



AGENDA

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

**June 10, 2016
10:00 a.m.**

EBD Board Room – 501 Building, Suite 500

- I. Call to Order Jeff Altemus, Chairman***
- II. Approval of May 6, 2016 Minutes Jeff Altemus, Chairman***
- III. ASE/PSE May 2016 FinancialsMarla Wallace, EBD Chief Fiscal Officer***
- IV. 2017 Update & Percentage Increases John Colberg & Gaelle Gravot, Cheiron, Inc.***
- V. Director's Report..... Chris Howlett, EBD Executive Director***

2016 upcoming meetings:

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
** Special Benefits Sub-Committee**
Minutes
June 10, 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 1st 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.

1ST QUARTER 2016 HSA ACCOUNT INFORMATION: *by Liz Tullos, WageWorks*

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

The following chart outlines the total and average employee contributions for 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
Q1 Total	1,096	\$400,044.67	\$135.53

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

Month	Count	Sum	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
Q1 Total	12,179	\$4,997,816.57	\$156.14

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 26th and the bid opening will be held May 19th. Second, is Medical Management Services issued May 4th, and the bid opening will be held May 25th.

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 May 31, 2015

	EMPLOYEE ONLY				EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL	ACTIVES	RETIREES	MEDICARE	TOTAL
BASIC	936	17		953	1626	33		1659
CLASSIC	1813	53		1866	3096	80		3176
PREMIUM	24364	2142		26506	42512	2775		45287
PRIMARY		217	8741	8958		443	11499	11942
TOTAL	27113	2429	8741	38283	47234	3331	11499	62064

REVENUES & EXPENDITURES

	Current Month	Year to Date (5 Months)
Funding		
State Contribution	\$ 14,368,748	\$ 71,799,592
Employee Contribution	\$ 8,061,863	\$ 40,297,033
Other	\$ 529,661	\$ 2,364,804
Allocation for Actives - Plan Year 2015	\$ 971,667	\$ 4,858,333
Total Funding	\$ 23,931,939	\$ 119,319,763
Expenses		
Medical Expenses		
Claims Expense	\$ 17,573,100	\$ 62,738,364
Claims IBNR	\$ -	\$ -
Medical Administration Fees	\$ 1,286,852	\$ 5,406,103
Refunds	\$ (57,286)	\$ (89,076)
Employee Assistance Program (EAP)	\$ 56,324	\$ 282,210
Life Insurance	\$ 54,927	\$ 275,145
Pharmacy Expenses		
RX Claims	\$ 8,513,182	\$ 28,994,713
RX IBNR	\$ -	\$ -
RX Administration	\$ 211,746	\$ 1,061,661
Plan Administration	\$ 261,307	\$ 1,805,691
Total Expenses	\$ 27,900,152	\$ 100,474,811
Net Income/(Loss)	\$ (3,968,213)	\$ 18,844,952

BALANCE SHEET

Assets	
Bank Account	\$ 10,087,892
State Treasury	\$ 81,194,016
Due from Cafeteria Plan	\$ 709,521
Due from PSE	\$ -
Receivable from Provider	\$ -
Accounts Receivable	\$ 105,433
Total Assets	\$ 92,096,861
Liabilities	
Accounts Payable	\$ 3,758
Deferred Revenues	\$ 2,050
Due to Cafeteria	\$ -
Due to PSE	\$ -
Due to Federal Government (\$44 fee)	\$ -
Health IBNR	\$ 24,700,000
RX IBNR	\$ 1,800,000
Total Liabilities	\$ 26,505,808
Net Assets	\$ 65,591,053
Less Reserves Allocated	
Premiums for Plan Year 1/1/15 - 12/31/15 (\$6,260,000 + \$5,400,000)	\$ (6,801,667)
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	\$ 44,789,387

Fifth Week of Claims \$4,824,735

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

	EMPLOYEE ONLY				EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL	ACTIVES	RETIREES	MEDICARE	TOTAL
BASIC	1249	30		1279	2089	45		2134
CLASSIC	1745	66		1811	2913	90		3003
PREMIUM	23351	2125		25476	40700	2737		43437
PRIMARY		212	9162	9374		433	11984	12417
TOTAL	26345	2433	9162	37940	45702	3305	11984	60991

REVENUES & EXPENDITURES

	Current Month	Year to Date (5 Months)
Funding		
1 State Contribution	\$ 14,693,140	\$ 73,467,128
2 Employee Contribution	\$ 7,950,824	\$ 39,890,690
3 Other	\$ 1,101,785	\$ 3,238,368
4 Allocation of Reserves	\$ 1,350,000	\$ 6,750,000
Total Funding	\$ 25,095,749	\$ 123,346,186
Expenses		
Medical Expenses		
5 Claims Expense	\$ 14,077,724	\$ 69,535,489
6 Claims IBNR	\$ 3,300,000	\$ 3,300,000
7 Medical Administration Fees	\$ 1,079,526	\$ 5,468,678
8 Refunds	\$ 55	\$ 160
9 Employee Assistance Program (EAP)	\$ 55,301	\$ 276,800
10 Life Insurance	\$ 79,555	\$ 397,643
Pharmacy Expenses		
11 RX Claims	\$ 6,168,063	\$ 31,879,114
12 RX IBNR	\$ (100,000)	\$ (100,000)
13 RX Administration	\$ 214,067	\$ 1,067,477
14 Plan Administration	\$ 486,326	\$ 1,752,308
Total Expenses	\$ 25,360,618	\$ 113,577,669
15 Net Income/(Loss)	\$ (264,869)	\$ 9,768,518

BALANCE SHEET

Assets		
16 Bank Account		\$ 7,776,687
17 State Treasury		\$ 90,904,045
18 Due from Cafeteria Plan		\$ 703,886
19 Due from PSE		\$ -
20 Receivable from Provider		\$ -
21 Accounts Receivable		\$ 746,913
Total Assets		\$ 100,131,531
Liabilities		
22 Accounts Payable		\$ 920
23 Deferred Revenues		\$ -
24 Due to Cafeteria		\$ -
25 Due to PSE		\$ 12,620
26 Due to Federal Government (\$44 fee)		\$ -
27 Health IBNR		\$ 28,000,000
28 RX IBNR		\$ 1,700,000
Total Liabilities		\$ 29,713,541
Net Assets		\$ 70,417,990
Less Reserves Allocated		
29 Premiums for Plan Year 1/1/16 - 12/31/16 (\$3,600,000 + \$12,600,000)		\$ (9,450,000)
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		\$ 37,667,990

34 Fifth Week of Claims \$0

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

	EMPLOYEE ONLY					EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIRES	MEDICARE	TOTAL		ACTIVES	RETIRES	MEDICARE	TOTAL
BASIC	2402	124		2526		3572	148		3720
CLASSIC	21486	1525		23011		39424	1861		41285
PREMIUM	20769	1205		21974		26619	1296		27915
PRIMARY		109	10002	10111			220	10933	11153
TOTAL	44657	2963	10002	57622		69615	3525	10933	84073

REVENUES & EXPENDITURES

Funding	Current Month	Year to Date (5 Months)
Per Participating Employee Funding (PPE Funding)	\$ 8,232,327	\$ 41,222,951
Employee Contribution	\$ 9,183,047	\$ 45,873,992
Department of Education \$35,000,000 & \$15,000,000	\$ 3,181,818	\$ 39,703,044
Other	\$ 519,386	\$ 2,845,516
Allocation for Actives	\$ 1,666,667	\$ 8,333,333
Total Funding	\$ 22,783,245	\$ 137,978,837
Expenses		
Medical Expenses		
Claims Expense	\$ 16,759,518	\$ 64,365,383
Claims IBNR	\$ -	\$ -
Medical Administration Fees	\$ 1,701,710	\$ 7,876,768
Refunds	\$ (59,400)	\$ (66,503)
Employee Assistance Program (EAP)	\$ 77,305	\$ 387,238
Pharmacy Expenses		
RX Claims	\$ 5,398,360	\$ 18,058,151
RX IBNR	\$ -	\$ -
RX Administration	\$ 293,522	\$ 1,460,142
Plan Administration	\$ 540,347	\$ 2,425,405
Total Expenses	\$ 24,711,363	\$ 94,506,584
Net Income/(Loss)	\$ (1,928,118)	\$ 43,472,253

