

**State and Public School Life  
And Health Insurance Board  
Minutes  
February 19, 2013**

The 125<sup>th</sup> meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met on February 19, 2013 at 1:00 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, AR 72201.

**MEMBERS PRESENT**

Renee Mallory  
John Kirtley  
Dr. Joseph Thompson  
Janis Harrison  
Kelly Chaney  
Bob Alexander  
Mark White  
Carla Wooley  
Dr. Andrew Kumpuris  
Lloyd Black

**MEMBERS ABSENT**

Shawn Cook  
Katrina Bennett

Jason Lee, Executive Director, Employee Benefits Division.

**OTHERS PRESENT:**

Dr. Matthew Hadley, Jill Johnson, Dwight Davis, David Keisner, UAMS; George Platt, Doug Shackelford, Michele Hazelett, Stella Greene, Marla Wallace, Leslie Smith, Ethel Whittaker, Melida Vasquez, Janna Keathley, Kristi Jackson, Toya Uitz, Peggy Robinson, Sherry Bryant, EBD; Rhonda Walthall, Wayne Whitley, AR Highway & Transportation Dept; Susan Walker, DataPath; Steve Singleton, Arkansas Retired Teachers Association; David Williams, Forest Pharmaceuticals; Amy Merick, Jordan Brazeal, UAMS; Mark Watts, Arkansas State Employees Association; Diann Shoptaw, USable; Joe Chang, Minnesota Life; Connie Bennett, Catamaran; Kathy Ryan, David Bridges, Takisha Sanders, Ron Deberry, Health Advantage; Bridget Johnson, Pfizer; Ro McCoey, ACHI; BJ Himes, Andra Kaufman, QualChoice; Lisa Bamburg, Mary Alice Hughes, Dwayne Tankersley; Novsys Francine Bauman, Nova Nordisk;

**CALL TO ORDER**

Meeting was called to order by John Kirtley, Vice Chair

**APPROVAL OF MINUTES**

The request was made by Kirtley to approve the November 14, 2012 minutes. Dr. Thompson made the motion to approve minutes. Alexander seconded. Minutes approved.

### **EXPENSE REIMBURSEMENT AND STIPEND**

The request was made by Kirtley to approve The Expense Reimbursement and Stipend. Effective January 1, 2013 and in accordance with A.C.A. 25-16-902 and A.C.A. 25-16-903, The Board hereby approves the reimbursement of qualified expenses at the rate established for state employees with limitations, and the stipend amount of \$60.00.

Alexander made the motion to approve the reimbursement and stipend. Harrison seconded. All were in favor. Motion carried.

### **FINANCIALS** *by Marla Wallace, CFO; Jason Lee, Executive Director*

Wallace and Lee presented detailed financial statements for the Arkansas State Employees (ASE) and the Public School Employees (PSE) for November through December 2012, and January 2013.

A discussion ensued regarding the catastrophic reserve for the PSE plan.

Lee reported he will schedule a Board meeting next month to discuss plan changes for the PSE plan.

Dr. Thompson made the motion for EBD to notify The Arkansas State Teacher's Association, Arkansas Education Association, School Board Association, The Education Committee Chair, Education Commissioner, and The President of the Superintendent's Association about the PSE funding issue. Chaney seconded. All were in favor. Motion carried.

### **DRUG UTILIZATION AND EVALUATION COMMITTEE (DUEC) REPORT** *by Dr. Matthew Hadley*

Dr. Hadley reported the DUEC met on February 4, 2013, and then presented the following recommendation for Board consideration.

#### **1. First Review Medications**

Lee reported there are 491 members on the drug Lovaza. Communications will be sent to current users informing them that the drug is excluded. Members will also be provided with information about the over the counter drugs available. Members will have a three (3) month transition period.

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

## 2. TESTOSTERONE THERAPY

**Recommendation:** Cover the Injectable Testosterone but not topical products. Communicate to current users, (less than 400 members). Members will have a three (3) month transition period.

Dr. Kumpuris recommended placing a prior authorization (PA) for Injectable Testosterone.

Dr. Thompson made the motion to adopt recommendation for Testosterone Therapy; cover the Injectable with PA. All were in favor. Motion carried.

## 3. CONSIDERATION OF REFERENCE PRICING OF NASAL STERIODS

**Recommendations:** Reference price drugs in the nasal steroid class.

Chaney made the motion to adopt. Harrison seconded. All were in favor. Motion carried.

## 4. CONSIDERATION OF REFERENCE PRICING OF OVERACTIVE BLADDER AGENTS

**Recommendations:** Reference price drugs in this class; Oxybutynin Extended-Release (generic Ditropan XL).

Chaney made the motion to adopt. Alexander seconded. All were in favor. Motion carried.

## 5. ALZHEIMER'S DRUGS

**Recommendations:** Continue with a 31 fill day limit. Add a Therapeutic duplication clause to prevent multiple fills of the same class drugs.

Dr. Kumpuris made the motion to adopt. Harrison seconded. All were in favor. Motion carried.

## 6. REVIEW OF BID VS ADDERALL/STIMULANTS

**Recommendations:** Reference drugs; Amphetamine Immediate-Release and Dextroamphetamine Immediate-Release. Reference Price \$2.50/Unit to Extended-Release Amphetamine Products for members greater than twenty-six (26) Years Old.

Chaney made the motion to accept the recommendation. Black seconded. All were in favor. Motion carried

## **7. GLUMEZA**

**Recommendations:** Continue Metformin Extended-Release and exclude Glumeza.

Dr. Kumpuris made the motion to accept the recommendation. Dr. Thompson seconded. All were in favor. Motion carried.

### **2012 Plan Year Review** *by John Colberg, Cheiron*

Colberg gave a detail report on ASE and PSE Income vs Expenses; Projected vs Actual.

Colberg reported ASE Assets were higher than projected; active employee's enrollment is lower than projected, and retiree enrollment is more than the projection. There were also more dependents enrolled. The plan lost 16.8 million due to the total income is less than the total expenditures; however, this was planned in the 18.8 reserve. Total fund cost is 6.4%, it should be at 5.5%. This could be due to the increase in dependents added to the plan. The population is really close to what was projected for ASE.

PSE Assets were \$5 million lower than projected. Active employee's enrollment is lower than projected. Fewer elected Gold & Silver, and more elected the Bronze Plan. The plan also experienced an unexplained shift from active to retiree plan in June, July, & August. This created a loss in terms of how the rates were set verses claims. Also, In the middle of 2012 several retirees were added to the plan. The plan added 400 Medicare Retirees.

Medical was less than the projection, and prescription drugs were more than the projection even with the changes made in September, 2012.

Colberg explained the PSE employer matching.

Colberg will present a more detailed analysis report in the next Board meeting.

### **HEALTH CARE PAYMENT IMPROVEMENT INITIATIVE** *by Rhonda Hill, AR Center for Health Improvement*

Hill provided a brief report on the Payment Improvement Initiative for Health Homes and Patient Centered Medical Homes. The Director of Medicaid reports the lowest cost growth in the past six (6) months than in 25 years. The state is waiting on the approval of a \$42 million grant from The Federal Government for The Payment Improvement Initiative.

Hill said it would be an opportunity for the ARHealth plan to participant in the Employer Advisory Council to help define and refine the model that best fits the needs.

**DIRECTOR'S REPORT** *by Jason Lee*

Lee provided a brief Legislative update, and then asks for Board consideration on House Bill 1128. House bill 1128 changes the eligibility for Retirees who left the plan. The current law allows them to come back if they were covered by a group health plan. Lee said this will impact The Medicare Primary Retirees, due to leaving years ago for individual Medicare or Medipak plans.

**Recommendations:** Allow this newly eligible group to enroll in the plan according to the law, however for the first year, come in at the base rate to join with no employer subsidy or plan subsidy.

Lee explained they do not know how many new eligible retirees will enroll in the plan.

No action was taken by the Board.

Lee also reported on Act 87. Act 87 will allow current Retirees to have the ability to make monthly payments through bank draft instead of only through their monthly retirement.

**Meeting adjourned.**



## **AGENDA**

**State and Public School Life and Health Insurance Board**

**EBD Board Room - 501 Building - 5<sup>th</sup> Floor**

**February 19, 2013**

**1:00 p.m.**

- 1. Call to Order** ..... *Renee Mallory, Chair*
- 2. Approval of Minutes** ..... *Renee Mallory, Chair*
- 3. DUEC Report** ..... *Dr. Matthew Hadley*
- 4. Financials** ..... *Marla Wallace, CFO*
- 5. 2012 Plan Year Review** ..... *John Colberg, Cheiron*
- 6. General Information: Payment Improvement** ..... *Rhonda Hill, ACHI*
- 7. Stipend & Expense Approval** ..... *Jason Lee, Executive Director*
- 8. Director's Report** ..... *Jason Lee, Executive Director*

**Next Meeting**  
**April 16<sup>th</sup>**



STATE OF ARKANSAS  
**Department of Finance  
and Administration**

**EMPLOYEE BENEFITS DIVISION**

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MEMORANDUM

TO: State and Public School Life and Health Insurance Board

FROM: Jason Lee  
Executive Director, Employee Benefits Division

DATE: February 19, 2013

SUBJECT: Expense Reimbursement and Stipend

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Stated below are two items, which I present to the Board and ask for a motion to consider:

1. Effective January 1, 2013 and in accordance with A.C.A. § 25-16-902, the State and Public School Life and Health Insurance Board ("Board") hereby approves the reimbursement of qualified expenses at the rate established for state employees by state travel regulations with the following limitation regarding non-board meetings; that any Meeting or Conference attended by any member of the Board must be at the request of the board chair or the executive director.
2. Effective January 1, 2013 and in accordance with ACA § 25-16-903, the State and Public School Life and Health Insurance Board ("Board") hereby approves the stipend amount of \$60.

**Arkansas State Employees (ASE) Financials - January 1, 2012 through November 30, 2012**

|              | <b>Gold</b>   | <b>Silver</b> | <b>Bronze</b> | <b>Total</b>  |
|--------------|---------------|---------------|---------------|---------------|
| Actives      | 46,038        | 1,475         | 3,014         | 50,527        |
| Retirees     | 3,283         | 14            | 56            | 3,353         |
| Medicare     | 10,008        |               |               | 10,008        |
| <b>Total</b> | <b>59,329</b> | <b>1,489</b>  | <b>3,070</b>  | <b>63,888</b> |

**Revenues & Expenditures**

|  | <b>Current Month</b>  | <b>Year to Date (11 months)</b> |
|--|-----------------------|---------------------------------|
| <b>Funding</b>                               |                       |                                 |
| State Contribution                           | \$ 13,566,288         | \$ 148,736,872                  |
| Employee Contribution                        | \$ 7,163,927          | \$ 78,767,876                   |
| Other  | \$ 377,399            | \$ 10,743,929                   |
| Allocation for Active/Retiree Plan Year 2012 | \$ 1,554,167          | \$ 17,095,833                   |
| <b>Total Funding</b>                         | <b>\$ 22,661,781</b>  | <b>\$ 255,344,510</b>           |
| <b>Expenses</b>                              |                       |                                 |
| Medical Expenses                             |                       |                                 |
| Claims Expense                               | \$ 18,414,546         | \$ 165,381,662                  |
| Claims IBNR                                  | \$ -                  | \$ (470,000)                    |
| Medical Admin Fees                           | \$ 1,105,389          | \$ 11,837,969                   |
| Refunds                                      | \$ 7,580              | \$ 168,463                      |
| Employee Assistance Program (EAP)            | \$ 56,938             | \$ 628,353                      |
| Life Insurance                               | \$ 101,401            | \$ 1,122,159                    |
| Pharmacy Expenses                            |                       |                                 |
| RX Claims                                    | \$ 7,331,022          | \$ 70,723,504                   |
| RX IBNR                                      | \$ -                  | \$ 520,000                      |
| RX Admin                                     | \$ 117,700            | \$ 1,124,607                    |
| Plan Administration                          | \$ 305,936            | \$ 3,315,696                    |
| <b>Total Expenses</b>                        | <b>\$ 27,440,511</b>  | <b>\$ 254,352,413</b>           |
| <b>Net Income/(Loss)</b>                     | <b>\$ (4,778,730)</b> | <b>\$ 992,097</b>               |

**Balance Sheet**

|   |                               |                       |
|---|-------------------------------|-----------------------|
| <b>Assets</b>   |                               |                       |
| Bank Account  |                               | \$ 5,483,348          |
| State Treasury  |                               | \$ 99,399,411         |
| Due from Cafeteria Plan                                 |                               | \$ 610,958            |
| Due from PSE  |                               | \$ -                  |
| Receivable from Provider                                |                               | \$ 434,436            |
| Accounts Receivable                                     |                               | \$ 464,864            |
| <b>Total Assets</b>                                     |                               | <b>\$ 106,393,017</b> |
| <b>Liabilities</b>                                      |                               |                       |
| Accounts Payable  |                               | \$ 247                |
| Deferred Revenues                                       |                               | \$ 4,102,789          |
| Due to Cafeteria  |                               | \$ -                  |
| Due to PSE  |                               | \$ -                  |
| Health IBNR   |                               | \$ 21,100,000         |
| RX IBNR   |                               | \$ 3,200,000          |
| <b>Total Liabilities</b>                                |                               | <b>\$ 28,403,036</b>  |
| <b>Net Assets</b>                                       |                               | <b>\$ 77,989,982</b>  |
| <b>Less Reserves Allocated:</b>                         |                               |                       |
| Active/Retiree Premiums for Plan Year 1/1/12 - 12/31/12 | (\$18,650,000)                | \$ (1,554,167)        |
| Active/Retiree Premiums for Plan Year 1/1/13 - 12/31/13 | (\$11,190,000 + \$15,650,000) | \$ (26,840,000)       |
| Active/Retiree Premiums for Plan Year 1/1/14 - 12/31/14 | (\$7,460,000 + \$9,390,000)   | \$ (16,850,000)       |
| Active/Retiree Premiums for Plan Year 1/1/15 - 12/31/15 | (\$6,260,000)                 | \$ (6,260,000)        |
| Catastrophic Reserve                                    |                               | \$ (9,000,000)        |
| <b>Net Assets Available</b>                             |                               | <b>\$ 17,485,815</b>  |

## ASE Cafeteria Plan Financials - January 1, 2012 through November 30, 2012

### Revenues & Expenditures

| <u>Funding</u>                         | Current<br>Month  | Year to Date<br>(11 months) |
|--|-------------------|-----------------------------|
| FICA Savings                           | \$ 358,779        | \$ 3,894,260                |
| Interest, Penalties, Tax Set Off       | \$ 586            | \$ 26,424                   |
| <b>Total Funding</b>                   | <b>\$ 359,365</b> | <b>\$ 3,920,684</b>         |
| <br>                                   |                   |                             |
| <u>Expenses</u>                        |                   |                             |
| Plan Administration                    | \$ 12,636         | \$ 145,278                  |
| Forfeited Benefits (Annual Expense)    | \$ -              | \$ 4,195,021                |
| FICA Savings Transfer (Annual Expense) | \$ -              | \$ -                        |
| <b>Total Expenses</b>                  | <b>\$ 12,636</b>  | <b>\$ 4,340,299</b>         |
| <br>                                   |                   |                             |
| <b>Net Income/(Loss)</b>               | <b>\$ 346,729</b> | <b>\$ (419,615)</b>         |

### Balance Sheet

| <u>Assets</u>                                  |                     |
|--|---------------------|
| State Cafeteria (Flexible Benefits)            | \$ 1,007,805        |
| Admin Acct (FICA Savings)                      | \$ 371,565          |
| State Treasury                                 | \$ 1,393,264        |
| Due from Health Plan                           | \$ -                |
| Due from State Employee Fund                   | \$ -                |
| Accounts Receivable                            | \$ 24,894           |
| <b>Total Assets</b>                            | <b>\$ 2,797,529</b> |
| <br>   |                     |
| <u>Liabilities</u>                             |                     |
| Accounts Payable                               | \$ 385,094          |
| Due to Health Plan (FICA Savings Annual)       | \$ 13               |
| Due to Health Plan (Forfeited Benefits Annual) | \$ 610,945          |
| <b>Total Liabilities</b>                       | <b>\$ 996,052</b>   |
| <br>   |                     |
| <b>Net Assets</b>                              | <b>\$ 1,801,476</b> |

| <b>Arkansas State Employees (ASE) Financials - January 1, 2012 through December 31, 2012</b> |                               |               |                      |                                 |
|--|-------------------------------|---------------|----------------------|---------------------------------|
|  | <b>Gold</b>                   | <b>Silver</b> | <b>Bronze</b>        | <b>Total</b>                    |
| Actives  | 45,803                        | 1,512         | 3,023                | 50,338                          |
| Retirees   | 3,281                         | 15            | 57                   | 3,353                           |
| Medicare   | 10,068                        |               |                      | 10,068                          |
| <b>Total</b>   | <b>59,152</b>                 | <b>1,527</b>  | <b>3,080</b>         | <b>63,759</b>                   |
| <b>Revenues &amp; Expenditures</b>   |                               |               |                      |                                 |
|  |                               |               | <b>Current Month</b> | <b>Year to Date (12 months)</b> |
| <b>Funding</b>   |                               |               |                      |                                 |
| State Contribution   |                               |               | \$ 13,563,614        | \$ 162,300,486                  |
| Employee Contribution  |                               |               | \$ 7,168,610         | \$ 85,936,486                   |
| Other  |                               |               | \$ 329,122           | \$ 11,073,051                   |
| Allocation for Active/Retiree Plan Year 2012   |                               |               | \$ 1,554,167         | \$ 18,650,000                   |
| <b>Total Funding</b>   |                               |               | <b>\$ 22,615,513</b> | <b>\$ 277,960,023</b>           |
| <b>Expenses</b>  |                               |               |                      |                                 |
| Medical Expenses   |                               |               |                      |                                 |
| Claims Expense   |                               |               | \$ 10,110,087        | \$ 175,491,749                  |
| Claims IBNR  |                               |               | \$ -                 | \$ (470,000)                    |
| Medical Admin Fees   |                               |               | \$ 1,106,869         | \$ 12,944,837                   |
| Refunds  |                               |               | \$ 12,042            | \$ 180,505                      |
| Employee Assistance Program (EAP)  |                               |               | \$ 56,741            | \$ 685,094                      |
| Life Insurance   |                               |               | \$ -                 | \$ 1,122,159                    |
| Pharmacy Expenses  |                               |               |                      |                                 |
| RX Claims  |                               |               | \$ 5,417,064         | \$ 76,140,569                   |
| RX IBNR  |                               |               | \$ -                 | \$ 520,000                      |
| RX Admin   |                               |               | \$ 64,936            | \$ 1,189,543                    |
| Plan Administration  |                               |               | \$ 341,180           | \$ 3,656,876                    |
| <b>Total Expenses</b>  |                               |               | <b>\$ 17,108,919</b> | <b>\$ 271,461,333</b>           |
| <b>Net Income/(Loss)</b>   |                               |               | <b>\$ 5,506,593</b>  | <b>\$ 6,498,690</b>             |
| <b>Balance Sheet</b>   |                               |               |                      |                                 |
| <b>Assets</b>  |                               |               |                      |                                 |
| Bank Account   |                               |               | \$                   | 9,398,225                       |
| State Treasury   |                               |               | \$                   | 95,406,934                      |
| Due from Cafeteria Plan  |                               |               | \$                   | 610,945                         |
| Due from PSE   |                               |               | \$                   | -                               |
| Receivable from Provider   |                               |               | \$                   | 434,436                         |
| Accounts Receivable  |                               |               | \$                   | 516,529                         |
| <b>Total Assets</b>  |                               |               |                      | <b>\$ 106,367,069</b>           |
| <b>Liabilities</b>   |                               |               |                      |                                 |
| Accounts Payable   |                               |               | \$                   | 267                             |
| Deferred Revenues  |                               |               | \$                   | 124,394                         |
| Due to Cafeteria   |                               |               | \$                   | -                               |
| Due to PSE   |                               |               | \$                   | -                               |
| Health IBNR  |                               |               | \$                   | 21,100,000                      |
| RX IBNR  |                               |               | \$                   | 3,200,000                       |
| <b>Total Liabilities</b>   |                               |               |                      | <b>\$ 24,424,661</b>            |
| <b>Net Assets</b>  |                               |               |                      | <b>\$ 81,942,408</b>            |
| <b>Less Reserves Allocated:</b>  |                               |               |                      |                                 |
| Active/Retiree Premiums for Plan Year 1/1/12 - 12/31/12                                      | (\$18,650,000)                |               | \$                   | (0)                             |
| Active/Retiree Premiums for Plan Year 1/1/13 - 12/31/13                                      | (\$11,190,000 + \$15,650,000) |               | \$                   | (26,840,000)                    |
| Active/Retiree Premiums for Plan Year 1/1/14 - 12/31/14                                      | (\$7,460,000 + \$9,390,000)   |               | \$                   | (16,850,000)                    |
| Active/Retiree Premiums for Plan Year 1/1/15 - 12/31/15                                      | (\$6,260,000)                 |               | \$                   | (6,260,000)                     |
| Catastrophic Reserve   |                               |               | \$                   | (9,000,000)                     |
| <b>Net Assets Available</b>  |                               |               |                      | <b>\$ 22,992,408</b>            |

