



## **AGENDA**

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

**May 6, 2016  
10:00 a.m.**

**EBD Board Room – 501 Building, Suite 500**

- I. Call to Order ..... Jeff Altemus, Chairman***
- II. Approval of April 8, 2016 Minutes ..... Jeff Altemus, Chairman***
- III. ASE/PSE April 2016 Financials.....Marla Wallace, EBD Chief Fiscal Officer***
- IV. 2017 Preliminary Rates Update ..... John Colberg & Gaelle Gravot, Cheiron, Inc.***
- V. 1<sup>st</sup> Quarter 2016 HSA Account Information.....Liz Tullos, WageWorks***
- VI. Pharmacy Rebate Contracting .....Dr. David Keisner & Dr. Dwight Davis, EBRx***
- VII. Director’s Report..... Janis Harrison, EBD Interim Director***

***2016 upcoming meetings:***

***June 10, July 8, August 5, October 2, November 4***

***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  
May 6, 2016**

The Benefits Sub-Committee of the State and Public School Life and Health Insurance Board (hereinafter called the Committee) met on May 6, 2016, at 10:00 a.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, Arkansas.

**Members Present**

Becky Walker  
Susan Gardner  
Shelby McCook  
Jeff Altemus  
Claudia Moran  
Carla Haugen (teleconference)

**Members Absent**

Ronnie Kissire  
Dan Honey

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

**Others Present**

Dr. John Kirtley, Bob Boyd, Board Members; Dwight Davis, David Keisner, Sherry Bryant, Geri Bemberg, UAMS; Janna Keathley, Marla Wallace, Gretchen Baggett, Ethel Whittaker, Eric Gallo, Cecilia Walker, Terri Freeman, Stella Greene, EBD; Kristi Jackson, Jennifer Vaughn, Com Psych; Pam Lawrence, AHH; Sylvia Landers, Minnesota Life; Raina Porchay, Optum Rx; Wayne Whitley, Ronda Walthall, AHTD; Jackie Baker, ASP; Sean Seago, Merck; Scott McRae, APSRC; Stephen Carroll, Allcare; Takisha Sanders, Jessica Atkins, Health Advantage; Karyn Langley, Qualchoice; Liz Tullos, WageWorks; Marc Watts, ASEA; Susan Walker, Jason Jersey, Datapath; Dwight Mankin, Communitas; Steve Althoff, MTF; Treg Long, ACS; Dr. John Vinson, APA; Leah Ramirez, ACHI; Allison Drennon, IA; Erica Gee, Attorney; David K., AEA

**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 April 8, 2016. Walker made the motion to approve. McCook seconded; All were in favor.

**Minutes Approved.**

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

Wallace reported financials for April 2016. For PSE, in April, four (4) weeks of medical and pharmacy claims were paid. The quarterly payment from the Department of Education was received of \$3 million. There was a gain of \$8 million for the month, and the year-to-date is \$21.3 million. The FICA savings was \$489,000 for the month. Net assets available are \$54.298 million.

For ASE, in April, four (4) weeks of medical and pharmacy claims were paid. There was a net gain of \$2.58 million for the month and the year-to-date \$10million. The net assets available are \$37.9 million.

Dr. Bemberg reported there were 13,000 more pharmacy claims from 2015. In 2016 \$3 million more was spent 1<sup>st</sup> quarter than 2015. Hepatitis C drugs contribute to the increase as they are covered in 2016 whereas they were not covered in 2015.

**2017 PRELIMINARY RATES UPDATE:** *by John Colberg, Cheiron Inc.*

The following chart outlines the updated projections for 12/31/2016:

| (In Millions \$)              | PSE        | PSE                           | ASE        | ASE                           |
|-------------------------------|------------|-------------------------------|------------|-------------------------------|
| As of                         | 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 Curr/Future Prem. | \$(57.3)   | \$(47.7)                      | \$(28.8)   | \$(12.6)                      |
| Catastrophic Reserve          | \$34.5     | \$48.7                        | \$28.2     | \$39.8                        |
| Net Assets Available          |            |                               |            |                               |

Harrison reported there are 69 positions that will not be funded. The total amount is 88, however, 13 positions are currently not funded. The additional amount of 69 positions computes to \$280,000 loss of funding.

The pharmacy per-member-per-month increased 8.3% in 2016 from 2015. The paid amounts rose 11.7% in 2016 from 2015.

Colberg reported the goal each year was to maintain current rates without an increase. Therefore, reserve funds will be utilized.

McCook requested the percentage increase for two months be compared to the previous twelve months for observation of the reliability of the information. Also, McCook would like to know if the changes in coverage could be the cause and effect.

**1<sup>ST</sup> QUARTER 2016 HSA ACCOUNT INFORMATION:** *by Liz Tullos, WageWorks*

Tullos reported State employees had 1,096 accounts that received employee contributions in the 1<sup>st</sup> quarter of 2016. Public School employees had 12,179 accounts receive employee contributions in the 1<sup>st</sup> quarter of 2016.

The following chart outlines the total and average employee contributions for ASE:

| <b>Month</b>    | <b>Count</b> | <b>Sum</b>          | <b>Average Contributions</b> |
|-----------------|--------------|---------------------|------------------------------|
| January         | 814          | \$95,758.04         | \$117.64                     |
| February        | 1,024        | \$134,011.17        | \$130.87                     |
| March           | 1,077        | \$170,275.46        | \$158.10                     |
| <b>Q1 Total</b> | <b>1,096</b> | <b>\$400,044.67</b> | <b>\$135.53</b>              |

The following chart outlines the total and average employee contributions for PSE:

| <b>Month</b> | <b>Count</b> | <b>Sum</b>     | <b>Average Contributions</b> |
|--------------|--------------|----------------|------------------------------|
| January      | 8,190        | \$1,142,055.75 | \$139.45                     |

|                 |               |                       |                 |
|-----------------|---------------|-----------------------|-----------------|
| February        | 11,794        | \$2,092,118.02        | \$177.39        |
| March           | 11,635        | \$1,763,642.57        | \$151.58        |
| <b>Q1 Total</b> | <b>12,179</b> | <b>\$4,997,816.57</b> | <b>\$156.14</b> |

As of 3/31/16 employees who contributed their own fund into an HSA:

Arkansas State Employees; \$905.61 and Public School Employees; \$681.76.

**Pharmacy Rebate Contracting:** *by Drs. David Keisner, Dwight Davis, UAMS*

Dr. Keisner reported pharmaceutical manufacturers pay rebates to health plans to offset some of the cost of medications. Rebate payments can be based on formulary status, access requirements, market share, etc.

Pharmaceutical manufacturers commonly pay rebates to PBMs as part of their formulary contracting agreements. In turn, PBMs may share the rebates with plan sponsors. Issues with this arrangement include lack of transparency and missed cost saving opportunities.

Beginning 7/1/16, EBD/EBRx will work together to bring rebate management in-house. This strategy ensures transparency and 100% of all revenue will be paid to EBD.

The rebate program is evidence directed. Rebate management is based on clinical evidence, not financial gain. All rebate discussion will begin with the DUEC committee. Price protection is a target goal as inflation has increased tremendously. The cost of goods for insulin products has increased 17% since 2014. There are significant potential savings with the program.

The DUEC committee has three medication categories that are deemed appropriate for reimbursements. Dr. Davis is working with the criteria regarding the bid process.

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

Harrison stated some employees are enrolled in an FSA with no current payroll deduction. There are ten (10) members who have no dependent deduction. There was an error in the processing of the forms. McCook recommended this matter is referred to legal personnel.

Harrison reported that State procurement has issued two (2) bids on behalf of EBD. One is a software developer, issued April 26<sup>th</sup> and the bid opening will be held May 19<sup>th</sup>. Second, is Medical Management Services issued May 4<sup>th</sup>, and the bid opening will be held May 25<sup>th</sup>.

Harrison reported the one-year Contract Renewals are as follows: QualChoice, Health Advantage, Minnesota Life, ACHI, EBRx, and Cheiron. Other solicitations are in the early process. More information will be presented in upcoming meetings.

