\$ (10,900,000)
Net Assets Available	\$ 49,565,974

Public School Employees (PSE) Financials - January 1, 2016 through March 31, 2016

	EMPLOYEE ONLY					EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREEES	MEDICARE	TOTAL		ACTIVES	RETIREEES	MEDICARE	TOTAL
BASIC	3196	231		3427		4798	291		5089
CLASSIC	21990	1850		23840		40840	2245		43085
PREMIUM	19633	1009		20642		25336	1087		26423
PRIMARY		86	10675	10761			172	11649	11821
TOTAL	44819	3176	10675	58670		70974	3795	11649	86418

REVENUES & EXPENDITURES

	Current Month	Year to Date (3 Months)
Funding		
1 Per Participating Employee Funding (PPE Funding)	\$ 8,195,088	\$ 24,572,576
2 Employee Contribution	\$ 9,304,661	\$ 27,997,620
3 Department of Education \$35,000,000 & \$15,000,000 & Other Funding	\$ 3,181,818	\$ 13,295,455
4 Other	\$ 925,809	\$ 1,937,231
5 Allocation of Reserves	\$ 3,975,000	\$ 11,925,000
Total Funding	\$ 25,582,376	\$ 79,727,882
Expenses		
Medical Expenses		
6 Claims Expense	\$ 17,306,177	\$ 47,122,413
7 Claims IBNR	\$ -	\$ -
8 Medical Administration Fees	\$ 1,679,696	\$ 4,967,174
9 Refunds	\$ -	\$ -
10 Employee Assistance Program (EAP)	\$ 77,601	\$ 232,856
Pharmacy Expenses		
11 RX Claims	\$ 4,716,812	\$ 11,774,313
12 RX IBNR	\$ -	\$ -
13 RX Administration	\$ 310,585	\$ 922,444
14 Plan Administration	\$ 448,980	\$ 1,441,963
Total Expenses	\$ 24,539,852	\$ 66,461,164
16 Net Income/(Loss)	\$ 1,042,524	\$ 13,266,718

BALANCE SHEET

Assets	
17 Bank Account	\$ 19,947,123
18 State Treasury	\$ 108,869,320
19 Receivable from Provider	\$ -
20 Accounts Receivable	\$ 4,276,530
21 Due from ASE	\$ 355,749
Total Assets	\$ 133,448,722
Liabilities	
22 Accounts Payable	\$ 379
23 Due to ASE	\$ -
24 Deferred Revenues	\$ -
25 Due to Federal Government (\$44 fee)	\$ -
26 Health IBNR	\$ 28,000,000
27 RX IBNR	\$ 1,400,000
Total Liabilities	\$ 29,400,379
28 Net Assets	\$ 104,048,343
Less Reserves Allocated	
29 Premiums for Plan Year 1/1/16 - 12/31/16 (\$9,600,000 + \$20,000,000 DOE + 18,100,000 DOE)	\$ (35,775,000)
30 Premiums for Plan Year 1/1/17 - 12/31/17 (\$5,760,000)	\$ (5,760,000)
31 Premiums for Plan Year 1/1/18 - 12/31/18 (\$3,840,000)	\$ (3,840,000)
33 Premium Assistance (FICA Savings)	\$ (1,471,149)
32 Catastrophic Reserve (2016 \$10,500,000)	\$ (10,500,000)
34 Net Assets Available	\$ 46,702,194

35 Fifth Week of Claims \$4,149,635.63

Specialty Pharmacy Overview

Gerri Bemberg, Pharm.D.

David Keisner, Pharm.D.