## ASE Cafeteria Plan Financials - January 1, 2012 through December 31, 2012

### Revenues & Expenditures

| <u>Funding</u>                         | Current<br>Month | Year to Date<br>(12 months) |
|--|------------------|-----------------------------|
| FICA Savings                           | \$ 35,127        | \$ 3,929,387                |
| Interest, Penalties, Tax Set Off       | \$ 334           | \$ 26,758                   |
| <b>Total Funding</b>                   | <b>\$ 35,461</b> | <b>\$ 3,956,145</b>         |
| <br>                                   |                  |                             |
| <u>Expenses</u>                        |                  |                             |
| Plan Administration                    | \$ 12,732        | \$ 158,010                  |
| Forfeited Benefits (Annual Expense)    | \$ -             | \$ 4,195,021                |
| FICA Savings Transfer (Annual Expense) | \$ -             | \$ -                        |
| <b>Total Expenses</b>                  | <b>\$ 12,732</b> | <b>\$ 4,353,031</b>         |
| <br>                                   |                  |                             |
| <b>Net Income/(Loss)</b>               | <b>\$ 22,729</b> | <b>\$ (396,886)</b>         |

### Balance Sheet

| <u>Assets</u>                                  |                     |
|--|---------------------|
| State Cafeteria (Flexible Benefits)            | \$ 1,119,894        |
| Admin Acct (FICA Savings)                      | \$ 73,484           |
| State Treasury                                 | \$ 1,714,365        |
| Due from Health Plan                           | \$ -                |
| Due from State Employee Fund                   | \$ -                |
| Accounts Receivable                            | \$ 24,894           |
| <b>Total Assets</b>                            | <b>\$ 2,932,637</b> |
| <br>   |                     |
| <u>Liabilities</u>                             |                     |
| Accounts Payable                               | \$ 497,486          |
| Due to Health Plan (FICA Savings Annual)       | \$ -                |
| Due to Health Plan (Forfeited Benefits Annual) | \$ 610,945          |
| <b>Total Liabilities</b>                       | <b>\$ 1,108,432</b> |
| <br>   |                     |
| <b>Net Assets</b>                              | <b>\$ 1,824,205</b> |

**Arkansas State Employees (ASE) Financials - January 1, 2013 through January 31, 2013**

|              | <b>Gold</b>   | <b>Silver</b> | <b>Bronze</b> | <b>Total</b>  |
|--------------|---------------|---------------|---------------|---------------|
| Actives      | 46,031        | 1,931         | 3,361         | 51,323        |
| Retirees     | 3,309         | 19            | 75            | 3,403         |
| Medicare     | 10,116        |               |               | 10,116        |
| <b>Total</b> | <b>59,456</b> | <b>1,950</b>  | <b>3,436</b>  | <b>64,842</b> |

**Revenues & Expenditures**

|  | <b>Current<br/>Month</b> | <b>Year to Date<br/>(1 month)</b> |
|--|--------------------------|-----------------------------------|
| <b>Funding</b>                               |                          |                                   |
| State Contribution                           | \$ 13,562,272            | \$ 13,562,272                     |
| Employee Contribution                        | \$ 7,251,768             | \$ 7,251,768                      |
| Other  | \$ 336,032               | \$ 336,032                        |
| Allocation for Active/Retiree Plan Year 2013 | \$ 2,236,667             | \$ 2,236,667                      |
| <b>Total Funding</b>                         | <b>\$ 23,386,739</b>     | <b>\$ 23,386,739</b>              |
| <b>Expenses</b>                              |                          |                                   |
| Medical Expenses                             |                          |                                   |
| Claims Expense                               | \$ 16,362,325            | \$ 16,362,325                     |
| Claims IBNR                                  | \$ -                     | \$ -                              |
| Medical Admin Fees                           | \$ 1,023,172             | \$ 1,023,172                      |
| Refunds                                      | \$ 9,970                 | \$ 9,970                          |
| Employee Assistance Program (EAP)            | \$ 56,526                | \$ 56,526                         |
| Life Insurance                               | \$ 101,406               | \$ 101,406                        |
| Pharmacy Expenses                            |                          |                                   |
| RX Claims                                    | \$ 7,922,307             | \$ 7,922,307                      |
| RX IBNR                                      | \$ -                     | \$ -                              |
| RX Admin                                     | \$ 98,254                | \$ 98,254                         |
| Plan Administration                          | \$ 287,584               | \$ 287,584                        |
| <b>Total Expenses</b>                        | <b>\$ 25,861,544</b>     | <b>\$ 25,861,544</b>              |
| <b>Net Income/(Loss)</b>                     | <b>\$ (2,474,805)</b>    | <b>\$ (2,474,805)</b>             |

**Balance Sheet**

|   |                               |                       |
|---|-------------------------------|-----------------------|
| <b>Assets</b>   |                               |                       |
| Bank Account  |                               | \$ 10,884,141         |
| State Treasury  |                               | \$ 88,407,310         |
| Due from Cafeteria Plan                                 |                               | \$ 610,945            |
| Due from PSE  |                               | \$ 26,431             |
| Receivable from Provider                                |                               | \$ 151,460            |
| Accounts Receivable                                     |                               | \$ 1,541,454          |
| <b>Total Assets</b>                                     |                               | <b>\$ 101,621,741</b> |
| <b>Liabilities</b>                                      |                               |                       |
| Accounts Payable  |                               | \$ 247                |
| Deferred Revenues                                       |                               | \$ 90,359             |
| Due to Cafeteria  |                               | \$ -                  |
| Due to PSE  |                               | \$ 199                |
| Health IBNR   |                               | \$ 21,100,000         |
| RX IBNR   |                               | \$ 3,200,000          |
| <b>Total Liabilities</b>                                |                               | <b>\$ 24,390,804</b>  |
| <b>Net Assets</b>                                       |                               | <b>\$ 77,230,937</b>  |
| <b>Less Reserves Allocated:</b>                         |                               |                       |
| Active/Retiree Premiums for Plan Year 1/1/13 - 12/31/13 | (\$11,190,000 + \$15,650,000) | \$ (24,603,333)       |
| Active/Retiree Premiums for Plan Year 1/1/14 - 12/31/14 | (\$7,460,000 + \$9,390,000)   | \$ (16,850,000)       |
| Active/Retiree Premiums for Plan Year 1/1/15 - 12/31/15 | (\$6,260,000)                 | \$ (6,260,000)        |
| Catastrophic Reserve                                    |                               | \$ (10,000,000)       |
| <b>Net Assets Available</b>                             |                               | <b>\$ 19,517,603</b>  |

## ASE Cafeteria Plan Financials - January 1, 2013 through January 31, 2013

### Revenues & Expenditures

| <u>Funding</u>                         | <u>Current<br/>Month</u> | <u>Year to Date<br/>(1 month)</u> |
|--|--------------------------|-----------------------------------|
| FICA Savings                           | \$ 348,571               | \$ 348,571                        |
| Interest, Penalties, Tax Set Off       | \$ 201                   | \$ 201                            |
| <b>Total Funding</b>                   | <b>\$ 348,772</b>        | <b>\$ 348,772</b>                 |
| <br>                                   |                          |                                   |
| <u>Expenses</u>                        |                          |                                   |
| Plan Administration                    | \$ 12,633                | \$ 12,633                         |
| Forfeited Benefits (Annual Expense)    | \$ -                     | \$ -                              |
| FICA Savings Transfer (Annual Expense) | \$ -                     | \$ -                              |
| <b>Total Expenses</b>                  | <b>\$ 12,633</b>         | <b>\$ 12,633</b>                  |
| <br>                                   |                          |                                   |
| <b>Net Income/(Loss)</b>               | <b>\$ 336,138</b>        | <b>\$ 336,138</b>                 |

### Balance Sheet

| <u>Assets</u>                                  |                     |
|--|---------------------|
| State Cafeteria (Flexible Benefits)            | \$ 965,230          |
| Admin Acct (FICA Savings)                      | \$ 214,320          |
| State Treasury                                 | \$ 1,910,372        |
| Due from Health Plan                           | \$ -                |
| Due from State Employee Fund                   | \$ -                |
| Accounts Receivable                            | \$ 24,449           |
| <b>Total Assets</b>                            | <b>\$ 3,114,371</b> |
| <br>   |                     |
| <u>Liabilities</u>                             |                     |
| Accounts Payable                               | \$ 343,082          |
| Due to Health Plan (FICA Savings Annual)       | \$ -                |
| Due to Health Plan (Forfeited Benefits Annual) | \$ 610,945          |
| <b>Total Liabilities</b>                       | <b>\$ 954,027</b>   |
| <br>   |                     |
| <b>Net Assets</b>                              | <b>\$ 2,160,344</b> |

**Public School Employees (PSE) Financials - January 1, 2012 through November 30, 2012**

|              | <b>Gold</b>   | <b>Silver</b> | <b>Bronze</b> | <b>Total</b>  |
|--------------|---------------|---------------|---------------|---------------|
| Actives      | 50,541        | 2,237         | 17,804        | 70,582        |
| Retirees     | 2,699         | 14            | 657           | 3,370         |
| Medicare     | 8,158         |               |               | 8,158         |
| <b>Total</b> | <b>61,398</b> | <b>2,251</b>  | <b>18,461</b> | <b>82,110</b> |

**Revenues & Expenditures**

| <b>Funding</b>  | <b>Current Month</b>  | <b>Year to Date (11 months)</b> |
|---|-----------------------|---------------------------------|
| District Contribution                                     | \$ 7,929,395          | \$ 85,770,506                   |
| Employee Contribution                                     | \$ 10,699,526         | \$ 119,466,153                  |
| Dept of Ed \$35,000,000 & \$15,000,000                    | \$ 3,181,818          | \$ 46,818,182                   |
| Other   | \$ 6,869              | \$ 1,910,697                    |
| Allocation for Active/Retiree Premiums for Plan Year 2012 | \$ 1,400,000          | \$ 15,400,000                   |
| <b>Total Funding</b>                                      | <b>\$ 23,217,608</b>  | <b>\$ 269,365,537</b>           |
| <b>Expenses</b>   |                       |                                 |
| Medical Expenses:   |                       |                                 |
| Claims Expense  | \$ 20,577,905         | \$ 200,330,619                  |
| Claims IBNR   | \$ -                  | \$ (800,000)                    |
| Medical Admin Fees  | \$ 1,636,253          | \$ 17,534,029                   |
| Refunds   | \$ 110,316            | \$ 230,841                      |
| Employee Assistance Program (EAP)                         | \$ 81,165             | \$ 889,111                      |
| Pharmacy Expenses:  |                       |                                 |
| RX Claims   | \$ 6,222,678          | \$ 57,930,923                   |
| RX IBNR   | \$ -                  | \$ 260,000                      |
| RX Admin  | \$ 116,731            | \$ 1,126,119                    |
| Plan Administration                                       | \$ 393,572            | \$ 4,356,484                    |
| <b>Total Expenses</b>                                     | <b>\$ 29,138,620</b>  | <b>\$ 281,858,125</b>           |
| <b>Net Income/(Loss)</b>                                  | <b>\$ (5,921,012)</b> | <b>\$ (12,492,588)</b>          |

**Balance Sheet**

|  |  |                      |
|--|--|----------------------|
| <b>Assets</b>  |  |                      |
| Bank Account   |  | \$ 9,910,058         |
| State Treasury   |  | \$ 34,050,675        |
| Receivable from Provider   |  | \$ 620,216           |
| Accounts Receivable  |  | \$ 2,164,373         |
| Due from ASE   |  | \$ -                 |
| <b>Total Assets</b>  |  | <b>\$ 46,745,322</b> |
| <b>Liabilities</b>   |  |                      |
| Accounts Payable   |  | \$ 83                |
| Due to ASE   |  | \$ -                 |
| Deferred Revenues  |  | \$ 1,959,641         |
| Health IBNR  |  | \$ 24,700,000        |
| RX IBNR  |  | \$ 2,600,000         |
| <b>Total Liabilities</b>   |  | <b>\$ 29,259,724</b> |
| <b>Net Assets</b>  |  | <b>\$ 17,485,598</b> |
| <b>Less Reserves Allocated:</b>  |  |                      |
| Active/Retiree Premiums for Plan Year 01/01/12 - 12/31/12 (\$16,800,000) |  | \$ (1,400,000)       |
| Active/Retiree Premiums for Plan Year 01/01/13 - 12/31/13 (\$9,000,000)  |  | \$ (9,000,000)       |
| Active/Retiree Premiums for Plan Year 01/01/14 - 12/31/14 (\$3,600,000)  |  | \$ (3,600,000)       |
| Catastrophic Reserve (2012 - \$9,900,000)                                |  | \$ (3,485,598)       |
| <b>Net Assets Available</b>  |  | <b>\$ 0</b>          |

**Public School Employees (PSE) Financials - January 1, 2012 through December 31, 2012**

|              | <b>Gold</b>   | <b>Silver</b> | <b>Bronze</b> | <b>Total</b>  |
|--------------|---------------|---------------|---------------|---------------|
| Actives      | 50,399        | 2,265         | 17,877        | 70,541        |
| Retirees     | 2,626         | 14            | 662           | 3,302         |
| Medicare     | 8,234         |               |               | 8,234         |
| <b>Total</b> | <b>61,259</b> | <b>2,279</b>  | <b>18,539</b> | <b>82,077</b> |

**Revenues & Expenditures**

| <b>Funding</b>  | <b>Current Month</b> | <b>Year to Date (12 months)</b> |
|---|----------------------|---------------------------------|
| District Contribution                                     | \$ 7,897,236         | \$ 93,667,742                   |
| Employee Contribution                                     | \$ 10,661,518        | \$ 130,127,671                  |
| Dept of Ed \$35,000,000 & \$15,000,000                    | \$ 3,181,818         | \$ 50,000,000                   |
| Other   | \$ 4,147             | \$ 1,914,844                    |
| Allocation for Active/Retiree Premiums for Plan Year 2012 | \$ 1,400,000         | \$ 16,800,000                   |
| <b>Total Funding</b>                                      | <b>\$ 23,144,719</b> | <b>\$ 292,510,257</b>           |
| <b>Expenses</b>   |                      |                                 |
| Medical Expenses:   |                      |                                 |
| Claims Expense  | \$ 12,946,980        | \$ 213,277,599                  |
| Claims IBNR   | \$ -                 | \$ (800,000)                    |
| Medical Admin Fees  | \$ 1,636,632         | \$ 19,170,661                   |
| Refunds   | \$ 5,503             | \$ 236,344                      |
| Employee Assistance Program (EAP)                         | \$ 81,047            | \$ 970,158                      |
| Pharmacy Expenses:  |                      |                                 |
| RX Claims   | \$ 4,537,493         | \$ 62,468,415                   |
| RX IBNR   | \$ -                 | \$ 260,000                      |
| RX Admin  | \$ 54,875            | \$ 1,180,994                    |
| Plan Administration                                       | \$ 632,179           | \$ 4,988,663                    |
| <b>Total Expenses</b>                                     | <b>\$ 19,894,708</b> | <b>\$ 301,752,833</b>           |
| <b>Net Income/(Loss)</b>                                  | <b>\$ 3,250,011</b>  | <b>\$ (9,242,577)</b>           |

**Balance Sheet**

|  |  |                      |
|--|--|----------------------|
| <b>Assets</b>  |  |                      |
| Bank Account   |  | \$ 16,781,342        |
| State Treasury   |  | \$ 29,053,188        |
| Receivable from Provider   |  | \$ 620,216           |
| Accounts Receivable  |  | \$ 1,919,682         |
| Due from ASE   |  | \$ -                 |
| <b>Total Assets</b>  |  | <b>\$ 48,374,428</b> |
| <b>Liabilities</b>   |  |                      |
| Accounts Payable   |  | \$ -                 |
| Due to ASE   |  | \$ -                 |
| Deferred Revenues  |  | \$ 1,738,712         |
| Health IBNR  |  | \$ 24,700,000        |
| RX IBNR  |  | \$ 2,600,000         |
| <b>Total Liabilities</b>   |  | <b>\$ 29,038,712</b> |
| <b>Net Assets</b>  |  | <b>\$ 19,335,715</b> |
| <b>Less Reserves Allocated:</b>  |  |                      |
| Active/Retiree Premiums for Plan Year 01/01/12 - 12/31/12 (\$16,800,000) |  | \$ -                 |
| Active/Retiree Premiums for Plan Year 01/01/13 - 12/31/13 (\$9,000,000)  |  | \$ (9,000,000)       |
| Active/Retiree Premiums for Plan Year 01/01/14 - 12/31/14 (\$3,600,000)  |  | \$ (3,600,000)       |
| Catastrophic Reserve (2012 - \$9,900,000)                                |  | \$ (6,735,715)       |
| <b>Net Assets Available</b>  |  | <b>\$ 0</b>          |

**Public School Employees (PSE) Financials - January 1, 2013 through January 31, 2013**

|              | <b>Gold</b>   | <b>Silver</b> | <b>Bronze</b> | <b>Total</b>  |
|--------------|---------------|---------------|---------------|---------------|
| Actives      | 38,172        | 7,536         | 26,365        | 72,073        |
| Retirees     | 2,478         | 27            | 831           | 3,336         |
| Medicare     | 8,297         |               |               | 8,297         |
| <b>Total</b> | <b>48,947</b> | <b>7,563</b>  | <b>27,196</b> | <b>83,706</b> |