**MEETING ADJOURNED**

**Arkansas State Employees (ASE) Financials - January 1, 2015 through April 30, 2015**

|                | EMPLOYEE ONLY |             |             |              | EMPLOYEE + DEPENDENTS |             |              |              |
|----------------|---------------|-------------|-------------|--------------|-----------------------|-------------|--------------|--------------|
|                | ACTIVES       | RETIREES    | MEDICARE    | TOTAL        | ACTIVES               | RETIREES    | MEDICARE     | TOTAL        |
| <b>BASIC</b>   | 922           | 16          |             | <b>938</b>   | 1605                  | 30          |              | <b>1635</b>  |
| <b>CLASSIC</b> | 1828          | 53          |             | <b>1881</b>  | 3118                  | 82          |              | <b>3200</b>  |
| <b>PREMIUM</b> | 24506         | 2165        |             | <b>26671</b> | 42801                 | 2802        |              | <b>45603</b> |
| <b>PRIMARY</b> |               | 222         | 8711        | <b>8933</b>  |                       | 453         | 11471        | <b>11924</b> |
| <b>TOTAL</b>   | <b>27256</b>  | <b>2456</b> | <b>8711</b> | <b>38423</b> | <b>47524</b>          | <b>3367</b> | <b>11471</b> | <b>62362</b> |

**REVENUES & EXPENDITURES**

|   | Current Month        | Year to Date (4 Months) |
|---|----------------------|-------------------------|
| <b>Funding</b>                          |                      |                         |
| State Contribution                      | \$ 14,361,480        | \$ 57,430,844           |
| Employee Contribution                   | \$ 8,034,191         | \$ 32,235,170           |
| Other                                   | \$ 47,201            | \$ 1,835,143            |
| Allocation for Actives - Plan Year 2015 | \$ 971,667           | \$ 3,886,667            |
| <b>Total Funding</b>                    | <b>\$ 23,414,539</b> | <b>\$ 95,387,824</b>    |
| <b>Expenses</b>                         |                      |                         |
| Medical Expenses                        |                      |                         |
| Claims Expense                          | \$ 10,221,768        | \$ 45,165,264           |
| Claims IBNR                             | \$ -                 | \$ -                    |
| Medical Administration Fees             | \$ 924,143           | \$ 4,119,251            |
| Refunds                                 | \$ (5,331)           | \$ (31,790)             |
| Employee Assistance Program (EAP)       | \$ 56,325            | \$ 225,886              |
| Life Insurance                          | \$ 54,924            | \$ 220,218              |
| Pharmacy Expenses                       |                      |                         |
| RX Claims                               | \$ 5,432,301         | \$ 20,481,531           |
| RX IBNR                                 | \$ -                 | \$ -                    |
| RX Administration                       | \$ 212,310           | \$ 849,914              |
| Plan Administration                     | \$ 544,299           | \$ 1,544,384            |
| <b>Total Expenses</b>                   | <b>\$ 17,440,739</b> | <b>\$ 72,574,659</b>    |
| <b>Net Income/(Loss)</b>                | <b>\$ 5,973,800</b>  | <b>\$ 22,813,165</b>    |

**BALANCE SHEET**

|  |                      |
|--|----------------------|
| <b>Assets</b>  |                      |
| Bank Account   | \$ 15,536,022        |
| State Treasury   | \$ 81,185,589        |
| Due from Cafeteria Plan  | \$ 709,521           |
| Due from PSE   | \$ -                 |
| Receivable from Provider   | \$ -                 |
| Accounts Receivable  | \$ (51,273)          |
| <b>Total Assets</b>  | <b>\$ 97,379,858</b> |
| <b>Liabilities</b>   |                      |
| Accounts Payable   | \$ 3,758             |
| Deferred Revenues  | \$ -                 |
| Due to Cafeteria   | \$ 1,178             |
| Due to PSE   | \$ 343,989           |
| Due to Federal Government (\$44 fee)                                 | \$ -                 |
| Health IBNR  | \$ 24,700,000        |
| RX IBNR  | \$ 1,800,000         |
| <b>Total Liabilities</b>   | <b>\$ 26,848,925</b> |
| <b>Net Assets</b>  | <b>\$ 70,530,933</b> |
| Less Reserves Allocated  |                      |
| Premiums for Plan Year 1/1/15 - 12/31/15 (\$6,260,000 + \$5,400,000) | \$ (7,773,333)       |
| 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)      |
| <b>Net Assets Available</b>  | <b>\$ 48,757,600</b> |

Fifth Week of Claims \$

**Arkansas State Employees (ASE) Financials - January 1, 2016 through April 30, 2016**

|                | EMPLOYEE ONLY |          |          |       | EMPLOYEE + DEPENDENTS |          |          |       |
|----------------|---------------|----------|----------|-------|-----------------------|----------|----------|-------|
|                | ACTIVES       | RETIREES | MEDICARE | TOTAL | ACTIVES               | RETIREES | MEDICARE | TOTAL |
| <b>BASIC</b>   | 1262          | 30       |          | 1292  | 2109                  | 45       |          | 2154  |
| <b>CLASSIC</b> | 1715          | 66       |          | 1781  | 2867                  | 90       |          | 2957  |
| <b>PREMIUM</b> | 23457         | 2140     |          | 25597 | 40873                 | 2751     |          | 43624 |
| <b>PRIMARY</b> |               | 210      | 9135     | 9345  |                       | 429      | 11955    | 12384 |
| <b>TOTAL</b>   | 26434         | 2446     | 9135     | 38015 | 45849                 | 3315     | 11955    | 61119 |

**REVENUES & EXPENDITURES**

|                                     | Current Month        | Year to Date (4 Months) |
|-------------------------------------|----------------------|-------------------------|
| <b>Funding</b>                      |                      |                         |
| 1 State Contribution                | \$ 14,693,140        | \$ 58,773,988           |
| 2 Employee Contribution             | \$ 7,953,536         | \$ 31,939,866           |
| 3 Other                             | \$ 88,630            | \$ 2,136,583            |
| 4 Allocation of Reserves            | \$ 1,350,000         | \$ 5,400,000            |
| <b>Total Funding</b>                | <u>\$ 24,085,306</u> | <u>\$ 98,250,437</u>    |
| <b>Expenses</b>                     |                      |                         |
| Medical Expenses                    |                      |                         |
| 5 Claims Expense                    | \$ 13,798,594        | \$ 55,457,764           |
| 6 Claims IBNR                       | \$ -                 | \$ -                    |
| 7 Medical Administration Fees       | \$ 1,090,189         | \$ 4,389,152            |
| 8 Refunds                           | \$ 105               | \$ 105                  |
| 9 Employee Assistance Program (EAP) | \$ 55,360            | \$ 221,499              |
| 10 Life Insurance                   | \$ 79,630            | \$ 318,088              |
| Pharmacy Expenses                   |                      |                         |
| 11 RX Claims                        | \$ 6,060,930         | \$ 25,711,051           |
| 12 RX IBNR                          | \$ -                 | \$ -                    |
| 13 RX Administration                | \$ 214,376           | \$ 853,410              |
| 14 Plan Administration              | \$ 290,452           | \$ 1,265,982            |
| <b>Total Expenses</b>               | <u>\$ 21,589,636</u> | <u>\$ 88,217,050</u>    |
| 15 <b>Net Income/(Loss)</b>         | \$ 2,495,670         | \$ 10,033,387           |

**BALANCE SHEET**

|  |  |                      |
|--|--|----------------------|
| <b>Assets</b>  |  |                      |
| 16 Bank Account  |  | \$ 6,966,773         |
| 17 State Treasury  |  | \$ 86,399,620        |
| 18 Due from Cafeteria Plan   |  | \$ 5,195,886         |
| 19 Due from PSE  |  | \$ -                 |
| 20 Receivable from Provider  |  | \$ -                 |
| 21 Accounts Receivable   |  | \$ (28,249)          |
| <b>Total Assets</b>  |  | <u>\$ 98,534,030</u> |
| <b>Liabilities</b>   |  |                      |
| 22 Accounts Payable  |  | \$ 904               |
| 23 Deferred Revenues   |  | \$ -                 |
| 24 Due to Cafeteria  |  | \$ 266               |
| 25 Due to PSE  |  | \$ -                 |
| 26 Due to Federal Government (\$44 fee)                                  |  | \$ -                 |
| 27 Health IBNR   |  | \$ 24,700,000        |
| 28 RX IBNR   |  | \$ 1,800,000         |
| <b>Total Liabilities</b>   |  | <u>\$ 26,501,170</u> |
| <b>Net Assets</b>  |  | \$ 72,032,860        |
| Less Reserves Allocated  |  |                      |
| 29 Premiums for Plan Year 1/1/16 - 12/31/16 (\$3,600,000 + \$12,600,000) |  | \$ (10,800,000)      |
| 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 <b>Net Assets Available</b>   |  | <u>\$ 37,932,860</u> |
| 34 Fifth Week of Claims \$0  |  |                      |

