

**State and Public School Life
And Health Insurance Board
Minutes
April 12, 2011**

The 115th meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met on April 12, 2011 at 1:00 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, AR 72201.

MEMBERS PRESENT

Renee Mallory
Lloyd Black
William Goff
Shelby McCook
Janis Harrison
Dr. Andrew Kumpuris
Dr. Joseph Thompson
Vance Strange
Bob Alexander
John Kirtley
Coby Logan
Kelly Chaney

MEMBERS ABSENT

Jason Lee, Executive Director, Employee Benefits Division.

OTHERS PRESENT:

George Platt, Leigh Ann Chrouch, Michelle Hazelett, Doug Shackelford, Amy Tustison, Marla Wallace, Latryce Taylor, Amy Redd, Marla Wallace, Lori Eden, Kristie Cox, Aisha Aimin-Velasquez, Pam Lawrence, Sherry Bryant, Sherri Saxby, Cathy Harris, EBD, Rhonda Hill, AR Center for Health Improvement-EBD; David Bridges, Barbara Melugin, Ron Deberry, Kathy Ryan, ABCBS/Health Advantage; Ronda Walthall, Sarah Sanders, AR Highway & Transportation Dept, Joseph Chang, MN Life/Securian; Bryan Meldrum , NovaSys; Steve Singleton, AR Retired Teachers Association; Warren Tayes, Merck; Vicki Fleming, Arkansas Department of Health; Mike Moratz, EES; Shonda Rocke, Connie Bennett, Informed Rx; Frances Bauman, Noro Nordisk; Marc Watts, AR State Employee Association; Mona Neal, AR Public Service Commission; Jill Johnson, UAMS, Evidence-Based Prescription Drug Program (EBRx); Peggy Nabors, AR Education Association; Bridget Johnson, Lindsey Richardson, Pfizer; Dwight Davis, UAMS College of Pharmacy; Dianne Shoptaw, USAble; Sharon Marcum, Lifesynch;

CALL TO ORDER

Meeting was called to order by Janis Harrison, Chair.

APPROVAL OF MINUTES

The request was made by Harrison March 8, 2011 minutes. Mallory made the motion to approve minutes. Kirtley seconded. All were in favor. Minutes approved.

FINANCIALS *by Leigh Ann Chrouch, CFO*

Chrouch presented detailed financial statements for the Arkansas State Employees (ASE) and the Public School Employees (PSE) and the penalties assessed by state agencies and school districts for February 2011.

WELCOME NEW BOARD MEMBERS *by Janis Harrison*

The Board welcomed new members, Kelly Chaney and Coby Logan. Chaney is a Teacher with the Cabot School District and Logan is an Attorney with the Revenue Legal Counsel for DFA.

COMMITTEE REPORTS:

Drug Utilization and Evaluation Committee report *by Jill Johnson*

The Drug Utilization and Evaluation Committee (DUEC) met on April 4th. Jill Johnson presented the recommendations for Diabetic drugs and new drugs for Board consideration.

Kirtley made the motion to accept DUEC recommendations for diabetic drugs with the exception that the (HbA1C \leq 8%) as reflected in the protocol be viewed as an operational threshold and not the clinical target level. Dr. Thompson seconded. All were in favor. Motion carried.

Dr. Thompson made the motion to accept the recommendations for new drugs. McCook seconded. All were in favor. Motion carried.

Kirtley requested the DUEC review some of the external PA criteria for the appropriate step therapy for specialty drugs, and examine the Brand vs. Generic ratings.

Benefits Subcommittee report by Lloyd Black, Committee Vice-Chairman

Black reported the following recommendations for Board consideration resulted from a meeting of the Benefits Subcommittee on April 8, 2011.

1. SB66 (AN ACT TO REQUIRE HEALTH BENEFIT PLANS TO PROVIDE COVERAGE FOR THE TREATMENT OF MORBID OBESITY)

Recommendation: Approve the current Medicare Practices for Bariatric Surgery as the framework for creation of the pilot program, with the Benefits Strategic Planning Workgroup (BSPW) and Employee Benefits Division (EBD) Staff continuing to study and update guidelines in relation to those practices. Implementation of the program guidelines would continue through 2011, with a 2012 Plan Year start.

McCook made the motion to adopt. Black seconded. All were in favor. Motion carried.

2. LIFE INSURANCE

a. AR Public School Employee Group

Recommendation: Remove the requirement that school employees must participate in the health insurance program in order to be eligible for basic life insurance.

b. AR State Employee Group

Recommendation: Adopt the proposed changes to the MN Life Insurance coverage policy for Legislators & Constitutional Officers and State Employees based on \$10,000 increments.

Lee provided an overview of the state and school Life Insurance plans offered by US Able and Minnesota Life.

McCook made the motion to adopt. Dr. Thompson seconded. All were in favor. Motion carried.

Lee reported on the acts that directly impact EBD's operations. Lee talked about a bill that adjusts how preauthorization are handled by the plan, also **SB66(Act 855)- AN ACT TO REQUIRE HEALTH BENEFIT PLANS TO PROVIDE COVERAGE FOR THE TREATMENT OF MORBID OBESITY; Act 1042 - AN ACT TO REQUIRE HEALTH INSURANCE PLANS TO PROVIDE COVERAGE FOR GASTRIC PACEMAKERS** and **HB1315 - TO PROVIDE HEALTH INSURANCE COVERAGE FOR AUTISM SPECTRUM DISORDERS.**

No action was required by the Board.

Colberg provided an overview of the preliminary rates for ASE & PSE Plan Year 2012. The Board reviewed benefit options for the Gold, Silver (Tentative), and Bronze (Tentative) plans, rate development and the final rate details.

Colberg said they will provide some additional blending options in the next meeting.

No action was required by the Board.

DIRECTORS REPORT *by Jason Lee*

Lee informed the Board the Silver and Bronze Request for Proposal (RFP) have been released to the Office of State Procurement. The RFP is in the question and answer stage in the procurement process.

No action was required by the Board.

Meeting Adjourned.

AGENDA

State and Public School Life and Health Insurance Board

EBD Board Room - 501 Building - 5th Floor

April 12, 2011 1:00 p.m.

1. Call to Order*Janis Harrison, Chair*
2. Approval of Minutes*Janis Harrison, Chair*
3. Welcome New Board Members*Janis Harrison, Chair*
4. Financials *Leigh Ann Chrouch, Chief Fiscal Officer*
5. DUEC Report.....*Dr. Golden, Committee Chair*
6. Benefits Sub-Committee Report*Lloyd Black, Committee Chair*
 - a. Life Insurance
 - b. 2012 Plan Year Rates *John Colberg, Cheiron*
7. Director's Report*Jason Lee, Executive Director*

Upcoming Meetings

May 10

June 7

July 19 (Final review of 2012 Plan Year Rates)

Arkansas State Employees (ASE) Financials - January 1, 2011 through February 28, 2011

	ARHealth	Health Adv	NovaSys	Total
Actives		25,709	932	26,641
Actives HD			1,018	1,018
Retirees	9,028			9,028
COBRA		119	8	127
Total	9,028	25,828	1,958	36,814

Operations as of 02/28/11

	Current Month	Year to Date (2 months)
Funding		
State Contribution	\$ 13,603,722	\$ 27,257,310
Employee Contribution, Rebates, Medicare Subsidy, and ERRP	\$ 7,247,765	\$ 14,484,490
Total Funding	\$ 20,851,487	\$ 41,741,800
Expenses		
Medical Expenses		
Claims Expense	\$ 10,585,735	\$ 21,898,860
Claims IBNR	\$ -	\$ -
Medical Admin Fees	\$ 915,710	\$ 1,834,063
Refunds	\$ 2,750	\$ 10,988
Behavioral Health	\$ 329,176	\$ 659,361
Life Insurance	\$ 101,656	\$ 203,748
Pharmacy Expenses		
RX Claims	\$ 5,558,256	\$ 10,925,907
RX IBNR	\$ -	\$ -
RX Admin	\$ 75,986	\$ 150,368
Plan Administration	\$ 195,164	\$ 393,070
Total Expenses	\$ 17,764,433	\$ 36,076,366
Net Income/(Loss)	\$ 3,087,054	\$ 5,665,434

Balance Sheet as of 02/28/11

Assets	
Bank Account	\$ 16,726,258
State Treasury	\$ 92,371,630
Receivable from Cafeteria Plan	\$ 8,767,665
Receivable from PSE	\$ -
Receivable from Provider	\$ 507,087
Accounts Receivable	\$ 159,655
Total Assets	\$ 118,532,295
Liabilities	
Accounts Payable	\$ 380,515
Deferred Revenues	\$ 4,244,101
Due to Cafeteria	\$ -
Due to PSE	\$ -
Health IBNR	\$ 21,570,000
RX IBNR	\$ 2,680,000
Total Liabilities	\$ 28,874,617
Net Assets	\$ 89,657,678
Less Reserves Allocated:	
Catastrophic Reserve	\$ (8,900,000)
Pharmacy Reward Program (2010-\$1,500,000)	\$ (1,500,000)
Net Assets Available	\$ 79,257,678

ASE Cafeteria Plan Financials 2011- January 1, 2011 through February 28, 2011

Cafeteria Plan Operations as of 02/28/11

<u>Funding</u>	<u>Current Month</u>	<u>Year to Date (2 months)</u>
FICA Savings	\$ 358,230	\$ 711,970
Interest, Penalties, Tax Set Off	\$ 10,874	\$ 11,970
Total Funding	\$ 369,104	\$ 723,940
<u>Expenses</u>		
Plan Administration	\$ 1,077	\$ 14,699
Forfeited Benefits (Annual Expense)	\$ -	\$ -
FICA Savings Transfer (Annual Expense)	\$ -	\$ -
Total Expenses	\$ 1,077	\$ 14,699
Net Income/(Loss)	\$ 368,027	\$ 709,240

Balance Sheet as of 02/28/11

<u>Assets</u>	
State Cafeteria (Flexible Benefits)	\$ 877,969
Admin Acct (FICA Savings)	\$ 219,970
State Treasury	\$ 10,844,930
Due from Health Plan	\$ -
Due from State Employee Fund	\$ -
Accounts Receivable	\$ 13,868
Total Assets	\$ 11,956,737
<u>Liabilities</u>	
Accounts Payable	\$ 250,694
Due to Health Plan (FICA Savings Annual)	\$ 16
Due to Health Plan (Forfeited Benefits Annual)	\$ 8,767,649
Total Liabilities	\$ 9,018,359
Net Assets	\$ 2,938,378

Public School Employees (PSE) Financials - October 1, 2010 through February 28, 2011

	ARHealth	Health Adv	NovaSys	Total
Actives		37,484	2,940	40,424
Actives HD			4,702	4,702
Retirees	7,946			7,946
COBRA		807	90	897
Total	7,946	38,291	7,732	53,969

Operations as of 02/28/11

Funding	Current Month	Year to Date (5 months)
District Contribution	\$ 5,915,567	\$ 29,540,893
Employee Contribution, Rebates, and ERRP	\$ 12,857,396	\$ 65,619,619
Dept of Ed \$35,000,000 & \$15,000,000	\$ 3,181,818	\$ 23,409,091
Total Funding	\$ 21,954,781	\$ 118,569,602
Expenses		
Medical Expenses:		
Claims Expense	\$ 12,905,664	\$ 73,685,526
Claims IBNR	\$ -	\$ -
Medical Admin Fees	\$ 1,339,335	\$ 6,774,361
Refunds	\$ 2,497	\$ (7,825)
Behavioral Health	\$ 341,345	\$ 2,013,312
Pharmacy Expenses:		
RX Claims	\$ 4,720,147	\$ 22,644,229
RX IBNR	\$ -	\$ -
RX Admin	\$ 68,759	\$ 332,895
Plan Administration	\$ 244,170	\$ 1,327,969
Total Expenses	\$ 19,621,917	\$ 106,770,466
Net Income/(Loss)	\$ 2,332,864	\$ 11,799,136
Reserve Activity:		
Allocation for Active Premiums for Plan Yr 10/01/10-12/31/11	\$ 789,333	\$ 3,946,667
Retiree Premiums for Plan Year 01/01/11-12/31/11	\$ 63,333	\$ 126,667
Net Income/(Loss) After Reserves	\$ 3,185,531	\$ 15,872,469

Balance Sheet as of 02/28/11

Assets	
Bank Account	\$ 16,790,520
State Treasury	\$ 64,798,944
Receivable from Provider	\$ 471,138
Accounts Receivable	\$ 329,565
Due from ASE	\$ -
Total Assets	\$ 82,390,167
Liabilities	
Accounts Payable	\$ 422,929
Due to ASE	\$ -
Deferred Revenues	\$ 1,405,214
Health IBNR	\$ 25,500,000
RX IBNR	\$ 2,340,000
Total Liabilities	\$ 29,668,143
Net Assets	\$ 52,722,024
Less Reserves Allocated:	
Active Premiums for Plan Year 10/01/10-12/31/11 (\$11,840,000)	\$ (7,893,333)
Retiree Premiums for Plan Year 01/01/11-12/31/11 (\$760,000)	\$ (633,333)
Active Premiums for Plan Years 1/01/12-12/31/13 (\$7,344,000 + \$3,296,000 = \$10,640,000)	\$ (10,640,000)
Retiree Premiums for Plan Years 01/01/12-12/31/13 (\$456,000 + \$304,000 = \$760,000)	\$ (760,000)
Catastrophic Reserve	\$ (10,000,000)
Pharmacy Reward Program (2010-\$1,500,000)	\$ (1,500,000)
Net Assets Available	\$ 21,295,357