BALANCE SHEET

Assets	
Bank Account	\$ 14,695,349
State Treasury	\$ 88,583,540
Receivable from Provider	\$ -
Accounts Receivable	\$ 7,254,032
Due from ASE	\$ -
Total Assets	\$ 110,532,922
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	\$ 81,132,047
Less Reserves Allocated	
Premiums for Plan Year 1/1/15 - 12/31/15 (\$20,000,000 rec'd from Dept. of Education)	\$ (11,666,667)
Premium Assistance (FICA Savings)	\$ (2,367,786)
Catastrophic Reserve (2015 \$10,900,000)	\$ (10,900,000)
Net Assets Available	\$ 56,197,595

Fifth Week of Claims \$4,396,467

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

	EMPLOYEE ONLY					EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREEES	MEDICARE	TOTAL		ACTIVES	RETIREEES	MEDICARE	TOTAL
BASIC	3219	219		3438		4847	274		5121
CLASSIC	22005	1776		23781		40929	2156		43085
PREMIUM	19539	957		20496		25276	1027		26303
PRIMARY		87	10781	10868			174	11758	11932
TOTAL	44763	3039	10781	58583		71052	3631	11758	86441

REVENUES & EXPENDITURES

	Current Month	Year to Date (5 Months)
Funding		
1 Per Participating Employee Funding (PPE Funding)	\$ 8,185,530	\$ 40,942,287
2 Employee Contribution	\$ 9,282,759	\$ 46,581,259
3 Department of Education \$35,000,000 & \$15,000,000 & Other Funding	\$ 3,181,818	\$ 23,409,091
4 Other	\$ 542,391	\$ 3,022,254
5 Allocation of Reserves	\$ 3,975,000	\$ 19,875,000
Total Funding	<u>\$ 25,167,499</u>	<u>\$ 133,829,890</u>
Expenses		
Medical Expenses		
6 Claims Expense	\$ 14,450,491	\$ 76,035,325
7 Claims IBNR	\$ 2,000,000	\$ 2,000,000
8 Medical Administration Fees	\$ 1,624,657	\$ 8,223,330
9 Refunds	\$ -	\$ -
10 Employee Assistance Program (EAP)	\$ 77,580	\$ 387,973
Pharmacy Expenses		
11 RX Claims	\$ 3,936,558	\$ 19,648,889
12 RX IBNR	\$ (300,000)	\$ (300,000)
13 RX Administration	\$ 310,890	\$ 1,543,942
14 Plan Administration	\$ 544,534	\$ 2,415,024
Total Expenses	<u>\$ 22,644,709</u>	<u>\$ 109,954,483</u>
16 Net Income/(Loss)	\$ 2,522,790	\$ 23,875,407

BALANCE SHEET

Assets	
17 Bank Account	\$ 23,082,656
18 State Treasury	\$ 108,929,531
19 Receivable from Provider	\$ -
20 Accounts Receivable	\$ 5,782,604
21 Due from ASE	\$ 12,620
Total Assets	<u>\$ 137,807,412</u>
Liabilities	
22 Accounts Payable	\$ 379
23 Due to ASE	\$ -
24 Deferred Revenues	\$ -
25 Due to Federal Government (\$44 fee)	\$ -
26 Health IBNR	\$ 30,000,000
27 RX IBNR	\$ 1,100,000
Total Liabilities	<u>\$ 31,100,379</u>
28 Net Assets	\$ 106,707,033
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)	\$ (27,825,000)
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)	\$ (2,452,015)
32 Catastrophic Reserve (2016 \$10,500,000)	\$ (10,500,000)
34 Net Assets Available	<u>\$ 56,330,018</u>
35 Fifth Week of Claims	\$ 0