**Public School Employees (PSE) Financials - January 1, 2015 through April 30, 2015**

|                | EMPLOYEE ONLY |          |          |       | EMPLOYEE + DEPENDENTS |          |          |       |
|----------------|---------------|----------|----------|-------|-----------------------|----------|----------|-------|
|                | ACTIVES       | RETIREES | MEDICARE | TOTAL | ACTIVES               | RETIREES | MEDICARE | TOTAL |
| <b>BASIC</b>   | 2403          | 123      |          | 2526  | 3570                  | 148      |          | 3718  |
| <b>CLASSIC</b> | 21484         | 1544     |          | 23028 | 39401                 | 1882     |          | 41283 |
| <b>PREMIUM</b> | 20798         | 1244     |          | 22042 | 26654                 | 1337     |          | 27991 |
| <b>PRIMARY</b> |               | 111      | 9953     | 10064 |                       | 224      | 10882    | 11106 |
| <b>TOTAL</b>   | 44685         | 3022     | 9953     | 57660 | 69625                 | 3591     | 10882    | 84098 |

**REVENUES & EXPENDITURES**

|   | Current<br>Month     | Year to Date<br>(4 Months) |
|---|----------------------|----------------------------|
| <b>Funding</b>                                      |                      |                            |
| Per Participating Employee Funding (PPE Funding)    | \$ 8,236,053         | \$ 32,990,625              |
| Employee Contribution                               | \$ 9,129,112         | \$ 36,690,945              |
| Department of Education \$35,000,000 & \$15,000,000 | \$ 6,931,818         | \$ 36,521,226              |
| Other   | \$ 524,714           | \$ 2,326,130               |
| Allocation for Actives                              | \$ 1,666,667         | \$ 6,666,667               |
| <b>Total Funding</b>                                | <u>\$ 26,488,363</u> | <u>\$ 115,195,592</u>      |
| <b>Expenses</b>                                     |                      |                            |
| Medical Expenses                                    |                      |                            |
| Claims Expense                                      | \$ 10,902,202        | \$ 47,605,865              |
| Claims IBNR   | \$ -                 | \$ -                       |
| Medical Administration Fees                         | \$ 1,534,512         | \$ 6,175,057               |
| Refunds   | \$ (3,950)           | \$ (7,103)                 |
| Employee Assistance Program (EAP)                   | \$ 77,402            | \$ 309,933                 |
| Pharmacy Expenses                                   |                      |                            |
| RX Claims   | \$ 3,460,452         | \$ 12,659,791              |
| RX IBNR   | \$ -                 | \$ -                       |
| RX Administration                                   | \$ 293,645           | \$ 1,166,620               |
| Plan Administration                                 | \$ 717,598           | \$ 1,885,057               |
| <b>Total Expenses</b>                               | <u>\$ 16,981,862</u> | <u>\$ 69,795,221</u>       |
| <b>Net Income/(Loss)</b>                            | \$ 9,506,501         | \$ 45,400,371              |

**BALANCE SHEET**

|   |                       |
|---|-----------------------|
| <b>Assets</b>   |                       |
| Bank Account  | \$ 20,656,235         |
| State Treasury  | \$ 88,574,284         |
| Receivable from Provider  | \$ -                  |
| Accounts Receivable   | \$ 4,555,547          |
| Due from ASE  | \$ 343,989            |
| <b>Total Assets</b>   | <u>\$ 114,130,055</u> |
| <b>Liabilities</b>  |                       |
| Accounts Payable  | \$ 875                |
| Due to ASE  | \$ -                  |
| Deferred Revenues   | \$ 2,349              |
| Due to Federal Government (\$44 fee)  | \$ -                  |
| Health IBNR   | \$ 28,000,000         |
| RX IBNR   | \$ 1,400,000          |
| <b>Total Liabilities</b>  | <u>\$ 29,403,224</u>  |
| <b>Net Assets</b>   | \$ 84,726,832         |
| Less Reserves Allocated   |                       |
| Premiums for Plan Year 1/1/15 - 12/31/15 (\$20,000,000 rec'd from Dept. of Education) | \$ (13,333,333)       |
| Premium Assistance (FICA Savings)   | \$ (1,894,869)        |
| Catastrophic Reserve (2015 \$10,900,000)  | \$ (10,900,000)       |
| <b>Net Assets Available</b>   | <u>\$ 58,598,629</u>  |

**Public School Employees (PSE) Financials - January 1, 2016 through April 30, 2016**

|                | EMPLOYEE ONLY |             |              |              |  | EMPLOYEE + DEPENDENTS |             |              |              |
|----------------|---------------|-------------|--------------|--------------|--|-----------------------|-------------|--------------|--------------|
|                | ACTIVES       | RETIREEES   | MEDICARE     | TOTAL        |  | ACTIVES               | RETIREEES   | MEDICARE     | TOTAL        |
| <b>BASIC</b>   | 3209          | 226         |              | <b>3435</b>  |  | 4834                  | 284         |              | <b>5118</b>  |
| <b>CLASSIC</b> | 22023         | 1811        |              | <b>23834</b> |  | 40926                 | 2198        |              | <b>43124</b> |
| <b>PREMIUM</b> | 19612         | 978         |              | <b>20590</b> |  | 25342                 | 1051        |              | <b>26393</b> |
| <b>PRIMARY</b> |               | 82          | 10738        | <b>10820</b> |  |                       | 164         | 11714        | <b>11878</b> |
| <b>TOTAL</b>   | <b>44844</b>  | <b>3097</b> | <b>10738</b> | <b>58679</b> |  | <b>71102</b>          | <b>3697</b> | <b>11714</b> | <b>86513</b> |

**REVENUES & EXPENDITURES**

|   | Current<br>Month     | Year to Date<br>(4 Months) |
|---|----------------------|----------------------------|
| <b>Funding</b>  |                      |                            |
| 1 Per Participating Employee Funding (PPE Funding)                    | \$ 8,184,180         | \$ 32,756,757              |
| 2 Employee Contribution   | \$ 9,300,880         | \$ 37,298,500              |
| 3 Department of Education \$35,000,000 & \$15,000,000 & Other Funding | \$ 6,931,818         | \$ 20,227,273              |
| 4 Other   | \$ 542,631           | \$ 2,479,862               |
| 5 Allocation of Reserves  | \$ 3,975,000         | \$ 15,900,000              |
| <b>Total Funding</b>  | <u>\$ 28,934,509</u> | <u>\$ 108,662,391</u>      |
| <b>Expenses</b>   |                      |                            |
| Medical Expenses  |                      |                            |
| 6 Claims Expense  | \$ 14,462,420        | \$ 61,584,833              |
| 7 Claims IBNR   | \$ -                 | \$ -                       |
| 8 Medical Administration Fees   | \$ 1,631,499         | \$ 6,598,673               |
| 9 Refunds   | \$ -                 | \$ -                       |
| 10 Employee Assistance Program (EAP)                                  | \$ 77,537            | \$ 310,393                 |
| Pharmacy Expenses   |                      |                            |
| 11 RX Claims  | \$ 3,938,018         | \$ 15,712,331              |
| 12 RX IBNR  | \$ -                 | \$ -                       |
| 13 RX Administration  | \$ 310,608           | \$ 1,233,052               |
| 14 Plan Administration  | \$ 428,527           | \$ 1,870,490               |
| <b>Total Expenses</b>   | <u>\$ 20,848,609</u> | <u>\$ 87,309,774</u>       |
| 16 <b>Net Income/(Loss)</b>   | \$ 8,085,900         | \$ 21,352,618              |