**Revenues & Expenditures**

| <b>Funding</b>  | <b>Current<br/>Month</b> | <b>Year to Date<br/>(1 month)</b> |
|---|--------------------------|-----------------------------------|
| District Contribution                                     | \$ 8,185,570             | \$ 8,185,570                      |
| Employee Contribution                                     | \$ 11,161,420            | \$ 11,161,420                     |
| Dept of Ed \$35,000,000 & \$15,000,000                    | \$ 6,931,818             | \$ 6,931,818                      |
| Other   | \$ 54,066                | \$ 54,066                         |
| Allocation for Active/Retiree Premiums for Plan Year 2013 | \$ 750,000               | \$ 750,000                        |
| <b>Total Funding</b>                                      | <b>\$ 27,082,874</b>     | <b>\$ 27,082,874</b>              |
| <b>Expenses</b>   |                          |                                   |
| Medical Expenses:   |                          |                                   |
| Claims Expense  | \$ 19,607,838            | \$ 19,607,838                     |
| Claims IBNR   | \$ -                     | \$ -                              |
| Medical Admin Fees  | \$ 1,569,694             | \$ 1,569,694                      |
| Refunds   | \$ 17,595                | \$ 17,595                         |
| Employee Assistance Program (EAP)                         | \$ 82,424                | \$ 82,424                         |
| Pharmacy Expenses:  |                          |                                   |
| RX Claims   | \$ 6,392,765             | \$ 6,392,765                      |
| RX IBNR   | \$ -                     | \$ -                              |
| RX Admin  | \$ 122,378               | \$ 122,378                        |
| Plan Administration                                       | \$ 350,607               | \$ 350,607                        |
| <b>Total Expenses</b>                                     | <b>\$ 28,143,301</b>     | <b>\$ 28,143,301</b>              |
| <b>Net Income/(Loss)</b>                                  | <b>\$ (1,060,427)</b>    | <b>\$ (1,060,427)</b>             |

**Balance Sheet**

|   |  |                      |
|---|--|----------------------|
| <b>Assets</b>   |  |                      |
| Bank Account  |  | \$ 19,366,688        |
| State Treasury  |  | \$ 23,053,312        |
| Receivable from Provider  |  | \$ 208,717           |
| Accounts Receivable   |  | \$ 4,003,646         |
| Due from ASE  |  | \$ 199               |
| <b>Total Assets</b>   |  | <b>\$ 46,632,561</b> |
| <b>Liabilities</b>  |  |                      |
| Accounts Payable  |  | \$ 83                |
| Due to ASE  |  | \$ 26,431            |
| Deferred Revenues   |  | \$ 1,780,865         |
| Health IBNR   |  | \$ 24,700,000        |
| RX IBNR   |  | \$ 2,600,000         |
| <b>Total Liabilities</b>  |  | <b>\$ 29,107,378</b> |
| <b>Net Assets</b>   |  | <b>\$ 17,525,183</b> |
| <b>Less Reserves Allocated:</b>   |  |                      |
| Active/Retiree Premiums for Plan Year 01/01/13 - 12/31/13 (\$9,000,000) |  | \$ (8,250,000)       |
| Active/Retiree Premiums for Plan Year 01/01/14 - 12/31/14 (\$3,600,000) |  | \$ (3,600,000)       |
| Catastrophic Reserve (2013 - \$11,100,000)                              |  | \$ (5,675,183)       |
| <b>Net Assets Available</b>   |  | <b>\$ (0)</b>        |



## The Drug Utilization and Evaluation Committee (DUEC)

The following recommendations for the Board consideration resulted from a meeting of the DUEC on February 4, 2013.

### 1. TESTOSTERONE THERAPY

The committee reviewed the Endocrine Society's clinical guidelines for Testosterone therapy in adult men with Androgen Deficiency Syndromes.

Committee discussion: Testosterone replacement therapy is primarily indicated for the treatment of male hypogonadism.

**Recommendation:** Cover the injectable Testosterone but not the topical - Communicate to current users transition period.

### 2. CONSIDERATION OF REFERENCE PRICING OF NASAL STEROIDS

Nasal corticosteroids (NCs) are a diverse group of agents available as treatment options for allergic and non-allergic rhinitis (AR).

In a drug class review by the Oregon Health & Science University, NCs were systematically evaluated based on efficacy and adverse event profiles.

**Recommendation:** Reference price nasal corticosteroids (NCs) based on lowest generic cost available.

### 3. CONSIDERATION OF REFERENCE PRICING OF OVERACTIVE BLADDER AGENTS

The mainstay of pharmacologic treatment of overactive bladder (OAB) lies in the antispasmodic actions of the numerous anticholinergic agents currently available for relief of incontinence.

In a drug class review published by the Oregon Health & Science University, the agents for OAB were evaluated based upon efficacy and adverse event profiles

**Recommendation:** Reference price class of overactive bladder agents based on lowest cost drug in the class.

#### 4. ALZHEIMER'S DRUGS

The medications include: Razadyne® (galantamine), Exelon® (rivastigmine), Aricept® (donepezil) and Namenda® (memantine).

**Recommendation:** Continue 31-day fill limit in the above listed drugs and look for a therapeutic duplication.

#### 5. REVIEW OF BID VS XR ADDERALL/STIMULANTS

The committee reviewed the Cochrane Collaboration review: Amphetamines for Attention Deficit Hyperactivity Disorder (ADHD) in adults.

**Recommendation:** Reimburse only for immediate release Amphetamines products for adults 26 years old and over – (reference price -cover the XR extended release but at no more cost for the plan than what the plan would have reimbursed for immediate release). Notify current users of price change.

#### 6. FIRST REVIEW MEDICATIONS

##### Drug Name

##### Tier Status

**Eliquis** (apixaban)

**T2 w/PA**

**Indication-** anticoagulant

**Similar therapies on Formulary/tier/ AWP** - warfarin, Pradaxa (PA), Xarelto (PA and QL)

**Aubagio tabs** (Teriflunomide)

**T3 w/PA, QL for dose optimization**

**Indications**– Oral treatment for relapsing forms of multiple sclerosis.

**Similar therapies on Formulary/tier/ AWP** - Gilenya - also oral therapy.

Currently covered w/PA. Arava

**Juxtapid** (lomitapide)

**T3 w/PA**

**Indications-** (tx for homozygous familial hypercholesterolemia. Will only be available through one specialty pharmacy – Centric Health)

**Similar therapies on Formulary/tier/ AWP-** N/A

**Xeljanz** (tofacitinib citrate)

**T3 w/PA**

**Indications-** For adults with moderately to severely active rheumatoid arthritis who have an inadequate response or intolerance to methotrexate

**Drug Name**

**Tier Status**

**Bosulif (bosutinib)**

**T3 w/PA**

**Indications-** Oral treatment of adults w/chronic, accelerated, or blast phase Philadelphia chromosome-positive chronic myelogenous leukemia w/ resistant or intolerance to prior therapy

**Similar therapies on Formulary/tier/ AWP-** Bosulif is the fourth product approved in its therapeutic class, behind Gleevec, Tasigna, and Sprycel.

**Prepopik Pak**

**T3**

**Indications-** Bowel preparation prior to colonoscopy

**Similar therapies on Formulary/tier/ AWP** – Golytely/Colyte /MoviPrep/PEG 3350 (Generics - \$10 copay and Brand \$30 copay)

**Flucelvax**

**Free w/PA for egg allergy**

**Indications-** cell based flu vaccine

**Similar therapies on Formulary/tier/ AWP** - currently cover flu vaccine through pharmacy

**Kalydeco (ivacaftor)**

**T3 w/PA**

**Indications-** Cystic Fibrosis

**Tabled Drugs**

- **Cometriq (cabozantinib)** was **tabled** until the next meeting. Exclude for now

**Indications-** Tx of patients w/progressive, metastatic medullary thyroid carcinoma (140mg/daily)

- **Oxtellar XR** was **tabled until the next meeting. Exclude for now.**

**Indications-** extended release form of oxcarbazepine (Trileptal) for the tx of partial seizures

**Similar therapies on Formulary/tier/ AWP-** N/A

## **Excluded Drugs**

### **Episil**

**Indications** – Treatment for intra-oral pain caused by oral mucositis

**Similar therapies on Formulary/tier/ AWP** – No info

**Review in 1 year if data available**

### **Linzees Caps (145mcg and 290mcg caps)**

**Indications** - Treatment of irritable bowel syndrome w/constipation (IBS-C) and idiopathic constipation in adults Dose= 145mcg/day for idiopathic constipation.

290mcg/day for IBS-C

**Similar therapies on Formulary/tier/ AWP** - Amitiza

### **Lovaza (Omega-3-Acid Ethyl Esters)**

**Indications**- hypertriglyceridemia

**Similar therapies on Formulary/tier/ AWP** - Never reviewed by DUEC (Had some utilizing members; send letters to advise will not be covered)

### **Vascepa (icosapent ethyl)**

**Indications** - Approved as an adjunct to diet to reduce triglyceride concentrations in adults w/hypertriglyceridemia

**Similar therapies on Formulary/tier/ AWP**- Lovaza

### **Stivarga (regorafenib)**

**Indications**- Treatment of metastatic colorectal cancer for patients should have been previously treated w/ currently available therapies. Dose: 160mg PO daily for first 21 days of each 28 day cycle

**Similar therapies on Formulary/tier/ AWP**

**Review in 6 months if data available**

### **Iclusig (ponatinib)**

**Indications**- Treatment of acute lymphocytic leukemia and chronic myelogenous leukemia (45mg/day) carcinoma (140mg/daily)

**Similar therapies on Formulary/tier/ AWP**- N/A

### **Pliaglis Cream ((lidocaine & tetracaine) Cream 7%/7%Generic-**

**Indications**- - Local/topical anesthesia

**Similar therapies on Formulary/tier/ AWP** – Local/topical anesthesia - Synera and Emla cream

### **Lotemax Opth gel**

**Indications**- Treatment of steroid responsive ophthalmic diseases.

**Similar therapies on Formulary/tier/ AWP** – Lotemax Opth Ointment is currently covered by the plan

### **Excluded Drugs Continued**

**Quillivant Suspension XR (methylphenidate HCl for extended release suspension).**

**Indications-** Max dose is 60mg/day given once daily in the morning for treatment of ADHD

**Similar therapies on Formulary/tier/ AWP-** Quillivant Susp is the only oral liquid extended release methylphenidate. Daytrana is available as a topical patch applied once daily



**Arkansas State Employees (ASE)**

**Monitoring Report  
Through December 31, 2012**

**Presented on  
February 19, 2013**



Classic Values, Innovative Advice

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# Comments

- Assets were higher than projected for 2012 and are now projected to be slightly higher than originally projected through the end of 2013.
- Active enrollment is lower than originally projected for 2013 but dependent counts are higher. Retiree enrollment is close to projections but more NME retirees and fewer ME Retirees.
- In 2012 both income and expenditures were higher than projected. A slightly higher portion of participants with dependent coverage is a contributing factor.

*Please see Appendix F which describes the methods and assumptions used to develop these conclusions and includes information on the scope, limitations, and certification of this report.*

# Total Plan Experience

| Principal Results (\$ millions)                  | Plan Year 2012<br>- 1/01/12 - 12/31/12 - |                        | Plan Year 2013<br>- 1/01/13 - 12/31/13 - |                        |
|--|--|------------------------|--|------------------------|
|  | Actual                                   | Projected <sup>1</sup> | Updated Proj. <sup>2</sup>               | Projected <sup>1</sup> |
| <b>ACCOUNTING BASIS</b>                          |  |                        |  |                        |
| Employer Contributions                           | \$ 162.3                                 | \$ 161.5               | \$ 162.3                                 | \$ 162.2               |
| Participant Contributions & Rebates <sup>3</sup> | 85.9                                     | 83.6                   | 90.8                                     | 86.7                   |
| Retiree Drug Subsidy & Other Income              | 11.1                                     | 4.1                    | 4.8                                      | 4.9                    |
| <b>TOTAL INCOME</b>                              | <b>\$ 259.3</b>                          | <b>\$ 249.2</b>        | <b>\$ 257.9</b>                          | <b>\$ 253.8</b>        |
| Claims Paid + IBNR Change <sup>4</sup>           | (253.7)                                  | (252.1)                | (272.9)                                  | (269.7)                |
| Expenses   | (17.8)                                   | (15.8)                 | (11.6)                                   | (11.1)                 |
| <b>TOTAL EXPENDITURES</b>                        | <b>\$ (271.5)</b>                        | <b>\$ (267.9)</b>      | <b>\$ (284.5)</b>                        | <b>\$ (280.8)</b>      |
| <b>NET PLAN GAIN / (LOSS)</b>                    | <b>\$ (12.2)</b>                         | <b>\$ (18.7)</b>       | <b>\$ (26.6)</b>                         | <b>\$ (27.0)</b>       |
| <b>INCURRED BASIS</b>                            |  |                        |  |                        |
| <b>TOTAL INCOME</b>                              | <b>\$ 259.3</b>                          | <b>\$ 249.2</b>        | <b>\$ 257.9</b>                          | <b>\$ 253.8</b>        |
| Claims Incurred                                  | (258.3)                                  | (252.2)                | (270.5)                                  | (269.7)                |
| Expenses   | (17.8)                                   | (15.8)                 | (11.6)                                   | (11.1)                 |
| <b>TOTAL EXPENDITURES INCURRED</b>               | <b>\$ (276.1)</b>                        | <b>\$ (268.0)</b>      | <b>\$ (282.1)</b>                        | <b>\$ (280.8)</b>      |
| <b>NET CHANGE</b>                                | <b>\$ (16.8)</b>                         | <b>\$ (18.8)</b>       | <b>\$ (24.2)</b>                         | <b>\$ (27.0)</b>       |
| <b>PLAN ASSETS</b>                               |  |                        |  |                        |
| Net Assets (Prior to IBNR)                       | \$ 106.2                                 | \$ 92.2                | \$ 82.1                                  | \$ 73.6                |
| IBNR Reserve                                     | (24.3)                                   | (24.3)                 | (24.3)                                   | (24.3)                 |
| Reserve for Current and Future Premiums          | (49.9)                                   | (18.7)                 | (23.1)                                   | (23.1)                 |
| Catastrophic Reserve                             | (9.0)                                    | (8.9)                  | (10.0)                                   | (9.0)                  |
| <b>NET ASSETS AVAILABLE</b>                      | <b>\$ 23.0</b>                           | <b>\$ 40.3</b>         | <b>\$ 24.7</b>                           | <b>\$ 17.2</b>         |
| <b>ENROLLMENT</b>                                |  |                        |  |                        |
| Active Employees (includes COBRA)                | 27,989                                   | 28,200                 | 28,111                                   | 28,238                 |
| Retirees   | 9,643                                    | 9,300                  | 10,043                                   | 10,160                 |
| <b>Total Employees Enrolled</b>                  | <b>37,632</b>                            | <b>37,500</b>          | <b>38,154</b>                            | <b>38,398</b>          |
| <b>TOTAL INCOME PEPM</b>                         | <b>\$ 574</b>                            | <b>\$ 554</b>          | <b>\$ 563</b>                            | <b>\$ 551</b>          |
| <b>TOTAL EXPENDITURES PEPM</b>                   | <b>\$ (611)</b>                          | <b>\$ (596)</b>        | <b>\$ (616)</b>                          | <b>\$ (609)</b>        |

<sup>1</sup> Projections are those done when setting the rates for the applicable plan year.

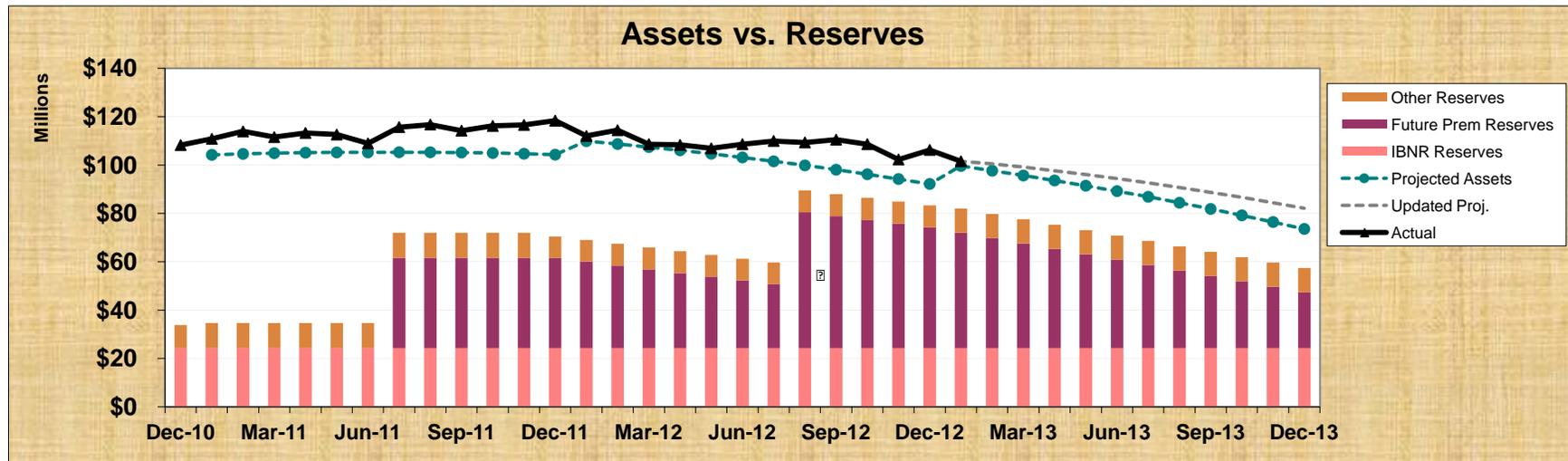
<sup>2</sup> Updated Projections reflect updated participant count and asset information.

<sup>3</sup> Actual figures include pharmacy rebates. Pharmacy rebates are included in projections only as offset to expenses.

<sup>4</sup> The IBNR Change reflects only the June 30 modification shown on the financial statements.

## Total Plan Experience

The chart below shows the Plan's assets (solid line) compared to projected assets (dotted lines) and target reserve levels (bars). Projected assets represent the projections used to set the rates. The updated projections reflect asset experience and participant changes since those rates were set (August 2012). The average cost per rating tier has not been updated.