Specialty Pharmacy

- High cost prescription medications used to treat a variety of complex diseases
 - Rheumatoid Arthritis
 - Multiple Sclerosis
 - Oncology
 - Hepatitis C
 - Hemophilia
 - Many more
- Specialty drugs are often dispensed through specialty pharmacies, where the pharmacists and staff focus on disease states such as those listed above

Specialty Drug Spend

- Specialty medications account for 34.9% of the total plan pharmacy spend, and <1% of the number of total prescriptions
- Plan spend in 2015: \$42,950,527 (was \$36.3 million in 2014)
- Plan spent an average of \$2,733.96/specialty prescription in 2015, up 14.1% from 2014
- Primary drivers of increase – inflation and utilization

Specialty Management Strategies

- Clinical management: All new medications are currently reviewed by EBRx, who makes evidence-based recommendations to the DUEC about Prior Authorizations, exclusions, and more.
- Manufacturer Rebates: Coming soon. EBRx is in the process of securing rebates under the direction of EBD
- Limited specialty network: EBD **could** explore the option of a preferred or exclusive specialty pharmacy arrangement. Under this arrangement, the preferred pharmacy would offer discounted rates/dispense fees in exchange for more business.

Current Specialty Network

- Members may fill a specialty medication with any in-network Arkansas pharmacy, or the specialty pharmacy contracted with the PBM.
 - Optum – BrivoRx
 - MedImpact – U.S. Bioservices
- The RFP required that whomever won the contract had to provide a specialty pharmacy, but members are not required to use it.

Member Notification

- The 450 Briova members will be notified prior to July 1.
- Members will have the option to switch to any in-network Arkansas pharmacy or U.S. Bioservices
- Prescriptions will not be automatically transferred, and members will have a choice where to fill their medications.
- EBD does not promote or incentivize any in-network pharmacy.

Limited Specialty Network Possibility

- EBD could explore the option of having a limited specialty network for 2017 or beyond.
- EBD would determine qualities they see necessary in network pharmacies (delivery, state-wide access, etc.), and then pharmacies would “bid” to be a part of the network
 - “1 of 1”
 - “1 of 2”
 - “1 of many”
- May be necessary to go through the RFP process if this is desired
- With MedImpact implementation 3 months away, any change 7/1/16 **is not feasible.**

Projected Savings

- 7/1/16 specialty rate:
AWP – 15.65% + \$1.50
- Projected rate with an exclusive/preferred arrangement:
AWP – 17% + \$1.20*
- Possible savings: Approximately \$400,000

*Based on PBMI 2015 averages

Pros and Cons

Pros

- Possible modest savings

Cons

- Member disruption

Arkansas State Employees & Public School Employees Health Benefits Program



Preliminary 2017 Projections

April 8, 2016
Benefits Committee Meeting

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



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Pharmacy Reimbursement



- Board adopted MedImpact proposed rates for the large majority of pharmacies
 - AWP -15.65% for brand (-13.65% for certain rural pharmacies)
 - Dispensing fee of \$1.50
 - New MAC pricing
- Expected savings of \$16 million
 - \$8 million to members
 - \$8 million to plan
 - Assuming reduction of over 8% for ASE and over 4% for PSE
 - Savings could be higher if usual & customary prices remain below AWP – 15.65% for non-MAC generic drugs.

Medical Trend



Underlying Trends (*)	ASE	PSE
	PMPM	PMPM
Medical NME only		
- 2009 to 2010	5.8%	4.7%
- 2010 to 2011	2.5%	2.2%
- 2011 to 2012	7.7%	12.8%
- 2012 to 2013	4.2%	-1.8%
- 2013 to 2014	-1.2%	-0.1%
- 2014 to 2015	1.3%	-2.7%
AVERAGE	3.4%	2.4%

Medical ME Only		
- 2009 to 2010	9.0%	8.0%
- 2010 to 2011	0.0%	1.6%
- 2011 to 2012	8.0%	2.9%
- 2012 to 2013	-3.1%	-0.1%
- 2013 to 2014	7.6%	12.2%
- 2014 to 2015	-1.6%	-4.0%
AVERAGE	3.2%	3.3%

* Underlying trends are adjusted for changes in benefits, geographic and demographic factors

2014 to 2015 Trends are based on claims paid through February 29, 2016, plus estimated runout. As actual runout claims become known, the percentages will likely change.

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.