**BALANCE SHEET**

|   |                       |
|---|-----------------------|
| <b>Assets</b>   |                       |
| 17 Bank Account   | \$ 23,493,846         |
| 18 State Treasury   | \$ 108,913,869        |
| 19 Receivable from Provider   | \$ -                  |
| 20 Accounts Receivable  | \$ 5,151,907          |
| 21 Due from ASE   | \$ -                  |
| <b>Total Assets</b>   | <u>\$ 137,559,622</u> |
| <b>Liabilities</b>  |                       |
| 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          |
| <b>Total Liabilities</b>  | <u>\$ 29,400,379</u>  |
| 28 <b>Net Assets</b>  | \$ 108,159,243        |
| 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) | \$ (31,800,000)       |
| 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)  | \$ (1,961,078)        |
| 32 Catastrophic Reserve (2016 \$10,500,000)   | \$ (10,500,000)       |
| 34 <b>Net Assets Available</b>  | <u>\$ 54,298,165</u>  |
| 35 Fifth Week of Claims   | \$ 0                  |



# State of Arkansas Contributions and Usage, Q1 2016

Liz Tullos

May 6, 2016

# Meeting Objectives and Agenda

---

- Presentation Objectives
  - Provide contributions and balance data for Q1 2016
- Agenda
  - State Employees contribution statistics
  - Public School Employees contribution statistics
  - Total and average employee contributions
  - Average balance information

# State Employee Contributions Q1

---

- 1,096 HSA accounts received employee contributions in Q1 2016

# Public School Employee Contributions Q1

---

- 12,179 accounts received employee contributions in Q1 2016

# Total and Average Employee Contributions, ASE

---

| Month           | Count        | Sum                 | Average Contributions |
|-----------------|--------------|---------------------|-----------------------|
| January         | 814          | \$95,758.04         | \$117.64              |
| February        | 1,024        | \$134,011.17        | \$130.87              |
| March           | 1,077        | \$170,275.46        | \$158.10              |
| <b>Q1 Total</b> | <b>1,096</b> | <b>\$400,044.67</b> | <b>\$135.53</b>       |

# Total and Average Employee Contributions, PSE

---

| Month           | Count         | Total                 | Average Contributions |
|-----------------|---------------|-----------------------|-----------------------|
| January         | 8,190         | \$1,142,055.75        | \$139.45              |
| February        | 11,794        | \$2,092,118.02        | \$177.39              |
| March           | 11,635        | \$1,763,642.57        | \$151.58              |
| <b>Q1 Total</b> | <b>12,179</b> | <b>\$4,997,816.57</b> | <b>\$156.14</b>       |

# Average Balance Information

---

As of 3/31/16 for employees who contributed their own funds into an HSA:

- Arkansas State Employees: \$905.61
- Public School Employees: \$681.76

These balances do reflect transfer of assets, employer contributions (ASE), and employee contributions, which cumulatively would accumulate as liquid spend in FDIC-insured funds. These numbers do not reflect balances that are being held in investment funds.



Thank you.

# Manufacturer Rebate Arrangements / Pharmacy Saving Opportunities

David Keisner, PharmD

Dwight Davis, PharmD

# Pharmacy Rebates

- ▶ Pharmaceutical manufacturers pay rebates to health plans to offset some of the cost of medications.
  - ▶ Rebate payments can be based on formulary status, access requirements, market share, etc.
- 

# Manufacturer Rebate Arrangements

- ▶ Pharmaceutical manufacturers commonly pay rebates to PBMs as part of their formulary contracting agreements. In turn, PBMs may share the rebates with plan sponsors.
  - ▶ Issues with this arrangement include lack of transparency and missed cost saving opportunities.
- 

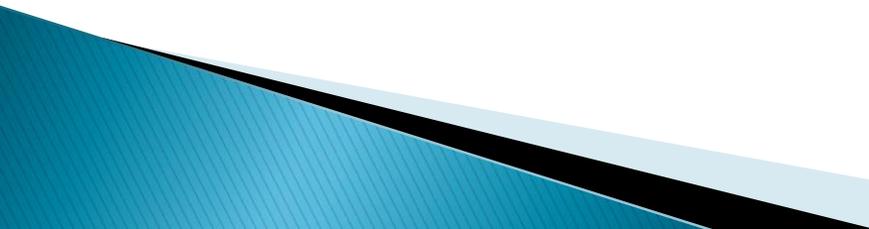
# EBD/EBRx Solution: Evidence Directed Rebates

- ▶ Starting 7/1/16, EBD/EBRx will work together to bring rebate management in-house.
  - ▶ This strategy ensures transparency and 100% of all revenue will be paid to EBD.
- 

# Evidence Directed: Where the Evidence Leads and the Dollars Follow

- ▶ Rebate management is based on clinical evidence not “chasing dollars”.
  - ▶ All rebate discussions start at the DUEC.
- 

# Examples

- ▶ Drug A is clinically superior to drug B. Drug A will be placed on formulary and drug B will be excluded. Rebate discussion will not exist with drug B.
  - ▶ Drugs A and B are clinically equivalent and have similar costs. If DUEC determines it is clinically appropriate to cover one (and exclude the other) then EBD/EBRx will solicit bids from each manufacturer for lowest net cost.
- 

# Price Protection

- ▶ Winning bidder will agree to price protection.
  - ▶ “Price protections are a ceiling or a cap put on the amount a manufacturer can increase the cost of a medication during the life of the rebate contract”.
  - ▶ Price protection is the best strategy to manage inflation.
- 

# Inflation

- ▶ Insulin Agents:
  - ▶ 2015 spend= \$14.7 Million
  - ▶ 17% unit price increase compared to 2014
- ▶ Chronic Inflammatory Agents:
  - ▶ 2015 Spend= \$12.5 Million
  - ▶ 20.5% unit price increase compared to 2014

# Moving Forward

- ▶ DUEC has already identified categories of drugs where rebate contracting is clinically appropriate. (Targeted Immune Modulators, Insulin, Hepatitis C)
  - ▶ EBD/EBRx are currently defining the Bid Process.
  - ▶ All bids will be evaluated by committee of EBD employees, EBRx employees, and Board/Sub-committee members.
- 

# Targeted Categories

| Drug Category                        | Sample Drugs              | EBD Annual Spend    |
|--------------------------------------|---------------------------|---------------------|
| Antidiabetic Agents                  | Insulins, Januvia, Byetta | \$17 million        |
| Anti-inflammatory Agents (Specialty) | Enbrel, Humira, Stelara   | \$15 million        |
| Hepatitis C Agents                   | Harvoni, Sovaldi          | \$1.7 million       |
| Antiasthmatic Agents                 | Advair, inhaled steroids  | \$3.2 million       |
| Contraceptives                       | Various products          | \$3 million         |
| Growth Hormone                       | Norditropin, Humatrope    | \$980,000           |
| Antiplatelet Agents                  | Effient, Pradaxa          | \$980,000           |
| <b>Total</b>                         |                           | <b>\$42 million</b> |

Arkansas State Employees  
& Public School Employees  
Health Benefits Program



# Preliminary 2017 (and beyond) Projections

May 6, 2016  
Benefit Committee Meeting

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

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| 2) Pharmacy Trend Experience           | 5           |
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## Appendices

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# Medical Trend



| Underlying Trends (*)   | ASE         | PSE         |
|-------------------------|-------------|-------------|
|                         | PMPM        | PMPM        |
| <b>Medical NME only</b> |             |             |
| - 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%       |
| <b>AVERAGE</b>          | <b>3.4%</b> | <b>2.4%</b> |
| <b>Medical ME Only</b>  |             |             |
| - 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%       |
| <b>AVERAGE</b>          | <b>3.2%</b> | <b>3.3%</b> |