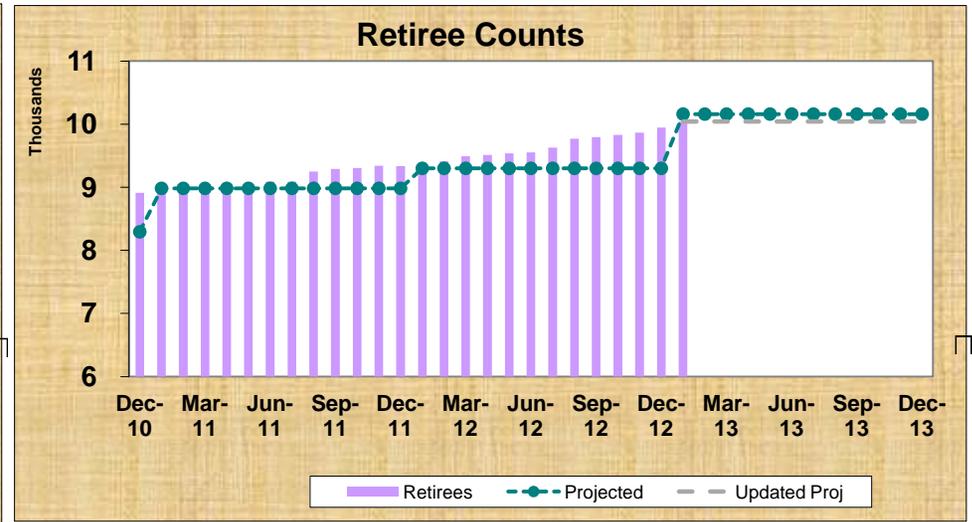
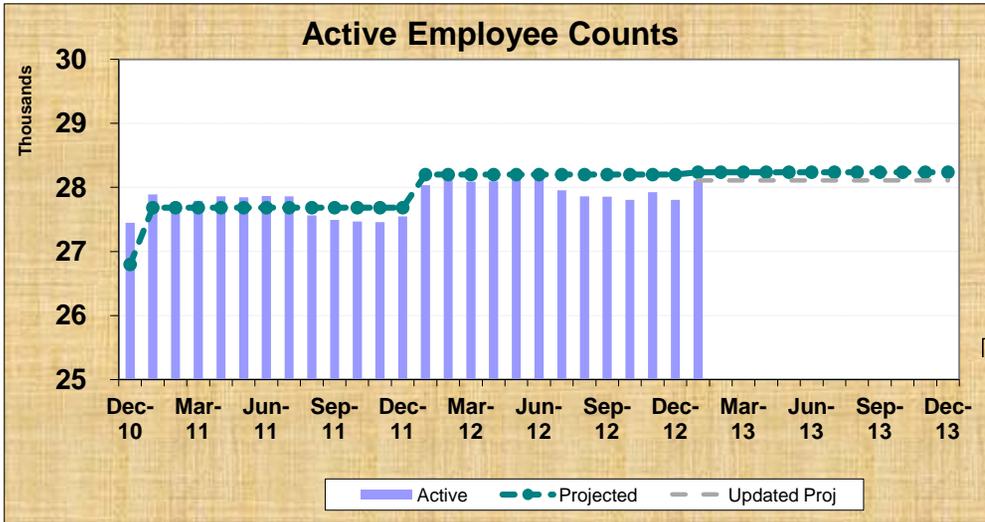
(In Millions \$)

|   | As of     | 12/31/2010  | 12/31/2011     | 12/31/2012     | Updated Proj.<br>12/31/2013 |
|---|-----------|-------------|----------------|----------------|-----------------------------|
| Net Assets before IBNR                  | \$        | 108.2       | \$ 118.3       | \$ 106.2       | \$ 82.1                     |
| IBNR Reserve                            |           | (24.3)      | (24.3)         | (24.3)         | (24.3)                      |
| Reserve for Current and Future Premiums |           | -           | (37.3)         | (49.9)         | (23.1)                      |
| Catastrophic Reserve                    |           | (8.1)       | (8.9)          | (9.0)          | (10.0)                      |
| Pharmacy Reward Program                 |           | (1.5)       | -              | -              | -                           |
| <b>Net Assets Available</b>             | <b>\$</b> | <b>74.3</b> | <b>\$ 47.8</b> | <b>\$ 23.0</b> | <b>\$ 24.7</b>              |

|   |  |             |                |                |                |
|---|--|-------------|----------------|----------------|----------------|
| Projected Assets                        |  | #N/A        | \$ 104.3       | \$ 92.2        | \$ 73.6        |
| Projected IBNR Reserve                  |  | #N/A        | \$ (24.9)      | \$ (24.3)      | \$ (24.3)      |
| Reserve for Current and Future Premiums |  | #N/A        | \$ -           | \$ (18.7)      | \$ (23.1)      |
| Catastrophic Reserve                    |  | #N/A        | \$ (8.1)       | \$ (8.9)       | \$ (9.0)       |
| Pharmacy Reward Program                 |  | #N/A        | \$ (1.5)       | \$ -           | \$ -           |
| <b>Projected Net Assets</b>             |  | <b>#N/A</b> | <b>\$ 69.8</b> | <b>\$ 40.4</b> | <b>\$ 17.2</b> |

|                                      | Plan Year Ending | 12/31/2010  | 12/31/2011     | 12/31/2012       | 12/31/2013       |
|--------------------------------------|------------------|-------------|----------------|------------------|------------------|
| Funding                              | \$               | 262.3       | \$ 260.5       | \$ 259.3         | \$ 257.9         |
| Expenses                             |                  | 239.5       | 250.4          | 271.5            | 284.5            |
| <b>Net Income / (Loss)</b>           | <b>\$</b>        | <b>22.8</b> | <b>\$ 10.1</b> | <b>\$ (12.2)</b> | <b>\$ (26.6)</b> |
| <b>Projected Net Income / (Loss)</b> | <b>\$</b>        | <b>-</b>    | <b>\$ 0.1</b>  | <b>\$ (18.8)</b> | <b>\$ (27.0)</b> |

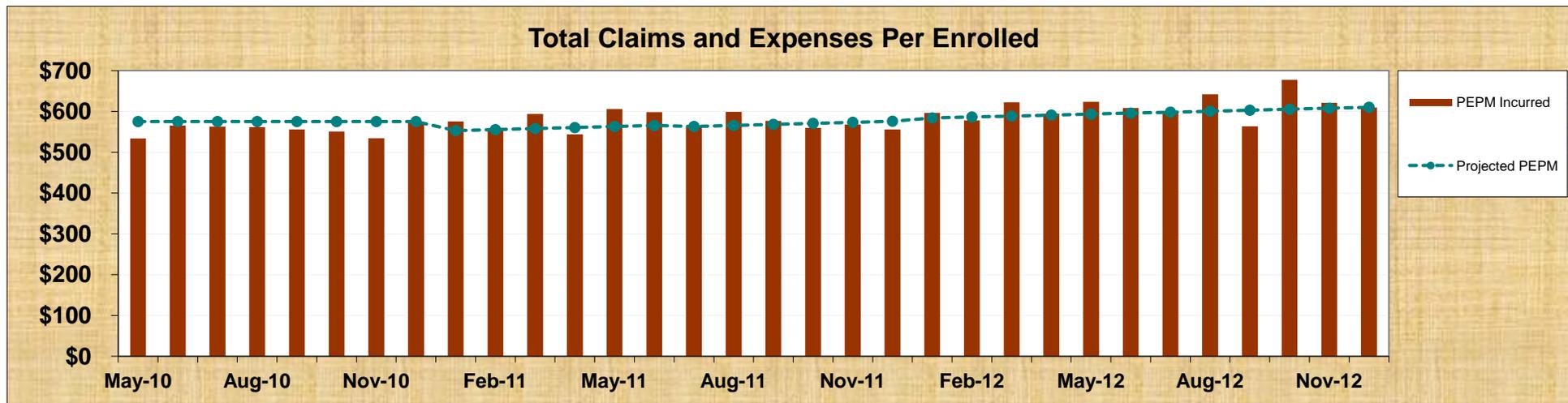
# Enrollment



| Average for Year Ending                         |                       | 12/31/2010    | 12/31/2011    | Updated Proj. |               |
|---|-----------------------|---------------|---------------|---------------|---------------|
|   |                       |               |               | 12/31/2012    | 12/31/2013    |
| <b>Actives</b><br>(includes COBRA contracts)    | Health Advantage      | 25,419        | 25,729        | Gold          | 25,872        |
|   | NovaSys               | 1,225         | 905           | Silver        | 1,043         |
|   | NovaSys HD            | 935           | 1,067         | Bronze        | 1,781         |
|   | <b>Total</b>          | <b>27,579</b> | <b>27,701</b> |               | <b>27,989</b> |
|   | <b>Projected</b>      | <b>26,797</b> | <b>27,683</b> |               | <b>28,238</b> |
| <b>Retirees</b><br>(includes Surviving Spouses) | Non-Medicare Retirees | 2,111         | 2,260         | Gold          | 2,366         |
|   |                       |               |               | Silver        | 4             |
|   |                       |               |               | Bronze        | 19            |
|   | Medicare Retirees     | 6,600         | 6,883         | Gold          | 7,254         |
|   | <b>Total</b>          | <b>8,711</b>  | <b>9,143</b>  |               | <b>9,643</b>  |
|   | <b>Projected</b>      | <b>8,294</b>  | <b>8,983</b>  |               | <b>9,300</b>  |
| <b>Total Counts</b>                             |                       | <b>36,289</b> | <b>36,844</b> |               | <b>37,632</b> |
| <b>Total Projected</b>                          |                       | <b>35,091</b> | <b>36,666</b> |               | <b>37,500</b> |
|   |                       |               |               |               | <b>38,154</b> |
|   |                       |               |               |               | <b>38,398</b> |

## Claim & Expense Details - All Claims & Expenses

The chart below displays the total claims and expenses incurred on a per active member basis. The total claims include medical, pharmacy, behavioral health, life, and expenses.



|  | <u>3/31/2011</u> | <u>6/30/2011</u> | <u>9/30/2011</u> | <u>12/31/2011</u> | <u>Prior 12 Months</u> | <u>3/31/2012</u> | <u>6/30/2012</u> | <u>9/30/2012</u> | <u>12/31/2012</u> | <u>Last 12 Months</u> |
|--|------------------|------------------|------------------|-------------------|------------------------|------------------|------------------|------------------|-------------------|-----------------------|
| <b>Total Incurred (In Millions \$)</b> |                  |                  |                  |                   |                        |                  |                  |                  |                   |                       |
| <b>Total Claims &amp; Expenses</b>     | \$ 63.4          | \$ 64.6          | \$ 64.1          | \$ 62.0           | <b>\$ 254.1</b>        | \$ 67.5          | \$ 68.8          | \$ 67.9          | \$ 72.0           | <b>\$ 276.1</b>       |
| - Change                               | 3.2              | 1.2              | (0.4)            | (2.1)             | 13.6                   | 5.5              | 1.3              | (0.9)            | 4.1               | 22.1                  |
| <b>Projected</b>                       | <b>\$ 61.1</b>   | <b>\$ 61.9</b>   | <b>\$ 62.2</b>   | <b>\$ 63.1</b>    | <b>\$ 248.4</b>        | <b>\$ 65.8</b>   | <b>\$ 66.6</b>   | <b>\$ 67.4</b>   | <b>\$ 68.2</b>    | <b>\$ 268.0</b>       |
| - Change                               | 0.5              | 0.8              | 0.3              | 0.8               | 6.1                    | 2.7              | 0.8              | 0.8              | 0.8               | 19.6                  |
| <b>Actual vs. Projected</b>            | <b>\$ 2.3</b>    | <b>\$ 2.6</b>    | <b>\$ 1.9</b>    | <b>\$ (1.1)</b>   | <b>\$ 5.7</b>          | <b>\$ 1.7</b>    | <b>\$ 2.2</b>    | <b>\$ 0.5</b>    | <b>\$ 3.8</b>     | <b>\$ 8.1</b>         |

| <b>Per Enrolled Basis</b>          |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Total Claims &amp; Expenses</b> | \$ 574.15        | \$ 582.89        | \$ 579.96        | \$ 561.46        | <b>\$ 574.62</b> | \$ 599.17        | \$ 608.90        | \$ 601.52        | \$ 636.12        | <b>\$ 611.45</b> |
| <b>% Change</b>                    | 3.8%             | 1.5%             | (0.5%)           | 6.7%             | 4.1%             | 4.3%             | 1.6%             | (1.2%)           | 5.8%             | 6.4%             |
| <b>Projected</b>                   | <b>\$ 555.49</b> | <b>\$ 563.03</b> | <b>\$ 565.84</b> | <b>\$ 573.52</b> | <b>\$ 564.47</b> | <b>\$ 584.79</b> | <b>\$ 591.87</b> | <b>\$ 599.04</b> | <b>\$ 606.30</b> | <b>\$ 595.50</b> |
| <b>% Change</b>                    | (3.5%)           | 1.4%             | 0.5%             | 2.0%             | (1.9%)           | 3.6%             | 1.2%             | 1.2%             | 1.2%             | 5.5%             |

## Claim & Expense Details - Incurred Claims by Vendor

|                      |                        | 3/31/2011              | 6/30/2011 | 9/30/2011 | 12/31/2011 | Prior 12<br>Months | 3/31/2012  | 6/30/2012 | 9/30/2012 | 12/31/2012 | Last 12<br>Months |            |
|----------------------|------------------------|------------------------|-----------|-----------|------------|--------------------|------------|-----------|-----------|------------|-------------------|------------|
| TOTAL (\$000s)       | Actual Incurred Claims | \$ 63,373              | \$ 64,551 | \$ 64,114 | \$ 62,017  | \$ 254,055         | \$ 67,472  | \$ 68,763 | \$ 67,890 | \$ 71,995  | \$ 276,120        |            |
|                      | Projected              | 61,103                 | 61,933    | 62,242    | 63,086     | 248,363            | 65,795     | 66,587    | 67,390    | 68,203     | 267,975           |            |
|                      | Actual vs. Projected   | 2,270                  | 2,618     | 1,872     | (1,069)    | 5,692              | 1,677      | 2,176     | 500       | 3,792      | 8,145             |            |
| Medical              | Gold NME               | Actual Incurred Claims | \$ 38,056 | \$ 38,956 | \$ 38,170  | \$ 36,031          | \$ 151,213 | \$ 38,187 | \$ 39,467 | \$ 39,917  | \$ 40,585         | \$ 158,156 |
|                      |                        | Projected              | 36,169    | 36,604    | 37,043     | 37,488             | 147,304    | 37,911    | 38,449    | 38,995     | 39,548            | 154,902    |
|                      |                        | Actual vs. Projected   | 1,887     | 2,352     | 1,127      | (1,457)            | 3,909      | 276       | 1,018     | 922        | 1,037             | 3,254      |
|                      | Silver NME             | Actual Incurred Claims | \$ -      | \$ -      | \$ -       | \$ -               | \$ 289     | \$ 420    | \$ 477    | \$ 503     | \$ 1,689          |            |
| Projected            |                        | -                      | -         | -         | -          | 1,823              | 1,849      | 1,875     | 1,902     | 7,450      |                   |            |
| Actual vs. Projected |                        | -                      | -         | -         | -          | -                  | (1,534)    | (1,429)   | (1,398)   | (1,399)    | (5,761)           |            |
|                      | Bronze NME             | Actual Incurred Claims | \$ 287    | \$ 465    | \$ 591     | \$ 734             | \$ 2,076   | \$ 428    | \$ 545    | \$ 624     | \$ 829            | \$ 2,425   |
| Projected            |                        | 445                    | 451       | 456       | 462        | 1,814              | 599        | 608       | 616       | 625        | 2,448             |            |
| Actual vs. Projected |                        | (158)                  | 14        | 135       | 272        | 262                | (171)      | (63)      | 8         | 204        | (23)              |            |
|                      | Gold ME                | Actual Incurred Claims | \$ 4,391  | \$ 3,815  | \$ 3,741   | \$ 3,559           | \$ 15,505  | \$ 4,762  | \$ 4,040  | \$ 4,243   | \$ 4,268          | \$ 17,313  |
| Projected            |                        | 4,488                  | 4,543     | 4,599     | 4,656      | 18,286             | 4,304      | 4,378     | 4,452     | 4,528      | 17,663            |            |
| Actual vs. Projected |                        | (97)                   | (728)     | (858)     | (1,097)    | (2,781)            | 458        | (338)     | (209)     | (260)      | (350)             |            |
| Rx                   | All                    | Actual Incurred Claims | \$ 16,739 | \$ 17,040 | \$ 17,473  | \$ 17,630          | \$ 68,882  | \$ 19,125 | \$ 19,356 | \$ 19,057  | \$ 20,084         | \$ 77,623  |
|                      |                        | Projected              | 16,266    | 16,601    | 16,396     | 16,734             | 65,998     | 16,911    | 17,057    | 17,205     | 17,353            | 68,526     |
|                      |                        | Actual vs. Projected   | 473       | 439       | 1,077      | 896                | 2,884      | 2,214     | 2,299     | 1,852      | 2,731             | 9,097      |
|                      | Gold NME               | Actual Incurred Claims |           |           |            |                    | \$ 12,803  | \$ 12,914 | \$ 12,642 | \$ 13,358  | \$ 51,717         |            |
| Projected            |                        |                        |           |           |            | 10,662             | 10,754     | 10,847    | 10,941    | 43,203     |                   |            |
| Actual vs. Projected |                        |                        |           |           |            |                    | 2,141      | 2,160     | 1,795     | 2,417      | 8,514             |            |
|                      | Silver NME             | Actual Incurred Claims |           |           |            |                    | \$ 62      | \$ 93     | \$ 109    | \$ 156     | \$ 419            |            |
| Projected            |                        |                        |           |           |            | 466                | 470        | 474       | 478       | 1,888      |                   |            |
| Actual vs. Projected |                        |                        |           |           |            |                    | (404)      | (377)     | (365)     | (322)      | (1,469)           |            |
|                      | Bronze NME             | Actual Incurred Claims |           |           |            |                    | \$ 29      | \$ 74     | \$ 71     | \$ 93      | \$ 267            |            |
| Projected            |                        |                        |           |           |            | 55                 | 55         | 56        | 56        | 222        |                   |            |
| Actual vs. Projected |                        |                        |           |           |            |                    | (26)       | 19        | 15        | 37         | 45                |            |
|                      | Gold ME                | Actual Incurred Claims | \$ 5,313  | \$ 5,631  | \$ 5,810   | \$ 5,894           | \$ 22,648  | \$ 6,231  | \$ 6,276  | \$ 6,235   | \$ 6,477          | \$ 25,219  |
| Projected            |                        |                        |           |           |            | 5,729              | 5,778      | 5,828     | 5,878     | 23,213     |                   |            |
| Actual vs. Projected |                        |                        |           |           |            |                    | 502        | 498       | 407       | 599        | 2,006             |            |
| Life                 | All                    | Actual Incurred Claims | \$ 306    | \$ 307    | \$ 305     | \$ 304             | \$ 1,221   | \$ 307    | \$ 307    | \$ 305     | \$ 203            | \$ 1,122   |
|                      |                        | Projected              | 256       | 256       | 268        | 268                | 1,048      | 289       | 289       | 289        | 289               | 1,156      |
|                      |                        | Actual vs. Projected   | 50        | 51        | 37         | 36                 | 173        | 18        | 18        | 16         | (86)              | (34)       |
| Expenses             | All                    | Actual Incurred Claims | \$ 3,595  | \$ 3,969  | \$ 3,835   | \$ 3,758           | \$ 15,158  | \$ 4,373  | \$ 4,627  | \$ 3,267   | \$ 5,524          | \$ 17,791  |
|                      |                        | Projected              | 3,478     | 3,478     | 3,478      | 3,478              | 13,914     | 3,957     | 3,957     | 3,957      | 3,957             | 15,829     |
|                      |                        | Actual vs. Projected   | 117       | 491       | 357        | 280                | 1,244      | 416       | 670       | (690)      | 1,567             | 1,962      |