Pharmacy Trend: 2015 vs. 2014



	Unit Cost	Utilization	Total
<i>National Average*</i>			
Traditional	-2.1%	1.9%	-0.1%
Specialty	11.0%	6.8%	17.7%
Total Overall	3.2%	2.0%	5.2%
<i>ASE&PSE</i>			
Brand	26.5%	-13.6%	9.3%
Generic	3.0%	0.1%	3.2%
Traditional	7.9%	-1.4%	6.4%
Specialty	5.4%	-5.7%	-0.6%
Total Overall	6.8%	-1.4%	5.3%

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

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

Pharmacy Trend Considerations for 2017



- National forecast approximate 7% annually
- Generic utilization at 90.1%
 - Probably effectively higher since many generics less than copay
 - Unlikely to see much additional shift to generics
- Utilization trends
 - Last couple of years had negative utilization trends; unlikely to continue
 - Traditional therapies likely will see flat utilization
 - Specialty utilization likely to increase as drugs keep on entering the market
- Assuming an overall allowed trend of 7%
 - ...annual trend for the plan paid would likely be 10+%
 - Example: if a \$30 generic drug increases to \$32 (7%), the plan paid in the premium plan would increase from \$15 to \$17 (13%)
- Rates will reflect separately
 - New strategies implemented, including changes to PBM contract

Updated Projections for 12/31/2016



(In Millions \$)	As of	PSE		ASE	
		12/31/2015	Updated Projection 12/31/2016	12/31/2015	Updated Projection 12/31/2016
Net Assets before IBNR	\$	132.1	\$ 136.3	\$ 93.9	\$ 89.6
IBNR Reserve		(29.4)	(29.4)	(26.5)	(26.5)
Reserve for Current and Future Premiums		(57.3)	(47.7)	(28.8)	(12.6)
Catastrophic Reserve		(10.9)	(10.5)	(10.4)	(10.7)
Net Assets Available	\$	34.5	\$ 48.7	\$ 28.2	\$ 39.8

Preliminary 2017 Projections



- Based on actual March 2016 enrollment and calendar year 2015 claims paid through February 2016
- Assumed trends of
 - 6% medical for actives & NME retirees (to allow for resuming to positive trend environment plus leveraging)
 - 10% pharmacy (national average projection plus leveraging)
 - 5% medical for Medicare Eligible retirees
- Does reflect potential impact from changes in pharmacy contracting
- Assumes no changes to State and minimum District contributions
 - For ASE, considering alternative scenarios of \$5 million and \$10 million lower State contributions due to potential loss of budgeted positions
- Assumes wellness participation is as assumed when setting 2016 rates
- Projections subject to change as more complete experience emerges

Preliminary 2017 Rate Change: PSE



	Total Premium	Direct State Contrib + FICA (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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2017 stable population, no allocated reserves; same State & District contributions

Actives	\$259.5	\$93.7	\$82.0	(\$4.6)	\$88.5	\$88.5	\$0.0	0%	44,217
Non-Medicare Eligible Retirees	\$18.2	\$0.0	\$0.0	(\$0.8)	\$19.0	\$19.0	\$0.0	0%	3,697
Medicare Eligible Retirees	\$25.2	\$6.4	\$0.0	\$3.0	\$15.7	\$15.7	\$0.0	0%	11,086
Total	\$302.9	\$100.1	\$82.0	(\$2.4)	\$123.2	\$123.2	\$0.0	0%	59,000

2017 stable population, \$200,000 new reserve allocated; same State & District contributions, HSA contributions of \$25/\$50 for Actives in Classic or Basic

Actives	\$271.6	\$93.7	\$82.0	\$7.5	\$88.5	\$88.5	\$0.0	0%	44,217
Non-Medicare Eligible Retirees	\$18.2	\$0.0	\$0.0	(\$0.8)	\$19.0	\$19.0	\$0.0	0%	3,697
Medicare Eligible Retirees	\$25.2	\$6.4	\$0.0	\$3.0	\$15.7	\$15.7	\$0.0	0%	11,086
Total	\$315.0	\$100.1	\$82.0	\$9.7	\$123.2	\$123.2	\$0.0	0%	59,000

The above scenario assumes no change in enrollment as a result of the HSA contributions. Additional analysis would need to be performed to evaluate migration and additional enrollment impact.