ASE Cafeteria Plan Financials 2010- January 1, 2010 through February 28, 2010

Cafeteria Plan Operations as of 02/28/10

Funding	Current Month	Year to Date (2 months)
FICA Savings	\$ 348,367	\$ 704,352
Interest, Penalties, Tax Set Off	\$ 10,505	\$ 13,539
Total Funding	\$ 358,872	\$ 717,891
Expenses		
Plan Administration	\$ 29,004	\$ 29,906
Forfeited Benefits (Annual Expense)	\$ -	\$ -
FICA Savings Transfer (Annual Expense)	\$ -	\$ -
Total Expenses	\$ 29,004	\$ 29,906
Net Income/(Loss)	\$ 329,868	\$ 687,985

Balance Sheet as of 02/28/10

Assets	
State Cafeteria (Flexible Benefits)	\$ 871,585
Admin Acct (FICA Savings)	\$ 439,890
State Treasury	\$ 6,411,045
Due from Health Plan	\$ -
Due from State Employee Fund	\$ -
Accounts Receivable	\$ 16,053
Total Assets	\$ 7,738,572
Liabilities	
Accounts Payable	\$ 268,733
Due to Health Plan (FICA Savings Annual)	\$ 60
Due to Health Plan (Forfeited Benefits Annual)	\$ 2,470,012
Total Liabilities	\$ 2,738,806
Net Assets	\$ 4,999,767

SCHOOL DISTRICT PENALTIES ASSESSED FOR FEBRUARY 2011

Act 1009 of 2007 (§21-5-415) states the division shall impose a penalty

District Name	Description of Violation	Penalty Assessed
Hughes School District	February 2011 Historical Billing Report and payment not received by February 28, 2011	\$100

STATE AGENCY PENALTIES ASSESSED FOR FEBRUARY 2011

Agency Name	Description of Violation	Penalty Assessed	
Arkansas Board of Licensure for Professional Engineers and Professional Surveyors	State contribution not received by February 28, 2011	\$100	PAID
Arkansas Department of Veteran Affairs	State contribution not received by February 28, 2011	\$280	PAID
Payments due by April 30, 2011		<u>\$480</u>	

SCHOOL DISTRICT PENALTIES ASSESSED FOR JANUARY 2011

Act 1009 of 2007 (§21-5-415) states the division shall impose a penalty

District Name	Description of Violation	Penalty Assessed	
Cleveland County School District	January 2011 Historical Billing Report and payment not received by January 31, 2011	\$156	
Ocabs Charter School	January 2011 Historical Billing Report not received by January 31, 2011	\$100	
Earle School District	January 2011 Historical Billing Report and payment not received by January 31, 2011	\$154	PAID
Haas Hall School District	January 2011 Historical Billing Report and payment not received by January 31, 2011	\$100	

STATE AGENCY PENALTIES ASSESSED FOR JANUARY 2011

Agency Name	Description of Violation	Penalty Assessed	
Arkansas Abstractor's Board of Examiners	State contribution not received by January 31, 2011	\$100	PAID
Arkansas Minority Health Commission	State contribution not received by January 31, 2011	\$100	PAID
Southeast Arkansas College	State contribution not received by January 31, 2011	\$210	PAID
Arkansas Board of Licensure for Professional Engineers and Professional Surveyors	State contribution not received by January 31, 2011	\$100	PAID

Payments due by March 31, 2011

\$1,020

SCHOOL DISTRICT PENALTIES ASSESSED FOR DECEMBER 2010

Act 1009 of 2007 (§21-5-415) states the division shall impose a penalty

District Name	Description of Violation	Penalty Assessed
Cleveland County School District	December 2010 Historical Billing Report and payment not received by December 31, 2010	\$156
Helena-West Helena School District	December 2010 Historical Billing Report not received by December 31, 2010	\$630
Western Yell County School District	December 2010 Historical Billing Report and payment not received by December 31, 2010	\$106 PAID

STATE AGENCY PENALTIES ASSESSED FOR DECEMBER 2010

Agency Name	Description of Violation	Penalty Assessed
Arkansas Abstractor's Board of Examiners	State contribution not received by December 31, 2010	\$100 PAID
Arkansas Fair Housing Commission	State contribution not received by December 31, 2010	\$100 PAID
Arkansas Minority Health Commission	State contribution not received by December 31, 2010	\$100 PAID

Payments due by February 28, 2011

\$1,192

SCHOOL DISTRICT PENALTIES ASSESSED FOR NOVEMBER 2010

Act 1009 of 2007 (§21-5-415) states the division shall impose a penalty

District Name	Description of Violation	Penalty Assessed	
Dreamland Academy	November 2010 Historical Billing Report and payment not received by November 30, 2010	\$100	PAID
Jacksonville Lighthouse Charter School	November 2010 Historical Billing Report and payment not received by November 30, 2010	\$100	PAID

STATE AGENCY PENALTIES ASSESSED FOR NOVEMBER 2010

Agency Name	Description of Violation	Penalty Assessed	
Arkansas Board of Licensure for Professional Engineers and Professional Surveyors	State contribution not received by November 30, 2010	\$100	PAID
Northwest Technical Institute	State contribution not received by November 30, 2010	\$124	PAID

Payments due by January 31, 2011

\$424

The Drug Utilization and Evaluation Committee (DUEC)

The following recommendations for the Board consideration resulted from a meeting of the DUEC on April 4, 2011.

1. TZDs (rosiglitazone, pioglitazone), (Avandia, Avandaryl, Avandamet, Actos, Actoplus Met)

- Restrict the access to rosiglitazone. Stop covering rosiglitazone (Avandia, Avandamet, and Avandaryl) effective July 1, 2011. (This item approved by the Board in previous meeting.)
- No pioglitazone (Actos) without metformin (at a near maximum daily dose-2000mg daily) or a contraindication to metformin.

Proposed step therapy guidelines for pioglitazone (Actos and Actos-containing products including pioglitazone-glimepiride, pioglitazone-metformin, and future combinations):

STEP THERAPY:

1. Patients taking metformin for the past 4 of 5 months and taking a sulfonylurea for the past 4 of 5 months may have pioglitazone. If the 80% adherence rate is not maintained, pioglitazone access will be denied at the point of sale.
2. Patients must adhere to at least 4 of the previous 5 months of metformin + sulfonylurea and fail to meet HbA1C goal prior to gaining access to pioglitazone-metformin (Actoplus Met) combination therapy.
3. Patients must adhere to at least 4 months of metformin monotherapy and an additional 4 months of metformin + sulfonylurea and/or fail to meet HbA1C goal prior to gaining access to pioglitazone-glimepiride (Duetact) combination.

PRIOR AUTHORIZATION

Patients with a contraindication to metformin and having a sulfonylurea fill for the previous 4 of 5 months may have pioglitazone. The 80% adherence rate must be maintained in order to maintain access to pioglitazone.

Patients with a contraindication to metformin and to sulfonylurea may have pioglitazone but will require a PA. No pioglitazone monotherapy.

This proposal allows access to pioglitazone prior to requiring basal insulin as the guidelines suggest. Use of pioglitazone is considered a less well-validated therapy than basal insulin.

Metformin must be taken at the maximally tolerated dose. Metformin use without titrating the dose slowly upwards is known to cause gastrointestinal side effects. Metformin 500mg twice daily is a starting dose. Many will require 1000mg twice daily.

2. Pramlintide (Symlin, SymlinPen; both injectables)

- Exclude New Users

It is the strong opinion of the DUEC that everyone should start with metformin. Current user will be able to continue using the drug if they have hemoglobin A1C under 8% and they are a continuous user (4 out of 5 previous months on a continuing basis).

3. Exenatide (Byetta) Liraglutide (Victoza) (both injectables)

Proposed criteria for exenatide (Byetta) and liraglutide (Victoza):

1. Deny if any insulin claim in the past 30 days.
2. Continue no monotherapy access for exenatide or liraglutide.
3. PA all prescriptions
4. No therapeutic duplication. Do not allow concomitant exenatide and liraglutide use.

Initial PA, effective for 6 months:

- require a current metformin fill for 120 of the past 150 days(4 out of 5 months) at the maximum or near-maximum dose (2000 mg daily), failure to reach goal A1C, AND
- Require, in patients who cannot tolerate metformin, the use of a sulfonylurea for 120 days and then the use of pioglitazone, unless contraindicated due to HF, edema, or fracture risk.
- Pioglitazone must be used for 120 days without achieving HbA1C goal before gaining access to exenatide or liraglutide.

Subsequent PA, effective for 1 year: (After patients have already been on Byetta or Victoza)

Allow access to exenatide or liraglutide if patient maintained metformin days supply of 150 of past 180 days unless contraindicated. If metformin is contraindicated, allow access to exenatide or liraglutide if patient maintained sulfonylurea and pioglitazone days supply of 150 of past 180 days. If either sulfonylurea or pioglitazone is contraindicated, require insulin use for a day's supply of 150 of past 180 days without achieving the goal prior to access to the GLP-2 analogs.

- ❖ Existing patients on either medication can continue without PA if they are well controlled (HbA1C \leq 8%) and compliant 4 out of the 5 past months on a rolling basis.

4. Sitagliptin (Januvia, Janumet), Saxagliptin (Onglyza, and Kombiglyze XR)

Proposed criteria for sitagliptin (Januvia) and saxagliptin (Onglyza) or any sitagliptin or saxagliptin-containing product:

1. Deny if any insulin claim in past 30 days.
2. Continue no monotherapy access for sitagliptin or saxagliptin.

Combination products require monotherapy prior to access (ie; Must fail metformin monotherapy as well as other combo therapies prior to getting this nonvalidated therapy.)

3. PA all prescriptions, criteria:

Require a current metformin fill for 120 of the past 150 days at the maximum or near-maximum dose, failure to reach goal A1C, AND then

- Require the use of concomitant sulfonylurea (unless contraindicated) and then 120 of the past 150 days of pioglitazone in patients who have not reached their HbA1C goal with metformin monotherapy, unless pioglitazone is contraindicated due to HF, edema, or fracture risk.
- Prior to access to Kombiglyze (saxagliptin + metformin), metformin + sulfonylurea + pioglitazone and without saxagliptin, must fail to achieve goal HbA1C.

4. No therapeutic duplication with sita- or saxa-gliptin. (Deny the drug if the other is filled in the previous 30 days.)

Metformin must be titrated slowly upward. Metformin 500mg twice daily is the initial dose. Patients should increase to at least 1000mg twice daily before determining failure. Metformin must have an adherence rate of 4 of the past 5 months prior to gaining access to sitagliptin or saxagliptin.

5. NEW DRUGS

Drug Name

Tier Status

CYCLOSET TAB 0.8MG

Exclude

Cycloset, an ergot derivative, is indicated as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus. Cycloset should not be used as a treatment of type 1 diabetes or diabetic ketoacidosis. There is limited efficacy data for the use of Cycloset in combination use with thiazolidinediones, and efficacy has not been confirmed in combination with insulin.

ELLA TAB 30MG

Exclude

ELLA can be used up to 5 days after unprotected intercourse or a known or suspected contraceptive failure. In comparison, PLAN B and PLAN B ONE-STEP should be used within 3 days per FDA

XGEVA INJ

Not Applicable

For the treatment of osteoporosis in postmenopausal women at high risk for fracture and For the prevention of skeletal-related events in patients with bone metastases from solid tumors

CARBAGLU TAB 200MG

T3/wPA Specialty

CARBAGLU (carglumic acid) is a Carbamoyl Phosphate Synthetase 1 (CPS 1) activator indicated as: (1) adjunctive therapy for the treatment of acute hyperammonemia due to the deficiency of the hepatic enzyme N-acetylglutamate synthase (NAGS) and (2) maintenance therapy for the treatment of chronic hyperammonemia due to the deficiency of the hepatic enzyme N-acetylglutamate synthase (NAGS).

BROMDAY Sol 0.09%

T3

BEYAZ TAB

Exclude

Beyaz (bee-YAZ) is a new version of Yaz with folate. Recommend using a generic OC plus a separate multivitamin or folic

PEDIADERM TA KIT

Exclude

PEDIADERM AF KIT COMPLETE

Exclude

ATELVIA TAB

T3

EGRIFTA INJ 1MG

Exclude

<u>Drug Name</u>	<u>Tier Status</u>
KRYSTEXXA INJ	N/A Medical
TEFLARO INJ 600MG, 400mg Acute bacterial skin and skin structure infectioSSSI). Community acquired bacterial pneumonia (CABP) including MRSA.	Exclude
FIRST DUKES SUS MOUTHWSH Treatment of pain/inflammation associated with mucositis caused by radiation therapy or chemotherapy, aphthous and other oral ulcers, and mouth pain.	T3
FIRST-MARYS SUS MOUTHWSH Treatment of pain/inflammation associated with mucositis caused by radiation therapy or chemotherapy, aphthous and other oral ulcers, and mouth pain.	T3
LATUDA TAB 40, 80MG 40-80mg daily for the treatment of schizophrenia in adults.	Exclude
NEXICLON XR SUS 0.09/ML Dosage: 0.17mg daily at bedtime for hypertension. Max dose is 0.52mg/day.	Exclude
NEXICLON XR TAB 0.17MG Dosage: 0.17mg daily at bedtime for hypertension. Max dose is 0.52mg/day.	Exclude
NUEDEXTA CAP 20-10MG One 20/10mg tablet daily for 7 days then increase to one tablet every 12 hours for the treatment of pseudobulbar affect (PBA). PA criteria: 1. Dx of amyotrophic lateral sclerosis (ALS) or multiple sclerosis (MS), and 2. Dx of clinically significant Pseudobulbar Affect (PBA) (a baseline score ≥13 on the Center for Neurologic Studies-Lability Sclase [CNS-LS]).	T3w/PA
ZOLPIMIST SPR 5MG 10mg (2 sprays) PO immediately before bedtime.	Exclude
MOXEZA SOL 0.5% One drop in each affected eye BID for 7 days for bacterial conjunctivitis.	T3
OFIRMEV INJ 10MG/ML Intravenous acetaminophen (Ofirmev) approved for the treatment of pain/fever in adults and children over the age of 2 years. Adults, Adolescents 50kg or greater: 1000mg IV every six hours or 650mg IV every 4 hours as needed.	Exclude