## Claim & Expense Details - Trend Report

|            |                | 3/31/2011      | 6/30/2011 | 9/30/2011 | 12/31/2011 | Prior 12 Months |           |           |            |           | Last 12 Months |           |
|------------|----------------|----------------|-----------|-----------|------------|-----------------|-----------|-----------|------------|-----------|----------------|-----------|
|            |                |                |           |           |            | 3/31/2012       | 6/30/2012 | 9/30/2012 | 12/31/2012 |           |                |           |
| TOTAL      | Actual PEPM    | \$ 574.15      | \$ 582.89 | \$ 579.96 | \$ 561.46  | \$ 574.62       | \$ 599.17 | \$ 608.90 | \$ 601.52  | \$ 636.12 | \$ 611.45      |           |
|            | % Change       | 3.8%           | 1.5%      | (0.5%)    | (3.2%)     | 4.1%            | 6.7%      | 1.6%      | (1.2%)     | 5.8%      | 6.4%           |           |
|            | Projected PEPM | \$ 555.49      | \$ 563.03 | \$ 565.84 | \$ 573.52  | \$ 564.47       | \$ 584.85 | \$ 591.89 | \$ 599.02  | \$ 606.25 | \$ 595.50      |           |
|            | % Change       | (3.5%)         | 1.4%      | 0.5%      | 1.4%       | (1.9%)          | 2.0%      | 1.2%      | 1.2%       | 1.2%      | 5.5%           |           |
| Medical    | Gold NME       | Actual PEPM    | \$ 437.32 | \$ 447.16 | \$ 441.00  | \$ 418.80       | \$ 436.12 | \$ 445.49 | \$ 462.97  | \$ 473.53 | \$ 485.51      | \$ 466.74 |
|            |                | % Change       | 2.8%      | 2.3%      | (1.4%)     | (5.0%)          | 2.6%      | 6.4%      | 3.9%       | 2.3%      | 2.5%           | 7.0%      |
|            |                | Projected PEPM | \$ 420.19 | \$ 425.23 | \$ 430.34  | \$ 435.50       | \$ 427.82 | \$ 459.52 | \$ 466.05  | \$ 472.66 | \$ 479.37      | \$ 469.40 |
|            |                | % Change       | (19.3%)   | 1.2%      | 1.2%       | 1.2%            | (17.8%)   | 5.5%      | 1.4%       | 1.4%      | 1.4%           | 9.7%      |
| Silver NME | Actual PEPM    |                |           |           |            | \$ 226.28       | \$ 253.39 | \$ 232.94 | \$ 207.25  | \$ 227.96 |                |           |
|            | % Change       |                |           |           |            | 12.0%           | (8.1%)    | (11.0%)   |            |           |                |           |
|            | Projected PEPM |                |           |           |            | \$ 405.18       | \$ 410.93 | \$ 416.76 | \$ 422.68  | \$ 413.89 |                |           |
|            | % Change       |                |           |           |            |                 | 1.4%      | 1.4%      | 1.4%       |           |                |           |
| Bronze NME | Actual PEPM    | \$ 93.34       | \$ 146.45 | \$ 182.06 | \$ 221.58  | \$ 162.17       | \$ 100.34 | \$ 122.91 | \$ 134.74  | \$ 167.89 | \$ 132.81      |           |
|            | % Change       | (43.7%)        | 56.9%     | 24.3%     | 21.7%      | 17.6%           | (54.7%)   | 22.5%     | 9.6%       | 24.6%     | (18.1%)        |           |
|            | Projected PEPM | \$ 159.97      | \$ 161.93 | \$ 163.92 | \$ 165.93  | \$ 162.94       | \$ 133.15 | \$ 135.04 | \$ 136.96  | \$ 138.90 | \$ 136.01      |           |
|            | % Change       | (52.9%)        | 1.2%      | 1.2%      | 1.2%       | (52.0%)         | (19.8%)   | 1.4%      | 1.4%       | 1.4%      | (16.5%)        |           |
| Gold ME    | Actual PEPM    | \$ 216.47      | \$ 186.52 | \$ 180.26 | \$ 168.60  | \$ 187.72       | \$ 223.05 | \$ 187.11 | \$ 193.85  | \$ 192.05 | \$ 198.88      |           |
|            | % Change       | 28.3%          | (13.8%)   | (3.4%)    | (6.5%)     | (0.3%)          | 32.3%     | (16.1%)   | 3.6%       | (0.9%)    | 5.9%           |           |
|            | Projected PEPM | \$ 212.36      | \$ 214.97 | \$ 217.61 | \$ 220.28  | \$ 216.30       | \$ 204.97 | \$ 208.47 | \$ 212.02  | \$ 215.64 | \$ 210.27      |           |
|            | % Change       |                | 1.2%      | 1.2%      | 1.2%       |                 | (7.0%)    | 1.7%      | 1.7%       | 1.7%      | (2.8%)         |           |
| Rx         | All            | Actual PEPM    | \$ 151.65 | \$ 153.87 | \$ 158.06  | \$ 159.61       | \$ 155.80 | \$ 169.84 | \$ 171.40  | \$ 168.85 | \$ 177.46      | \$ 171.89 |
|            |                | % Change       | 2.9%      | 1.5%      | 2.7%       | 1.0%            | 8.9%      | 6.4%      | 0.9%       | (1.5%)    | 5.1%           | 10.3%     |
|            |                | Projected PEPM | \$ 147.87 | \$ 150.92 | \$ 149.06  | \$ 152.13       | \$ 150.00 | \$ 150.32 | \$ 151.62  | \$ 152.93 | \$ 154.25      | \$ 152.28 |
|            |                | % Change       | 3.7%      | 2.1%      | (1.2%)     | 2.1%            | 5.2%      | (1.2%)    | 0.9%       | 0.9%      | 0.9%           | 1.5%      |
| Gold NME   | Actual PEPM    |                |           |           |            | \$ 149.36       | \$ 151.48 | \$ 149.98 | \$ 159.80  | \$ 152.62 |                |           |
|            | % Change       |                |           |           |            |                 | 1.4%      | (1.0%)    | 6.5%       |           |                |           |
|            | Projected PEPM |                |           |           |            | \$ 129.23       | \$ 130.35 | \$ 131.48 | \$ 132.61  | \$ 130.92 |                |           |
|            | % Change       |                |           |           |            |                 | 0.9%      | 0.9%      | 0.9%       |           |                |           |
| Silver NME | Actual PEPM    |                |           |           |            | \$ 48.33        | \$ 55.94  | \$ 53.01  | \$ 64.34   | \$ 56.57  |                |           |
|            | % Change       |                |           |           |            |                 | 15.7%     | (5.2%)    | 21.4%      |           |                |           |
|            | Projected PEPM |                |           |           |            | \$ 103.57       | \$ 104.46 | \$ 105.36 | \$ 106.27  | \$ 104.92 |                |           |
|            | % Change       |                |           |           |            |                 | 0.9%      | 0.9%      | 0.9%       |           |                |           |
| Bronze NME | Actual PEPM    |                |           |           |            | \$ 6.91         | \$ 16.74  | \$ 15.26  | \$ 18.87   | \$ 14.65  |                |           |
|            | % Change       |                |           |           |            |                 | 142.3%    | (8.8%)    | 23.7%      |           |                |           |
|            | Projected PEPM |                |           |           |            | \$ 12.15        | \$ 12.25  | \$ 12.36  | \$ 12.47   | \$ 12.31  |                |           |
|            | % Change       |                |           |           |            |                 | 0.8%      | 0.9%      | 0.9%       |           |                |           |
| Gold ME    | Actual PEPM    | \$ 261.93      | \$ 275.31 | \$ 279.97 | \$ 279.23  | \$ 274.20       | \$ 291.87 | \$ 290.65 | \$ 284.85  | \$ 291.48 | \$ 289.70      |           |
|            | % Change       | 3.2%           | 5.1%      | 1.7%      | (0.3%)     | (1.8%)          | 6.4%      | (0.4%)    | (2.0%)     | 2.3%      | 5.7%           |           |
|            | Projected PEPM |                |           |           |            | \$ 272.79       | \$ 275.15 | \$ 277.53 | \$ 279.92  | \$ 276.35 |                |           |
|            | % Change       |                |           |           |            |                 | 0.9%      | 0.9%      | 0.9%       |           |                |           |
| Life       | All            | Actual PEPM    | \$ 3.66   | \$ 3.67   | \$ 3.67    | \$ 3.69         | \$ 3.67   | \$ 3.64   | \$ 3.64    | \$ 3.64   | \$ 2.43        | \$ 3.34   |
|            |                | % Change       | 15.5%     | 0.3%      | 0.0%       | 0.5%            | 24.4%     | (1.4%)    | 0.0%       | 0.0%      | (33.2%)        | (9.0%)    |
|            |                | Projected PEPM | \$ 3.08   | \$ 3.08   | \$ 3.23    | \$ 3.23         | \$ 3.15   | \$ 3.42   | \$ 3.42    | \$ 3.42   | \$ 3.42        | \$ 3.42   |
|            |                | % Change       | #N/A      | 0.0%      | 4.9%       | 0.0%            | #N/A      | 5.9%      | 0.0%       | 0.0%      | 0.0%           | 8.6%      |
| Expenses   | All            | Actual PEPM    | \$ 32.57  | \$ 35.84  | \$ 34.69   | \$ 34.03        | \$ 34.28  | \$ 38.84  | \$ 40.97   | \$ 28.95  | \$ 48.80       | \$ 39.40  |
|            |                | % Change       | 0.2%      | 10.0%     | (3.2%)     | (1.9%)          | 6.5%      | 14.1%     | 5.5%       | (29.3%)   | 68.6%          | 14.9%     |
|            |                | Projected PEPM | \$ 31.62  | \$ 31.62  | \$ 31.62   | \$ 31.62        | \$ 31.62  | \$ 35.18  | \$ 35.18   | \$ 35.18  | \$ 35.18       | \$ 35.18  |
|            |                | % Change       | (19.8%)   | 0.0%      | 0.0%       | 0.0%            | (19.8%)   | 11.3%     | 0.0%       | 0.0%      | 0.0%           | 11.3%     |

Figures include changes in demographics, geography and benefits as applicable.

# Claim & Expense Details - Loss Ratio Projections

|                                  |                         | <u>2012 Actual</u>      | <u>2012 Projected*</u> | <u>2013 Projected*</u> |           |
|----------------------------------|-------------------------|-------------------------|------------------------|------------------------|-----------|
| <b>Actives &amp; Retiree NME</b> | <b>Gold</b>             | Incurred Claims (\$mil) | \$ 209.19              | \$ 197.56              | \$ 212.06 |
|                                  |                         | Total Premium (\$mil)   | \$ 218.18              | \$ 211.82              | \$ 222.05 |
|                                  |                         | Incurred Loss Ratio     | 96%                    | 93%                    | 96%       |
|                                  | <b>Silver</b>           | Incurred Claims (\$mil) | \$ 2.11                | \$ 9.42                | \$ 4.08   |
|                                  |                         | Total Premium (\$mil)   | \$ 4.61                | \$ 10.20               | \$ 4.38   |
|                                  |                         | Incurred Loss Ratio     | 46%                    | 92%                    | 93%       |
|                                  | <b>Bronze</b>           | Incurred Claims (\$mil) | \$ 2.70                | \$ 2.51                | \$ 4.32   |
|                                  |                         | Total Premium (\$mil)   | \$ 3.79                | \$ 3.23                | \$ 4.93   |
|                                  |                         | Incurred Loss Ratio     | 71%                    | 78%                    | 88%       |
| <b>TOTAL</b>                     | Incurred Claims (\$mil) | \$ 214.00               | \$ 209.49              | \$ 220.47              |           |
|                                  | Total Premium (\$mil)   | \$ 226.58               | \$ 225.26              | \$ 231.37              |           |
|                                  | Incurred Loss Ratio     | 94%                     | 93%                    | 95%                    |           |
| <b>Retiree ME</b>                | <b>Total</b>            | Incurred Claims         | 42.53                  | \$ 38.51               | \$ 44.46  |
|                                  |                         | Total Premium           | 39.88                  | \$ 38.51               | \$ 44.46  |
|                                  |                         | Incurred Loss Ratio     | 107%                   | 100%                   | 100%      |

\*Projected Incurred Claims for Actives and NME Retirees are based on blended experience

## Appendix A. - Contribution Rates Calendar Year 2013

| Actives                    | Medical and Pharmacy | Expenses | Total Monthly Premium | State Contributions | Reserve Allocation | 2013 EE Total Cost | 2012 EE Total Cost | Change in Premiums (\$ / %) |     | Assumed Enrollment |
|----------------------------|----------------------|----------|-----------------------|---------------------|--------------------|--------------------|--------------------|-----------------------------|-----|--------------------|
| <b>Gold</b>                |                      |          |                       |                     |                    |                    |                    |                             |     |                    |
| Employee Only              | \$ 411.41            | \$ 29.85 | \$ 441.26             | \$ 294.56           | \$ 50.92           | \$ 95.78           | \$ 95.78           | \$0.00                      | 0%  | 14,380             |
| Employee & Spouse          | 985.35               | 29.85    | 1,015.20              | 552.03              | 95.43              | 367.74             | 367.74             | 0.00                        | 0%  | 3,164              |
| Employee & Child(ren)      | 678.37               | 29.85    | 708.22                | 438.73              | 75.85              | 193.64             | 193.64             | 0.00                        | 0%  | 4,803              |
| Family                     | 1,252.31             | 29.85    | 1,282.16              | 735.41              | 127.13             | 419.62             | 419.62             | 0.00                        | 0%  | 3,167              |
| Est. Monthly Total (\$mil) | \$ 16.26             | \$ 0.76  | \$ 17.02              | \$ 10.42            | \$ 1.80            | \$ 4.80            | \$ 4.80            | \$0.00                      |     | 25,514             |
| <b>Silver</b>              |                      |          |                       |                     |                    |                    |                    |                             |     |                    |
| Employee Only              | \$ 212.43            | \$ 25.31 | \$ 237.74             | \$ 175.62           | \$0.00             | \$ 62.12           | \$ 62.12           | \$0.00                      | 0%  | 515                |
| Employee & Spouse          | 508.79               | 25.31    | 534.10                | 251.58              | 0.00               | 282.52             | 282.52             | 0.00                        | 0%  | 131                |
| Employee & Child(ren)      | 350.29               | 25.31    | 375.60                | 234.16              | 0.00               | 141.44             | 141.44             | 0.00                        | 0%  | 162                |
| Family                     | 646.65               | 25.31    | 671.96                | 347.36              | 0.00               | 324.60             | 324.60             | 0.00                        | 0%  | 147                |
| Est. Monthly Total (\$mil) | \$ 0.33              | \$ 0.02  | \$ 0.35               | \$ 0.21             | \$0.00             | \$ 0.14            | \$ 0.14            | \$0.00                      |     | 954                |
| <b>Bronze</b>              |                      |          |                       |                     |                    |                    |                    |                             |     |                    |
| Employee Only              | \$ 120.89            | \$ 27.81 | \$ 148.70             | \$ 148.70           | \$0.00             | \$ -               | \$0.00             | \$0.00                      | n/a | 984                |
| Employee & Spouse          | 289.55               | 27.81    | 317.36                | 240.14              | 0.00               | 77.22              | 77.22              | 0.00                        | 0%  | 235                |
| Employee & Child(ren)      | 199.35               | 27.81    | 227.16                | 199.32              | 0.00               | 27.84              | 27.84              | 0.00                        | 0%  | 253                |
| Family                     | 367.99               | 27.81    | 395.80                | 303.60              | 0.00               | 92.20              | 92.20              | 0.00                        | 0%  | 297                |
| Est. Monthly Total (\$mil) | \$ 0.35              | \$ 0.05  | \$ 0.40               | \$ 0.34             | \$0.00             | \$ 0.05            | \$ 0.05            | \$0.00                      |     | 1,769              |
| Total (Monthly) (\$ mil)   | \$ 16.93             | \$ 0.83  | \$ 17.77              | \$ 10.97            | \$ 1.80            | \$ 4.99            | \$ 4.99            | \$0.00                      |     | 28,238             |
| Est Annual Total (\$ mil)  | \$ 203.19            | \$ 10.02 | \$ 213.21             | \$ 131.69           | \$ 21.61           | \$ 59.90           | \$ 59.90           | \$0.00                      |     |                    |

| Non Medicare Eligible Retirees | Medical and Pharmacy | Expenses | Total Monthly Premium | State Contributions | Reserve Allocation | 2013 Ret. Total Cost | 2012 Ret. Total Cost | Change in Premiums (\$ / %) |      | Assumed Enrollment |
|--------------------------------|----------------------|----------|-----------------------|---------------------|--------------------|----------------------|----------------------|-----------------------------|------|--------------------|
| <b>Gold</b>                    |                      |          |                       |                     |                    |                      |                      |                             |      |                    |
| Retiree Only                   | \$ 411.41            | \$ 29.85 | \$ 441.26             | \$ 176.50           | \$29.02            | \$ 235.74            | \$ 235.74            | \$0.00                      | 0%   | 1,484              |
| Retiree & NME SP               | 985.35               | 29.85    | 1,015.20              | 319.99              | 119.33             | 575.88               | 575.88               | 0.00                        | 0%   | 500                |
| Retiree & Child(ren)           | 678.37               | 29.85    | 708.22                | 243.24              | 25.14              | 439.84               | 439.84               | 0.00                        | 0%   | 81                 |
| Retiree & NME SP&CH            | 1,252.31             | 29.85    | 1,282.16              | 365.44              | 0.00               | 916.72               | 916.72               | 0.00                        | 0%   | 34                 |
| Retiree & ME SP                | 770.73               | 29.85    | 800.58                | 266.33              | 132.71             | 401.54               | 401.54               | 0.00                        | 0%   | 259                |
| Retiree & ME SP & CH           | 1,037.71             | 29.85    | 1,067.56              | 333.08              | 127.71             | 606.77               | 606.77               | 0.00                        | 0%   | 13                 |
| Est. Monthly Total (\$mil)     | \$ 1.41              | \$ 0.07  | \$ 1.48               | \$ 0.53             | \$ 0.14            | \$ 0.82              | \$ 0.82              | 0.00                        |      | 2,371              |
| <b>Silver</b>                  |                      |          |                       |                     |                    |                      |                      |                             |      |                    |
| Employee Only                  | \$ 212.43            | \$ 25.31 | \$ 237.74             | \$ 35.66            | \$0.00             | \$ 202.08            | \$ 202.08            | \$0.00                      | 0%   | 16                 |
| Employee & Spouse              | 508.79               | 25.31    | 534.10                | 43.44               | 0.00               | 490.66               | 490.66               | 0.00                        | 0%   | 6                  |
| Employee & Child(ren)          | 350.29               | 25.31    | 375.60                | 0.00                | 0.00               | 375.60               | 387.64               | (12.04)                     | -3%  | 7                  |
| Family                         | 646.65               | 25.31    | 671.96                | 0.00                | 0.00               | 671.96               | 821.68               | (149.72)                    | -18% | 6                  |
| Est. Monthly Total (\$mil)     | \$ 0.01              | \$ 0.00  | \$ 0.01               | \$ 0.00             | \$0.00             | \$ 0.01              | \$ 0.01              | \$ (0.00)                   |      | 34                 |
| <b>Bronze</b>                  |                      |          |                       |                     |                    |                      |                      |                             |      |                    |
| Employee Only                  | \$ 120.89            | \$ 27.81 | \$ 148.70             | \$0.00              | \$2.24             | \$ 146.46            | \$ 146.46            | \$0.00                      | 0%   | 24                 |
| Employee & Spouse              | 289.55               | 27.81    | 317.36                | 0.00                | 16.44              | 300.92               | 300.92               | 0.00                        | 0%   | 14                 |
| Employee & Child(ren)          | 199.35               | 27.81    | 227.16                | 0.00                | 25.02              | 202.14               | 202.14               | 0.00                        | 0%   | 3                  |
| Family                         | 367.99               | 27.81    | 395.80                | 0.00                | 64.92              | 330.88               | 330.88               | 0.00                        | 0%   | 16                 |
| Est. Monthly Total (\$mil)     | \$0.01               | \$ 0.00  | \$0.02                | \$0.00              | \$0.00             | \$0.01               | \$0.01               | \$0.00                      |      | 57                 |
| Total (Monthly) (\$ mil)       | \$ 1.44              | \$ 0.07  | \$ 1.51               | \$ 0.53             | \$ 0.14            | \$ 0.84              | \$ 0.84              | \$ (0.00)                   |      | 2,462              |
| Est Annual Total (\$ mil)      | \$ 17.28             | \$ 0.88  | \$ 18.16              | \$ 6.34             | \$ 1.71            | \$ 10.11             | \$ 10.13             | \$ (0.01)                   |      |                    |