Arkansas State Employees & Public School Employees Health Benefits Program



Updated 2017 (and beyond) Rate Change Projections

June 10, 2016
Benefit Committee Meeting

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

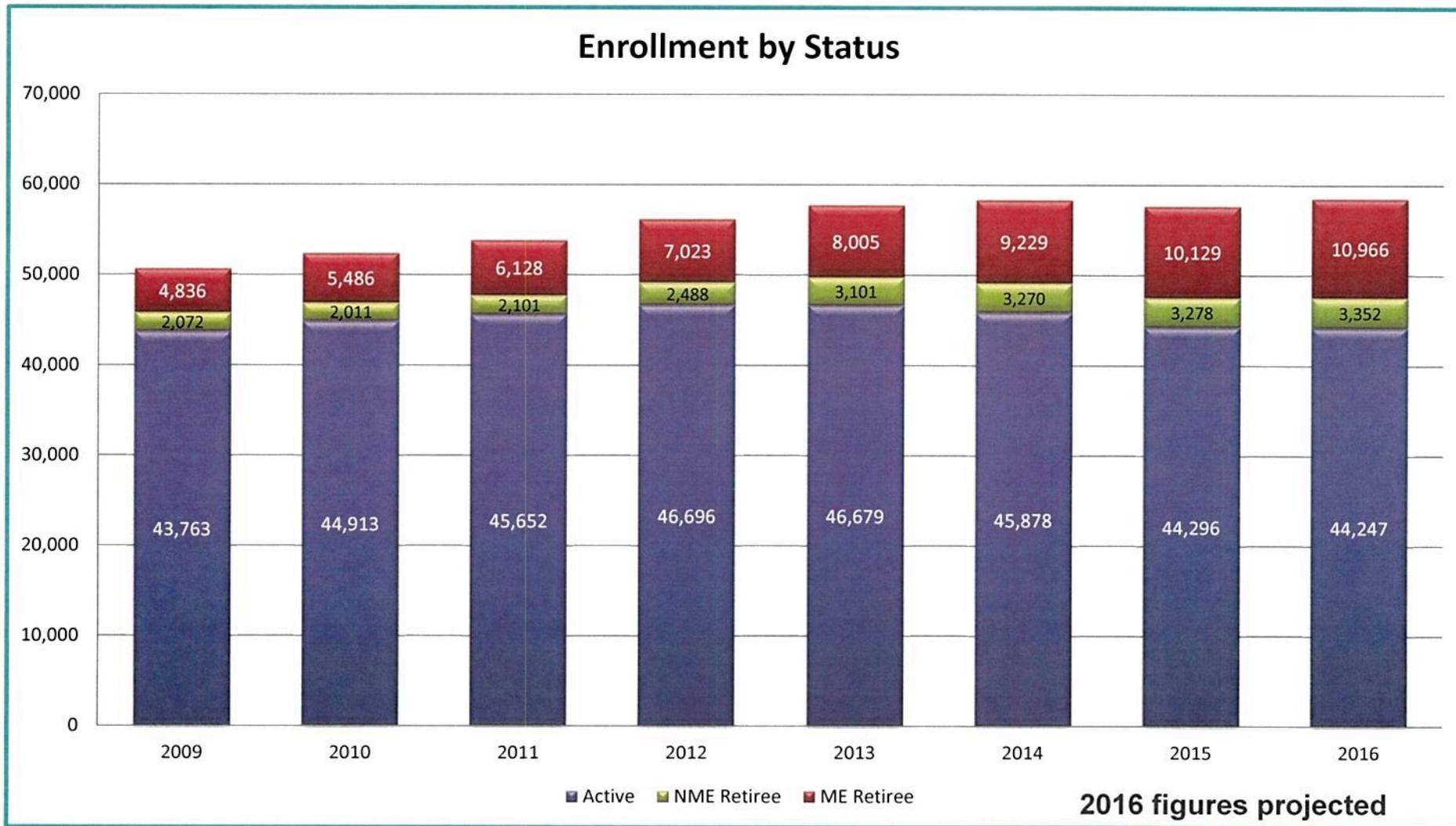


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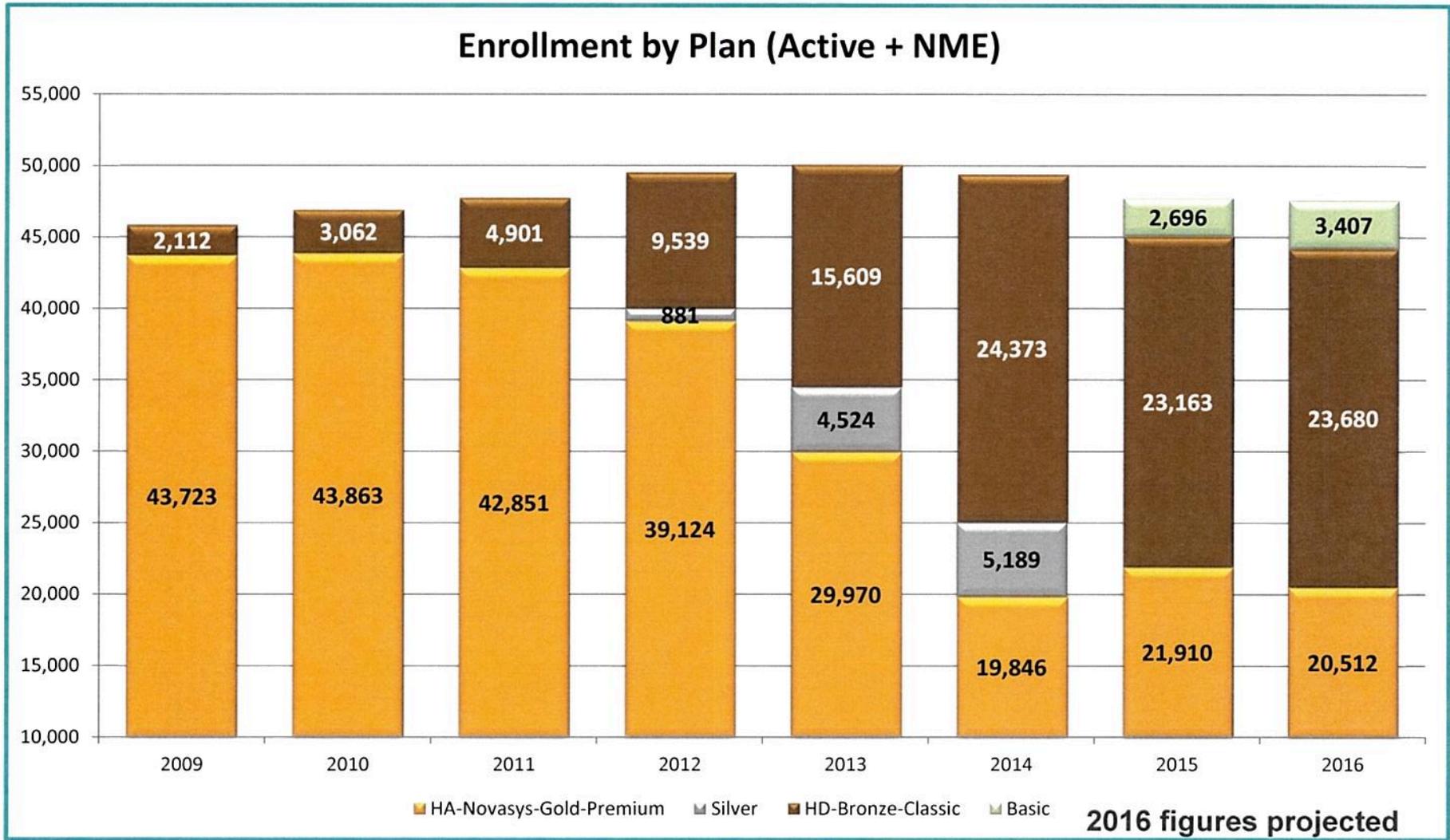
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PSE History