<u>Drug Name</u>	<u>Tier Status</u>
SAFYRAL TAB Indicated for pregnancy prevention and to raise folate levels in women who want to use an oral contraceptive for contraception. One tablet PO daily following in order directed on package.	Exclude
XYNTHA INJ 3000UNIT Hemophilia	Tabled
AMTURNIDE150 TAB -5-12.5 Hypertension	T3 with ARB ST
AMTURNIDE300 TAB -10-12.5 Hypertension	T3 with ARB ST
AMTURNIDE300 TAB -10-25MG Hypertension	T3 with ARB ST
AMTURNIDE300 TAB -5-12.5 Hypertension	T3 with ARB ST
AMTURNIDE300 TAB -5-25MG Hypertension	T3 with ARB ST
FORTESTA GEL 10MG/ACT Hypogonadism PA Criteria: 1. Dx of testosterone deficiency in males OR hypogonadism or hypogonadotropic hypogonadism in males OR delayed puberty in males.	T3 w/PA
NATROBA SUS 0.9% Head Lice PA Criteria: 1. Requires 1 course of treatment of permethrins in the past 30 days. Allow no more than 2 fills per quarter.	T2 w/PA
PROHIST CD LIQ Antitussive/Decongestant/Antihistamine	Exclude
PROHIST CF LIQ Antitussive/Antihistamine	Exclude

<u>Drug Name</u>	<u>Tier Status</u>
PROIHIST LQ LIQ Antitussive/Low sedating antihistamine	Exclude
ALUVEA CRE 39% Dystrophic nail removal, mild kerosis, keratolytic	Exclude
ALUVEA CRE 43% Dystrophic nail removal, mild kerosis, keratolytic	Exclude
EDARBI 40MG ARB-hypertension	T3 ARB ST
EDARBI 80MG TAB ARB-Hypertension	T3 ARB ST
KAPVAY 0.1 mg tablet	Exclude
Axiron Soln Hypogonadism PA Criteria: Same as Androgel, Testim and Androderm	T2 w/PA
Benlysta inj For tx of active, autoantibody-positive, systemic lupus erythematosus (SLE) in combination with standard therapy	N/A Medical

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

Meeting Date: April 8, 2011

The following recommendations for Board consideration resulted from a meeting of the Benefits Subcommittee on April 8, 2011.

1. SB66 (AN ACT TO REQUIRE HEALTH BENEFIT PLANS TO PROVIDE COVERAGE FOR THE TREATMENT OF MORBID OBESITY)

Recommendation: Approve the current Medicare Practices for Bariatric Surgery as the framework for creation of the pilot program, with the Benefits Strategic Planning Workgroup (BSPW) and Employee Benefits Division (EBD) Staff continuing to study and update guidelines in relation to those practices. Implementation of the program guidelines would continue through 2011, with a 2012 Plan Year start.

2. LIFE INSURANCE

a. AR Public School Employee Group

Recommendation: Remove the requirement that school employees must participate in the health insurance program in order to be eligible for life insurance.

The Benefits subcommittee instructed the BSPW to work with USABLE and review the age ban.

b. AR State Employee Group

Recommendation: Adopt the proposed changes to the MN Life Insurance coverage policy for Legislators & Constitutional Officers and State Employees based on \$10,000 increments.

Please see the following two attachments for an illustration of the ASE & PSE group life benefit structure

3. OTHER TOPICS DISCUSSED IN THE MEETING:

John Colberg, Cheiron – 2012 Plan Year Rating

Jason Lee, EBD Director – Legislative Update

Arkansas Public Schools Employee Group

Current Plan Overview & Proposed Plan Design Changes

Current Plan Design

- **Basic Life**

- \$5,000 Life/AD&D Benefit

- **Supplemental Life**

- Currently available in \$10K increments from \$10K-\$70K based on Classification By Basic Annual Earnings. (ex. School Employee making \$30,001 and above receives \$70K of Supplemental Life/AD&D)
- Can be purchased with or without Health Insurance (change implemented 10/1/2010)

- **Dependent Life**

- Spouse Coverage of \$2,500
- Child(ren) Coverage
 - \$2,500 ages 3 and up
 - \$1,000 ages 14 day to age 3

- **Retiree Life**

- Eligible Retirees may continue up to 50% of the coverage carried prior to retirement for Supplemental Life. Basic Life of \$4,000.

Proposed Plan Design

- **Employee Supplemental Life/AD&D**

- Change benefit to increments of \$10,000 to \$250,000
- Not to exceed 5 x salary
- No reductions due to age for active employees
- Guaranteed issue amount of \$80,000 for newly hired employees
- Offer supplemental coverage to employees not currently on health plan
- Increases employee choice

- **Basic Life and Dependent Life**

- All current benefits remain the same

- **Retiree Life**

- Current retirees retain existing supplemental life amounts
- Future retiree benefits would reduce 50% at retirement not to exceed \$35,000
- Retiree benefits reduce an additional 50% at age 70
- Supplemental AD&D benefits terminate at retirement (same as current)

Transition to New Plan for Existing Employees

- New hires to the plan would have a Guaranteed Issue amount (GI) of \$80,000
- Employees would be eligible to move current benefit to new plan with no evidence of insurability (EOI) requirement
- Employees currently covered have option to increase coverage one increment of \$10,000 with no EOI
- Existing employees would have an annual option to increase coverage by one increment of \$10,000 with no EOI
- Increases greater than one increment would require EOI

Supplemental Rates and Premium

- New Supplemental plan will have rates based on age
- This will attract younger employees into the plan
- Influx of new (younger) employees provides a better spread of risk and keeps the plan financially viable over time
- Experience for current plan and rates indicates a required increase of approximately 10% for supplemental and dependent life 1/1/2012
- If the proposed plan is implemented the projected rate increase may be negated

EBD State of Arkansas
Group Life Benefit Comparison Summary

	Legislators & Constitutional Officers	State Employee												
Basic <i>Member</i>	<p style="text-align: center;">\$10,000 non-contributory (Employer paid) + <u>\$30,000 (Member paid at flat rate)</u></p> <p style="text-align: center; color: red; font-size: 1.2em;">\$40,000</p> <p><u>Reduction:</u> \$10,000 non-contributory (Employer paid) Age 65 reduce to \$5,000 Age 70 reduce to \$4,000</p> <p>\$30,000 contributory (Member paid) Age 65 reduce 50% Age 70 reduce 50% of already 50% (1/4)</p> <p>AD&D stops at age 75</p>	<p style="text-align: center; color: blue; font-size: 1.2em;">\$10,000 (Employer paid)</p> <p><u>Reduction:</u> Age 65 reduce to \$5,000 Age 70 reduce to \$4,000</p> <p>AD&D stops at age 75</p>												
Supplemental (Member paid) <i>Member</i>	<p style="text-align: center; color: red; font-size: 1.2em;">Up to \$50,000 maximum (\$1,000 Increments)</p> <p><u>Reduction:</u> Age 65 = 50% Age 70 = 25% Age 70 Basic + Supplemental <\$20,000.</p>	<p style="text-align: center; color: blue; font-size: 1.2em;">Up to \$250,000 maximum (\$1,000 Increments)</p> <p><u>Reduction:</u> Age 65 = 50% Age 70 = 25% Age 70 Basic + Supplemental <\$20,000.</p>												
<i>Spouse</i>	<ul style="list-style-type: none"> • 1 or 2 units • \$20,000 unit • GI \$20,000 (1 unit) 	<ul style="list-style-type: none"> • 1, 2, 3, 4 or 5 units • \$4,000 unit • GI \$4,000 (1 unit) 												
<i>Child</i>	<ul style="list-style-type: none"> • 1 or 2 units <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Age</th> <th style="text-align: center;">Unit</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">14 days < 3 years</td> <td style="text-align: center;">\$10,000</td> </tr> <tr> <td style="text-align: center;">3 years and older</td> <td style="text-align: center;">\$20,000</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • GI \$20,000 	Age	Unit	14 days < 3 years	\$10,000	3 years and older	\$20,000	<ul style="list-style-type: none"> • 1, 2, 3, 4 or 5 units <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Age</th> <th style="text-align: center;">Unit</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">14 days < 3 years</td> <td style="text-align: center;">\$2,000</td> </tr> <tr> <td style="text-align: center;">3 years and older</td> <td style="text-align: center;">\$4,000</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • GI \$4,000 	Age	Unit	14 days < 3 years	\$2,000	3 years and older	\$4,000
Age	Unit													
14 days < 3 years	\$10,000													
3 years and older	\$20,000													
Age	Unit													
14 days < 3 years	\$2,000													
3 years and older	\$4,000													

Exhibit 1
EBD State of Arkansas ASE Group Life
Member Basic Life

	Legislators & Constitutional Officers	State Employee
Basic <i>Member</i>	\$10,000 non-contributory (Employer paid) + <u>\$30,000 (Member paid at flat rate)</u> \$40,000 <u>Reduction:</u> \$10,000 non-contributory (Employer paid) Age 65 reduce to \$5,000 Age 70 reduce to \$4,000 \$30,000 contributory (Member paid) Age 65 reduce 50% Age 70 reduce 50% of already 50% (1/4) AD&D stops at age 75	\$10,000 non-contributory (Employer paid) + <u>\$30,000 (Member paid at age banded rates)</u> <u>\$40,000</u> <u>Reduction:</u> \$10,000 non-contributory (Employer paid) Age 65 reduce to \$5,000 Age 70 reduce to \$4,000 \$30,000 contributory (Member paid) Age 65 reduce 50% Age 70 reduce 50% of already 50% (1/4) AD&D stops at age 75

Issue

Legislators & Constitutional officers may receive up to \$40,000 in overall Basic life coverage (\$10,000 non-contributory plus \$30,000 contributory).

State employees only receive the non-contributory portion of Basic life, or \$10,000.

Cost of Basic life is at flat non-contributory Basic rate.

Proposal

Allow State employees to obtain \$30,000 contributory Basic life.

- Current employees may elect contributory Basic guaranteed on a one-time basis only.
- New employees may elect contributory Basic on a guaranteed basis.

Cost for state employees would be at current age banded supplemental rates, rather than the flat rate charged to legislators/officers.

Exhibit 2
EBD State of Arkansas ASE Group Life
Member Supplemental Life

	Legislators & Constitutional Officers	State Employee
Supplemental (Member paid) <i>Member</i>	<p>Up to \$250,000 maximum (\$1,000 Increments)</p> <p><u>Reduction:</u> Age 65 = 50% Age 70 = 25% Age 70 Basic + Supplemental <\$20,000.</p>	<p>Up to \$250,000 maximum (\$1,000 Increments)</p> <p><u>Reduction:</u> Age 65 = 50% Age 70 = 25% Age 70 Basic + Supplemental <\$20,000.</p>

Issue

Legislators and constitutional officers may elect up to \$50,000 in overall Supplemental life insurance at \$1,000 increments.

Whereas, state employees can elect up to \$250,000 in overall Supplemental life insurance at increments of \$1,000.

Election by both groups requires evidence of insurability (EOI).

Cost of both supplemental plans is at current age banded rates.

Proposal

Permit legislators and constitutional officers to elect up to \$250,000 in supplemental insurance.

Election by both groups continues with evidence of insurability (EOI).

No change in costs.

Exhibit 3

EBD State of Arkansas ASE Group Life Spouse and Dependent Supplemental Life

	Legislators & Constitutional Officers	State Employee	
		<i>Grandfathered units vs. New unit</i>	<i>New employee</i>
Supplemental (Member paid) <i>Spouse</i>	<ul style="list-style-type: none"> • 1 or 2 units • \$20,000 unit • GI \$20,000 (1 unit) 	<ul style="list-style-type: none"> • Either 1, 2, 3, 4, and 5 units <u>or Unit 6</u> • 1 to 5 = \$4,000 per unit up to \$20,000 • <u>Unit 6 flat \$40,000 overall</u> • GI \$4,000 (1 unit) 	<ul style="list-style-type: none"> • Either 1, 2, 3, 4, and 5 units <u>or Unit 6</u> • 1 to 5 = \$4,000 up unit up to \$20,000 • <u>Unit 6 flat \$40,000 overall</u> • <u>GI \$20,000 (5 units)</u>
<i>Child</i>	<ul style="list-style-type: none"> • 1 or 2 units • \$20,000 unit (Limited to \$10,000 for 14 days to <3 years) • GI \$20,000 	<ul style="list-style-type: none"> • Either 1, 2, 3, 4 and 5 units <u>or Unit 6</u> • Unit 1 to 5 = \$4,000 up to \$20,000 (Limited to \$2,000 per unit for 14 days to <3 years) • <u>Unit 6 flat \$40,000 overall</u> • GI \$4,000 	<ul style="list-style-type: none"> • Either 1, 2, 3, 4 and 5 units <u>or Unit 6</u> • Unit 1 to 5 = \$4,000 up to \$20,000 (Limited to \$2,000 per unit for 14 days to <3 years) • <u>Unit 6 flat \$40,000 overall</u> • <u>GI \$20,000</u> (Limited to \$10,000 for 14 days to <3 years)

Issue

Legislators & Constitutional officers may have up to \$40,000 each in Spouse and Child coverage.

State employees may only have up \$20,000 each in Spouse and Child supplemental insurance.

Proposal

Add a flat \$40,000 dependent life option for state employees. Current dependent insured's would retain their current benefit amounts, but can provide EOI to increase within the current options or increase to \$40,000.

Increase the state employee dependent GI limit to \$20,000 for new employees going forward. Again, EOI would be required for current employees to increase coverage.