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

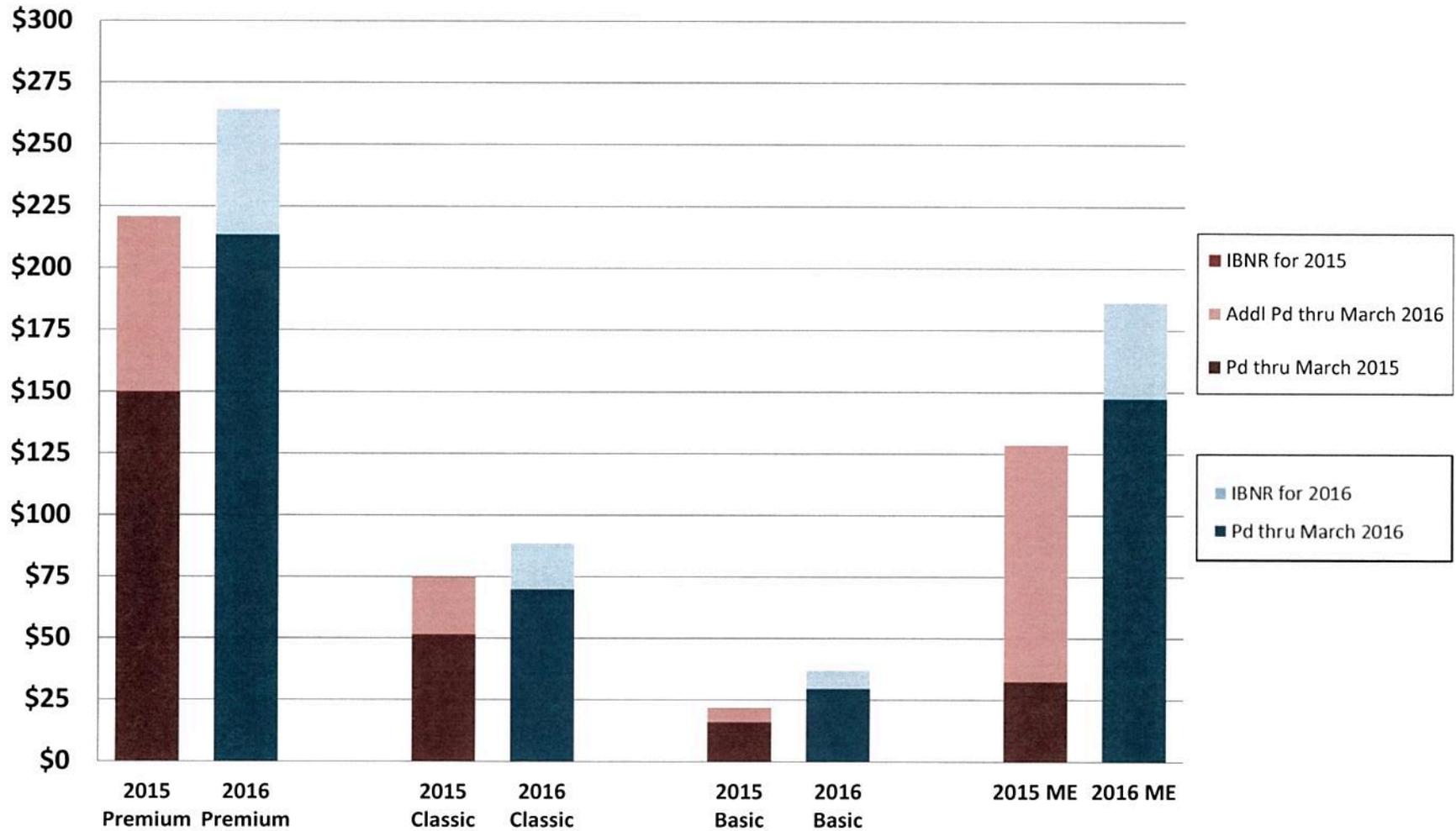
2014 to 2015 Trends are based on claims paid through February 29, 2016, plus estimated runout. As actual runout claims become known, the percentages will likely change.



# Jan & Feb Incurred Medical Claims: PSE



PMPM



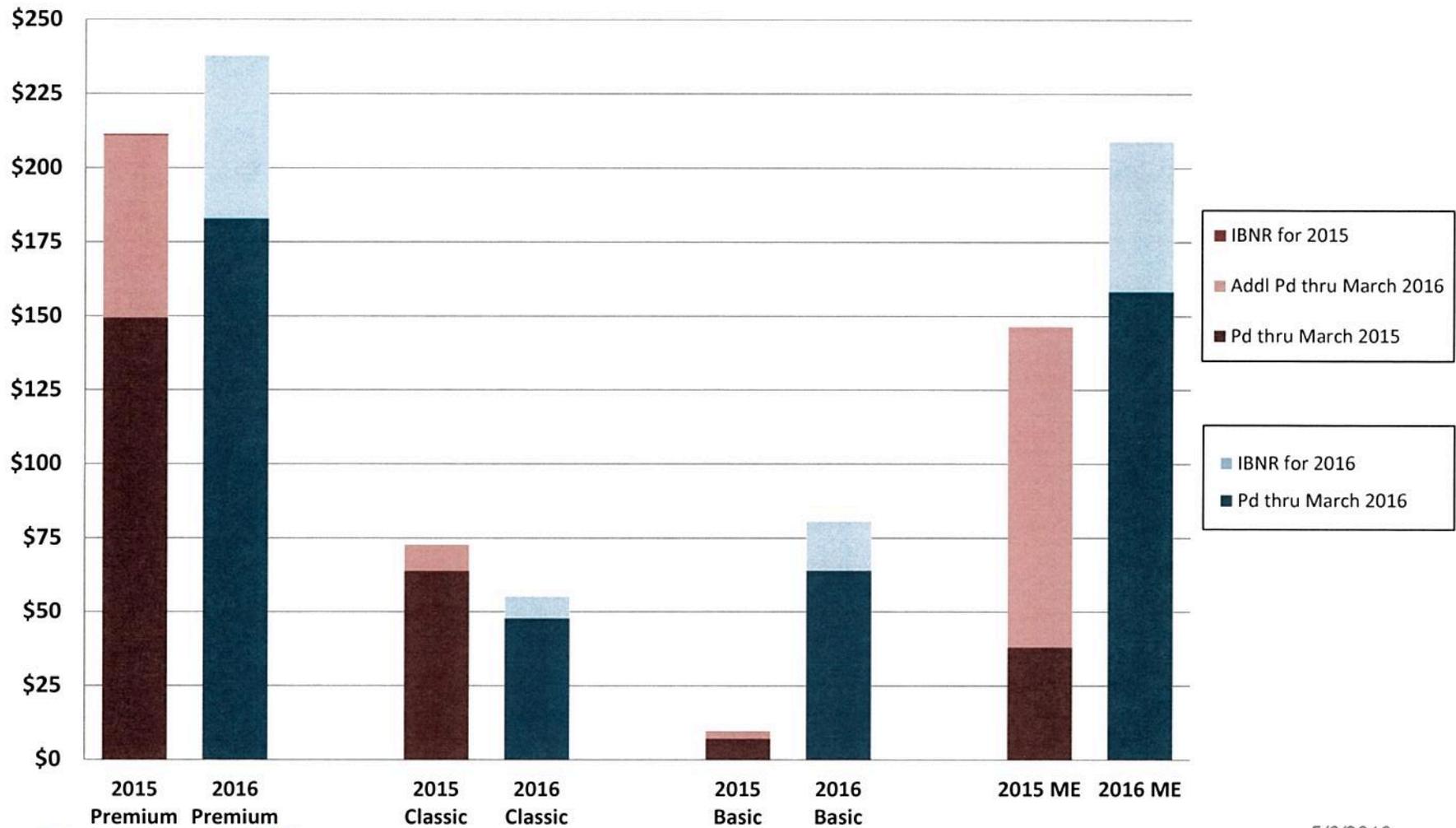
Classic Values, Innovative Advice

5/6/2016

# Jan & Feb Incurred Medical Claims: ASE



PMPM



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5/6/2016

# Pharmacy Trend: 2015 vs. 2014



|                                 | Unit Cost   | Utilization  | Total       |
|---------------------------------|-------------|--------------|-------------|
| <b><i>National Average*</i></b> |             |              |             |
| Traditional                     | -2.1%       | 1.9%         | -0.1%       |
| Specialty                       | 11.0%       | 6.8%         | 17.7%       |
| <b>Total Overall</b>            | <b>3.2%</b> | <b>2.0%</b>  | <b>5.2%</b> |
| <b><i>ASE&amp;PSE</i></b>       |             |              |             |
| 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%       |
| <b>Total Overall</b>            | <b>6.8%</b> | <b>-1.4%</b> | <b>5.3%</b> |

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

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

# Emerging ASE/PSE Pharmacy Trends



- ASE and PSE Pharmacy trends, NME and ME combined (not adjusted for changes in benefit plans or demographic changes)