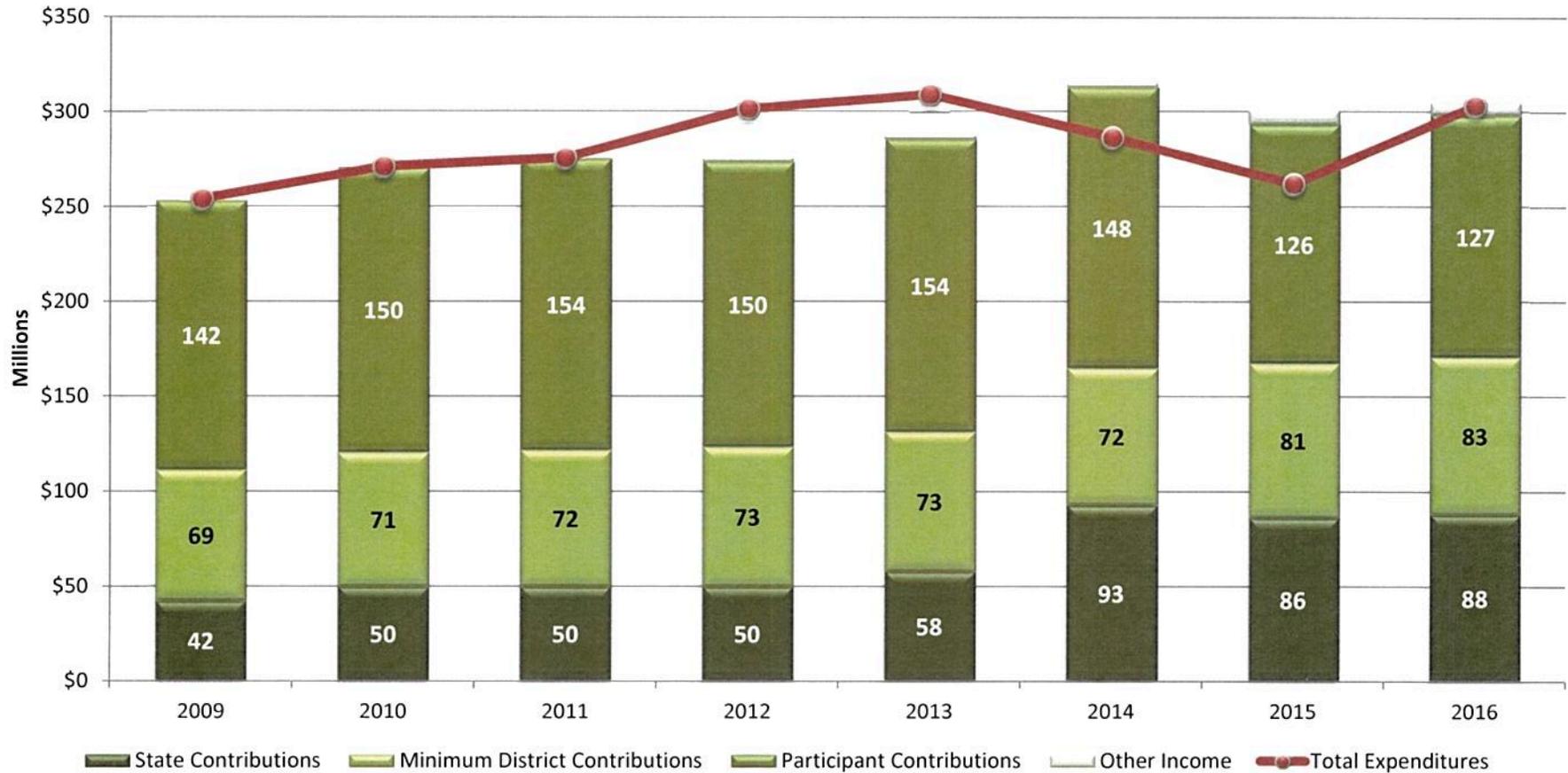
PSE History



PSE History



Income vs. Expenditures



2016 figures projected



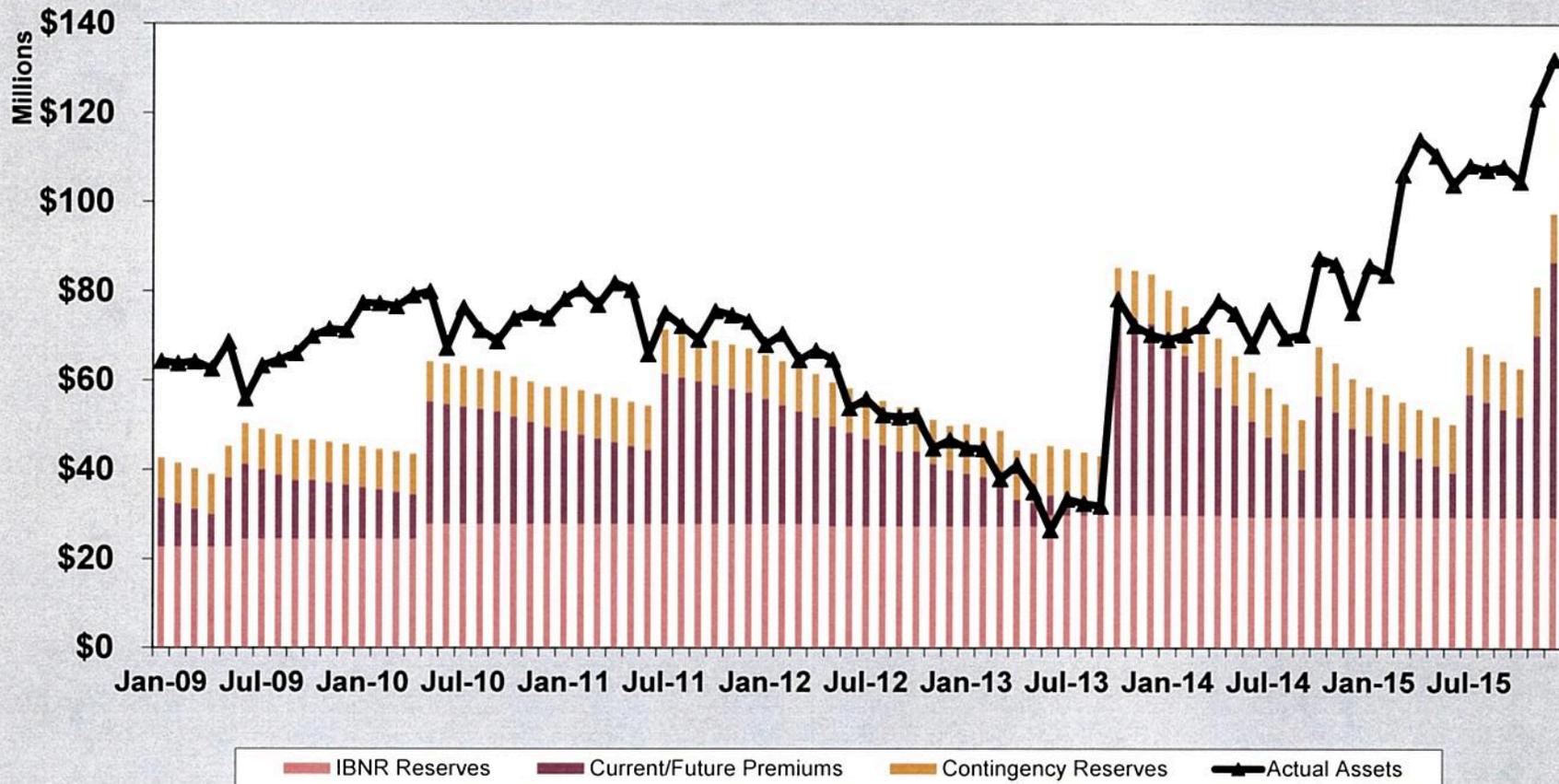
Classic Values, Innovative Advice

6/10/2016

PSE History



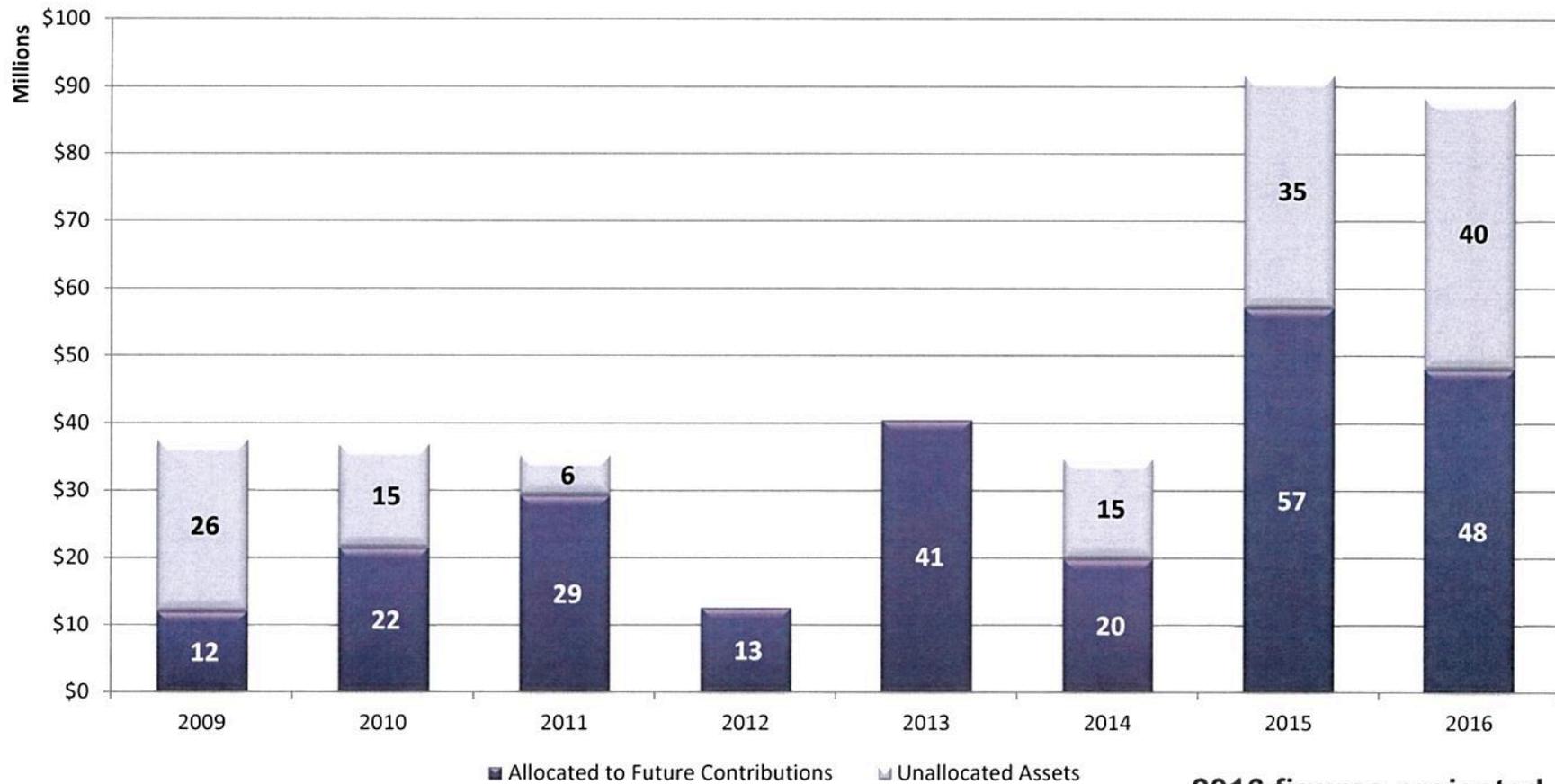
Assets vs. Reserves