## Appendix A. - Contribution Rates (cont.)

### Calendar Year 2012

| 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 |
|----------------------------|----------------------|----------|-----------------------|---------------------|--------------------|--------------------|--------------------|-----------------------------|--------------------|
| <b>Gold</b>                |                      |          |                       |                     |                    |                    |                    |                             |                    |
| Employee Only              | \$ 396.14            | \$ 43.24 | \$ 439.38             | \$ 307.26           | \$ 36.34           | \$ 95.78           | \$ 95.78           | \$ 0.00 0%                  | 14,691             |
| Employee & Spouse          | 1,002.94             | 43.24    | 1,046.18              | 606.68              | 71.76              | 367.74             | 367.74             | 0.00 0%                     | 3,240              |
| Employee & Child(ren)      | 614.44               | 43.24    | 657.68                | 414.96              | 49.08              | 193.64             | 193.64             | 0.00 0%                     | 4,481              |
| Family                     | 1,118.60             | 43.24    | 1,161.84              | 663.71              | 78.51              | 419.62             | 419.62             | 0.00 0%                     | 3,138              |
| Est. Monthly Total (\$mil) | \$ 15.33             | \$ 1.10  | \$ 16.44              | \$ 10.42            | \$ 1.23            | \$ 4.78            | \$ 4.78            | \$ 0.00                     | 25,550             |
| <b>Silver</b>              |                      |          |                       |                     |                    |                    |                    |                             |                    |
|                            |                      |          |                       |                     |                    |                    | (2011 HA)          |                             |                    |
| Employee Only              | \$ 362.48            | \$ 43.24 | \$ 405.72             | \$ 307.26           | \$ 36.34           | \$ 62.12           | \$ 95.78           | \$ (33.66) -35%             | 763                |
| Employee & Spouse          | 917.72               | 43.24    | 960.96                | 606.68              | 71.76              | 282.52             | 367.74             | (85.22) -23%                | 142                |
| Employee & Child(ren)      | 562.24               | 43.24    | 605.48                | 414.96              | 49.08              | 141.44             | 193.64             | (52.20) -27%                | 228                |
| Family                     | 1,023.58             | 43.24    | 1,066.82              | 663.71              | 78.51              | 324.60             | 419.62             | (95.02) -23%                | 118                |
| Est. Monthly Total (\$mil) | \$ 0.66              | \$ 0.05  | \$ 0.71               | \$ 0.49             | \$ 0.06            | \$ 0.16            | \$ 0.22            | \$ (0.06)                   | 1,250              |
| <b>Bronze</b>              |                      |          |                       |                     |                    |                    |                    |                             |                    |
| Employee Only              | \$ 103.22            | \$ 43.24 | \$ 146.46             | \$ 146.46           | \$ 0.00            | \$ -               | \$ 7.16            | \$ (7.16) -100%             | 922                |
| Employee & Spouse          | 257.68               | 43.24    | 300.92                | 223.70              | 0.00               | 77.22              | 154.02             | (76.80) -50%                | 155                |
| Employee & Child(ren)      | 158.90               | 43.24    | 202.14                | 174.30              | 0.00               | 27.84              | 60.33              | (32.49) -54%                | 147                |
| Family                     | 287.64               | 43.24    | 330.88                | 238.68              | 0.00               | 92.20              | 183.54             | (91.34) -50%                | 175                |
| Est. Monthly Total (\$mil) | \$ 0.21              | \$ 0.06  | \$ 0.27               | \$ 0.24             | \$ 0.00            | \$ 0.03            | \$ 0.07            | \$ (0.04)                   | 1,400              |
| Total (Monthly) (\$ mil)   | \$ 16.20             | \$ 1.22  | \$ 17.42              | \$ 11.15            | \$ 1.29            | \$ 4.97            | \$ 5.07            | \$ (0.10)                   | 28,200             |
| Est. Annual Total (\$ mil) | \$ 194.36            | \$ 14.63 | \$ 209.00             | \$ 133.83           | \$ 15.49           | \$ 59.68           | \$ 60.88           | \$ (1.20)                   |                    |

| Non Medicare Eligible Retirees | Medical and Pharmacy | Expenses | Total Monthly Premium | State Contributions | Reserve Allocation | 2012 EE Total Cost | 2011 EE Total Cost | Change in Premiums (\$ / %) | Assumed Enrollment |
|--------------------------------|----------------------|----------|-----------------------|---------------------|--------------------|--------------------|--------------------|-----------------------------|--------------------|
| <b>Gold</b>                    |                      |          |                       |                     |                    |                    |                    |                             |                    |
| Retiree Only                   | \$ 396.14            | \$ 43.24 | \$ 439.38             | \$ 203.64           | \$ 0.00            | \$ 235.74          | \$ 235.74          | \$ 0.00 0%                  | 1,243              |
| Retiree & NME SP               | 1,002.94             | 43.24    | 1,046.18              | 401.73              | 68.57              | 575.88             | 575.88             | 0.00 0%                     | 410                |
| Retiree & Child(ren)           | 614.44               | 43.24    | 657.68                | 217.84              | 0.00               | 439.84             | 439.84             | 0.00 0%                     | 56                 |
| Retiree & NME SP&CH            | 1,118.62             | 43.24    | 1,161.86              | 245.14              | 0.00               | 916.72             | 916.72             | 0.00 0%                     | 30                 |
| Retiree & ME SP                | 740.74               | 43.24    | 783.98                | 323.07              | 59.37              | 401.54             | 401.54             | 0.00 0%                     | 201                |
| Retiree & ME SP & CH           | 959.06               | 43.24    | 1,002.30              | 388.57              | 6.96               | 606.77             | 606.77             | 0.00 0%                     | 10                 |
| Est. Monthly Total (\$mil)     | \$ 1.13              | \$ 0.08  | \$ 1.21               | \$ 0.51             | \$ 0.04            | \$ 0.67            | \$ 0.67            | \$ 0.00                     | 1,950              |
| <b>Silver</b>                  |                      |          |                       |                     |                    |                    |                    |                             |                    |
| Employee Only                  | \$ 362.48            | \$ 43.24 | \$ 405.72             | \$ 203.64           | \$ 0.00            | \$ 202.08          | \$ 235.74          | \$ (33.66) -14%             | 159                |
| Employee & Spouse              | 917.72               | 43.24    | 960.96                | 401.73              | 68.57              | 490.66             | 575.88             | (85.22) -15%                | 53                 |
| Employee & Child(ren)          | 562.24               | 43.24    | 605.48                | 217.84              | 0.00               | 387.64             | 439.84             | (52.20) -12%                | 33                 |
| Family                         | 1,023.58             | 43.24    | 1,066.82              | 245.14              | 0.00               | 821.68             | 916.72             | (95.04) -10%                | 5                  |
| Est. Monthly Total (\$mil)     | \$ 0.13              | \$ 0.01  | \$ 0.14               | \$ 0.06             | \$ 0.00            | \$ 0.08            | \$ 0.09            | \$ (0.01)                   | 250                |
| <b>Bronze</b>                  |                      |          |                       |                     |                    |                    |                    |                             |                    |
| Employee Only                  | \$ 103.22            | \$ 43.24 | \$ 146.46             | \$ 0.00             | \$ 0.00            | \$ 146.46          | \$ 235.74          | \$ (89.28) -38%             | 64                 |
| Employee & Spouse              | 257.68               | 43.24    | 300.92                | 0.00                | 0.00               | 300.92             | 575.88             | (274.96) -48%               | 21                 |
| Employee & Child(ren)          | 158.90               | 43.24    | 202.14                | 0.00                | 0.00               | 202.14             | 439.84             | (237.70) -54%               | 13                 |
| Family                         | 287.64               | 43.24    | 330.88                | 0.00                | 0.00               | 330.88             | 916.72             | (585.84) -64%               | 2                  |
| Est. Monthly Total (\$mil)     | \$ 0.00              | \$ 0.00  | \$ 0.00               | \$ 0.00             | \$ 0.00            | \$ 0.00            | \$ 0.00            | \$ 0.00                     | 100                |
| Total (Monthly) (\$ mil)       | \$ 1.26              | \$ 0.10  | \$ 1.36               | \$ 0.57             | \$ 0.04            | \$ 0.74            | \$ 0.76            | \$ (0.01)                   | 2,300              |
| Est. Annual Total (\$ mil)     | \$ 15.12             | \$ 1.14  | \$ 16.26              | \$ 6.82             | \$ 0.52            | \$ 8.92            | \$ 9.06            | \$ (0.14)                   |                    |

| ME Retirees Medicare Eligible | Medical and Pharmacy | Expenses | Total Monthly Premium | State Contributions | Reserve Allocation | 2012 EE Total Cost | 2011 EE Total Cost | Change in Premiums (\$ / %) | Assumed Enrollment |
|-------------------------------|----------------------|----------|-----------------------|---------------------|--------------------|--------------------|--------------------|-----------------------------|--------------------|
| Retiree Only                  | \$ 344.61            | \$ 0.00  | \$ 344.61             | \$ 206.76           | \$ 20.72           | \$ 117.12          | \$ 117.12          | \$ 0.00 0%                  | 4,758              |
| Retiree & NME SP              | 740.75               | 0.00     | 740.75                | 294.03              | 0.00               | 446.72             | 446.72             | 0.00 0%                     | 340                |
| Retiree & Child(ren)          | 562.91               | 0.00     | 562.91                | 248.05              | 0.00               | 314.86             | 314.86             | 0.00 0%                     | 52                 |
| Retiree & NME SP&CH           | 1,067.08             | 0.00     | 1,067.08              | 422.60              | 0.00               | 644.48             | 644.48             | 0.00 0%                     | 27                 |
| Retiree & ME SP               | 689.21               | 0.00     | 689.21                | 344.61              | 66.12              | 278.49             | 278.49             | 0.00 0%                     | 1,811              |
| Retiree & ME SP & CH          | 907.52               | 0.00     | 907.52                | 431.28              | 0.00               | 476.24             | 476.24             | 0.00 0%                     | 13                 |
| Est. Monthly Total (\$ mil)   | \$ 3.21              | \$ 0.00  | \$ 3.21               | \$ 1.74             | \$ 0.22            | \$ 1.25            | \$ 1.25            | \$ 0.00                     | 7,000              |
| Total (Est. Annual)           | \$ 38.51             | \$ 0.00  | \$ 38.51              | \$ 20.85            | \$ 2.62            | \$ 15.04           | \$ 15.04           | \$ 0.00                     |                    |

## Appendix B. - Enrollment Details: Actives

| Average for Year Ending |                      | 12/31/2010    | 12/31/2011    |               | 12/31/2012    | Projected     | Updated Proj. |
|-------------------------|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                         |                      |               |               |               |               | 12/31/2013    | 12/31/2013    |
| <b>Health Advantage</b> | Single               | 14,540        | 14,514        | <b>Gold</b>   | 14,545        | 14,380        | 14,097        |
|                         | Employee/Spouse      | 3,536         | 3,335         |               | 3,180         | 3,164         | 3,125         |
|                         | Employee/Child(ren)  | 4,223         | 4,643         |               | 4,913         | 4,803         | 4,863         |
|                         | Family               | 3,121         | 3,237         |               | 3,234         | 3,167         | 3,202         |
|                         | <b>Total</b>         | <b>25,419</b> | <b>25,729</b> |               | <b>25,872</b> | <b>25,514</b> | <b>25,287</b> |
|                         | <b>Member Counts</b> | <b>44,532</b> | <b>45,996</b> |               | <b>46,638</b> | <b>45,876</b> | <b>45,962</b> |
| <b>NovaSys</b>          | Single               | 755           | 549           | <b>Silver</b> | 337           | 515           | 593           |
|                         | Employee/Spouse      | 138           | 104           |               | 80            | 131           | 113           |
|                         | Employee/Child(ren)  | 210           | 165           |               | 93            | 162           | 159           |
|                         | Family               | 122           | 88            |               | 104           | 147           | 178           |
|                         | <b>Total</b>         | <b>1,225</b>  | <b>905</b>    |               | <b>613</b>    | <b>954</b>    | <b>1,043</b>  |
|                         | <b>Member Counts</b> | <b>2,041</b>  | <b>1,538</b>  |               | <b>1,154</b>  | <b>1,795</b>  | <b>1,921</b>  |
| <b>NovaSys HD PPO</b>   | Single               | 583           | 644           | <b>Bronze</b> | 844           | 984           | 993           |
|                         | Employee/Spouse      | 124           | 136           |               | 200           | 235           | 251           |
|                         | Employee/Child(ren)  | 106           | 129           |               | 192           | 253           | 229           |
|                         | Family               | 122           | 158           |               | 267           | 297           | 308           |
|                         | <b>Total</b>         | <b>935</b>    | <b>1,067</b>  |               | <b>1,503</b>  | <b>1,769</b>  | <b>1,781</b>  |
|                         | <b>Member Counts</b> | <b>1,570</b>  | <b>1,858</b>  |               | <b>2,792</b>  | <b>3,278</b>  | <b>3,334</b>  |
| <b>Total</b>            | Single               | 15,878        | 15,707        | <b>TOTAL</b>  | 15,726        | 15,878        | 15,683        |
|                         | Employee/Spouse      | 3,798         | 3,575         |               | 3,460         | 3,530         | 3,489         |
|                         | Employee/Child(ren)  | 4,538         | 4,937         |               | 5,197         | 5,218         | 5,251         |
|                         | Family               | 3,365         | 3,482         |               | 3,606         | 3,611         | 3,688         |
|                         | <b>Total</b>         | <b>27,579</b> | <b>27,701</b> |               | <b>27,989</b> | <b>28,238</b> | <b>28,111</b> |
|                         | <b>Member Counts</b> | <b>48,142</b> | <b>49,392</b> |               | <b>50,584</b> | <b>50,949</b> | <b>51,217</b> |

## Appendix B. - Enrollment Details: Retirees

| Average for Year Ending                                      |                                   | 12/31/2010   | 12/31/2011   | 12/31/2012   | Projected    | Updated Proj. |
|--|-----------------------------------|--------------|--------------|--------------|--------------|---------------|
|  |                                   |              |              |              | 12/31/2013   | 12/31/2013    |
| <b>Retirees<br/>Non Medicare<br/>Eligible (NME)<br/>Gold</b> | Retiree Only                      | 1,339        | 1,441        | 1,513        | 1,484        | 1,600         |
|  | Retiree + NME Spouse              | 486          | 509          | 517          | 500          | 536           |
|  | Retiree + Child(ren)              | 55           | 65           | 75           | 81           | 78            |
|  | Retiree + NME Spouse + Child(ren) | 31           | 37           | 35           | 34           | 33            |
|  | Retiree + ME Spouse               | 191          | 197          | 213          | 259          | 234           |
|  | Retiree + ME Spouse + Child(ren)  | 9            | 12           | 13           | 13           | 10            |
|  | <b>Total</b>                      | <b>2,111</b> | <b>2,260</b> | <b>2,366</b> | <b>2,371</b> | <b>2,491</b>  |
| <b>Silver</b>  | Retiree Only                      | 0            | 0            | 0            | 16           | 2             |
|  | Retiree + NME Spouse              | 0            | 0            | 2            | 6            | 5             |
|  | Retiree + Child(ren)              | 0            | 0            | 1            | 7            | 1             |
|  | Retiree + NME Spouse + Child(ren) | 0            | 0            | 1            | 6            | 1             |
|  | <b>Total</b>                      | <b>0</b>     | <b>0</b>     | <b>4</b>     | <b>34</b>    | <b>9</b>      |
| <b>Bronze</b>  | Retiree Only                      | 0            | 0            | 6            | 24           | 7             |
|  | Retiree + NME Spouse              | 0            | 0            | 6            | 14           | 12            |
|  | Retiree + Child(ren)              | 0            | 0            | 1            | 3            | 1             |
|  | Retiree + NME Spouse + Child(ren) | 0            | 0            | 7            | 16           | 12            |
|  | <b>Total</b>                      | <b>0</b>     | <b>0</b>     | <b>19</b>    | <b>57</b>    | <b>32</b>     |
| <b>TOTAL</b>   | <b>NME Retirees</b>               | <b>2,111</b> | <b>2,260</b> | <b>2,389</b> | <b>2,462</b> | <b>2,532</b>  |
|  | <b>NME Member Counts</b>          | <b>2,963</b> | <b>3,182</b> | <b>3,662</b> | <b>3,893</b> | <b>3,573</b>  |

|  |                                   |              |              |              |              |              |
|--|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Retirees<br/>Medicare<br/>Eligible (ME)</b> | Retiree Only                      | 4,476        | 4,678        | 4,939        | 5,240        | 5,126        |
|  | Retiree + NME Spouse              | 328          | 334          | 359          | 453          | 355          |
|  | Retiree + Child(ren)              | 46           | 54           | 58           | 66           | 58           |
|  | Retiree + NME Spouse + Child(ren) | 22           | 25           | 28           | 35           | 28           |
|  | Retiree + ME Spouse               | 1,714        | 1,778        | 1,854        | 1,882        | 1,926        |
|  | Retiree + ME Spouse + Child(ren)  | 13           | 14           | 18           | 22           | 18           |
|  | <b>Total</b>                      | <b>6,600</b> | <b>6,883</b> | <b>7,254</b> | <b>7,698</b> | <b>7,511</b> |
|  | <b>ME Member Counts</b>           | <b>8,779</b> | <b>9,149</b> | <b>9,352</b> | <b>9,906</b> | <b>9,963</b> |