Preliminary 2017 Rate Change: ASE



	Total Premium	State Contribution & FICA	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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2017 - stable population and \$8.2 million new allocated reserves

Actives	\$208.4	\$141.3	\$13.2	\$54.0	\$54.0	\$0.0	0%	26,202
Non-Medicare Eligible Retirees	\$19.2	\$7.5	\$0.7	\$11.0	\$11.0	\$0.0	0%	2,518
Medicare Eligible Retirees	\$60.7	\$30.2	\$2.8	\$27.8	\$27.8	\$0.0	0%	9,588
Total	\$288.4	\$178.9	\$16.7	\$92.8	\$92.8	\$0.0	0%	38,308

2017 above; \$5 million less state contribution: need \$18.2 new allocated reserves

Actives	\$208.4	\$136.3	\$18.2	\$54.0	\$54.0	\$0.0	0%	26,202
Non-Medicare Eligible Retirees	\$19.2	\$7.5	\$0.7	\$11.0	\$11.0	\$0.0	0%	2,518
Medicare Eligible Retirees	\$60.7	\$30.2	\$2.8	\$27.8	\$27.8	\$0.0	0%	9,588
Total	\$288.4	\$173.9	\$21.7	\$92.8	\$92.8	\$0.0	0%	38,308

2017 above; \$10 million less state contribution: need \$28.2 new allocated reserves

Actives	\$208.4	\$131.3	\$23.2	\$54.0	\$54.0	\$0.0	0%	26,202
Non-Medicare Eligible Retirees	\$19.2	\$7.5	\$0.7	\$11.0	\$11.0	\$0.0	0%	2,518
Medicare Eligible Retirees	\$60.7	\$30.2	\$2.8	\$27.8	\$27.8	\$0.0	0%	9,588
Total	\$288.4	\$168.9	\$26.7	\$92.8	\$92.8	\$0.0	0%	38,308



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.*



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Appendix A – PSE Actives

2016 Final Rate Details



Actives	Unadjusted Total Rate	Direct State Contrib. & FICA	Reserve Used / (Added)	School District Contrib.	2016 Employee Cost with & without Wellness Visit		2015 Employee Cost	Change in EE Cost (\$/%) with & without Wellness Credit				Assumed Enrollment
					with	without*		with		without		
Premium												
Employee Only	\$590.40	\$236.11	\$20.43	\$154.48	\$179.38	\$254.38	\$179.38	\$0.00	0%	\$0.00	0%	17,627
Employee & Spouse	1,308.18	313.83	27.15	154.48	812.72	887.72	812.72	0.00	0%	0.00	0%	349
Employee & Child(ren)	1,077.80	426.35	36.89	154.48	460.08	535.08	460.08	0.00	0%	0.00	0%	2,131
Family	1,795.58	760.40	65.78	154.48	814.92	889.92	814.92	0.00	0%	0.00	0%	459
Est. Monthly Total (\$mil)	\$14.0	\$5.5	\$0.5	\$3.2	\$4.8	\$0.1	\$4.8	\$0.0	0%	\$0.0	0%	20,566
Classic												
Employee Only	\$270.02	\$64.92	\$5.62	\$154.48	\$45.00	\$120.00	\$45.00	\$0.00	0%	\$0.00	0%	12,885
Employee & Spouse	562.28	56.20	4.86	154.48	346.74	421.74	346.74	0.00	0%	0.00	0%	1,260
Employee & Child(ren)	468.48	146.43	12.67	154.48	154.90	229.90	154.90	0.00	0%	0.00	0%	4,403
Family	760.74	235.52	20.38	154.48	350.36	425.36	350.36	0.00	0%	0.00	0%	2,734
Est. Monthly Total (\$mil)	\$8.3	\$2.2	\$0.2	\$3.3	\$2.7	\$0.1	\$2.7	\$0.0	0%	\$0.0	0%	21,283
Basic												
Employee Only	\$133.02	\$0.00	(\$32.46)	\$154.48	\$11.00	\$86.00	\$11.00	\$0.00	0%	\$0.00	0%	1,839
Employee & Spouse	242.22	0.00	(178.98)	154.48	266.72	341.72	266.72	0.00	0%	0.00	0%	111
Employee & Child(ren)	207.18	0.00	(66.46)	154.48	119.16	194.16	119.16	0.00	0%	0.00	0%	213
Family	316.38	0.00	(107.60)	154.48	269.50	344.50	269.50	0.00	0%	0.00	0%	224
Est. Monthly Total (\$mil)	\$0.4	\$0.0	(\$0.1)	\$0.4	\$0.1	\$0.0	\$0.1	\$0.0	0%	\$0.0	0%	2,386
Total (Monthly) (\$ mil)	\$22.7	\$7.7	\$0.6	\$6.8	\$7.6	\$0.2	\$7.6	\$0.0/\$0.0		0%0%		44,235
Est Annual Total (\$ mil)	\$272.4	\$92.7	\$6.6	\$82.0	\$91.1	\$2.0	\$91.1	\$0.0/\$0.0		0%0%		
Total Active & Ret (\$ mil)	\$310.7	\$92.7	\$9.6	\$82.0	\$126.3	\$2.0	\$126.3	\$0.0	0%	\$2.0	2%	58,653