PSE History

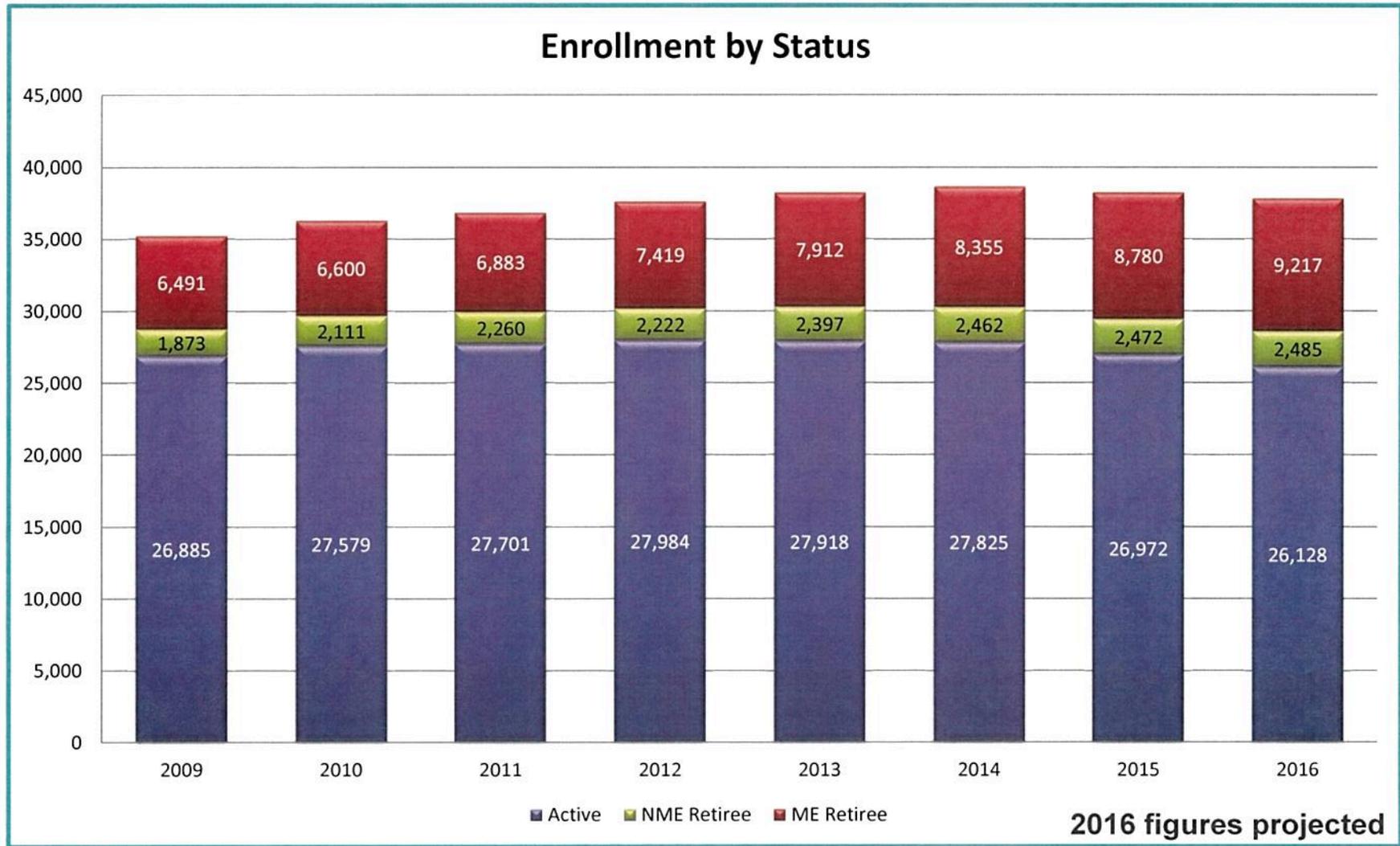


Assets Available to Offset Future Contributions

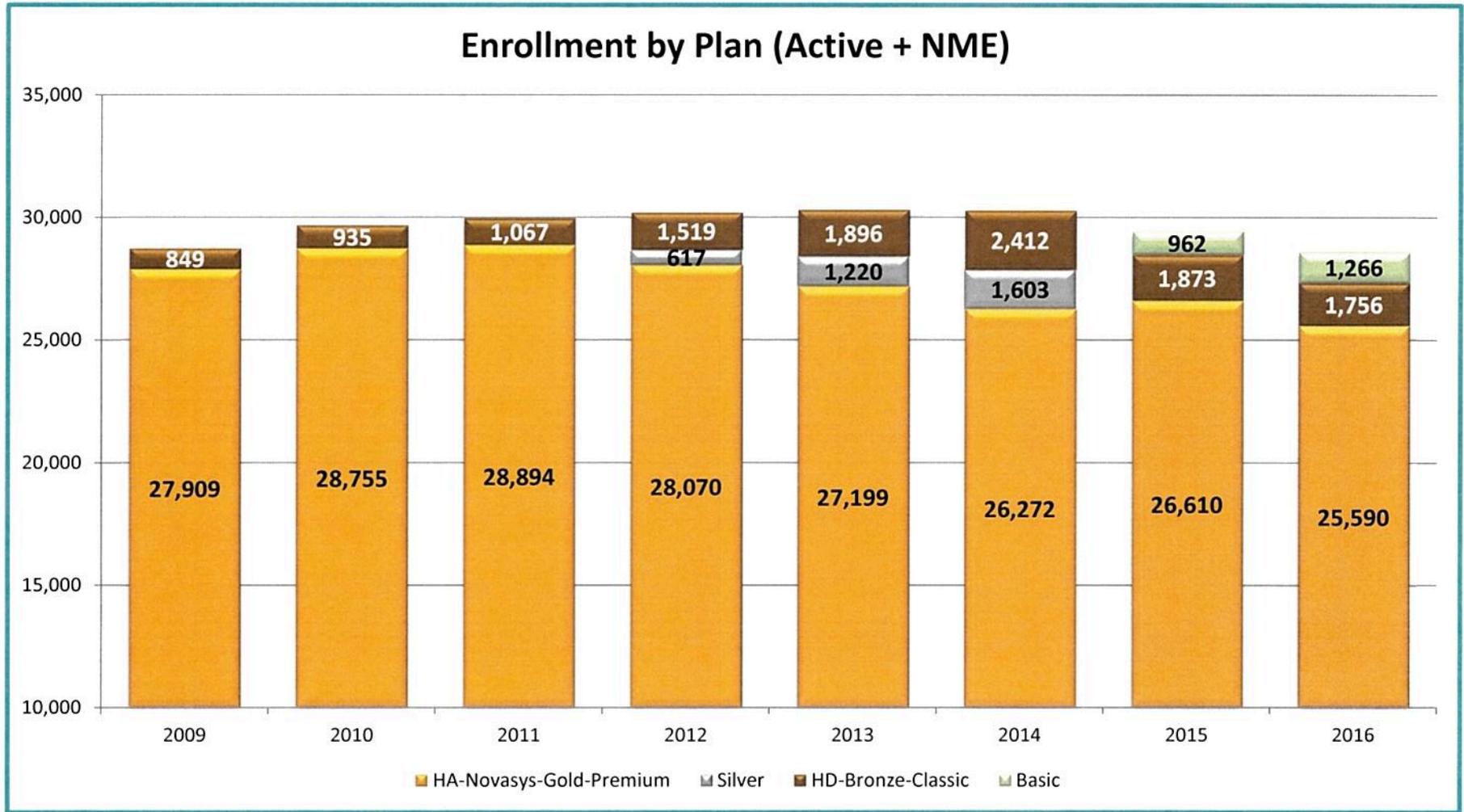


2016 figures projected

ASE History



ASE History



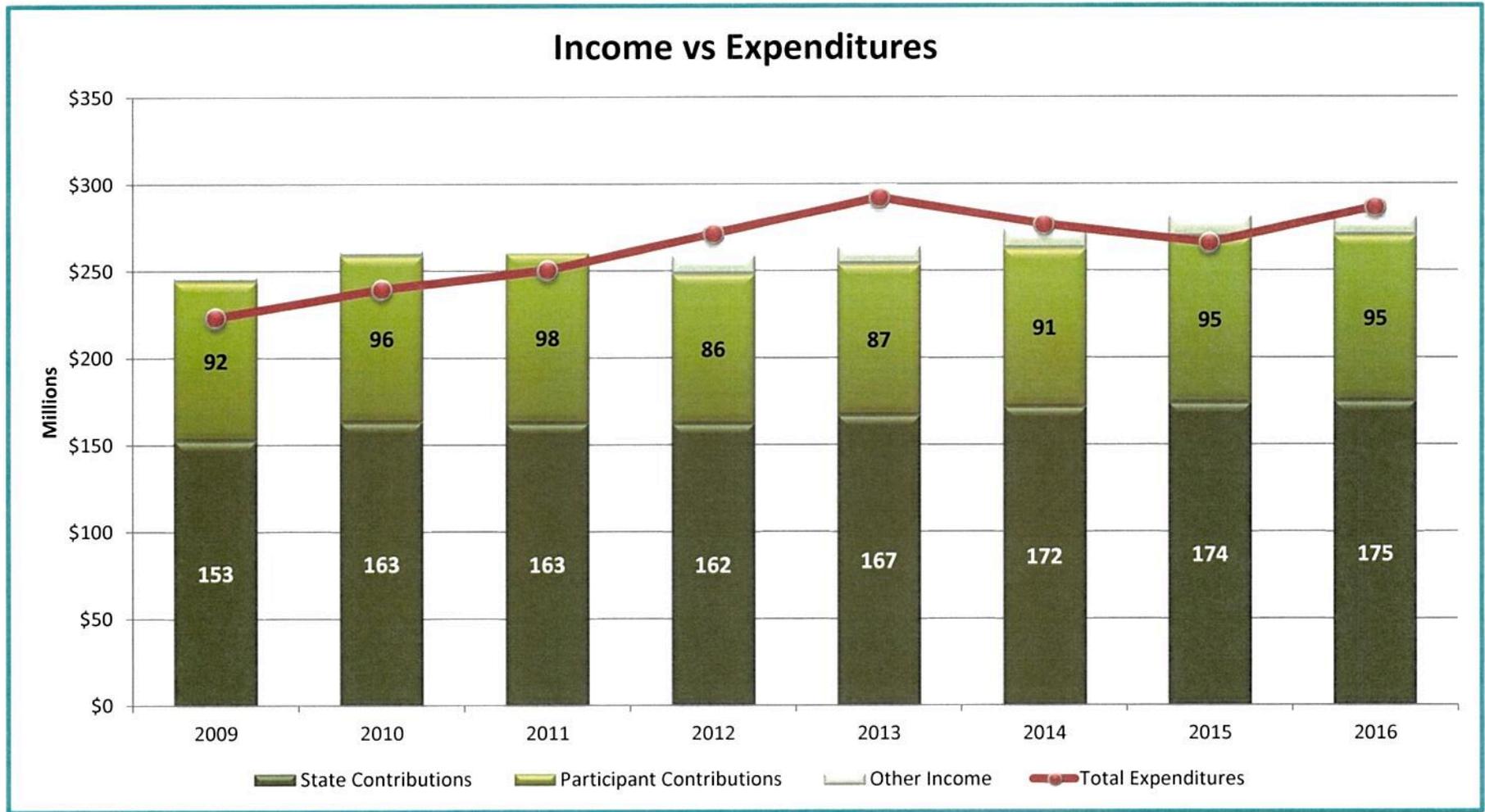
2016 figures projected



Classic Values, Innovative Advice