## Allowed Costs (before copays/deductibles)

|                     | \$ in Millions | \$ PMPM  | % increase |
|---------------------|----------------|----------|------------|
| <b>1st qtr 2015</b> | \$40.3         | \$98.46  |            |
| <b>1st qtr 2016</b> | \$43.7         | \$106.67 | 8.3%       |

## Paid Amounts

|                     | \$ in Millions | \$ PMPM | % increase |
|---------------------|----------------|---------|------------|
| <b>1st qtr 2015</b> | \$27.9         | \$68.12 |            |
| <b>1st qtr 2016</b> | \$31.1         | \$76.07 | 11.7%      |

# Updated Projections for 12/31/2016



(In Millions \$)

|   | As of     | 12/31/2015  | Projection<br>Base Trend<br>12/31/2016 | Projection<br>12% Trend<br>12/31/2016 |
|---|-----------|-------------|--|---------------------------------------|
| <b>PSE</b>                              |           |             |  |                                       |
| Net Assets before IBNR                  | \$        | 132.1       | \$ 131.7                               | \$ 118.5                              |
| IBNR Reserve                            |           | (29.4)      | (29.4)                                 | (29.4)                                |
| Reserve for Current and Future Premiums |           | (57.3)      | (47.7)                                 | (47.7)                                |
| Catastrophic Reserve                    |           | (10.9)      | (10.5)                                 | (10.5)                                |
| <b>Net Assets Available</b>             | <b>\$</b> | <b>34.5</b> | <b>\$ 44.1</b>                         | <b>\$ 30.9</b>                        |

## ASE

|   |           |             |                |                |
|---|-----------|-------------|----------------|----------------|
| Net Assets before IBNR                  | \$        | 93.9        | \$ 87.5        | \$ 76.1        |
| IBNR Reserve                            |           | (26.5)      | (26.5)         | (26.5)         |
| Reserve for Current and Future Premiums |           | (28.8)      | (12.6)         | (12.6)         |
| Catastrophic Reserve                    |           | (10.4)      | (10.7)         | (10.7)         |
| <b>Net Assets Available</b>             | <b>\$</b> | <b>28.2</b> | <b>\$ 37.7</b> | <b>\$ 26.3</b> |

Base Trend = 6% for medical (actives & NME retirees), 5% for medical (ME retirees), 10% for prescription drugs

# Forecast Assumptions



- Based on actual April 2016 enrollment and calendar year 2015 claims paid through March 2016
  - Net Migration of approximately 600 ASE and 600 PSE active employees from Premium to Basic annually
  - No growth in retirees after 2017
- 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
- Assumes changes in pharmacy contracting as approved by the Board in March
- Assumes no changes to State and minimum District contributions for 2017
  - For ASE, considering alternative scenarios of \$5 million and \$10 million lower State contributions due to potential loss of budgeted positions
  - For PSE, assuming 1% annual increase in minimum District contributions after 2017
- Assumes 95% wellness participation
- Projections subject to change as more complete experience emerges

# Rate Change Forecast: PSE



**Increase in employee and retiree contribution rates from the prior year.**

|                          | 2016        | 2017        | 2018      | 2019      | 2020      |
|--------------------------|-------------|-------------|-----------|-----------|-----------|
| <b>Trend Scenario</b>    | <b>Base</b> | <b>Base</b> | <b>6%</b> | <b>6%</b> | <b>6%</b> |
| <b>No changes</b>        | NA          | 0%          | 0%        | 11%       | 22%       |
| <b>\$15 HSA Funding</b>  | NA          | 0%          | 0%        | 19%       | 20%       |
| <b>Premium \$500 Ded</b> | NA          | 0%          | 0%        | 19%       | 20%       |
| <b>Both HSA and Ded</b>  | NA          | 0%          | 0%        | 27%       | 18%       |

|                          | 2016       | 2017      | 2018      | 2019      | 2020      |
|--------------------------|------------|-----------|-----------|-----------|-----------|
| <b>Trend Scenario</b>    | <b>12%</b> | <b>8%</b> | <b>7%</b> | <b>6%</b> | <b>6%</b> |
| <b>No changes</b>        | NA         | 0%        | 19%       | 21%       | 16%       |
| <b>\$15 HSA Funding</b>  | NA         | 0%        | 24%       | 19%       | 17%       |
| <b>Premium \$500 Ded</b> | NA         | 0%        | 24%       | 19%       | 17%       |
| <b>Both HSA and Ded</b>  | NA         | 0%        | 29%       | 19%       | 17%       |

Rate increases are shown in aggregate; however allocation to specific plan options, family status, or retiree coverage status may differ significantly

# Rate Change Forecast: PSE



**Increase in employee and retiree contribution rates from the prior year.**

|                          | 2016        | 2017        | 2018      | 2019      | 2020      |
|--------------------------|-------------|-------------|-----------|-----------|-----------|
| <b>Trend Scenario</b>    | <b>Base</b> | <b>Base</b> | <b>3%</b> | <b>3%</b> | <b>3%</b> |
| <b>No changes</b>        | NA          | 0%          | 0%        | 0%        | 6%        |
| <b>\$15 HSA Funding</b>  | NA          | 0%          | 0%        | 0%        | 15%       |
| <b>Premium \$500 Ded</b> | NA          | 0%          | 0%        | 0%        | 15%       |
| <b>Both HSA and Ded</b>  | NA          | 0%          | 0%        | 7%        | 13%       |

|                          | 2016       | 2017      | 2018      | 2019      | 2020      |
|--------------------------|------------|-----------|-----------|-----------|-----------|
| <b>Trend Scenario</b>    | <b>12%</b> | <b>8%</b> | <b>3%</b> | <b>3%</b> | <b>3%</b> |
| <b>No changes</b>        | NA         | 0%        | 8%        | 14%       | 11%       |
| <b>\$15 HSA Funding</b>  | NA         | 0%        | 14%       | 13%       | 11%       |
| <b>Premium \$500 Ded</b> | NA         | 0%        | 14%       | 13%       | 11%       |
| <b>Both HSA and Ded</b>  | NA         | 0%        | 18%       | 13%       | 11%       |

Rate increases are shown in aggregate; however allocation to specific plan options, family status, or retiree coverage status may differ significantly

# Rate Change Forecast: ASE



**Increase in employee and retiree contribution rates from the prior year.**

|                              | 2016        | 2017        | 2018       | 2019       | 2020       |
|------------------------------|-------------|-------------|------------|------------|------------|
| <b>Trend Scenario</b>        | <b>Base</b> | <b>Base</b> | <b>6%</b>  | <b>6%</b>  | <b>6%</b>  |
| <b>No changes</b>            | NA          | <b>0%</b>   | <b>13%</b> | <b>29%</b> | <b>19%</b> |
| <b>less \$5M State Cont</b>  | NA          | <b>0%</b>   | <b>21%</b> | <b>26%</b> | <b>19%</b> |
| <b>less \$10M State Cont</b> | NA          | <b>0%</b>   | <b>28%</b> | <b>24%</b> | <b>19%</b> |

|                              | 2016       | 2017      | 2018       | 2019       | 2020       |
|------------------------------|------------|-----------|------------|------------|------------|
| <b>Trend Scenario</b>        | <b>12%</b> | <b>8%</b> | <b>7%</b>  | <b>6%</b>  | <b>6%</b>  |
| <b>No changes</b>            | NA         | <b>0%</b> | <b>45%</b> | <b>22%</b> | <b>19%</b> |
| <b>less \$5M State Cont</b>  | NA         | <b>0%</b> | <b>50%</b> | <b>22%</b> | <b>18%</b> |
| <b>less \$10M State Cont</b> | NA         | <b>0%</b> | <b>56%</b> | <b>21%</b> | <b>18%</b> |

**Rate increases do not reflect any potential change in the state contribution rate per budgeted position. Such increases would reduce the percentages shown.**

**Rate increases are shown in aggregate; however allocation to specific plan options, family status, or retiree coverage status may differ significantly**