*Already subtracted from Total Rates

Appendix A – PSE Retirees

Non-Medicare Eligible 2016 Final Rate Details



NME Retirees	Unadjusted Total Rate	Direct State Contrib.	Reserve Used / (Added)	2016 Retiree Cost	2015 Total Retiree Cost	Change in Retiree Cost (\$/%)		Assumed Enrollment
Premium								
Retiree Only	\$590.40	\$0.00	(\$50.74)	\$641.14	\$641.14	\$0.00	0%	1,320
Retiree & NME SP	1,308.18	0.00	(149.00)	1,457.18	1,457.18	0.00	0%	72
Retiree & Child(ren)	1,077.80	0.00	(114.80)	1,192.60	1,192.60	0.00	0%	13
Retiree & NME SP&CH	1,795.58	0.00	(213.06)	2,008.64	2,008.64	0.00	0%	8
Retiree & ME SP	768.26	0.00	(26.86)	795.12	795.12	0.00	0%	120
Retiree & ME SP & CH	1,255.66	0.00	(90.92)	1,346.58	1,346.58	0.00	0%	1
Est. Monthly Total (\$mil)	\$1.0	\$0.0	(\$0.1)	\$1.1	\$1.1	\$0.0	0%	1,534
Classic								
Employee Only	\$270.02	\$0.00	\$2.08	\$267.94	\$267.94	\$0.00	0%	1,329
Employee & Spouse	562.28	0.00	7.60	554.68	554.68	0.00	0%	205
Employee & Child(ren)	468.48	0.00	(1.34)	469.82	469.82	0.00	0%	40
Family	760.74	0.00	29.18	731.56	731.56	0.00	0%	35
Est. Monthly Total (\$mil)	\$0.5	\$0.0	\$0.0	\$0.5	\$0.5	\$0.0	0%	1,610
Basic								
Employee Only	\$133.02	\$0.00	(\$15.48)	\$148.50	\$148.50	\$0.00	0%	117
Employee & Spouse	242.22	0.00	(27.50)	269.72	269.72	0.00	0%	15
Employee & Child(ren)	207.18	0.00	(31.34)	238.52	238.52	0.00	0%	1
Family	316.38	0.00	(18.36)	334.74	334.74	0.00	0%	3
Est. Monthly Total (\$mil)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0%	136
Total (Monthly) (\$ mil)	\$1.5	\$0.0	(\$0.1)	\$1.6	\$1.6	\$0.0	0%	3,279
Est Annual Total (\$ mil)	\$18.4	\$0.0	(\$1.0)	\$19.4	\$19.4	\$0.0		