6/10/2016

ASE History

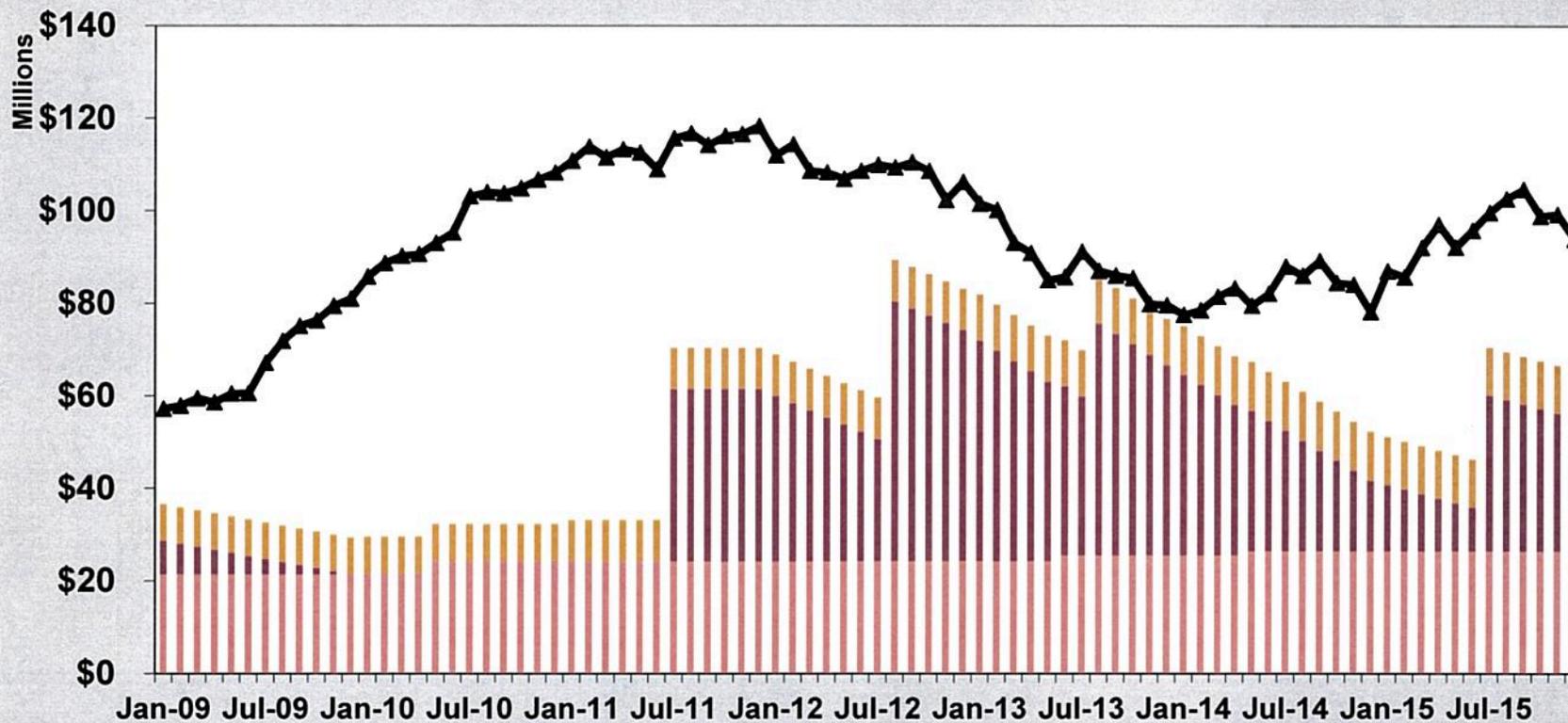


2016 figures projected

ASE History

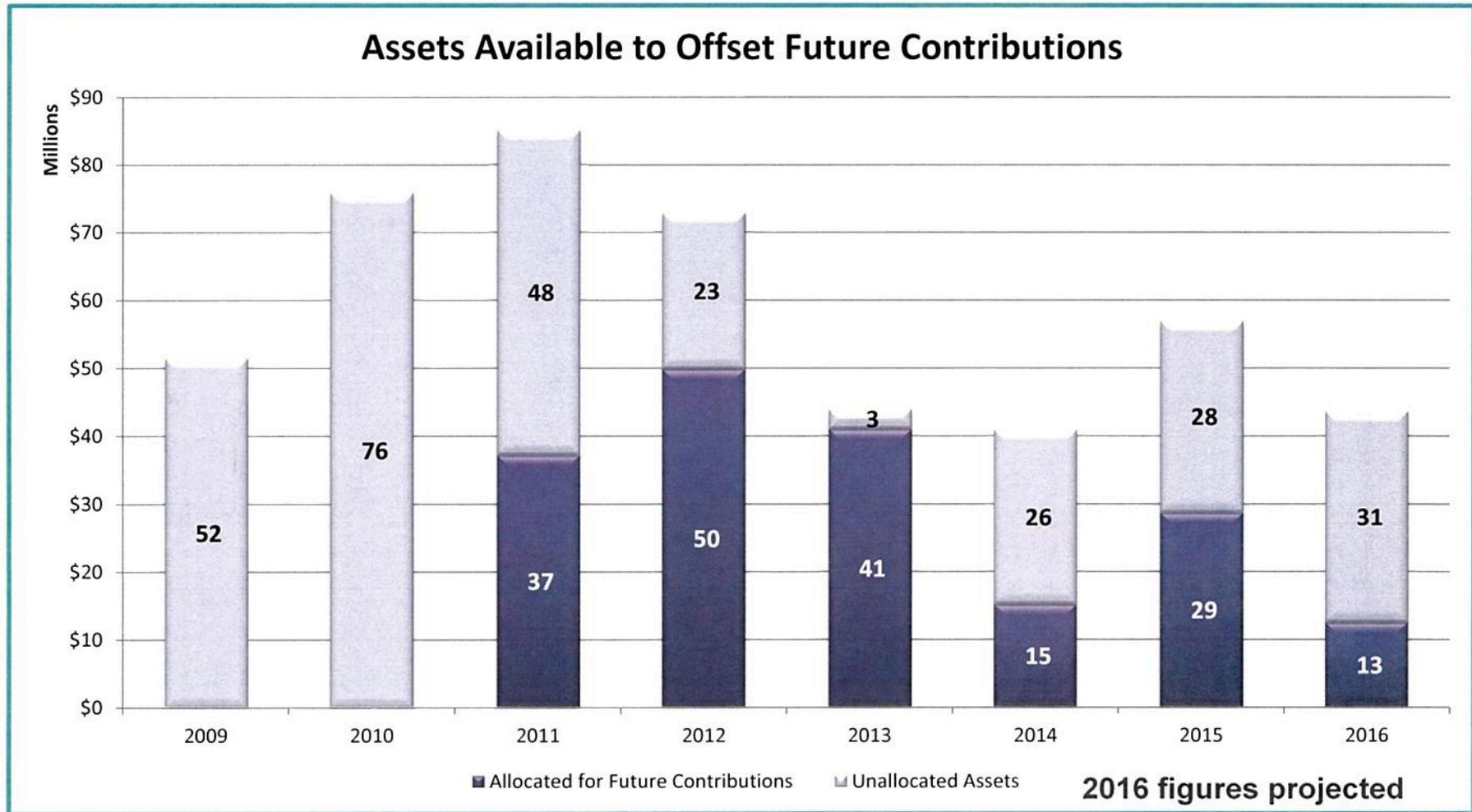


Assets vs. Reserves



■ IBNR Reserves
 ■ Current/Future Contributions
 ■ Contingency Reserves
 ▲ Actual Assets

ASE History