## Appendix C. - Summary of Plan or Policy Changes

| <u>Date</u>        | <u>Major Change</u>  |
|--------------------|--|
| For 2013 Plan Year | Women's preventive care covered at 100%.   |
| For 2012 Plan Year | ARHealth plan became Gold Plan; network is only Health Advantage (Novasys no longer an option).<br>HD PPO became Bronze Plan; network changed from Novasys to Health Advantage Silver Plan with \$25 PCP copay and \$750 deductible offered through Qualchoice.<br>NME Retirees eligible to elect Gold, Silver or Bronze (ME Retirees are Gold only).<br>Bariatric surgery covered through pilot program.<br>Coverage for Autism added.<br>Behavioral Health changed to self-insured and integrated with Medical.  |
| For 2011 Plan Year | Lifetime Max for Out-of-Network (OON) changed to match the In Network's (INN) Unlimited Lifetime Maximum.<br>Immunizations covered at 100% for OON coverage.<br>Some services under behavioral health now do not require pre-authorization.<br>Intensive Out-Patient Services under behavioral health now require 20% member coinsurance.<br>\$10,000 Benefit Maximum Removed for Durable Medical Equipment / Enteral Feeding.<br>Hearing/Vision Screening copayment changed to \$35 OON (ARHealth), and \$35 INN & OON (ARHealth HD).<br>Active and Non-Medicare retiree experience was blended in determining the rates.<br>Increased credibility was given to the High Deductible Plan in determining the rates.<br>Child covered until age 26. |
| For 2010 Plan Year | Hearing Aids benefit added.<br>Hearing and Vision exams are now covered as wellness benefits.  |
| For 2009 Plan Year | <u>AR Health Plan (including Retirees)</u><br>Coinsurance percentage for In-Network services will increase from 10% to 20%.<br>Annual Coinsurance Limit will increase from \$1,000 to \$1,500 for employee only and from \$2,000 to \$3,000 for the other coverage tiers.<br><br><u>ARHealth HD PPO Plan</u><br>Deductible will increase from \$1,250 to \$1,500 for employee only and from \$2,500 to \$3,000 for the other coverage tiers.   |

## Appendix D. - Provider Contract Summary

| Service Providers  | Cost             |                                 | Effective Dates                        |
|--|------------------|---------------------------------|--|
| <b>Benefit and Claims Coordination (Actives &amp; NME Retirees)</b>          |                  |                                 |  |
| - Gold   | \$27.04          | Per Employee Per Month          | For Calendar Year<br>2012 unless noted |
| - Silver   | \$22.51          | Per Employee Per Month          |  |
| - Bronze   | \$25.00          | Per Employee Per Month          |  |
| <b>Benefit and Claims Coordination (ME Retirees)</b>                         |                  |                                 |  |
| - Medicare   | \$27.04          | Per Employee Per Month          |  |
| <b>Prescription Drugs Claims Administration</b>                              |                  |                                 |  |
|  | <u>All Plans</u> |                                 |  |
| - CatamaranRx  | \$0.65           | Per Retail Script               |  |
| - CatamaranRx Mail   | \$1.25           | Per Direct Script               |  |
| - Integrail  | \$0.99           | Per Employee Per Month          |  |
| <b>Medical Appeals - UAMS</b>  |                  |                                 |  |
| - Physician Appeals  | \$150.00         | Per Physician Appeal            |  |
| <b>Pharmacy Prior Authorization and Appeals - EBRx</b>                       |                  |                                 |  |
| - Prior Authorization  | \$0.70           | Per Employee Per Month          | Effective 8/1/2012                     |
| - Physician Appeals  | \$150.00         | Per Physician Appeal            |  |
| <b>Medical Utilization Review - American Health Holding, Inc.</b>            | \$0.85           | Per Member Per Month            |  |
| <b>Condition Management - American Health Holding, Inc.</b>                  | \$3.20           | Per Member Per Month            |  |
| <b>Case Management - Arkansas Blue Cross Blue Shield</b>                     | \$1.09           | Per Member Per Month            |  |
| <b>ACHI</b>  | \$0.11           | Per Member Per Month            |  |
| <b>Life Insurance - Minnesota Life</b>                                       |                  |                                 |  |
| - \$10,000 up to age 64  | \$3.20           | Per Employee Per Month          |  |
| - \$5,000 age 65 to 69   | \$1.60           | Per Employee Per Month          |  |
| - \$4,000 age 70 to 74   | \$1.28           | Per Employee Per Month          |  |
| - \$4,000 age 75 & over  | \$1.20           | Per Employee Per Month          |  |
| <b>Employee Assistance Program - ComPsych</b>                                | \$1.73           | Per Employee Per Month          |  |
| <b>Tobacco Cessation Program</b>   | \$0.36           | Per Employee Per Month          |  |
| <b>Weight Management Program</b>   | \$0.27           | Per Employee Per Month          |  |
| <b>Health Savings Account (HSA) Administrator - DataPath Admin. Services</b> |                  |                                 |  |
| - Enrollment Fee (Electronic)  | \$15.00          | Per Enrollment                  |  |
| - Enrollment Fee (Paper)   | \$25.00          | Per Enrollment                  |  |
| - Monthly Fee  | \$4.00           | Per Enrolled Employee Per Month |  |

## Appendix E. - Reserve Details

| (In Millions \$)                        | 12/31/2010      | 12/31/2011       | 12/31/2012       | Updated Proj.<br>12/31/2013 |
|---|-----------------|------------------|------------------|-----------------------------|
| <b>Net Assets (Prior To IBNR)</b>       | \$ 108.2        | \$ 118.3         | \$ 106.2         | \$ 82.1                     |
| <b>Incurred But Not Recorded Claims</b> | (24.3)          | (24.3)           | (24.3)           | (24.3)                      |
| <b>Net Assets After IBNR</b>            | <b>\$ 84.0</b>  | <b>\$ 94.1</b>   | <b>\$ 81.9</b>   | <b>\$ 57.8</b>              |
| <b>ALLOCATED RESERVES</b>               |                 |                  |                  |                             |
| Active/Retiree Premiums for Plan Year   | \$ -            | \$ -             | \$ -             | \$ 0.0                      |
| Act/Ret Premiums for Next Plan Year     | -               | (18.7)           | (26.8)           | (16.9)                      |
| Act/Ret Premiums for Future Years       | -               | (18.7)           | (23.1)           | (6.3)                       |
| Catastrophic Reserve                    | (8.1)           | (8.9)            | (9.0)            | (10.0)                      |
| Pharmacy Reward Program                 | (1.5)           | -                | -                | -                           |
| <b>Total Allocated Reserves</b>         | <b>\$ (9.6)</b> | <b>\$ (46.2)</b> | <b>\$ (58.9)</b> | <b>\$ (33.1)</b>            |
| <b>Net Assets Available</b>             | <b>\$ 74.4</b>  | <b>\$ 47.9</b>   | <b>\$ 23.0</b>   | <b>\$ 24.7</b>              |

*Note: Actual Reserves are those certified by Cheiron in July 2012. Original and updated Reserve projections are based on expected changes in incurred and paid claims. Note that any projected IBNR Reserves presented in this report may NOT be used for financial statements.*

## Appendix F. - Definitions & Methods

### Definitions:

- Actual:** Results based on actual paid and incurred claims experience. Actual incurred reflects an updated estimate of incurred but not recorded (IBNR) claims.
- Projected:** Projections produced for use in setting annual rates. For 2010 and prior these were produced by Milliman. Details on the assumptions & methods used for Cheiron's 2013, 2012 and 2011 projections can be found in our November 15, 2012 (for 2013), October 11, 2011 (for 2012) and August 31, 2010 (for 2011) letters to Jason Lee.
- Updated Projections:** Projections produced in August 2012 by Cheiron for 2013 rates, adjusted for actual asset experience through January 2013 and enrollment changes through January 2013.

### Methods:

- Updated Projections:** Population projections for the remainder of 2013 assume the same population as January 2013. Projections after January 2013 use the same method as original projections but are adjusted for counts changes and associated expected changes in risk characteristics for each plan in accordance with the population change. *Note that the updated projections presented in this report do NOT reflect updated claims experience.*
- Incurred Claims:** Based on service dates and process dates through January 31, 2013. Claims are before subtracting retiree drug subsidy. A blend of methods based on actuarial judgment was used to estimate the incurred claims by month.
- IBNR (Incurred But Not Recorded) Claim Reserves:** Actual Reserves are those certified by Cheiron in July 2012. Original and updated Reserve projections are based on expected changes in incurred and paid claims. *Note that any projected IBNR Reserves presented in this report may NOT be used for financial statements.*

### Qualification 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. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice #23.

**Scope:** Actuarial computations provided in this report are for purposes of assisting the Trustees in monitoring the Plan's experience. The projections and reserve calculations reported in the enclosed exhibits have been made on a basis consistent with our understanding of the associated Actuarial Standards of Practice. Determinations for purposes other than monitoring the Plan's performance (for example, rate setting, benefit design changes or vendor evaluation) may be significantly different from the results in this report. Actual results will be different than our projections and vary to the extent that the Plan experience differs from the assumptions.

**Certification:** We hereby certify that, to the best of our knowledge, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Actuarial Standards of Practice as Promulgated by the Actuarial Standards Board. We are members of the American Academy of Actuaries, and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. This report does not address any contractual or legal issues. We are neither attorneys nor accountants, and our firm does not provide any legal or tax services or advice.



**Public School Employees (PSE)**

**Monitoring Report  
Through December 31, 2012**

**Presented on  
February 19, 2013**



Classic Values, Innovative Advice

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# Comments

- Plan Year 2012 ending net assets were \$5.2 million lower than projected (which is less than 2% of annual expenditures). As a result, no excess assets are available and some catastrophic reserves have been used.
- In aggregate, the active counts were slightly below projected. However, fewer actives elected Gold and Silver or more elected Bronze than assumed. The tiers with spouses increased the most. Both shifts contributed to lower than projected assets.
- The plan added an unprecedented number of retirees toward the end of 2012. The increase in retiree participation (1,213 retirees or about 15%) contributed to lower than projected assets.
- Expected reductions/offsets to expenses were not fully realized in 2012.
- Plan assets are forecasted to approach critical levels. We recommend performing a more detailed projection that includes an analysis of the risk/morbidity characteristics for those who elected Gold, Silver, and Bronze effective 1/1/2013, and an increased focus on the monthly monitoring of projected cash flows.

Please see Appendix F which describes the methods and assumptions used to develop these conclusions and includes information on the scope, limitations, and certification of this report.

# Total Plan Experience

| Principal Results (\$ millions)                  | Plan Year 2012<br>- 1/01/12 - 12/31/12 - |                   | Plan Year 2013<br>- 1/01/13 - 12/31/13 - |                            |
|--|--|-------------------|--|----------------------------|
|  | ACCOUNTING BASIS                         | Actual            | Projected <sup>1</sup>                   | Updated Proj. <sup>2</sup> |
| Employer Contributions <sup>3</sup>              | \$ 143.7                                 | \$ 123.9          | \$ 125.8                                 | \$ 123.7                   |
| Participant Contributions & Rebates <sup>4</sup> | 130.1                                    | 154.8             | 154.1                                    | 161.7                      |
| Other Income                                     | 1.9                                      | -                 | 0.1                                      | -                          |
| <b>TOTAL INCOME</b>                              | <b>\$ 275.7</b>                          | <b>\$ 278.7</b>   | <b>\$ 280.0</b>                          | <b>\$ 285.4</b>            |
| Claims Paid + IBNR Change <sup>5</sup>           | (276.4)                                  | (275.6)           | (272.9)                                  | (274.3)                    |
| Expenses   | (25.3)                                   | (19.2)            | (25.2)                                   | (18.4)                     |
| <b>TOTAL EXPENDITURES</b>                        | <b>\$ (301.7)</b>                        | <b>\$ (294.8)</b> | <b>\$ (298.1)</b>                        | <b>\$ (292.7)</b>          |
| <b>NET PLAN GAIN / (LOSS)</b>                    | <b>\$ (26.0)</b>                         | <b>\$ (16.1)</b>  | <b>\$ (18.1)</b>                         | <b>\$ (7.3)</b>            |
| <b>INCURRED BASIS</b>                            |  |                   |  |                            |
| <b>TOTAL INCOME</b>                              | <b>\$ 275.7</b>                          | <b>\$ 278.7</b>   | <b>\$ 280.0</b>                          | <b>\$ 285.4</b>            |
| Claims Incurred                                  | (279.8)                                  | (276.3)           | (269.5)                                  | (275.9)                    |
| Expenses   | (25.3)                                   | (19.2)            | (25.2)                                   | (18.4)                     |
| <b>TOTAL EXPENDITURES INCURRED</b>               | <b>\$ (305.1)</b>                        | <b>\$ (295.5)</b> | <b>\$ (294.7)</b>                        | <b>\$ (294.3)</b>          |
| <b>NET CHANGE</b>                                | <b>\$ (29.4)</b>                         | <b>\$ (16.8)</b>  | <b>\$ (14.7)</b>                         | <b>\$ (8.9)</b>            |
| <b>PLAN ASSETS (END OF YEAR)</b>                 |  |                   |  |                            |
| Net Assets (Prior to IBNR)                       | \$ 46.6                                  | \$ 52.3           | \$ 28.6                                  | \$ 40.5                    |
| IBNR Reserve                                     | (27.3)                                   | (27.8)            | (27.8)                                   | (28.5)                     |
| Reserve for Future Premiums                      | (12.6)                                   | (12.6)            | (0.8)                                    | (3.6)                      |
| Catastrophic Reserve                             | (6.7)                                    | (10.0)            | -  | (8.5)                      |
| <b>NET ASSETS AVAILABLE</b>                      | <b>\$ -</b>                              | <b>\$ 2.0</b>     | <b>\$ -</b>                              | <b>\$ -</b>                |
| <b>ENROLLMENT</b>                                |  |                   |  |                            |
| Active Employees (includes COBRA)                | 46,721                                   | 47,000            | 47,000                                   | 46,878                     |
| Retirees   | 9,513                                    | 8,300             | 10,890                                   | 9,779                      |
| <b>TOTAL ENROLLED</b>                            | <b>56,234</b>                            | <b>55,300</b>     | <b>57,890</b>                            | <b>56,657</b>              |
| <b>TOTAL INCOME PEPM</b>                         | <b>\$ 409</b>                            | <b>\$ 420</b>     | <b>\$ 403</b>                            | <b>\$ 420</b>              |
| <b>TOTAL EXPENDITURES PEPM</b>                   | <b>\$ (452)</b>                          | <b>\$ (445)</b>   | <b>\$ (424)</b>                          | <b>\$ (433)</b>            |

<sup>1</sup> Projections are those done when setting the rates for the applicable plan year.

<sup>2</sup> Updated Projections reflect updated participant count and asset information.

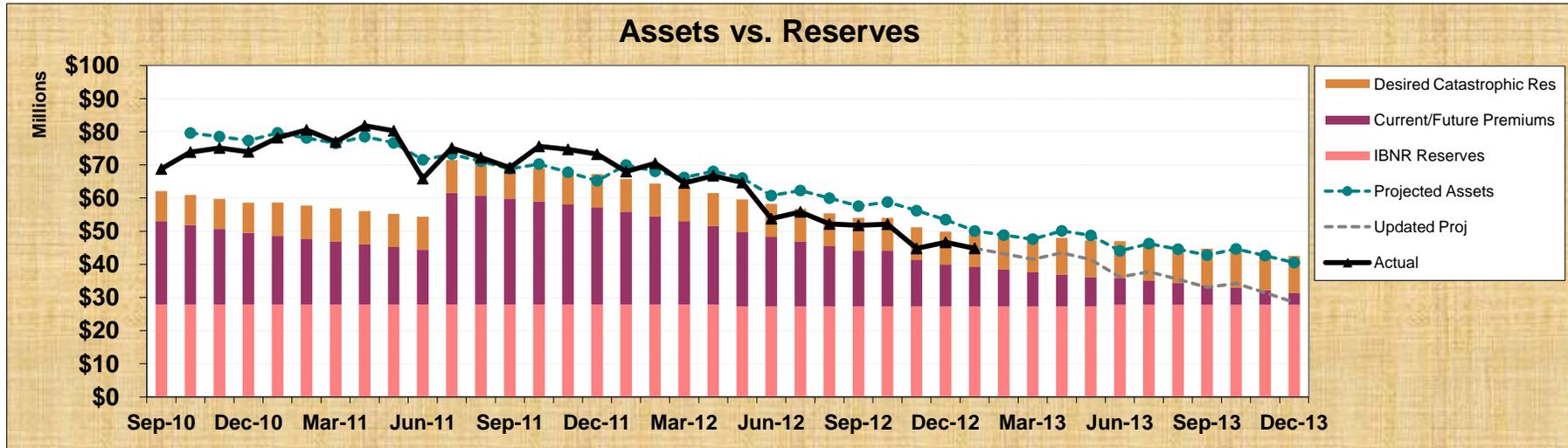
<sup>3</sup> District contributions in excess of \$131 are included as employer contributions for Actual figures and as participant contributions for all projections.

<sup>4</sup> Actual figures include pharmacy rebates. Pharmacy rebates are included in projections only as offset to expenses.

<sup>5</sup> The IBNR Change reflects only the June 30 modification shown on the financial statements.

# Total Plan Experience

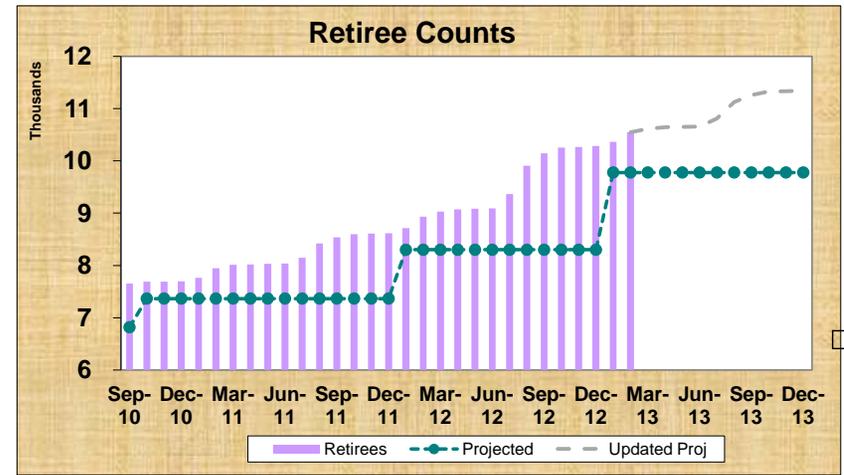
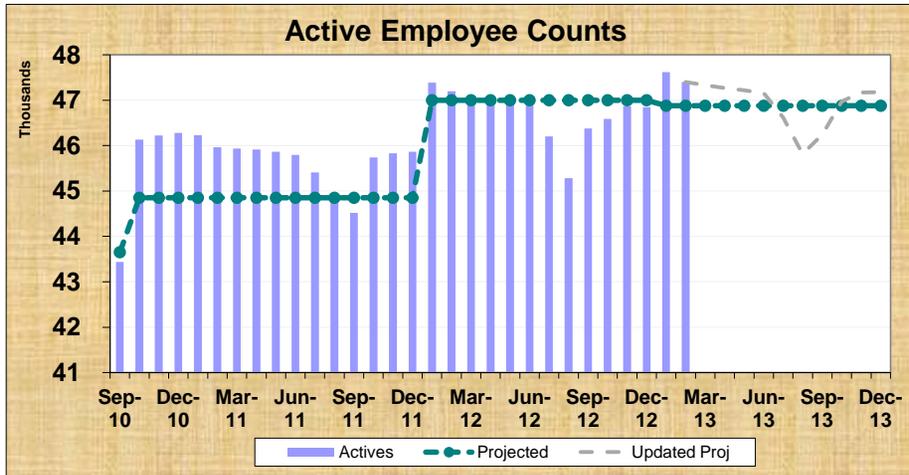
The chart below shows the Plan's assets (solid line) compared to projected assets (dotted lines) and target reserve levels (bars). Projected assets represent the projections used to set the rates. The updated projections reflect asset experience and participant changes since those rates were set (August 2012). The average cost per rating tier has not been updated.