Appendix A – PSE Retirees

Medicare Eligible 2016 Final Rate Details



Medicare Eligible	Unadjusted Total Rate	Subsidy	Reserve Used / (Added)	2016 Retiree Cost	2015 Total Retiree Cost	Change in Retiree Cost (\$/%)		Assumed Enrollment
Retiree Only	\$177.86	\$50.66	\$28.40	\$98.80	\$98.80	\$0.00	0%	10,106
Retiree & NME SP	757.06	(26.86)	0.00	783.92	783.92	0.00	0%	85
Retiree & Child(ren)	718.76	(38.33)	0.00	757.10	757.10	0.00	0%	17
Retiree & NME SP&CH	1,383.03	(138.45)	0.00	1,521.48	1,521.48	0.00	0%	2
Retiree & ME SP	331.82	25.32	48.63	257.88	257.88	0.00	0%	928
Retiree & ME SP & CH	872.73	(15.84)	0.00	888.57	888.57	0.00	0%	0
Est. Monthly Total (\$mil)	\$2.2	\$0.5	\$0.3	\$1.3	\$1.3	\$0.0	0%	11,138
Total (Est. Annual)	\$26.2	\$6.4	\$4.0	\$15.9	\$15.9	\$0.0		

Appendix A – ASE Actives

2016 Final Rate Details



Actives	Risk Adjusted Total Rate	State Contrib. & FICA	Reserve Used / (Added)	2016 Employee Cost with & without Wellness Visit		2015 Employee Cost	Change in EE Cost (\$/%) with & without Wellness Credit				Assumed Enrollment	
				with	without*		with		without			
Premium												
Employee Only	\$459.96	\$325.41	\$29.77	\$104.78	\$179.78	\$104.78	\$0.00	0%	\$0.00	0%	14,489	
Employee & Spouse	1,024.48	591.31	54.09	379.08	454.08	379.08	0.00	0%	0.00	0%	2,371	
Employee & Child(ren)	766.76	510.06	46.66	210.04	285.04	210.04	0.00	0%	0.00	0%	5,506	
Family	1,331.28	775.96	70.98	484.34	559.34	484.34	0.00	0%	0.00	0%	2,157	
Est. Monthly Total (\$mil)	\$16.2	\$10.6	\$1.0	\$4.6	\$0.1	\$4.6	\$0.0	0%	\$0.0	0%	24,523	
Classic												
Employee Only	\$401.60	\$325.36	\$29.76	\$46.48	\$121.48	\$46.48	\$0.00	0%	\$0.00	0%	1,133	
Employee & Spouse	888.46	591.35	54.09	243.02	318.02	243.02	0.00	0%	0.00	0%	156	
Employee & Child(ren)	666.20	510.08	46.66	109.46	184.46	109.46	0.00	0%	0.00	0%	326	
Family	1,153.06	776.07	70.99	306.00	381.00	306.00	0.00	0%	0.00	0%	196	
Est. Monthly Total (\$mil)	\$1.0	\$0.8	\$0.1	\$0.2	\$0.0	\$0.2	\$0.0	0%	\$0.0	0%	1,811	
Basic												
Employee Only	\$355.16	\$325.39	\$29.77	\$0.00	\$75.00	\$0.00	\$0.00	n/a	\$0.00	0%	570	
Employee & Spouse	777.90	591.33	54.09	132.48	207.48	132.48	0.00	0%	0.00	0%	94	
Employee & Child(ren)	584.92	510.10	46.66	28.16	103.16	28.16	0.00	0%	0.00	0%	115	
Family	1,007.66	776.03	70.99	160.64	235.64	160.64	0.00	0%	0.00	0%	123	
Est. Monthly Total (\$mil)	\$0.5	\$0.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0%	\$0.0	0%	902	
Total (Monthly) (\$ mil)	\$17.7	\$11.8	\$1.1	\$4.8	\$0.1	\$4.8	\$0.0/\$0.0	0%/0%	\$0.0	0%	27,236	
Est Annual Total (\$ mil)	\$212.3	\$141.3	\$12.9	\$58.1	\$1.2	\$58.1	\$0.0/\$0.0	0%/0%	\$0.0	0%		
Total Active & Ret (\$ mil)	\$288.7	\$176.8	\$16.2	\$95.7	\$1.2	\$95.7	\$0.0	0%	\$1.2	1%	38,915	