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: 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.

Emerging ASE/PSE Pharmacy Trends



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

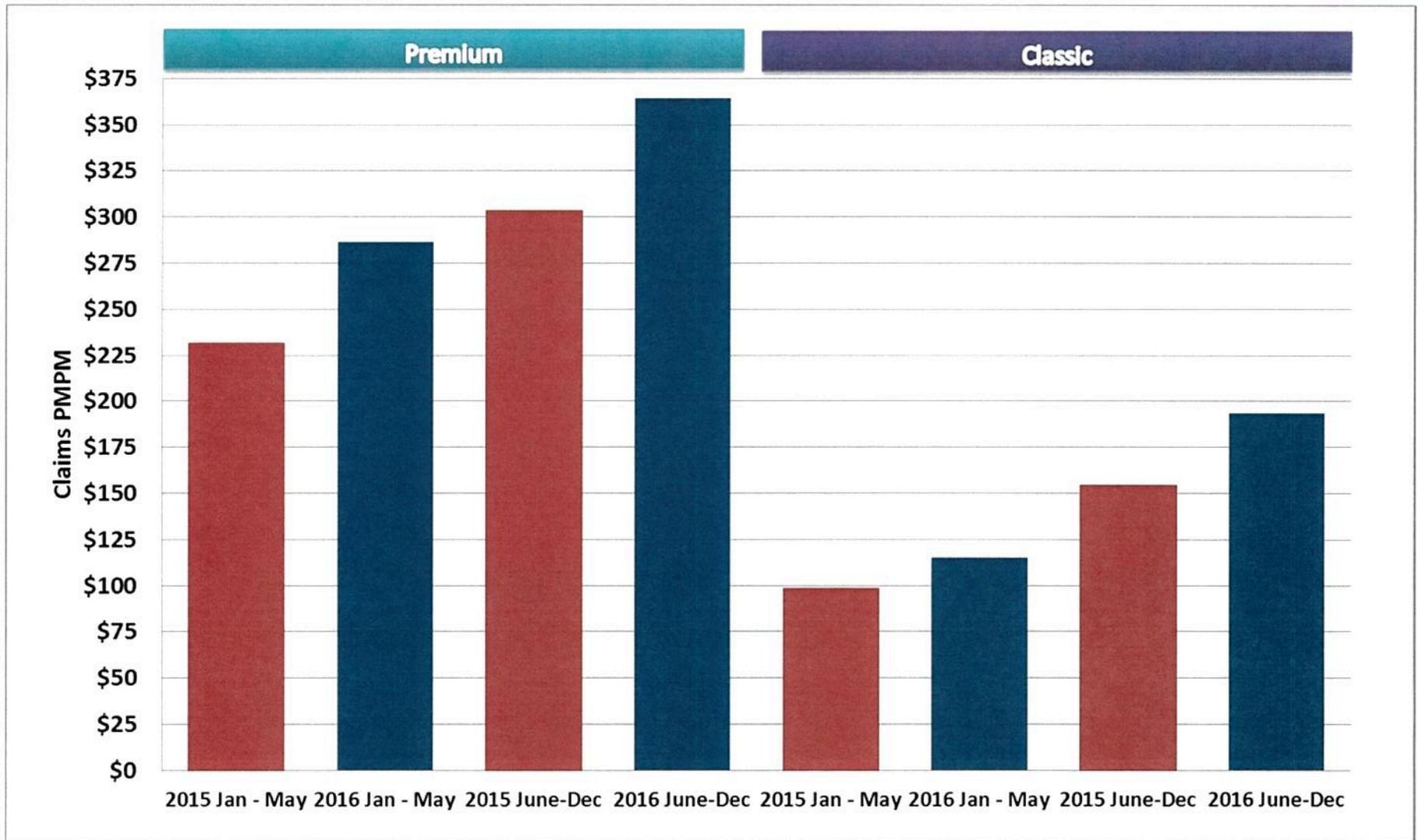
Allowed Costs (before copays/deductibles)