Arkansas State Employees Health Benefits Program

Preliminary Rates for CY 2012

John Colberg, FSA, EA MAAA

April 12, 2010





Topics

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➤ Projected CY 2012 Rates – ASE	9
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Benefit Options

Benefit Option Name :	Gold	Silver (Tentative)	Bronze (Tentative)
Last Modified:	1/1/2012	1/1/2012	1/1/2012
Plan Coverage Relative Value:	1.00	0.92	0.82
Provider Network:	Health Advantage	TBD	TBD
<u>In-Network (INN) Benefits</u>			
Deductible (Individual / Family)	None / None	\$500 / \$1000	\$1500 / \$3000
Coinsurance	20%	20%	20%
Copays			
Office Visit (OV)-Primary Care (PCP)	\$25	\$35	Ded. & Coins.
OV - Specialist Care Provider (SCP)	\$35	\$50	Ded. & Coins.
Urgent Care (UC)	\$100	\$150	Ded. & Coins.
Hospital Emergency Room (ER) Non-admitted	\$100	\$150	Ded. & Coins.
Outpatient Surgery	\$100 then Ded. & Coins.	\$100 then Ded. & Coins.	Ded. & Coins.
Hospital Inpatient	\$250 then Ded. & Coins.	\$250 then Ded. & Coins.	Ded. & Coins.
Out-of-Pocket Max (Individual / Family)	\$1500 / \$3000	\$2000 / \$4000	\$2500 / \$5000
<u>Out-of-Network (OON) Benefits ¹</u>			
Deductible (Individual / Family)	\$1000 / \$2000	\$1000 / \$2000	\$3000 / \$6000
Coinsurance	40%	40%	40%
Out-of-Pocket (OOP) Max (Individual / Family)	\$5000 / \$10000	\$5000 / \$10000	\$5000 / \$10000
Annual Maximum INN / OON	Unlimited / \$1,000,000	Unlimited / \$1,000,000	Unlimited / \$1,000,000
<u>Prescription Drugs</u>			
Separate Deductible then the following Copays:			
Retail (30 Days) - Generic/Formulary /Non-Form.	\$10 / \$30 / \$60	\$15 / \$35 / \$70	Ded. & Coins.
Mail Order (90 Days) - Generic/Form. /Non-Form.	\$10 / \$30	\$15 / \$35	Ded. & Coins.
<u>Selected Detail Benefits</u>			
Mental Health (MH) / Substance Abuse (SA):	IP: \$250 then Ded & Coins; OP: Ded & Coins	IP: \$250 then Ded & Coins; OP: Ded & Coins	Ded. & Coins.
Psychiatry	INN: \$25 Copay; OON: Ded & Coins.	INN: \$35 Copay; OON: Ded & Coins.	Ded. & Coins.
Rehabilitation (i.e., speech, occup. physical):	Ded & Coins.	Ded & Coins.	Ded. & Coins.
Chiropractors:	\$35 then Ded & Coins	\$35 then Ded & Coins	Ded. & Coins.
Hearing Aids:	No Cost; Limit of \$1400 per ear every 3 years	No Cost; Limit of \$1400 per ear every 3 years	Ded. & Coins.
Preventive Care:	INN: No Cost; OON: Coins. except immun. no cost	INN: No Cost; OON: Coins. except immun. no cost	INN: No Cost; OON: Coins. except immun. no cost



Benefit Options (Cont.)

Medical Management			
PCP referral to specialists required:	No	No	No
Inpatient:	Health Advantage (HA) - Patient Responsible	TBD	TBD
Outpatient:	Selected	Selected	Selected
Case Management:	Yes	Yes	Yes
Disease Management:	Yes, select conditions	Yes, select conditions	Yes, select conditions
Wellness	Yes	Yes	Yes
Nurse-Line / Informed Decision Support:	Yes	Yes	Yes
Medicare Integration:			
Coordination of Benefits	Yes, same as NME	Not Available	Not Available
Non- Medicare Benefits Covered:	Non-Par & Non-Accepting		
Non- Medicare Providers Covered:	Non-Par & Non-Accepting		
Pharmacy Covered:			
Vision Care Services			
Exam every 24 months - INN	\$35 Copay	\$35 Copay	\$35 Copay
Flexible Spending Account Offered:			
	Yes	Yes	Yes
Health Savings Account Offered:			
	No	No	Yes
Life Insurance (ASE Only)			
Prior to Age 65	\$10,000	\$10,000	\$10,000
From Age 65 to Age 69	\$5,000	\$5,000	\$5,000
From Age 70 on	\$4,000	\$4,000	\$4,000

¹When an in-network provider is not available within 50 miles for a hospital and 25 miles for all other providers, then in-network



Option 1 – Baseline

PSE ACTIVE RATE DEVELOPMENT for CY2012

Plan: Benefit: Experience Period - Service (Incurred) Dates Experience Period - Processed (Paid) Dates	Gold			Silver (based on Gold Actives)			Bronze		
	Medical	Pharmacy	Total	Medical	Pharmacy	Total	Medical	Pharmacy	Total
	2/10 - 1/11	2/10 - 1/11		2/10 - 1/11	2/10 - 1/11		2/10 - 1/11	2/10 - 1/11	
	2/10 - 2/11	2/10 - 2/11		2/10 - 2/11	2/10 - 2/11		2/10 - 2/11	2/10 - 2/11	
	A	B	C	D	E	F	G	H	I
1 Total Incurred Medical & Rx Claims (Experience Period)	\$179,025,721	\$52,907,727	\$231,933,447	\$167,967,091	\$48,253,901	\$216,220,991	\$6,214,080	\$414,886	\$6,628,966
2 <u>Less High Cost Claims Above (Med/Rx)</u> \$100,000 \$20,000	<u>\$11,434,026</u>	<u>\$3,248,325</u>	<u>\$14,682,351</u>	<u>\$10,301,814</u>	<u>\$2,910,729</u>	<u>\$13,212,542</u>	<u>\$669,728</u>	<u>\$0</u>	<u>\$669,728</u>
3 Net Incurred Claims below Pooling Point [1 - 2]	\$167,591,695	\$49,659,402	\$217,251,097	\$157,665,277	\$45,343,172	\$203,008,449	\$5,544,351	\$414,886	\$5,959,238
4 <u>Person Months for Experience Period</u>	741,634	741,634	741,634	714,212	714,212	714,212	62,191	62,191	62,191
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$225.98	\$66.96	\$292.94	\$220.75	\$63.49	\$284.24	\$89.15	\$6.67	\$95.82
6 Change in Benefits During Experience Period	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
7 Change in Demographics or Risk During Experience Period	1.0009	1.0005		1.0010	1.0007		0.9869	0.9860	
8 Change in Geographic During Experience Period	0.9991	0.9991		0.9991	0.9991		1.0003	<u>1.0003</u>	
9 a) Annual Trend Rate	8.0%	5.5%		8.0%	5.5%		8.0%	5.5%	
b) Months to Trend	23	23		23	23		23	23	
c) <u>Trend Adjustment</u>	<u>1.1589</u>	<u>1.1081</u>		<u>1.1589</u>	<u>1.1081</u>		<u>1.1589</u>	<u>1.1081</u>	
10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]	\$261.88	\$74.16	\$336.05	\$255.86	\$70.34	\$326.19	\$102.00	\$7.29	\$109.29
11 <u>Charge for Claims above Pooling Point PPPM</u>	<u>\$15.42</u>	<u>\$4.38</u>	<u>\$19.80</u>	<u>\$14.42</u>	<u>\$4.08</u>	<u>\$18.50</u>	<u>\$10.77</u>	<u>\$0.00</u>	<u>\$10.77</u>
12 Total Claims Charged PPPM [9 + 10]	\$277.30	\$78.54	\$355.85	\$270.28	\$74.41	\$344.69	\$112.77	\$7.29	\$120.06
13 Change in Future Benefits	1.0220	1.0000		0.9579	0.9006		1.0220	1.0000	
14 Change in Future Demographics (Age/Gender/Family) or Risk	1.0130	1.0126		0.9000	0.9000		1.0000	1.0000	
15 Change in Future Geographic	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
16 <u>Change in Future Network</u>	<u>0.9734</u>	<u>1.0000</u>		<u>1.0688</u>	<u>1.0000</u>		<u>1.0000</u>	<u>1.0000</u>	
17 Projected Incurred Claim PPPM [13x 14 x15x16]	\$279.43	\$79.53	\$358.97	\$249.04	\$60.31	\$309.36	\$115.25	\$7.29	\$122.54
18 Projected Blended Incurred Claim PPPM	n/a	\$72.88		n/a	\$65.63		n/a	\$54.54	
19 Percent to Use Blended Experience		0%			0%			0%	
20 Rating Incurred Claim PPPM [17 blended with 18]	\$279.43	\$79.53	\$358.97	\$249.04	\$60.31	\$309.36	\$115.25	\$7.29	\$122.54
21 <u>Projected Persons Months</u>	648,562	648,562	648,562	88,732	88,732	88,732	91,392	91,392	91,392
22 Projected Total Incurred Claims [20 x 21]	\$181,230,589	\$51,582,461	\$232,813,050	\$22,098,180	\$5,351,857	\$27,450,037	\$10,532,768	\$666,250	\$11,199,018
23 Conversion to Rating Tiers [20 x rating tier x counts]	x tier factor	Projected Ee Months	PEPPM	x tier factor	Projected Ee Months	PEPPM	x tier factor	Projected Ee Months	PEPPM
a) Employee Only	1.10	363,176	\$396.30	1.14	45,600	\$352.65	1.12	41,448	\$137.27
b) Employee & Spouse	3.28	16,901	\$1,176.69	3.38	1,808	\$1,047.08	3.30	3,168	\$404.52
c) Employee & Child(ren)	2.07	59,427	\$744.62	2.14	9,675	\$662.61	2.09	5,880	\$256.70
d) Family	3.29	20,900	\$1,180.90	3.40	2,916	\$1,050.83	3.31	6,696	\$405.99
e) Child(ren) of Medicare Retirees	0.97	192	\$348.32						
24 Rates Balance Confirmation		460,596	\$232,813,050		60,000	\$27,450,037		57,192	\$11,199,018

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

Option 1 – Baseline (Cont.)

No Benefit or Rating Method Changes



PSE Detailed Financials



CLAIMS & EXPENSES	
Blend ASE & PSE Retirees	No
Combine NME Ret with Actives	Yes
Blend Novasys & HDPPPO	No
If yes, % to Blend (PSE)	0%
% to Blend Pharmacy (PSE)	0%

ALLOCATED RESERVES (in \$millions)				
PSE -- PYE	2011	2012	2013	2014
Actives - 9/30	\$11.84	\$7.33	\$3.38	\$0.00
Retiree NME -12/31	\$0.00	\$0.00	\$0.00	\$0.00
Retiree ME -12/31	\$0.76	\$0.47	\$0.22	\$0.00
RETIREE SUBSIDY FROM ACTIVES				
PSE - PEPM	2011	2012	2013	2014
NME Ret. Blend Holdba	\$63.55	\$50.00		
Totaling (\$mil)		\$1.23		

2012 vs. 2011

Actives	Medical and Pharmacy*	Expenses	Retirement Subsidy	Total Monthly Premium	Act 1842 Contrib.	Act 1421 Contrib.	Res. Alloc.	School District Contrib.	2012 Total EE Cost	2011 Total EE Cost	Change in Premiums (%)	Assumed Enrollment
Gold												
Employee Only	\$394.36	\$41.60	\$11.20	\$447.16	\$56.48	\$24.23	\$11.17	\$131.00	\$224.28	\$170.34	\$53.94 32%	28,322
Employee & Spouse	1,168.90	41.60	11.20	1,221.70	100.40	42.92	24.42	131.00	922.96	771.74	151.21 20%	1,217
Employee & Child(ren)	739.76	41.60	11.20	792.56	76.92	32.88	17.80	131.00	533.96	436.87	97.08 22%	4,942
Family	1,173.01	41.60	11.20	1,225.81	103.98	44.45	24.65	131.00	921.74	773.82	147.92 19%	1,736
Est. Monthly Total (\$mil)	\$18.3	\$1.5	\$0.4	\$20.2	\$2.3	\$1.0	\$0.5	\$4.7	\$11.7	\$9.3	\$2.4	36,217
Silver										(2011 HA)		
Employee Only	\$352.65	\$41.60	\$11.20	\$405.45	\$56.48	\$24.23	\$11.17	\$131.00	\$182.57	\$170.34	\$12.24 7%	3,800
Employee & Spouse	1,047.08	41.60	11.20	1,099.88	100.40	42.92	24.42	131.00	801.14	771.74	29.39 4%	151
Employee & Child(ren)	662.61	41.60	11.20	715.41	76.92	32.88	17.80	131.00	456.81	436.87	19.93 5%	806
Family	1,050.83	41.60	11.20	1,103.63	103.98	44.45	24.65	131.00	799.55	773.82	25.74 3%	243
Est. Monthly Total (\$mil)	\$2.3	\$0.2	\$0.1	\$2.6	\$0.3	\$0.1	\$0.1	\$0.7	\$1.4	\$1.3	\$0.1	5,000
Bronze												
Employee Only	\$137.27	\$41.60	\$11.20	\$190.07	\$56.48	\$24.23	\$11.17	\$131.00	(\$32.81)	\$15.10	(\$47.91) -317%	3,454
Employee & Spouse	404.52	41.60	11.20	457.32	100.40	42.92	24.42	131.00	158.58	333.10	(174.52) -52%	264
Employee & Child(ren)	256.70	41.60	11.20	309.50	76.92	32.88	17.80	131.00	50.90	155.36	(104.46) -67%	490
Family	405.99	41.60	11.20	458.79	103.98	44.45	24.65	131.00	154.71	333.70	(178.99) -54%	558
Est. Monthly Total (\$mil)	\$0.9	\$0.2	\$0.1	\$1.2	\$0.3	\$0.1	\$0.1	\$0.6	\$0.0	\$0.4	-\$0.4	4,766
Total (Monthly) (\$ mil)	\$21.5	\$1.9	\$0.5	\$23.9	\$2.9	\$1.3	\$0.6	\$6.0	\$13.1	\$11.0	\$2.2	45,983
Est Annual Total (\$ mil)	\$258.1	\$23.0	\$6.2	\$287.2	\$35.0	\$15.0	\$7.3	\$72.3	\$157.6	\$131.7	\$25.9	

*Rates reflect NME Retiree Blending holdback

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

Option 1 – Baseline (Cont.)