*Already subtracted from Total Rates

Appendix A – ASE Retirees: Non-Medicare Eligible 2016 Final Rate Details



NME Retirees	Risk Adjusted Total Rate	State Contrib.	Reserve Used / (Added)	2016 Retiree Cost	2015 Total Retiree Cost	Change in Retiree Cost (\$/%)		Assumed Enrollment
Premium								
Retiree Only	\$459.96	\$184.45	\$16.87	\$258.64	\$258.64	\$0.00	0%	1,649
Retiree & NME SP	1,024.48	332.08	30.38	662.02	662.02	0.00	0%	400
Retiree & Child(ren)	766.76	264.61	24.21	477.94	477.94	0.00	0%	99
Retiree & NME SP&CH	1,331.28	412.25	37.71	881.32	881.32	0.00	0%	38
Retiree & ME SP	861.74	331.62	30.34	499.78	499.78	0.00	0%	222
Retiree & ME SP & CH	1,168.54	411.79	37.67	719.08	719.08	0.00	0%	9
Est. Monthly Total (\$mil)	\$1.5	\$0.6	\$0.1	\$0.9	\$0.9	\$0.0	0%	2,417
Classic								
Employee Only	\$401.60	\$184.39	\$16.87	\$200.34	\$200.34	\$0.00	0%	36
Employee & Spouse	888.46	332.12	30.38	525.96	525.96	0.00	0%	16
Employee & Child(ren)	666.20	264.63	24.21	377.36	377.36	0.00	0%	3
Family	1,153.06	412.36	37.72	702.98	702.98	0.00	0%	5
Est. Monthly Total (\$mil)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0%	60
Basic								
Employee Only	\$355.16	\$184.43	\$16.87	\$153.86	\$153.86	\$0.00	0%	10
Employee & Spouse	777.90	332.10	30.38	415.42	415.42	0.00	0%	5
Employee & Child(ren)	584.92	264.65	24.21	296.06	296.06	0.00	0%	0
Family	1,007.66	412.32	37.72	557.62	557.62	0.00	0%	4
Est. Monthly Total (\$mil)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0%	20
Total (Monthly) (\$ mil)	\$1.5	\$0.6	\$0.1	\$0.9	\$0.9	\$0.0	0%	2,498
Est Annual Total (\$ mil)	\$18.6	\$6.9	\$0.6	\$11.0	\$11.0	\$0.0		

Appendix A – ASE Retirees: Medicare Eligible 2016 Final Rate Details



Medicare Eligible	Risk Adjusted Total Rate	State Contrib.	Reserve Used / (Added)	2016 Retiree Cost	2015 Total Retiree Cost	Change in Retiree Cost (\$/%)		Assumed Enrollment
Retiree Only	\$401.77	\$219.71	\$20.10	\$161.96	\$161.96	\$0.00	0%	6,326
Retiree & NME SP	861.73	271.55	24.84	565.34	565.34	0.00	0%	410
Retiree & Child(ren)	759.05	346.12	31.67	381.26	381.26	0.00	0%	77
Retiree & NME SP&CH	1,273.09	447.51	40.94	784.64	784.64	0.00	0%	29
Retiree & ME SP	779.65	358.81	32.82	388.02	388.02	0.00	0%	2,313
Retiree & ME SP & CH	1,136.93	485.22	44.39	607.32	607.32	0.00	0%	27
Est. Monthly Total (\$mil)	\$4.8	\$2.4	\$0.2	\$2.2	\$2.2	\$0.0	0%	9,181
Total (Est. Annual)	\$57.9	\$28.6	\$2.6	\$26.7	\$26.7	\$0.0		

Appendix B – 2016 Plan Design



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

*Deductible & Co-Insurance also applies

** An embedded individual OOP Max is applied within the family OOP max



Appendix C – Use & Disclosures



- Projections are based on Calendar Year 2015 claim experience, paid through February 2016, adjusted for demographic, benefits, and network changes. Additional details about assumptions and methods will be provided in follow-up documentation.
- Estimates of impact of pharmacy changes are intended to be conservative estimates. Our estimates assume the pharmacies' usual and customary rates will be above the discounted AWP or MAC charge, as applicable. Estimates rely on 2015 actual experience without trend and unadjusted for the Medicare Retiree Drug subsidy. Savings for classic and basic are allocated to members according to the member proportion of the original claim.
- In preparing the information in this presentation, we relied 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 No. 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. Other users of this document are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.
- 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.

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