	\$ in Millions	\$ PMPM	% increase
Jan-May 2015	\$67.3	\$98.91	
Jan-May 2016	\$72.8	\$106.80	8.0%

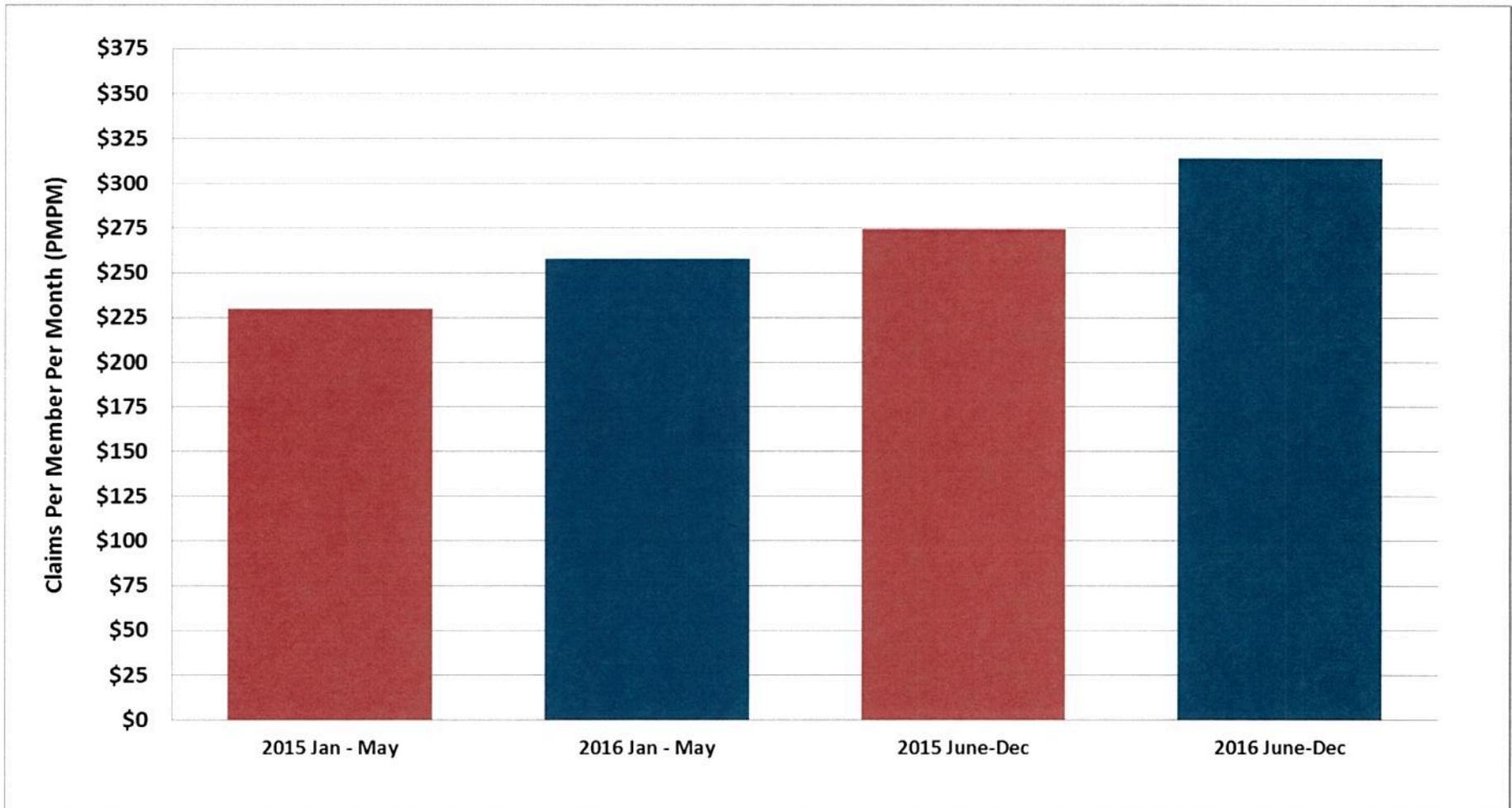
Paid Amounts

	\$ in Millions	\$ PMPM	% increase
Jan-May 2015	\$47.4	\$69.59	
Jan-May 2016	\$52.8	\$77.43	11.3%

Incurred Medical Claims: PSE



Incurred Medical Claims: ASE (Premium)



Updated Projections for 12/31/2016



(In Millions \$)

PSE	As of	12/31/2015	Projection	12/31/2016
Net Assets before IBNR	\$	132.1	\$	130.0
IBNR Reserve		(29.4)		(31.1)
Reserve for Current and Future Premiums		(57.3)		(48.2)
Catastrophic Reserve		(10.9)		(10.5)
Net Assets Available	\$	34.5	\$	40.2

ASE

Net Assets before IBNR	\$	93.9	\$	84.1
IBNR Reserve		(26.5)		(29.7)
Reserve for Current and Future Premiums		(28.8)		(12.6)
Catastrophic Reserve		(10.4)		(10.7)
Net Assets Available	\$	28.2	\$	31.1

Preliminary Rate Change Forecast



Options & Stress Testing

H-scan

	2018	2019	2020
Scenario 1 Trend	6%	6%	6%
Scenario 2 Trend	3%	3%	3%

	2017	2018+
Minimum Rate Increase	0%	0%

Future reserve allocations	Year 1	Year 2	Year 3	Year 4
	50%	30%	20%	0%

Re-allocate Past Reserves (\$ million)

	2016	2017	2018	2019
PSE	\$ 9.6	\$ 5.8	\$ 3.8	\$ -
ASE	\$12.6	\$ 7.6	\$ 5.0	\$ -

PSE

	2017	2018	2019	2020
Trend Scenario 1	**	6%	6%	6%
Rate Increase	0%	3%	26%	17%
Trend Scenario 2	**	3%	3%	3%
Rate Increase	0%	0%	11%	12%

ASE

	2017	2018	2019	2020
Trend Scenario 1	**	6%	6%	6%
Rate Increase	0%	31%	23%	19%
Trend Scenario 2	**	3%	3%	3%
Rate Increase	0%	21%	17%	13%

**See Appendix D for 2016 & 2017 trend assumptions



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CHEIRON



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***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



	Unadjusted Total Rate	Direct State Contrib.	Reserve Used / (Added)	2016 Retiree Cost	2015 Total Retiree Cost	Change in Retiree Cost (\$/%)		Assumed Enrollment
NME Retirees								
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%	\$0.00	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%	\$0.00	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 & MESP	861.74	331.62	30.34	499.78	499.78	0.00	0%	222
Retiree & MESP & 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



Yellow highlight means the coverage is changed

	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
In-Network:						
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				
Out-of-Network:						
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



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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 - Assumptions



- Based on actual May 2016 enrollment, medical claims incurred 4/1/2015 – 3/31/2016; pharmacy claims incurred 6/1/2015 – 5/31/2016
 - Net Migration of approximately 600 ASE and 600 PSE active employees from Premium to Basic annually
 - No growth in actives or NME retirees after 2017
 - Annual Growth of 400 ME retirees for PSE and 200 ME retirees for ASE

- Annualized Trend Rates of

	<u>2016</u>	<u>2017</u>
Medical (Actives & NME Retirees)	10%	6%
Medical (ME Retirees)	20%	5%
Pharmacy (all groups)	11%	10%

- Pharmacy reimbursement as approved by the Board in March 2016
- **No changes to State contributions for ASE or PSE**
- For PSE, assuming 1% annual increase in minimum District contributions after 2017
- 90% wellness participation for PSE; 88% for ASE
- No changes in benefits
- Projections subject to change as more complete experience emerges

Appendix D –Use & Disclosures



- Projections are based on incurred claim experience as indicated. Incurred claims are completed from paid experience through May 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. Unless otherwise indicated, 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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