PSE RETIREE RATE DEVELOPMENT for CY2012

Plan: Benefit: Experience Period - Service (Incurred) Dates Experience Period - Processed (Paid) Dates	Non-Medicare (combined with Actives)			Medicare	
	Medical	Pharmacy	Total	Medical	Total
	2/10 - 1/11	2/10 - 1/11		2/10 - 1/11	
	2/10 - 2/11	2/10 - 2/11		2/10 - 2/11	
1 Total Incurred Medical & Rx Claims (Experience Period)	\$179,025,721	\$52,907,727	\$231,933,447	\$9,140,621	\$9,140,621
2 <u>Less High Cost Claims Above (Med/Rx)</u> \$100,000 \$20,000	<u>\$11,434,026</u>	<u>\$3,248,325</u>	<u>\$14,682,351</u>	<u>\$143,707</u>	<u>\$143,707</u>
3 Net Incurred Claims below Pooling Point [1 - 2]	\$167,591,695	\$49,659,402	\$217,251,097	\$8,996,914	\$8,996,914
4 <u>Person Months for Experience Period</u>	741,634	741,634	741,634	<u>\$73,330</u>	73,330
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$225.98	\$66.96	\$292.94	\$122.69	\$122.69
6 Change in Benefits During Experience Period	1.0000	1.0000		1.0000	
7 Change in Demographics or Risk During Experience Period	1.0009	1.0005		0.9993	
8 Change in Geographic During Experience Period	0.9991	0.9991		1.0000	
9 a) Annual Trend Rate	8.0%	5.5%		7.5%	
b) Months to Trend	23	23		23	
c) <u>Trend Adjustment</u>	<u>1.1589</u>	<u>1.1081</u>		<u>1.1487</u>	
10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]	\$261.88	\$74.16	\$336.05	\$140.84	\$140.84
11 <u>Charge for Claims above Pooling Point PPPM</u>	<u>\$15.42</u>	<u>\$4.38</u>	<u>\$19.80</u>	<u>\$1.96</u>	<u>\$1.96</u>
12 Total Claims Charged PPPM [9 + 10]	\$277.30	\$78.54	\$355.85	\$142.80	\$142.80
13 Change in Future Benefits	1.0220	1.0000		1.0000	
14 Change in Future Demographics (Age/Gender/Family) or Risk	1.0130	1.0126		1.0000	
15 Change in Future Geographic	1.0000	1.0000		1.0000	
16 <u>Change in Future Network</u>	<u>0.9734</u>	<u>1.0000</u>		<u>1.0000</u>	
17 Projected Incurred Claim PPPM [13x 14 x15x16]	\$279.43	\$79.53	\$358.97	\$142.80	\$142.80
18 <u>Projected Persons Months</u>	648,562	648,562	648,562	78,168	78,168
19 Projected Total Incurred Claims [17 x 18]	\$181,230,589	\$51,582,461	\$232,813,050	\$11,162,261	\$11,162,261

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



Option 1 – Baseline (Cont.)

PSE RETIREE RATE DEVELOPMENT for CY2012

	PPPM [17]	<u>x Non-Med.</u> <u>tier factor</u>	<u>Non-Med.</u> <u>PEPM</u>	<u>x Medicare</u> <u>tier factor</u>	<u>Medicare</u> <u>PEPM</u>	<u>Projected</u> <u>Ret Months</u>	<u>TOTAL</u> <u>PEPM</u>
20 Conversion to Rating Tiers							
a) NME Retiree		1.10	\$396.30	-	\$0.00	22,116	\$396.30
b) NME Retiree & NME Spouse		3.28	\$1,176.69	-	\$0.00	2,292	\$1,176.69
c) NME Retiree & Child(ren)		2.07	\$744.62	-	\$0.00	84	\$744.62
d) NME Retiree & NME Spouse & Child(ren)		3.29	\$1,180.90	-	\$0.00	72	\$1,180.90
e) NME Retiree & ME Spouse		1.10	\$396.30	1.00	\$142.80	-	\$539.10
f) NME Retiree & ME Spouse & Child(ren)		2.07	\$744.62	1.00	\$142.80	-	\$887.42
g) ME Retiree		-	\$0.00	1.00	\$142.80	63,636	\$142.80
h) ME Retiree & NME Spouse		1.10	\$396.30	1.00	\$142.80	1,200	\$539.10
i) ME Retiree & Child(ren)		0.97	\$348.32	1.00	\$142.80	168	\$491.12
j) ME Retiree & NME Spouse & Child(ren)		2.07	\$784.59	1.00	\$142.80	36	\$927.39
k) ME Retiree & ME Spouse		-	\$0.00	2.00	\$285.60	6,540	\$285.60
l) ME Retiree & ME Spouse & Child(ren)		0.97	\$348.32	2.00	\$285.60	24	\$633.92
20 Rates Balance Confirmation			<u>\$12,179,862</u>		<u>\$11,162,261</u>		<u>\$23,342,123</u>

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



Option 1 – Baseline (Cont.)

No Benefit or Rating Method Changes

CHEIRON

PSE Detailed Financials

H-scan

CLAIMS & EXPENSES	
Blend ASE & PSE Retirees	No
Combine NM Ret with Actives	Yes
Blend Novasys & HDPPPO	No
If yes, % to Blend (PSE)	0%
% to Blend Pharmacy (All)	0%
Blend NME with ALL Act	No
Blend Large Claims	No

ALLOCATED RESERVES (in \$ millions)				
PSE -- PYE	2010	2011	2012	2013
Actives - 9/30	\$11.84	\$7.33	\$3.38	\$0.00
Retiree NME -12/31	\$0.00	\$0.00	\$0.00	\$0.00
Retiree ME -12/31	\$0.76	\$0.47	\$0.22	\$0.00
RETIREE SUBSIDY FROM ACTIVES				
PSE - PEPM	2010	2011	2012	2013
NME Ret. Blending Hold	\$63.55	\$50.00		

2012 vs. 2011

Retirees	Medical and Pharmacy*	Expenses	Retirement Subsidy	Total Monthly Premium	Subsidy from Actives	Reserve Allocation			2012 Total Ret. Cost	2011 Total Ret. Cost	Change in Premiums (\$/%)	Assumed Enrollment
Non-Medicare Eligible												
Retiree Only	\$446.30	\$41.60		\$487.90	\$0.00	\$0.00			\$487.90	\$457.42	\$30.49 7%	1,843
Retiree & NME SP	1,226.69	41.60		1,268.29	0.00	0.00			1,268.29	1,152.01	\$116.28 10%	191
Retiree & Child(ren)	794.62	41.60		836.22	0.00	0.00			836.22	768.28	\$67.94 9%	7
Retiree & NME SP&CH	1,230.90	41.60		1,272.50	0.00	0.00			1,272.50	1,159.82	\$112.67 10%	6
Retiree & ME SP	589.10	41.60		630.70	0.00	0.00			630.70	596.82	\$33.88 6%	-
Retiree & ME SP & CH	937.42	41.60		979.02	0.00	0.00			979.02	907.71	\$71.31 8%	-
Est. Monthly Total (\$mil)	\$1.1	\$0.1	\$0.0	\$1.2	\$0.0	\$0.0			\$1.2	\$1.1	\$0.1	2,047
Medicare Eligible												
Retiree Only	\$142.80	\$29.70		\$172.50	\$87.56	\$6.66			\$78.28	\$41.44	\$36.84 89%	5,303
Retiree & NME SP	589.10	29.70		618.80	-	0.00			618.80	568.37	\$50.43 9%	100
Retiree & Child(ren)	491.12	29.70		520.82	30.63	2.33			487.86	421.17	\$66.69 16%	14
Retiree & NME SP&CH	937.42	29.70		967.12	-	0.00			967.12	877.42	\$89.70 10%	3
Retiree & ME SP	285.60	29.70		315.30	92.07	7.00			216.22	170.59	\$45.63 27%	545
Retiree & ME SP & CH	633.92	29.70		663.62	35.15	2.67			625.80	550.32	\$75.48 14%	2
Est. Monthly Total (\$mil)	\$1.0	\$0.2		\$1.2	\$0.5	\$0.0			\$0.6	\$0.4	\$0.2	5,967
Total (Est. Monthly)	\$2.1	\$0.3	\$0.0	\$2.3	\$0.5	\$0.0	\$0.0	\$0.0	\$1.8	\$1.5	\$0.3	8,014
Total (Est. Annual)	\$24.6	\$3.1	\$0.0	\$27.8	\$6.2	\$0.5	\$0.0	\$0.0	\$21.1	\$17.5	\$3.7	

*Rates reflect NME Retiree Blending holdback

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

Option 1 – Baseline (Cont.)

ASE ACTIVE RATE DEVELOPMENT for CY2012

Plan: Benefit: Experience Period - Service (Incurred) Dates Experience Period - Processed (Paid) Dates	Gold			Silver (based on Gold Actives)			Bronze		
	Medical	Pharmacy	Total	Medical	Pharmacy	Total	Medical	Pharmacy	Total
	2/10 - 1/11	2/10 - 1/11		2/10 - 1/11	2/10 - 1/11		2/10 - 1/11	2/10 - 1/11	
	2/10 - 2/11	2/10 - 2/11		2/10 - 2/11	2/10 - 2/11		2/10 - 2/11	2/10 - 2/11	
	A	B	C	D	E	F	G	H	I
1 Total Incurred Medical & Rx Claims (Experience Period)	\$143,177,761	\$41,752,307	\$184,930,068	\$128,283,829	\$37,205,186	\$165,489,015	\$1,595,219	\$137,985	\$1,733,204
2 Less High Cost Claims Above (Med/Rx)	\$7,046,324	\$3,158,356	\$10,204,680	\$5,952,884	\$2,790,131	\$8,743,015	\$96,970	\$8,333	\$105,303
3 Net Incurred Claims below Pooling Point [1 - 2]	\$136,131,436	\$38,593,952	\$174,725,388	\$122,330,945	\$34,415,055	\$156,746,000	\$1,498,249	\$129,652	\$1,627,901
4 Person Months for Experience Period	597,011	597,011	597,011	560,384	560,384	560,384	19,156	19,156	19,156
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$228.02	\$64.65	\$292.67	\$218.30	\$61.41	\$279.71	\$78.21	\$6.77	\$84.98
6 Change in Benefits During Experience Period	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
7 Change in Demographics or Risk During Experience Period	0.9943	0.9945		0.9943	0.9945		0.9964	1.0342	
8 Change in Geographic During Experience Period	1.0000	1.0000		1.0000	1.0000		0.9982	0.9982	
9 a) Annual Trend Rate	8.0%	5.5%		8.0%	5.5%		8.0%	5.5%	
b) Months to Trend	23	23		23	23		23	23	
c) Trend Adjustment	1.1589	1.1081		1.1589	1.1081		1.1589	1.1081	
10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]	\$262.76	\$71.24	\$334.00	\$251.56	\$67.67	\$319.23	\$90.16	\$7.74	\$97.90
11 Charge for Claims above Pooling Point PPPM	\$11.80	\$5.29	\$17.09	\$10.62	\$4.98	\$15.60	\$5.06	\$0.44	\$5.50
12 Total Claims Charged PPPM [10 + 11]	\$274.56	\$76.53	\$351.09	\$262.18	\$72.65	\$334.83	\$95.22	\$8.18	\$103.40
13 Change in Future Benefits	1.0210	1.0000		0.9487	0.9020		1.0210	1.0000	
14 Change in Future Demographics (Age/Gender/Family) or Risk	1.0072	1.0072		0.9000	0.9000		1.0000	1.0000	
15 Change in Future Geographic	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
16 Change in Future Network	0.9857	1.0000		1.0825	1.0000		1.0000	1.0000	
17 Projected Incurred Claim PPPM [13x 14 x15x16]	\$278.32	\$77.08	\$355.41	\$242.33	\$58.98	\$301.30	\$97.22	\$8.18	\$105.40
18 Projected Blended Incurred Claim PPPM	n/a	\$75.23	n/a	n/a	\$67.86	n/a	n/a	\$56.30	n/a
19 Percent to Use Blended Experience		0%			0%			0%	
20 Rating Incurred Claim PPPM [17 blended with 18]	\$278.32	\$77.08	\$355.41	\$242.33	\$58.98	\$301.30	\$97.22	\$8.18	\$105.40
21 Projected Persons Months	564,837	564,837	564,837	40,655	40,655	40,655	21,720	21,720	21,720
22 Projected Total Incurred Claims [20 x 21]	\$157,206,587	\$43,539,377	\$200,745,964	\$9,851,654	\$2,397,669	\$12,249,323	\$2,111,555	\$177,651	\$2,289,206
23 Conversion to Rating Tiers [20 x rating tier x counts]	x tier factor	Projected Ee Months	PEPM	x tier factor	Projected Ee Months	PEPM	x tier factor	Projected Ee Months	PEPM
a) Employee Only	1.15	192,892	\$407.90	1.17	14,640	\$352.11	1.14	7,488	\$119.95
b) Employee & Spouse	2.92	44,551	\$1,036.33	2.97	2,719	\$894.59	2.85	1,728	\$300.73
c) Employee & Child(ren)	1.78	52,550	\$632.35	1.81	4,314	\$545.87	1.75	1,452	\$184.52
d) Family	3.23	36,967	\$1,148.57	3.29	2,327	\$991.48	3.16	1,812	\$333.01
e) Child(ren) of Medicare Retirees	0.63	914	\$224.45				-		
24 Rates Balance Confirmation		327,875	\$200,745,964		24,000	\$12,249,323		12,480	\$2,289,206

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

Option 1 – Baseline (Cont.)