# Rate Change Forecast: ASE



**Increase in employee and retiree contribution rates from the prior year.**

|                              | 2016        | 2017        | 2018       | 2019       | 2020       |
|------------------------------|-------------|-------------|------------|------------|------------|
| <b>Trend Scenario</b>        | <b>Base</b> | <b>Base</b> | <b>3%</b>  | <b>3%</b>  | <b>3%</b>  |
| <b>No changes</b>            | NA          | <b>0%</b>   | <b>4%</b>  | <b>21%</b> | <b>13%</b> |
| <b>less \$5M State Cont</b>  | NA          | <b>0%</b>   | <b>11%</b> | <b>19%</b> | <b>13%</b> |
| <b>less \$10M State Cont</b> | NA          | <b>0%</b>   | <b>19%</b> | <b>17%</b> | <b>13%</b> |

|                              | 2016       | 2017      | 2018       | 2019       | 2020       |
|------------------------------|------------|-----------|------------|------------|------------|
| <b>Trend Scenario</b>        | <b>12%</b> | <b>8%</b> | <b>3%</b>  | <b>3%</b>  | <b>3%</b>  |
| <b>No changes</b>            | NA         | <b>0%</b> | <b>32%</b> | <b>13%</b> | <b>11%</b> |
| <b>less \$5M State Cont</b>  | NA         | <b>0%</b> | <b>37%</b> | <b>13%</b> | <b>11%</b> |
| <b>less \$10M State Cont</b> | NA         | <b>0%</b> | <b>42%</b> | <b>12%</b> | <b>11%</b> |

Rate increases do not reflect any potential change in the state contribution rate per budgeted position. Such increases would reduce the percentages shown.

Rate increases are shown in aggregate; however allocation to specific plan options, family status, or retiree coverage status may differ significantly



# 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

5/6/2016

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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      |           |                    |
| <b>Premium</b>                         |                       |                              |                        |                          |  |              |                    |   |              |              |           |                    |
| 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                |
| <b>Est. Monthly Total (\$mil)</b>      | <b>\$14.0</b>         | <b>\$5.5</b>                 | <b>\$0.5</b>           | <b>\$3.2</b>             | <b>\$4.8</b>                                     | <b>\$0.1</b> | <b>\$4.8</b>       | <b>\$0.0</b>  | <b>0%</b>    | <b>\$0.0</b> | <b>0%</b> | <b>20,566</b>      |
| <b>Classic</b>                         |                       |                              |                        |                          |  |              |                    |   |              |              |           |                    |
| 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              |
| <b>Est. Monthly Total (\$mil)</b>      | <b>\$8.3</b>          | <b>\$2.2</b>                 | <b>\$0.2</b>           | <b>\$3.3</b>             | <b>\$2.7</b>                                     | <b>\$0.1</b> | <b>\$2.7</b>       | <b>\$0.0</b>  | <b>0%</b>    | <b>\$0.0</b> | <b>0%</b> | <b>21,283</b>      |
| <b>Basic</b>                           |                       |                              |                        |                          |  |              |                    |   |              |              |           |                    |
| 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                |
| <b>Est. Monthly Total (\$mil)</b>      | <b>\$0.4</b>          | <b>\$0.0</b>                 | <b>(\$0.1)</b>         | <b>\$0.4</b>             | <b>\$0.1</b>                                     | <b>\$0.0</b> | <b>\$0.1</b>       | <b>\$0.0</b>  | <b>0%</b>    | <b>\$0.0</b> | <b>0%</b> | <b>2,386</b>       |
| <b>Total (Monthly) (\$ mil)</b>        | <b>\$22.7</b>         | <b>\$7.7</b>                 | <b>\$0.6</b>           | <b>\$6.8</b>             | <b>\$7.6</b>                                     | <b>\$0.2</b> | <b>\$7.6</b>       | <b>\$0.0/\$0.0</b>                                      | <b>0%/0%</b> | <b>\$0.0</b> | <b>0%</b> | <b>44,235</b>      |
| <b>Est Annual Total (\$ mil)</b>       | <b>\$272.4</b>        | <b>\$92.7</b>                | <b>\$6.6</b>           | <b>\$82.0</b>            | <b>\$91.1</b>                                    | <b>\$2.0</b> | <b>\$91.1</b>      | <b>\$0.0/\$0.0</b>                                      | <b>0%/0%</b> | <b>\$0.0</b> | <b>0%</b> |                    |
| <b>Total Active &amp; Ret (\$ mil)</b> | <b>\$310.7</b>        | <b>\$92.7</b>                | <b>\$9.6</b>           | <b>\$82.0</b>            | <b>\$126.3</b>                                   | <b>\$2.0</b> | <b>\$126.3</b>     | <b>\$0.0</b>  | <b>0%</b>    | <b>\$2.0</b> | <b>2%</b> | <b>58,653</b>      |

\*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 |
|-----------------------------------|-----------------------|-----------------------|------------------------|-------------------|-------------------------|-------------------------------|-----------|--------------------|
| <b>Premium</b>                    |                       |                       |                        |                   |                         |                               |           |                    |
| 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                  |
| <b>Est. Monthly Total (\$mil)</b> | <b>\$1.0</b>          | <b>\$0.0</b>          | <b>(\$0.1)</b>         | <b>\$1.1</b>      | <b>\$1.1</b>            | <b>\$0.0</b>                  | <b>0%</b> | <b>1,534</b>       |
| <b>Classic</b>                    |                       |                       |                        |                   |                         |                               |           |                    |
| 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                 |
| <b>Est. Monthly Total (\$mil)</b> | <b>\$0.5</b>          | <b>\$0.0</b>          | <b>\$0.0</b>           | <b>\$0.5</b>      | <b>\$0.5</b>            | <b>\$0.0</b>                  | <b>0%</b> | <b>1,610</b>       |
| <b>Basic</b>                      |                       |                       |                        |                   |                         |                               |           |                    |
| 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                  |
| <b>Est. Monthly Total (\$mil)</b> | <b>\$0.0</b>          | <b>\$0.0</b>          | <b>\$0.0</b>           | <b>\$0.0</b>      | <b>\$0.0</b>            | <b>\$0.0</b>                  | <b>0%</b> | <b>136</b>         |
| <b>Total (Monthly) (\$ mil)</b>   | <b>\$1.5</b>          | <b>\$0.0</b>          | <b>(\$0.1)</b>         | <b>\$1.6</b>      | <b>\$1.6</b>            | <b>\$0.0</b>                  | <b>0%</b> | <b>3,279</b>       |
| <b>Est Annual Total (\$ mil)</b>  | <b>\$18.4</b>         | <b>\$0.0</b>          | <b>(\$1.0)</b>         | <b>\$19.4</b>     | <b>\$19.4</b>           | <b>\$0.0</b>                  |           |                    |

# 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                  |
| <b>Est. Monthly Total (\$mil)</b> | <b>\$2.2</b>          | <b>\$0.5</b> | <b>\$0.3</b>           | <b>\$1.3</b>      | <b>\$1.3</b>            | <b>\$0.0</b>                  | <b>0%</b> | <b>11,138</b>      |
| <b>Total (Est. Annual)</b>        | <b>\$26.2</b>         | <b>\$6.4</b> | <b>\$4.0</b>           | <b>\$15.9</b>     | <b>\$15.9</b>           | <b>\$0.0</b>                  |           |                    |