ASE Detailed Financials

CLAIMS & EXPENSES	
Blend ASE & PSE Retirees	No
Combine NM Ret with Actives	Yes
Blend Novasys PPO & HD	No
If yes, % of PPO in Blend	90%
% to Blend Pharmacy	0%
Gold Rates Same as 2011 HA	No

ALLOCATED RESERVES (in \$millions)				
ASE -- PYE	2011	2012	2013	2014
Actives - 12/31	\$0.00	\$0.00	\$0.00	\$0.00
STATE/EMPLOYER FUNDING				
Calc Contributions	\$390	\$422	n/a	n/a
Base Contributions	\$390	\$390	\$390	\$390
% for Employee	75%	75%	75%	75%
% for Dependent	50%	50%	50%	50%
ASE Budgeted Jobs	34,800	34,800	34,800	34,800

2012 vs. 2011

Actives	Medical and Pharmacy	Expenses	Total Monthly Premium	State Contributions	Reserve Allocation	2012 EE Total Cost	2011 EE Total Cost	Change in Premiums (\$ / %)		Assumed Enrollment
Gold										
Employee Only	\$407.90	\$47.57	\$455.47	\$330.52	\$0.00	\$124.95	\$95.78	\$29.17	30%	14,240
Employee & Spouse	1,036.33	47.57	1,083.90	632.95	0.00	450.95	367.74	83.21	23%	3,192
Employee & Child(ren)	632.35	47.57	679.92	439.56	0.00	240.36	193.64	46.72	24%	4,293
Family	1,148.57	47.57	1,196.14	686.18	0.00	509.96	419.62	90.34	22%	3,041
Est. Monthly Total (\$mil)	\$15.3	\$1.2	\$16.5	\$10.7	\$0.0	\$5.8	\$4.6	\$1.2		24,766
Silver							(2011 HA)			
Employee Only	\$352.11	\$47.57	\$399.68	\$330.52	\$0.00	\$69.16	\$95.78	(\$26.62)	-28%	1,220
Employee & Spouse	894.59	47.57	942.16	632.95	0.00	309.21	367.74	(58.53)	-16%	227
Employee & Child(ren)	545.87	47.57	593.44	439.56	0.00	153.88	193.64	(39.76)	-21%	359
Family	991.48	47.57	1,039.05	686.18	0.00	352.86	419.62	(66.76)	-16%	194
Est. Monthly Total (\$mil)	\$1.0	\$0.1	\$1.1	\$0.8	\$0.0	\$0.3	\$0.4	(\$0.1)		2,000
Bronze										
Employee Only	\$119.95	\$47.57	\$167.52	\$330.52	\$0.00	(\$162.99)	\$7.16	(\$170.15)	-2378%	624
Employee & Spouse	300.73	47.57	348.30	632.95	0.00	(284.65)	154.02	(438.68)	-285%	144
Employee & Child(ren)	184.52	47.57	232.09	439.56	0.00	(207.47)	60.33	(267.80)	-444%	121
Family	333.01	47.57	380.58	686.18	0.00	(305.61)	183.54	(489.15)	-267%	151
Est. Monthly Total (\$mil)	\$0.2	\$0.0	\$0.2	\$0.5	\$0.0	(\$0.2)	\$0.1	(\$0.3)		1,040
Total (Monthly) (\$ mil)	\$16.5	\$1.3	\$17.9	\$12.0	\$0.0	\$5.9	\$5.1	\$0.8		27,806
Est Annual Total (\$ mil)	\$198.4	\$15.9	\$214.3	\$143.9	\$0.0	\$70.4	\$60.7	\$9.7		

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



Option 1 – Baseline (Cont.)

ASE RETIREE RATE DEVELOPMENT for CY2012

Plan: Benefit: Experience Period - Service (Incurred) Dates Experience Period - Processed (Paid) Dates	Non-Medicare (combined with Actives)			Medicare		
	Medical	Pharmacy	Total	Medical	Pharmacy	Total
	2/10 - 1/11	2/10 - 1/11		2/10 - 1/11	2/10 - 1/11	
	2/10 - 2/11	2/10 - 2/11		2/10 - 2/11	2/10 - 2/11	
1 Total Incurred Medical & Rx Claims (Experience Period)*	\$143,177,761	\$41,752,307	\$184,930,068	\$14,698,277	\$17,333,408	\$32,031,685
2 <u>Less High Cost Claims Above (Med/Rx)*</u> \$100,000 \$20,000	<u>\$7,046,324</u>	<u>\$3,158,356</u>	<u>\$10,204,680</u>	<u>\$187,985</u>	<u>\$1,456,922</u>	<u>\$1,644,907</u>
3 Net Incurred Claims below Pooling Point [1 - 2]	\$136,131,436	\$38,593,952	\$174,725,388	\$14,510,293	\$15,876,486	\$30,386,779
4 <u>Person Months for Experience Period</u>	597,011	597,011	597,011	104,850	104,850	104,850
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$228.02	\$64.65	\$292.67	\$138.39	\$151.42	\$289.81
6 Change in Benefits During Experience Period	1.0000	1.0000		1.0000	1.0000	
7 Change in Demographics or Risk During Experience Period	0.9943	0.9945		0.9997	1.0000	
8 Change in Geographic During Experience Period	1.0000	1.0000		1.0000	1.0000	
9 a) Annual Trend Rate	8.0%	5.5%		7.5%	5.5%	
b) Months to Trend	23	23		23	23	
c) <u>Trend Adjustment</u>	<u>1.1589</u>	<u>1.1081</u>		<u>1.1487</u>	<u>1.1081</u>	
10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]	\$262.76	\$71.24	\$334.00	\$158.91	\$167.78	\$326.70
11 <u>Charge for Claims above Pooling Point PPPM</u>	<u>\$11.80</u>	<u>\$5.29</u>	<u>\$17.09</u>	<u>\$1.79</u>	<u>\$13.90</u>	<u>\$15.69</u>
12 Total Claims Charged PPPM [10 + 11]	\$274.56	\$76.53	\$351.09	\$160.71	\$181.68	\$342.38
13 Change in Future Benefits (Level/Mgt/Discounts)	1.0210	1.0000		1.0000	1.0000	
14 Change in Future Demographics (Age/Gender/Family) or Risk	1.0072	1.0072		1.0000	1.0000	
15 Change in Future Geographic	1.0000	1.0000		1.0000	1.0000	
16 <u>Change in Future Network</u>	<u>0.9857</u>	<u>1.0000</u>		<u>1.0000</u>	<u>1.0000</u>	
17 Projected Incurred Claim PPPM [13x 14 x15x16]	\$278.32	\$77.08	\$355.41	\$160.71	\$181.68	\$342.38
18 <u>Projected Persons Months</u>	564,837	564,837	564,837	112,039	112,039	112,039
19 Projected Total Incurred Claims [17 x 18]	\$157,206,587	\$43,539,874	\$200,746,462	\$18,005,324	\$20,355,218	\$38,360,543

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



Option 1 – Baseline (Cont.)

ASE RETIREE RATE DEVELOPMENT for CY2012

	PPPM [17]	<u>x Non-Med.</u>	<u>Non-Med.</u>	<u>x Medicare</u>	<u>Medicare</u>	<u>Projected</u>	<u>TOTAL</u>
		<u>tier factor</u>	<u>PEPM</u>	<u>tier factor</u>	<u>PEPM</u>	<u>Ee Months</u>	<u>PEPM</u>
20 Conversion to Rating Tiers							
a) NME Retiree		1.15	\$407.90	-	\$0.00	17,653	\$407.90
b) NME Retiree & NME Spouse		2.92	\$1,036.33	-	\$0.00	6,245	\$1,036.33
c) NME Retiree & Child(ren)		1.78	\$632.35	-	\$0.00	738	\$632.35
d) NME Retiree & NME Spouse & Child(ren)		3.23	\$1,148.57	-	\$0.00	479	\$1,148.57
e) NME Retiree & ME Spouse		1.15	\$407.90	1.00	\$342.38	61	\$750.28
f) NME Retiree & ME Spouse & Child(ren)		1.78	\$632.35	1.00	\$342.38	-	\$974.74
g) ME Retiree		-	\$0.00	1.00	\$342.38	57,547	\$342.38
h) ME Retiree & NME Spouse		1.15	\$407.90	1.00	\$342.38	4,293	\$750.28
i) ME Retiree & Child(ren)		0.63	\$224.45	1.00	\$342.38	626	\$566.84
j) ME Retiree & NME Spouse & Child(ren)		1.78	\$632.35	1.00	\$342.38	300	\$974.74
k) ME Retiree & ME Spouse		-	\$0.00	2.00	\$684.77	24,318	\$684.77
l) ME Retiree & ME Spouse & Child(ren)		0.63	\$224.45	2.00	\$684.77	288	\$909.22
20 Rates Balance Confirmation			\$16,860,486		\$38,360,543		\$55,221,029

* Pharmacy Cost for Medicare has subtracted the RDS Subsidy.

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



Option 1 - Baseline (Cont.)

No Benefit or Rating Method Changes

CHEIRON

ASE Detailed Financials

H-scan

CLAIMS & EXPENSES	
Blend ASE & PSE Retirees	No
Combine NM Ret with Actives	Yes
Blend Novasys PPO & HD	No
If yes, % of PPO in Blend	90%
% to Blend Pharmacy	0%

ALLOCATED RESERVES (in \$millions)				
ASE -- PYE	2011	2012	2013	2014
Retiree NME - 12/31	\$0.00	\$0.00	\$0.00	\$0.00
Retiree ME - 12/31	\$0.00	\$0.00	\$0.00	\$0.00

NME Rates Same as 2011	No
ME Rates Same as 2011	No

STATE/EMPLOYER FUNDING				
% for Ret NME	60%	60%	60%	60%
% for Ret Dep NME	40%	40%	40%	40%
% for Ret ME	60%	60%	60%	60%
% for Ret Dep ME	40%	40%	40%	40%

2012 vs. 2011

Retirees	Medical and Pharmacy	Expenses	Total Monthly Premium	State Contributions	Reserve Allocation	2012 Ret. Total Cost	2011 Ret. Total Cost	Change in Premiums (\$ / %)	Assumed Enrollment	
Non-Medicare Eligible										
Retiree Only	\$407.90	\$47.57	\$455.47	\$273.28	\$0.00	\$182.19	\$235.74	(\$53.55)	-23%	1,471
Retiree & NME SP	1,036.33	47.57	1,083.90	524.66	0.00	559.25	575.88	(16.63)	-3%	520
Retiree & Child(ren)	632.35	47.57	679.92	363.06	0.00	316.86	439.84	(122.98)	-28%	61
Retiree & NME SP&CH	1,148.57	47.57	1,196.14	569.55	0.00	626.59	916.72	(290.13)	-32%	40
Retiree & ME SP	750.28	47.57	797.85	410.24	0.00	387.62	401.54	(13.92)	-3%	5
Retiree & ME SP & CH	974.74	47.57	1,022.31	500.02	0.00	522.29	606.77	(84.48)	-14%	-
Est. Monthly Total (\$ mil)	\$1.2	\$0.1	\$1.3	\$0.7	\$0.0	\$0.6	\$0.7	(\$0.1)		2,098
Medicare Eligible										
Retiree Only	\$342.38	\$29.70	\$372.08	\$223.25	\$0.00	\$148.83	\$117.12	\$31.71	27%	4,796
Retiree & NME SP	750.28	29.70	779.98	410.24	0.00	369.75	446.72	(76.97)	-17%	358
Retiree & Child(ren)	566.84	29.70	596.54	313.03	0.00	283.51	314.86	(31.35)	-10%	52
Retiree & NME SP&CH	974.74	29.70	1,004.44	500.02	0.00	504.42	644.48	(140.06)	-22%	25
Retiree & ME SP	684.77	29.70	714.47	360.20	0.00	354.26	278.49	75.77	27%	2,026
Retiree & ME SP & CH	909.22	29.70	938.92	449.99	0.00	488.94	476.24	12.70	3%	24
Est. Monthly Total (\$ mil)	\$3.4	\$0.2	\$3.6	\$2.0	\$0.0	\$1.6	\$1.3	\$0.3		7,281
Total (Est. Monthly)	\$4.6	\$0.3	\$4.9	\$2.7	\$0.0	\$2.2	\$2.0	\$0.2		9,379
Total (Est. Annual)	\$55.2	\$3.8	\$59.0	\$32.5	\$0.0	\$26.5	\$24.5	\$2.0		

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



Rating Options

What to Blend:

- 1) Do you want to blend experience between benefit options for determining rates?
- 2) Do you want to blend gains / losses between benefit options?

Blending Options:

- ASE vs PSE
- Gold / Silver / Bronze
- Medical / Pharmacy

If Blending, do you want total rates and/or employee contributions to reflect:

- Demographic/risk differences
- Geographic differences
- Network differences

Answers will affect allocation of State & Reserve dollars



Appendices



Appendix A – PSE Actives

10/1/10-12/31/12 Final Rate Details

Actives	Medical and Pharmacy*	Expenses	Corp Health	Retirement Subsidy	Base Monthly Premium	Act 1842 Contrib.	Act 1421 Contrib.	Res. Alloc.	School District Contrib.	2011 EE Total Cost	2010 EE Total Cost	Change in Premiums (\$ / %)	Assumed Enrollment
Health Advantage													
Employee Only	\$347.70	\$37.84	\$6.04	\$11.20	\$402.78	\$57.97	\$24.94	\$18.53	\$131.00	\$170.34	\$152.69	\$17.65 12%	30,042
Employee & Spouse	1,032.36	37.84	9.08	11.20	1,090.48	103.06	44.17	40.51	131.00	771.74	721.45	50.29 7%	1,557
Employee & Child(ren)	653.29	37.84	7.86	11.20	710.19	78.96	33.84	29.52	131.00	436.87	406.05	30.82 8%	5,134
Family	1,036.06	37.84	13.08	11.20	1,098.18	106.73	45.75	40.88	131.00	773.82	723.40	50.42 7%	1,795
Est. Monthly Total (mil \$)	\$17.3	\$1.5	\$0.3	\$0.4	\$19.4	\$2.5	\$1.1	\$0.8	\$5.0	\$10.0	\$9.1	\$0.9	38,528
NovaSys													
Employee Only	\$385.00	\$24.21	\$6.04	\$11.20	\$426.44	\$57.97	\$24.94	\$18.53	\$131.00	\$194.00	\$173.33	\$20.67 12%	2,962
Employee & Spouse	1,113.21	24.21	9.08	11.20	1,157.70	103.06	44.17	40.51	131.00	838.96	779.05	59.91 8%	116
Employee & Child(ren)	710.43	24.21	7.86	11.20	753.70	78.96	33.84	29.52	131.00	480.38	443.21	37.17 8%	520
Family	1,117.23	24.21	13.08	11.20	1,165.72	106.73	45.75	40.88	131.00	841.36	781.20	60.16 8%	182
Est. Monthly Total (mil \$)	\$1.8	\$0.1	\$0.0	\$0.0	\$2.0	\$0.2	\$0.1	\$0.1	\$0.5	\$1.1	\$1.0	\$0.1	3,780
NovaSys HD PPO													
Employee Only	\$206.10	\$24.21	\$6.04	\$11.20	\$247.54	\$57.97	\$24.94	\$18.53	\$131.00	\$15.10	\$48.19	(\$33.09) -69%	1,855
Employee & Spouse	607.35	24.21	9.08	11.20	651.84	103.06	44.17	40.51	131.00	333.10	429.93	(96.83) -23%	154
Employee & Child(ren)	385.42	24.21	7.86	11.20	428.68	78.96	33.84	29.52	131.00	155.36	217.98	(62.62) -29%	241
Family	609.56	24.21	13.08	11.20	658.06	106.73	45.75	40.88	131.00	333.70	430.84	(97.14) -23%	293
Est. Monthly Total (mil \$)	\$0.7	\$0.1	\$0.0	\$0.0	\$0.9	\$0.2	\$0.1	\$0.1	\$0.3	\$0.2	\$0.3	-\$0.1	2,543
Total (Monthly) (mil \$)	\$19.9	\$1.6	\$0.3	\$0.5	\$22.3	\$2.9	\$1.3	\$1.0	\$5.9	\$11.2	\$10.4	\$0.8	44,851
Est. Annual Total (mil \$)	\$238.3	\$19.3	\$3.6	\$6.0	\$267.3	\$35.0	\$15.0	\$11.8	\$70.5	\$134.9	\$124.9	\$10.0	



Appendix A – PSE Retirees 2011 Final Rate Details

Retirees	Medical	Prescription Drug	Corp Health		Total Monthly Premium	Subsidy from Active Employees	Reserve Allocation			2010 Total Cost	2009 Total Cost	Change in Retiree Premiums (\$ / %)	Assumed Enrollment
Non-Medicare Eligible													
Retiree Only	\$413.54	\$37.84	\$6.04		\$457.42	\$0.00				\$457.42	\$527.62	(\$70.20) -13%	1,818
Retiree & NME SP	1,105.09	37.84	9.08		1,152.01	0.00				1,152.01	1,213.72	(\$61.71) -5%	204
Retiree & Child(ren)	722.58	37.84	7.86		768.28	0.00				768.28	939.28	(\$171.00) -18%	11
Retiree & NME SP&CH	1,108.90	37.84	13.08		1,159.82	0.00				1,159.82	1,900.80	(\$740.98) -39%	2
Retiree & ME SP	552.96	37.84	6.04		596.82	0.00				596.82	609.70	(\$12.88) -2%	-
Retiree & ME SP & CH	862.01	37.84	7.86		907.71	0.00				907.71	1,004.01	(\$96.30) -10%	-
Est. Monthly Total (mil \$)	\$1.0	\$0.1	\$0.0		\$1.1	\$0.0				\$1.1	\$1.2	-\$0.1	2,035
Medicare Eligible													
Retiree Only	\$134.75	\$15.41	Not Offered		\$150.16	\$108.72				\$41.44	\$41.44	\$0.00 0%	4,739
Retiree & NME SP	552.96	15.41	Not Offered		568.37	-				568.37	674.34	(\$105.97) -16%	136
Retiree & Child(ren)	443.79	15.41	Not Offered		459.20	38.03				421.17	421.17	\$0.00 0%	12
Retiree & NME SP&CH	862.01	15.41	Not Offered		877.42	-				877.42	1,054.07	(\$176.65) -17%	3
Retiree & ME SP	269.50	15.41	Not Offered		284.91	114.32				170.59	170.59	\$0.00 0%	440
Retiree & ME SP & CH	578.55	15.41	Not Offered		593.96	43.64				550.32	550.32	\$0.00 0%	2
Est. Monthly Total (mil \$)	\$0.8	\$0.1	\$0.0		\$0.9	\$0.6				\$0.4	\$0.4	\$0.0	5,332
Total (Est. Monthly)	\$1.8	\$0.2	\$0.0		\$2.0	\$0.6				\$1.4	\$1.6	(\$0.2)	7,367
Est. Annual Total (mil \$)	\$21.9	\$1.9	\$0.2		\$24.0	\$6.8				\$17.2	\$19.1	-\$1.9	



Appendix A – ASE Actives 2011 Final Rate Details

Actives	Medical and Pharmacy	Expenses	Corp Health	Total Monthly Premium	State Contributions	Reserve Allocation	2011 EE Total Cost	2010 EE Total Cost	Change in Premiums (\$ / %)	Assumed Enrollment
Health Advantage										
Employee Only	\$359.09	\$36.47	\$6.00	\$401.56	\$305.78	\$0.00	\$95.78	\$95.78	\$0.00 0%	14,614
Employee & Spouse	912.33	36.47	12.00	960.80	593.06	0.00	367.74	367.74	0.00 0%	3,563
Employee & Child(ren)	556.69	36.47	9.60	602.76	409.12	0.00	193.64	193.64	0.00 0%	4,217
Family	1,011.13	36.47	19.80	1,067.40	647.78	0.00	419.62	419.62	0.00 0%	3,134
Est. Monthly Total (\$ mil)	\$14.0	\$0.9	\$0.2	\$15.2	\$10.3	\$0.0	\$4.8	\$4.8	\$0.0	25,528
NovaSys										
Employee Only	\$399.13	\$22.84	\$6.00	\$427.97	\$305.78	\$0.00	\$122.19	\$96.36	\$25.83 27%	756
Employee & Spouse	991.81	22.84	12.00	1,026.65	593.06	0.00	433.59	369.18	64.41 17%	141
Employee & Child(ren)	610.82	22.84	9.60	643.26	409.12	0.00	234.14	194.54	39.60 20%	209
Family	1,097.65	22.84	19.80	1,140.29	647.78	0.00	492.50	421.22	71.28 17%	121
Est. Monthly Total (\$ mil)	\$0.7	\$0.0	\$0.0	\$0.7	\$0.5	\$0.0	\$0.3	\$0.2	\$0.0	1,227
NovaSys HD PPO										
Employee Only	\$284.10	\$22.84	\$6.00	\$312.94	\$305.78	\$0.00	\$7.16	\$20.60	(\$13.44) -65%	578
Employee & Spouse	712.24	22.84	12.00	747.08	593.06	0.00	154.02	187.34	(33.32) -18%	127
Employee & Child(ren)	437.01	22.84	9.60	469.45	409.12	0.00	60.33	80.86	(20.53) -25%	103
Family	788.69	22.84	19.80	831.33	647.78	0.00	183.54	220.42	(36.88) -17%	120
Est. Monthly Total (\$ mil)	\$0.4	\$0.0	\$0.0	\$0.4	\$0.4	\$0.0	\$0.1	\$0.1	(\$0.0)	928
Total (Monthly) (\$ mil)	\$15.1	\$1.0	\$0.3	\$16.3	\$11.2	\$0.0	\$5.2	\$5.1	\$0.0	27,683
Est Annual Total (\$ mil)	\$181.3	\$11.8	\$3.0	\$196.1	\$134.3	\$0.0	\$61.9	\$61.5	\$0.3	

Appendix A – ASE Retirees 2011 Final Rate Details

Retirees	Medical and Pharmacy Expenses	Corp Health	Total Monthly Premium	State Contributions	Reserve Allocation	2011 Ret. Total Cost	2010 Ret. Total Cost	Change in Premiums (\$ / %)	Assumed Enrollment
Non-Medicare Eligible									
Retiree Only	\$359.09	\$6.00	\$401.56	\$165.82	\$0.00	\$235.74	\$235.74	\$0.00 0%	1,360
Retiree & NME SP	912.33	12.00	960.80	384.92	0.00	575.88	575.88	0.00 0%	488
Retiree & Child(ren)	556.69	9.60	602.76	162.92	0.00	439.84	439.84	0.00 0%	57
Retiree & NME SP&CH	1,011.13	19.80	1,067.40	150.68	0.00	916.72	916.72	0.00 0%	33
Retiree & ME SP	696.35	6.00	738.82	337.28	0.00	401.54	401.54	0.00 0%	-
Retiree & ME SP & CH	893.94	9.60	940.01	333.24	0.00	606.77	606.77	0.00 0%	-
Est. Monthly Total (\$ mil)	\$1.0	\$0.0	\$1.1	\$0.4	\$0.0	\$0.7	\$0.7	\$0.0	1,938
Medicare Eligible									
Retiree Only	\$332.33	Not Offered	\$347.74	\$230.62	\$0.00	\$117.12	\$117.12	\$0.00 0%	4,641
Retiree & NME SP	696.35	Not Offered	711.76	265.04	0.00	446.72	446.72	0.00 0%	533
Retiree & Child(ren)	529.93	Not Offered	545.34	230.48	0.00	314.86	314.86	0.00 0%	44
Retiree & NME SP&CH	893.94	Not Offered	909.35	264.87	0.00	644.48	644.48	0.00 0%	27
Retiree & ME SP	664.67	Not Offered	680.08	401.59	0.00	278.49	278.49	0.00 0%	1,785
Retiree & ME SP & CH	862.27	Not Offered	877.68	401.44	0.00	476.24	476.24	0.00 0%	16
Est. Monthly Total (\$ mil)	\$3.2	\$0.0	\$3.3	\$2.0	\$0.0	\$1.3	\$1.3	\$0.0	7,045
Total (Est. Monthly)	\$4.2	\$0.0	\$4.4	\$2.4	\$0.0	\$2.0	\$2.0	\$0.0	8,983
Total (Est. Annual)	\$49.9	\$0.2	\$52.2	\$28.6	\$0.0	\$23.7	\$23.7	\$0.0	



Appendix B

Assumptions & Methods

Total Rate Projection Methodology:

The H-Scan model methodology includes several options when projecting rates. First, choose a period for the per person per month (PPPM) experience period. These claims are trended to the projection period, starting from 1/1/2012 using the trend factors below (or those input by the user of H-scan). Next, decide which groups to combine for rating. This includes the options of whether or not to blend ASE and PSE, Actives and Non-Medicare Eligible (NME) Retirees, and NovaSys and NovaSys HD. Once the rating groups are set, decide on the appropriate tiering factors, primarily deciding whether or not to use the current tiering factors. The resulting rates will reflect the decisions displayed in the Rating Options. For expenses, we relied on actual and expected vendor fees plus estimated EBD expenses.

Total Rate Projection Assumptions:

Population Projection: Same as Enrollment on 3/31/2011

Investment return*:

0%

ASE / PSE Annual Trend*:

	<u>Medical</u>	<u>Behavioral Health</u>	<u>Pharmacy</u>	<u>Life</u>	<u>Expenses</u>
Non-Medicare:	8.00%	0.00%	5.50%	0.00%	0.00%
Medicare:	7.50%	0.00%	5.50%	0.00%	0.00%

* Unless otherwise shown in the screen capture. Please see additional analyses on following page.

ASE / PSE Benefit Ratio: As Shown on Rating Worksheet

ASE / PSE Change in Geo Factors: As Shown on Rating Worksheet

ASE / PSE Change in Demo Factors: As Shown on Rating Worksheet

ASE / PSE Change in Network: As Shown on Rating Worksheet

Expenses:

Per Subscriber Per Month	Actives		Retirees		EBD*
	<u>Health Advantage</u>	<u>NovaSys</u>	<u>Non-Medicare</u>	<u>Medicare</u>	
ASE 2010	\$27.13	\$13.90	\$20.74	\$15.41	\$8.34
ASE 2011	\$27.53	\$13.90	\$20.74	\$15.41	\$7.80
ASE 2012	\$29.70	\$29.70	\$29.70	\$29.70	\$16.72
PSE 2010	\$27.13	\$13.90	\$20.74	\$15.41	\$6.21
PSE 2011	\$27.53	\$13.90	\$20.74	\$15.41	\$9.26
PSE 2012	\$29.70	\$29.70	\$29.70	\$29.70	\$10.41

* Assumed to include UAM expenses (both Rx and Medical), EAP, weight management, smoking cessation, and Integrail cost. This applies to Actives for 2010, and for Actives & NME retirees thereafter.

Rx Rebates: None Assumed

Part D Subsidy: The Part D Subsidy is assumed to be approximately 15.5% of Incurred Rx Claims

Seasonality: We have not used seasonality factors, instead we are requiring that the base and projected period be for an annual period.



Appendix B

Assumptions & Methods (Cont.)

Used for Incurred Claims Development:

Method: We calculated the Paid-to-Date claims by network provider and major rate structure (Actives, Non-Medicare Retirees v. Medicare Retirees) by using the claims triangles for Health Advantage and the individual claims and eligibility databases for NovaSys and InformedRx. To determine the relationship and family tiers, we link each claim to the eligibility database. Also, we use the Plan ID in the eligibility data for each month to determine whether a member should be considered as part of the Active, Non-Medicare Retiree or Medicare Retiree Plan. Finally, we applied the below completion factors to the Paid-to-Date claims to calculate the Incurred claims.