# 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      |           |                    |  |
| <b>Premium</b>                         |                          |                       |                        |  |              |                    |   |              |              |           |                    |  |
| 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              |  |
| <b>Est. Monthly Total (\$mil)</b>      | <b>\$16.2</b>            | <b>\$10.6</b>         | <b>\$1.0</b>           | <b>\$4.6</b>                                     | <b>\$0.1</b> | <b>\$4.6</b>       | <b>\$0.0</b>  | <b>0%</b>    | <b>\$0.0</b> | <b>0%</b> | <b>24,523</b>      |  |
| <b>Classic</b>                         |                          |                       |                        |  |              |                    |   |              |              |           |                    |  |
| 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                |  |
| <b>Est. Monthly Total (\$mil)</b>      | <b>\$1.0</b>             | <b>\$0.8</b>          | <b>\$0.1</b>           | <b>\$0.2</b>                                     | <b>\$0.0</b> | <b>\$0.2</b>       | <b>\$0.0</b>  | <b>0%</b>    | <b>\$0.0</b> | <b>0%</b> | <b>1,811</b>       |  |
| <b>Basic</b>                           |                          |                       |                        |  |              |                    |   |              |              |           |                    |  |
| 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                |  |
| <b>Est. Monthly Total (\$mil)</b>      | <b>\$0.5</b>             | <b>\$0.4</b>          | <b>\$0.0</b>           | <b>\$0.0</b>                                     | <b>\$0.0</b> | <b>\$0.0</b>       | <b>\$0.0</b>  | <b>0%</b>    | <b>\$0.0</b> | <b>0%</b> | <b>902</b>         |  |
| <b>Total (Monthly) (\$ mil)</b>        | <b>\$17.7</b>            | <b>\$11.8</b>         | <b>\$1.1</b>           | <b>\$4.8</b>                                     | <b>\$0.1</b> | <b>\$4.8</b>       | <b>\$0.0/\$0.0</b>                                      | <b>0%/0%</b> | <b>0%/0%</b> | <b>0%</b> | <b>27,236</b>      |  |
| <b>Est Annual Total (\$ mil)</b>       | <b>\$212.3</b>           | <b>\$141.3</b>        | <b>\$12.9</b>          | <b>\$58.1</b>                                    | <b>\$1.2</b> | <b>\$58.1</b>      | <b>\$0.0/\$0.0</b>                                      | <b>0%/0%</b> | <b>0%/0%</b> | <b>0%</b> |                    |  |
| <b>Total Active &amp; Ret (\$ mil)</b> | <b>\$288.7</b>           | <b>\$176.8</b>        | <b>\$16.2</b>          | <b>\$95.7</b>                                    | <b>\$1.2</b> | <b>\$95.7</b>      | <b>\$0.0</b>  | <b>0%</b>    | <b>\$1.2</b> | <b>1%</b> | <b>38,915</b>      |  |

\*Already subtracted from Total Rates



Classic Values, Innovative Advice

5/6/2016

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



| <b>NME Retirees</b>               | <b>Risk Adjusted Total Rate</b> | <b>State Contrib.</b> | <b>Reserve Used / (Added)</b> | <b>2016 Retiree Cost</b> | <b>2015 Total Retiree Cost</b> | <b>Change in Retiree Cost (\$/%)</b> |           | <b>Assumed Enrollment</b> |
|-----------------------------------|---------------------------------|-----------------------|-------------------------------|--------------------------|--------------------------------|--------------------------------------|-----------|---------------------------|
| <b>Premium</b>                    |                                 |                       |                               |                          |                                |                                      |           |                           |
| 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                         |
| <b>Est. Monthly Total (\$mil)</b> | <b>\$1.5</b>                    | <b>\$0.6</b>          | <b>\$0.1</b>                  | <b>\$0.9</b>             | <b>\$0.9</b>                   | <b>\$0.0</b>                         | <b>0%</b> | <b>2,417</b>              |
| <b>Classic</b>                    |                                 |                       |                               |                          |                                |                                      |           |                           |
| 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                         |
| <b>Est. Monthly Total (\$mil)</b> | <b>\$0.0</b>                    | <b>\$0.0</b>          | <b>\$0.0</b>                  | <b>\$0.0</b>             | <b>\$0.0</b>                   | <b>\$0.0</b>                         | <b>0%</b> | <b>60</b>                 |
| <b>Basic</b>                      |                                 |                       |                               |                          |                                |                                      |           |                           |
| 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                         |
| <b>Est. Monthly Total (\$mil)</b> | <b>\$0.0</b>                    | <b>\$0.0</b>          | <b>\$0.0</b>                  | <b>\$0.0</b>             | <b>\$0.0</b>                   | <b>\$0.0</b>                         | <b>0%</b> | <b>20</b>                 |
| <b>Total (Monthly) (\$ mil)</b>   | <b>\$1.5</b>                    | <b>\$0.6</b>          | <b>\$0.1</b>                  | <b>\$0.9</b>             | <b>\$0.9</b>                   | <b>\$0.0</b>                         | <b>0%</b> | <b>2,498</b>              |
| <b>Est Annual Total (\$ mil)</b>  | <b>\$18.6</b>                   | <b>\$6.9</b>          | <b>\$0.6</b>                  | <b>\$11.0</b>            | <b>\$11.0</b>                  | <b>\$0.0</b>                         |           |                           |

# 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 & MESP                    | 779.65                   | 358.81         | 32.82                  | 388.02            | 388.02                  | 0.00                          | 0%        | 2,313              |
| Retiree & MESP & CH               | 1,136.93                 | 485.22         | 44.39                  | 607.32            | 607.32                  | 0.00                          | 0%        | 27                 |
| <b>Est. Monthly Total (\$mil)</b> | <b>\$4.8</b>             | <b>\$2.4</b>   | <b>\$0.2</b>           | <b>\$2.2</b>      | <b>\$2.2</b>            | <b>\$0.0</b>                  | <b>0%</b> | <b>9,181</b>       |
| <b>Total (Est. Annual)</b>        | <b>\$57.9</b>            | <b>\$28.6</b>  | <b>\$2.6</b>           | <b>\$26.7</b>     | <b>\$26.7</b>           | <b>\$0.0</b>                  |           |                    |



# Appendix B – 2016 Plan Design



*Yellow highlight means the coverage is changed*

|   | ASE<br>Premium  | PSE<br>Premium         | ASE<br>Classic  | PSE<br>Classic  | ASE<br>Basic    | PSE<br>Basic       |
|---|-----------------|------------------------|-----------------|-----------------|-----------------|--------------------|
| Monthly Plan HSA Contribution (Ind./Family)                   | n/a             | n/a                    | \$25/\$50       | \$0             | \$25/\$50       | \$0                |
| <b><i>In-Network:</i></b>                                     |                 |                        |                 |                 |                 |                    |
| Deductible - Individual                                       | \$500           | <b>\$1,000</b>         | \$2,500         | \$2,000         | \$6,450         | <b>\$4,250</b>     |
| Co-Insurance Limit - Individual (after Deductible)            | \$2,500         | <b>\$2,500</b>         | \$3,950         | \$4,450         | n/a             | <b>\$2,200</b>     |
| Med. Out-of-Pocket Max (Ded. + Co-Ins. + Med. Co-Pay) **      | \$3,000         | <b>\$3,500</b>         | <b>\$6,450</b>  | <b>\$6,450</b>  | <b>\$6,450</b>  | <b>\$6,450</b>     |
| Deductible - Family   | \$1,000         | <b>\$2,000</b>         | \$5,000         | \$3,000         | \$12,900        | <b>\$8,500</b>     |
| Co-Insurance Limit - Family (after Deductible)                | \$5,000         | <b>\$5,000</b>         | \$7,900         | \$6,675         | n/a             | <b>\$4,400</b>     |
| Med. Out-of-Pocket Max (Ded. + Co-Ins. + Med. Co-Pay)         | \$6,000         | <b>\$7,000</b>         | <b>\$12,900</b> | \$9,675         | <b>\$12,900</b> | <b>\$12,900</b>    |
| Coinsurance Rate  | 80%/20%         | 80%/20%                | 80%/20%         | 80%/20%         | 100%/0%         | <b>80%/20%</b>     |
| 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 | <b>\$3,100/\$6,200</b> | 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                   |                 |                 |                 |                    |
| <b><i>Out-of-Network:</i></b>                                 |                 |                        |                 |                 |                 |                    |
| Deductible - Individual/Family                                | \$2,000/\$4,000 | <b>\$2,000/\$4,000</b> | \$4,000/\$8,000 | \$3,000/\$6,000 | not covered     | <b>not covered</b> |
| Co-Insurance  | 60%/40%         | <b>60%/40%</b>         | 60%/40%         | 60%/40%         | not covered     | <b>not covered</b> |
| Co-Insurance Limit - Individual/Family (after Deductible)     | None            | None                   | None            | None            | not covered     | <b>not covered</b> |
| Max. Out-of-Pocket (Deductible + Co-Insurance )               | None            | None                   | None            | None            | not covered     | <b>not covered</b> |

\*Deductible & Co-Insurance also applies

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

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## Appendix C: 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 (2015)
  - \$8 million to members
  - \$8 million to plan
    - For projections, reduction in 2017 plan costs of approximately 8% for ASE and 4% for PSE
  - Savings could be higher if usual & customary prices remain below AWP – 15.65% for non-MAC generic drugs.

# Appendix D – Use & Disclosures



- Projections are based on Calendar Year 2015 claim experience, paid through March 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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