ASE / PSE Paid-to-Date Claims:

Health Advantage: Service dates from January 1, 2010 to December 31, 2010 and process dates from January 1, 2009 to February 28, 2011.
 NovaSys: Service dates from January 1, 2010 to February 28, 2011 and process dates from January 1, 2009 to February 28, 2011.
 Pharmacy: Service dates from January 1, 2010 to February 28, 2011 and process dates from January 1, 2009 to February 28, 2011.

ASE / PSE Completion Factors:

Health Advantage: We used the data from lag reports with service dates from January 1, 2008 to February 28, 2011 and process dates from January 1, 2008 to February 28, 2011 to develop the completion factors.
 NovaSys: We used the individual claims database with service dates from January 1, 2008 to February 28, 2011 and process dates from January 1, 2008 to February 28, 2011 to develop the completion factors. We aggregated the data by network provider and major rate structure (Actives, Non-Medicare Retirees v. Medicare Retirees)
 Pharmacy: We used the individual claims database with service dates from January 1, 2008 to February 28, 2011 and process dates from January 1, 2008 to February 28, 2011 to develop the completion factors. We aggregated the data by network provider and major rate structure (Actives, Non-Medicare Retirees v. Medicare Retirees)

		<u>Health Advantage</u>	<u>NovaSys</u>	<u>HD PPO</u>	<u>Pharmacy</u>	<u>ARHealth Non-Medicare Retirees</u>	<u>Pharmacy Non-Medicare Retirees</u>	<u>ARHealth Medicare Retirees</u>	<u>Pharmacy Medicare Retirees</u>
ASE	January-10	0.999	0.994	0.978	1.000	1.000	1.000	0.997	1.000
	February-10	0.999	0.992	0.977	1.000	0.999	1.000	0.996	1.000
	March-10	0.998	0.991	0.973	1.000	0.998	0.999	0.996	1.000
	April-10	0.998	0.990	0.973	1.000	0.998	0.999	0.995	1.000
	May-10	0.996	0.988	0.969	1.000	0.997	0.998	0.993	1.000
	June-10	0.995	0.984	0.967	1.000	0.997	0.997	0.990	1.000
	July-10	0.995	0.982	0.963	1.000	0.986	0.996	0.988	1.000
	August-10	0.993	0.976	0.951	0.999	0.986	0.996	0.984	0.999
	September-10	0.988	0.967	0.920	0.999	0.980	0.995	0.972	0.999
	October-10	0.978	0.956	0.898	0.999	0.972	0.994	0.962	0.999
	November-10	0.946	0.906	0.854	0.999	0.959	0.993	0.941	0.998
	December-10	0.896	0.865	0.821	0.999	0.912	0.992	0.894	0.998
	January-11	0.755	0.686	0.658	0.999	0.763	0.991	0.661	0.997
February-11	0.252	0.191	0.162	0.999	0.237	0.991	0.048	0.997	
PSE	January-10	0.998	0.999	0.994	1.000	0.996	1.000	0.999	1.000
	February-10	0.998	0.999	0.994	1.000	0.995	1.000	0.998	1.000
	March-10	0.998	0.997	0.992	1.000	0.995	1.000	0.984	1.000
	April-10	0.997	0.996	0.992	1.000	0.991	1.000	0.982	1.000
	May-10	0.996	0.995	0.991	1.000	0.990	1.000	0.981	1.000
	June-10	0.993	0.993	0.989	1.000	0.989	1.000	0.979	1.000
	July-10	0.992	0.992	0.986	1.000	0.985	1.000	0.972	1.000
	August-10	0.990	0.988	0.978	1.000	0.982	1.000	0.967	1.000
	September-10	0.984	0.984	0.965	0.999	0.970	1.000	0.959	1.000
	October-10	0.972	0.977	0.919	0.999	0.955	1.000	0.949	1.000
	November-10	0.951	0.964	0.893	0.999	0.940	1.000	0.928	1.000
	December-10	0.889	0.928	0.811	0.999	0.894	1.000	0.882	1.000
	January-11	0.743	0.774	0.645	0.999	0.745	1.000	0.670	1.000
February-11	0.244	0.228	0.166	0.999	0.250	1.000	0.049	1.000	

Note that Life and Behavioral health are insured. Therefore, no completion factors are needed. Actual premium was used and trended.



Appendix B

Assumptions & Methods (Cont.)

Rating Tier Methodology:

To develop the rates by family status, we take the prior approved rating tier factors and multiply them by a factor to adjust for the current enrollment selection for each of the major groupings: Active - Health Advantage, Actives: NovaSys, Actives - HD PPO, Non-Medicare Retirees, and Medicare Retirees. We further adjusted the mixed split with a Medicare and Non-Medicare covered adult to be the same.

Allocation of Rate Methodology:

Once the total rates are developed, we split the contributions to cover the rates first by removing the costs that have already been legislated to be covered from reserves. We then allow the user to select the methodology for allocating the remainder of the rates. The total actual cost may be somewhat impacted by the desired allocation as participant selection of Plan option and coverage could be impacted.

Rate Allocation Assumptions:

	<u>Actives</u>	<u>Retirees</u>		
Previously adopted reserves allocations:				
ASE / PSE 2010:	\$0.00	\$0.00		
ASE / PSE 2011:	\$0.00	\$0.00		
ASE / PSE 2012:	\$0.00	\$0.00		
<u>ASE</u>				
State Contribution per Budget Position per Month:	\$390		<u>PSE</u>	
Interest Income:	\$0		District Contribution per Enrolled per Month:	\$131
			Additional State Contributions (in Millions):	\$50
			Interest Income:	\$0

* Unless otherwise shown in the screen capture.

Standard Statements:

Reliance Statement: In preparing our report, we relied without audit, on information (some oral and some written) supplied by the Employee Benefits Division and the Plan's vendors. This information includes, but is not limited to, the plan provisions, employee data, and financial information.

Results presented in this presentation are preliminary and should not be used for final rates.



Appendix B

Assumptions & Methods (Cont.)

Annual Trend*:	<u>Health</u>			<u>ARHealth Retirees</u>	<u>Behavioral</u>			
	<u>Advantage</u>	<u>NovaSys</u>	<u>HD PPO</u>		<u>Health</u>	<u>Pharmacy</u>	<u>Life</u>	<u>Expenses</u>
Non-Medicare:	8.00%	8.00%	8.00%	Use either Medicare or Non-Medicare Factors	0.00%	8.50%	0.00%	0.00%
Medicare:	5.00%	5.00%	5.00%		0.00%	8.50%	0.00%	0.00%
Large Claims:	0.00%	0.00%	0.00%		0.00%			

* Unless otherwise shown in the screen capture. Below we show the development of the trend assumptions.

Underlying Incurred Claim Trends Adjusted for Demographic and Geographic Changes

- 1 Medical Incurred Active Plan Cost CY09 v. CY08: 1.27%
(with retirees the trend rate is even lower)
- 2 Rx Incurred All Plan Cost CY09 v. CY08: 1.17%

Reasons Trends so Low:

- 3 Medical Network Providers (Health Advantage and NovaSys) have been able to keep contractual rates flat.
- 4 Savings on Medical by using Specialty Drugs via the Ascend Specialty Drug Program
- 5 Saving on Pharmacy by implementing programs promoting cost effective drug use
- 6 Effective Large Claim Management

Reasons to Keep Trends Low:

- 7 2010 Contract for Health Advantage have no rate increase - per phone call
- 8 2010 Contract for NovaSys should be more favorable -- they are doing additional analysis
- 9 Believe the generic utilization will improve another 1.3%
- 10 Believe that more options still exist to promote cost effective use of specialty and brand drugs
- 11 Believe that more options still exist to have no trend on large claims

Calculations:

	<u>Annualized</u>	<u>Period</u>		<u>Rx</u>	<u>Cost</u>
	<u>Rate</u>	<u>Factor</u>			<u>Weights</u>
Utilization for 20 month:	2.20%	103.7%	Generic*	9%	50%
Price for 12 month:	0.00%	100.0%	Brand*	3%	30%
Price for 9 month:	7.00%	105.2%	Specialty*	15%	20%
	5.10%	109.1%			8.4%

* Includes shifts in utilization



Appendix C – Detail Trend Analysis

AR Health - Preliminary PSE Trend Development												
	A	B	C	D	E	F	G	H	I			
Experience Period:	CY2010/ CY2009	CY2010/ CY2009	CY2010/ CY2009	1/10 v 1/09	1/10 v 1/09	CY2010/ CY2009	CY2010/ CY2009	same as F CY2010/ CY2009	same as G PY2011/ PY 2010	PY11/PY10 Adjustment	Used for CY 2011 rates	Recommended CY 2012 rates
Type of Claims:	Paid PMPM	Incurred PMPM	Incurred Benefit Changes*	Incurred Demo Changes	Incurred Geo Changes	Incurred Util & Price Trend	Incurred Potential Future Trend	Underlying Paid Trend	Underlying Paid Future Trend	Marketplace Potential & Other Factors	Incurred Annual Trend Assumption	Incurred Annual Trend Assumption
1 Health Advantage	3.5%	5.0%	0.9%	0.6%	-0.4%	3.9%	4.1%	2.5%	2.6%			
2 Novasys	10.4%	16.9%	0.9%	3.2%	0.8%	11.4%	15.9%	5.1%	9.4%			
3 Novasys HD	-4.5%	3.9%	0.9%	-1.3%	0.1%	4.2%	3.0%	-4.2%	-5.3%			
4 Medical - Actives and NME Retirees	4.0%	6.3%	0.9%	0.9%	-0.3%	4.7%	5.3%	2.4%	3.1%			
5 Medical - ME Retirees	2.4%	5.5%	0.0%	-2.3%	0.0%	8.0%	5.5%	4.8%	2.4%	2.5%	5.0%	8.0%
6 Rx - Actives and NME Retirees**	-0.9%	2.3%	0.0%	0.7%	-0.3%	1.9%	2.3%	-1.3%	-0.9%	3.0%	8.5%	5.5%

* based on adjustment factors for plan years (starting 10/1) for Actives and calendar year changes for retirees from previous Milliman rating work.
 ** blended based on medical claims

AR Health - Preliminary ASE Trend Development												
	A	B	C	D	E	F	G	H	I			
Experience Period:	CY2010/ CY2009	CY2010/ CY2009	CY2010/ CY2009	1/10 v 1/09	1/10 v 1/09	CY2010/ CY2009	CY2010/ CY2009	same as F CY2010/ CY2009	same as G PY2011/ PY 2010	PY11/PY10 Adjustment	Used for CY 2011 rates	Recommended CY 2012 rates
Type of Claims:	Paid PMPM	Incurred PMPM	Incurred Benefit Changes*	Incurred Demo Changes	Incurred Geo Changes	Incurred Util & Price Trend	Incurred Potential Future Trend	Underlying Paid Trend	Underlying Paid Future Trend	Marketplace Potential & Other Factors	Incurred Annual Trend Assumption	Incurred Annual Trend Assumption
1 Health Advantage	5.4%	8.0%	0.9%	0.9%	0.1%	6.0%	7.0%	3.5%	4.4%			
2 Novasys	-12.1%	7.3%	0.9%	3.2%	0.7%	2.4%	6.4%	-16.1%	-12.8%			
3 Novasys HD	26.1%	-2.4%	0.9%	-0.4%	0.2%	-3.0%	-3.2%	25.2%	24.9%			
4 Medical - Actives and NME	4.6%	7.8%	0.9%	1.2%	0.1%	5.4%	6.8%	2.3%	3.7%			
5 Medical - ME Retirees	6.3%	8.8%	0.0%	-0.2%	0.0%	9.0%	8.8%	6.6%	6.3%	2.5%	5.0%	8.0%
6 Rx - Actives and NME Retirees**	0.0%	3.5%	0.0%	1.2%	0.0%	2.3%	3.5%	-1.1%	0.0%	3.0%	8.5%	5.5%

* based on adjustment factors for plan years (starting 10/1) for Actives and calendar year changes for retirees from previous Milliman rating work.
 ** blended based on medical claims



Appendix D - Gain / Loss

Reconciliation of CY 2010 ASE Net Income/(Loss)

- From the December 2010 Financial Report (Year-to-date)

	<u>\$ in Millions</u>
Net Income/(Loss)	\$ 22.8
Reserves Allocated	-
Net Income/(Loss) After Reserves	\$ 22.8

- Where did the \$22.8 million come from?

Items that are not assumed to repeat

Net Income/(Loss) from Retirees	\$ 2.6
Investment, penalties, other unanticipated income	<u>\$ 6.6</u>
TOTAL	\$ 9.2

Items that may affect 2012 rates

Medical experience better than projected from 2008	\$ 7.2
Pharmacy experience better than projected from 2008	\$ 7.3
Behavioral Health premiums above projected from 2008	<u>\$ 1.6</u>
TOTAL	\$ 16.1
<i>Percent of 2010 expenses</i>	6.7%

GRAND TOTAL	<u>\$ 22.8</u>
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Appendix D - Gain / Loss (Cont.)

Reconciliation of 2009-2010 PSE Net Income/(Loss)

- From the September 2010 Financial Report (Year-to-date)

	<u>\$ in Millions</u>
Net Income/(Loss)	\$ (1.5)
Reserves Allocated	6.5
Net Income/(Loss) After Reserves	\$ 5.0

- Where did the \$5.0 million come from?

Items that are not assumed to repeat

Active Enrollment different from projected	\$ (1.3)
Net Income from Retirees	\$ 0.9
Investment, penalties, other unanticipated income	\$ 3.7
TOTAL	\$ 3.3

Items that may affect 2012 rates

Medical experience worse than projected from 2008	\$ (1.3)
Pharmacy experience better than projected from 2008	\$ 2.2
Behavioral Health premiums lower than projected from 2008	\$ 0.9
TOTAL	\$ 1.8
<i>Percent of 2009-10 expenses</i>	0.7%

GRAND TOTAL	\$ 5.0
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