(In Millions \$)

|   | As of                   | 9/30/2010        | 12/31/2011        | 12/31/2012        | Updated Proj.<br>12/31/2013 |
|---|-------------------------|------------------|-------------------|-------------------|-----------------------------|
| Net Assets before IBNR                  | \$                      | 73.9             | \$ 73.2           | \$ 46.6           | \$ 28.6                     |
| IBNR Reserve                            |                         | (27.8)           | (27.8)            | (27.3)            | (27.8)                      |
| Reserve for Current and Future Premiums |                         | (21.6)           | (29.4)            | (12.6)            | (0.8)                       |
| Catastrophic Reserve                    |                         | (9.1)            | (10.0)            | (6.7)             | -                           |
| Pharmacy Reward Program                 |                         | (1.5)            | -                 | -                 | -                           |
| <b>Net Assets Available</b>             | <b>\$</b>               | <b>13.9</b>      | <b>\$ 6.0</b>     | <b>\$ -</b>       | <b>\$ -</b>                 |
| Projected Assets                        | \$                      | 77.4             | \$ 65.2           | \$ 53.5           | \$ 40.5                     |
| Projected IBNR Reserve                  | \$                      | (26.4)           | (27.5)            | (27.8)            | (28.5)                      |
| Reserve for Current and Future Premiums | \$                      | -                | (11.4)            | (12.6)            | (3.6)                       |
| Catastrophic Reserve                    | \$                      | (9.1)            | (9.1)             | (10.0)            | (8.5)                       |
| Pharmacy Reward Program                 | \$                      | (1.5)            | -                 | -                 | -                           |
| <b>Projected Net Assets</b>             | <b>\$</b>               | <b>40.3</b>      | <b>\$ 17.2</b>    | <b>\$ 2.0</b>     | <b>\$ -</b>                 |
|   | <b>Plan Year Ending</b> | <b>9/30/2010</b> | <b>12/31/2011</b> | <b>12/31/2012</b> | <b>12/31/2013</b>           |
| Funding                                 | \$                      | 338.2            | \$ 275.3          | \$ 275.7          | \$ 280.0                    |
| Expenses                                |                         | 334.5            | 276.0             | 301.8             | 298.1                       |
| <b>Net Income / (Loss)</b>              | <b>\$</b>               | <b>7.0</b>       | <b>\$ (0.7)</b>   | <b>\$ (26.6)</b>  | <b>\$ (17.6)</b>            |
| <b>Projected Net Income / (Loss)</b>    | <b>\$</b>               | <b>(1.5)</b>     | <b>\$ (12.1)</b>  | <b>\$ (14.7)</b>  | <b>\$ (7.3)</b>             |

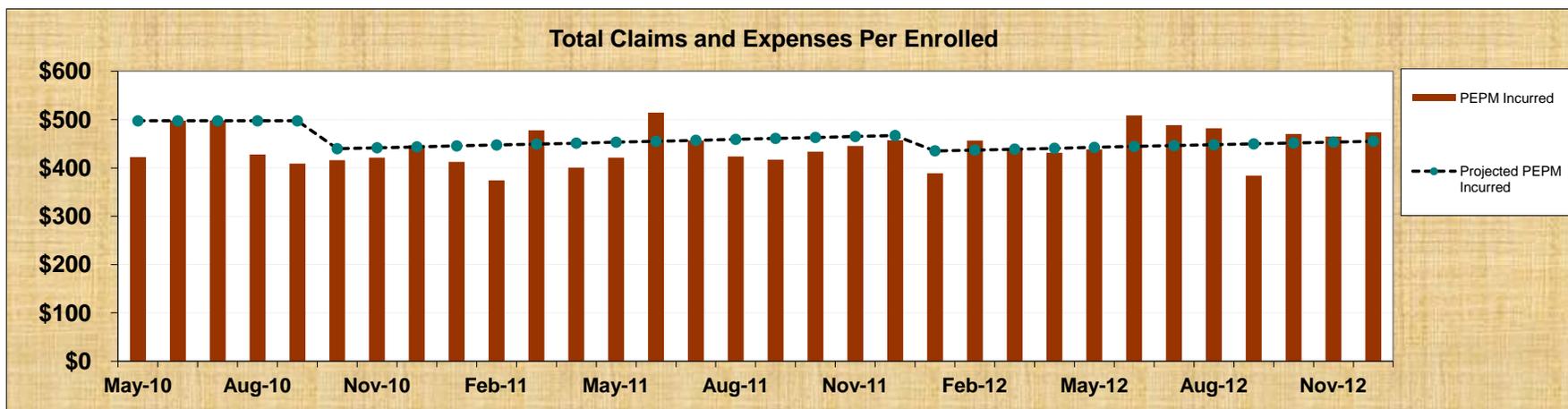
# Enrollment



| Average for Year Ending                         |                       | 9/30/2010     | 12/31/2011    |              | 12/31/2012    | Updated Proj.<br>12/31/2013 |
|---|-----------------------|---------------|---------------|--------------|---------------|-----------------------------|
| <b>Actives</b><br>(includes COBRA contracts)    | Health Advantage      | 38,339        | 37,968        | Gold         | 36,591        | 28,329                      |
|   | NovaSys               | 3,764         | 2,945         | Silver       | 872           | 4,261                       |
|   | NovaSys HD            | 2,524         | 4,851         | Bronze       | 9,259         | 14,410                      |
|   | <b>Total</b>          | <b>44,627</b> | <b>45,764</b> |              | <b>46,721</b> | <b>47,000</b>               |
|   | <b>Projected</b>      | <b>43,652</b> | <b>44,851</b> |              | <b>47,000</b> | <b>46,878</b>               |
| <b>Retirees</b><br>(includes Surviving Spouses) | Non-Medicare Retirees | 2,020         | 2,063         | Gold         | 2,304         | 2,266                       |
|   |                       |               |               | Silver       | 9             | 27                          |
|   |                       |               |               | Bronze       | 284           | 699                         |
|   | Medicare Retirees     | 5,333         | 6,058         | Gold         | 6,916         | 7,897                       |
|   | <b>Total</b>          | <b>7,352</b>  | <b>8,121</b>  |              | <b>9,513</b>  | <b>10,890</b>               |
| <b>Projected</b>                                | <b>6,726</b>          | <b>7,367</b>  |               | <b>8,300</b> | <b>9,779</b>  |                             |
| <b>Total Counts</b>                             |                       | <b>51,979</b> | <b>53,885</b> |              | <b>56,234</b> | <b>57,890</b>               |
| <b>Total Projected</b>                          |                       | <b>50,378</b> | <b>52,218</b> |              | <b>55,300</b> | <b>56,657</b>               |

# Claim & Expense Details - All Claims & Expenses

The chart below displays the total claims and expenses incurred on a per enrolled (active/retiree) basis. The total claims include medical, pharmacy, behavioral health, and expenses.



|  | <u>3/31/2011</u> | <u>6/30/2011</u> | <u>9/30/2011</u> | <u>12/31/2011</u> | <u>Prior 12 Months</u> | <u>3/31/2012</u> | <u>6/30/2012</u> | <u>9/30/2012</u> | <u>12/31/2012</u> | <u>Last 12 Months</u> |
|--|------------------|------------------|------------------|-------------------|------------------------|------------------|------------------|------------------|-------------------|-----------------------|
| <b>Total Incurred (In Millions \$)</b> |                  |                  |                  |                   |                        |                  |                  |                  |                   |                       |
| Total Claims & Expenses                | \$ 68.3          | \$ 72.0          | \$ 69.1          | \$ 72.7           | \$ 282.1               | \$ 72.1          | \$ 77.2          | \$ 75.5          | \$ 80.4           | \$ 305.1              |
| - Change                               | (1.0)            | 3.8              | (2.9)            | 3.6               | 74.2                   | (0.6)            | 5.1              | (1.7)            | 4.9               | 23.0                  |
| <b>Projected</b>                       | <b>\$ 70.1</b>   | <b>\$ 71.0</b>   | <b>\$ 71.9</b>   | <b>\$ 72.9</b>    | <b>\$ 285.9</b>        | <b>\$ 72.5</b>   | <b>\$ 73.4</b>   | <b>\$ 74.3</b>   | <b>\$ 75.2</b>    | <b>\$ 295.5</b>       |
| - Change                               | 0.9              | 0.9              | 0.9              | 0.9               | 80.1                   | (0.3)            | 0.9              | 0.9              | 0.9               | 9.6                   |
| <b>Actual vs. Projected</b>            | <b>\$ (1.8)</b>  | <b>\$ 1.0</b>    | <b>\$ (2.8)</b>  | <b>\$ (0.2)</b>   | <b>\$ (3.8)</b>        | <b>\$ (0.5)</b>  | <b>\$ 3.8</b>    | <b>\$ 1.1</b>    | <b>\$ 5.1</b>     | <b>\$ 9.6</b>         |

| <b>Per Enrolled Basis</b> |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Total Claims & Expenses   | \$ 421.7        | \$ 445.4        | \$ 432.7        | \$ 445.3        | \$ 436.3        | \$ 428.1        | \$ 459.4        | \$ 451.1        | \$ 469.7        | \$ 452.1        |
| % Change                  | (1.5%)          | 5.6%            | (2.9%)          | (3.9%)          | (0.9%)          | (1.9%)          | 7.3%            | (1.8%)          | 4.1%            | 3.6%            |
| <b>Projected</b>          | <b>\$ 447.5</b> | <b>\$ 453.3</b> | <b>\$ 459.1</b> | <b>\$ 465.1</b> | <b>\$ 456.3</b> | <b>\$ 437.2</b> | <b>\$ 442.5</b> | <b>\$ 448.0</b> | <b>\$ 453.5</b> | <b>\$ 445.3</b> |
| % Change                  | 1.3%            | 1.3%            | 1.3%            | (6.0%)          | (4.4%)          | (4.2%)          | 1.2%            | 1.2%            | 1.2%            | (2.4%)          |

## Claim & Expense Details - Incurred Claims by Vendor

|                |                        | 3/31/2011              | 6/30/2011  | 9/30/2011  | 12/31/2011 | Prior 12<br>Months | 3/31/2012  | 6/30/2012  | 9/30/2012  | 12/31/2012 | Last 12<br>Months |            |
|----------------|------------------------|------------------------|------------|------------|------------|--------------------|------------|------------|------------|------------|-------------------|------------|
| TOTAL (\$000s) | Actual Incurred Claims | \$ 68,254              | \$ 72,001  | \$ 69,137  | \$ 72,702  | \$ 282,093         | \$ 72,066  | \$ 77,199  | \$ 75,464  | \$ 80,377  | \$ 305,107        |            |
|                | Projected              | 70,100                 | 71,005     | 71,924     | 72,862     | 285,892            | 72,524     | 73,414     | 74,317     | 75,232     | 295,487           |            |
|                | Actual vs. Projected   | \$ (1,846)             | \$ 996     | \$ (2,787) | \$ (160)   | \$ (3,799)         | \$ (458)   | \$ 3,785   | \$ 1,147   | \$ 5,145   | \$ 9,620          |            |
| Medical        | Gold NME               | Actual Incurred Claims | \$ 43,948  | \$ 47,324  | \$ 43,969  | \$ 46,315          | \$ 181,556 | \$ 43,611  | \$ 45,644  | \$ 45,045  | \$ 44,109         | \$ 178,408 |
|                |                        | Projected              | 46,830     | 47,394     | 47,965     | 48,542             | 190,731    | 45,544     | 46,191     | 46,846     | 47,511            | 186,093    |
|                |                        | Actual vs. Projected   | \$ (2,882) | \$ (70)    | \$ (3,996) | \$ (2,227)         | \$ (9,175) | \$ (1,933) | \$ (547)   | \$ (1,801) | \$ (3,402)        | \$ (7,685) |
| Silver NME     | Actual Incurred Claims | \$ -                   | \$ -       | \$ -       | \$ -       | \$ -               | \$ 853     | \$ 916     | \$ 1,008   | \$ 1,125   | \$ 3,902          |            |
|                | Projected              | -                      | -          | -          | -          | -                  | 2,424      | 2,459      | 2,494      | 2,529      | 9,906             |            |
|                | Actual vs. Projected   | \$ -                   | \$ -       | \$ -       | \$ -       | \$ -               | \$ (1,571) | \$ (1,543) | \$ (1,486) | \$ (1,404) | \$ (6,004)        |            |
| Bronze NME     | Actual Incurred Claims | \$ 2,271               | \$ 2,315   | \$ 2,879   | \$ 3,304   | \$ 10,770          | \$ 2,674   | \$ 5,410   | \$ 6,295   | \$ 7,310   | \$ 21,689         |            |
|                | Projected              | 1,322                  | 1,338      | 1,354      | 1,371      | 5,384              | 2,767      | 2,806      | 2,846      | 2,886      | 11,304            |            |
|                | Actual vs. Projected   | \$ 949                 | \$ 977     | \$ 1,525   | \$ 1,933   | \$ 5,386           | \$ (93)    | \$ 2,604   | \$ 3,449   | \$ 4,424   | \$ 10,385         |            |
| Gold ME        | Actual Incurred Claims | \$ 2,939               | \$ 2,424   | \$ 2,415   | \$ 2,425   | \$ 10,203          | \$ 3,220   | \$ 2,827   | \$ 2,950   | \$ 2,940   | \$ 11,938         |            |
|                | Projected              | 2,300                  | 2,328      | 2,356      | 2,385      | 9,369              | 2,825      | 2,873      | 2,922      | 2,972      | 11,591            |            |
|                | Actual vs. Projected   | \$ 639                 | \$ 96      | \$ 59      | \$ 40      | \$ 834             | \$ 395     | \$ (46)    | \$ 28      | \$ (32)    | \$ 347            |            |
| Rx             | All                    | Actual Incurred Claims | \$ 14,049  | \$ 14,478  | \$ 14,436  | \$ 15,124          | \$ 58,087  | \$ 15,427  | \$ 15,815  | \$ 15,657  | \$ 16,929         | \$ 63,828  |
|                |                        | Projected              | 14,411     | 14,708     | 15,011     | 15,320             | 59,450     | 14,163     | 14,285     | 14,409     | 14,533            | 57,390     |
|                |                        | Actual vs. Projected   | \$ (362)   | \$ (230)   | \$ (575)   | \$ (196)           | \$ (1,363) | \$ 1,264   | \$ 1,530   | \$ 1,248   | \$ 2,396          | \$ 6,438   |
| Gold NME       | Actual Incurred Claims |                        |            |            |            |                    | \$ 15,170  | \$ 15,260  | \$ 14,826  | \$ 15,684  | \$ 60,940         |            |
|                | Projected              |                        |            |            |            |                    | 13,303     | 13,418     | 13,534     | 13,651     | 53,906            |            |
|                | Actual vs. Projected   |                        |            |            |            |                    | \$ 1,867   | \$ 1,842   | \$ 1,292   | \$ 2,033   | \$ 7,034          |            |
| Silver NME     | Actual Incurred Claims |                        |            |            |            |                    | \$ 170     | \$ 196     | \$ 221     | \$ 282     | \$ 869            |            |
|                | Projected              |                        |            |            |            |                    | 636        | 642        | 647        | 653        | 2,578             |            |
|                | Actual vs. Projected   |                        |            |            |            |                    | \$ (466)   | \$ (446)   | \$ (426)   | \$ (371)   | \$ (1,709)        |            |
| Bronze NME     | Actual Incurred Claims |                        |            |            |            |                    | \$ 87      | \$ 360     | \$ 610     | \$ 964     | \$ 2,020          |            |
|                | Projected              |                        |            |            |            |                    | 224        | 225        | 227        | 229        | 906               |            |
|                | Actual vs. Projected   |                        |            |            |            |                    | \$ (137)   | \$ 135     | \$ 383     | \$ 735     | \$ 1,114          |            |
| Expenses       | All                    | Actual Incurred Claims | \$ 5,046   | \$ 5,460   | \$ 5,437   | \$ 5,533           | \$ 21,477  | \$ 6,280   | \$ 6,587   | \$ 4,509   | \$ 7,964          | \$ 25,340  |
|                |                        | Projected              | 5,238      | 5,238      | 5,238      | 5,244              | 20,958     | 4,801      | 4,801      | 4,801      | 4,801             | 19,204     |
|                |                        | Actual vs. Projected   | \$ (192)   | \$ 222     | \$ 199     | \$ 289             | \$ 519     | \$ 1,479   | \$ 1,786   | \$ (292)   | \$ 3,163          | \$ 6,136   |

# Claim & Expense Details - Trend Report

|                   |                       | 3/31/2011             | 6/30/2011 | 9/30/2011 | 12/31/2011 | Prior 12<br>Months | 3/31/2012 | 6/30/2012 | 9/30/2012 | 12/31/2012 | Last 12<br>Months |           |
|-------------------|-----------------------|-----------------------|-----------|-----------|------------|--------------------|-----------|-----------|-----------|------------|-------------------|-----------|
| <b>TOTAL</b>      | <b>Actual PEPM</b>    | \$ 421.71             | \$ 445.38 | \$ 432.68 | \$ 445.31  | \$ 436.30          | \$ 428.07 | \$ 459.36 | \$ 451.11 | \$ 469.74  | \$ 452.14         |           |
|                   | <b>% Change</b>       | (1.5%)                | 5.6%      | (2.9%)    | 2.9%       | 0.5%               | (3.9%)    | 7.3%      | (1.8%)    | 4.1%       | 3.6%              |           |
|                   | <b>Projected PEPM</b> | \$ 447.48             | \$ 453.26 | \$ 459.13 | \$ 465.12  | \$ 456.25          | \$ 437.15 | \$ 442.52 | \$ 447.96 | \$ 453.48  | \$ 445.28         |           |
|                   | <b>% Change</b>       | 1.3%                  | 1.3%      | 1.3%      | 1.3%       | (5.4%)             | (6.0%)    | 1.2%      | 1.2%      | 1.2%       | (2.4%)            |           |
| <b>Medical</b>    | <b>Gold NME</b>       | <b>Actual PEPM</b>    | \$ 338.05 | \$ 365.67 | \$ 346.40  | \$ 362.24          | \$ 353.08 | \$ 365.63 | \$ 386.04 | \$ 390.88  | \$ 386.95         | \$ 382.24 |
|                   |                       | <b>% Change</b>       | (4.7%)    | 8.2%      | (5.3%)     | 4.6%               | 2.1%      | 0.9%      | 5.6%      | 1.3%       | (1.0%)            | 8.3%      |
|                   |                       | <b>Projected PEPM</b> | \$ 352.03 | \$ 356.27 | \$ 360.56  | \$ 364.90          | \$ 358.44 | \$ 380.96 | \$ 386.37 | \$ 391.86  | \$ 397.42         | \$ 389.15 |
|                   |                       | <b>% Change</b>       | 1.2%      | 1.2%      | 1.2%       | 1.2%               | 3.0%      | 4.4%      | 1.4%      | 1.4%       | 1.4%              | 8.6%      |
|                   | <b>Silver NME</b>     | <b>Actual PEPM</b>    |           |           |            |                    |           | \$ 407.74 | \$ 411.11 | \$ 388.44  | \$ 308.30         | \$ 369.37 |
|                   |                       | <b>% Change</b>       |           |           |            |                    |           |           | 0.8%      | (5.5%)     | (20.6%)           |           |
|                   |                       | <b>Projected PEPM</b> |           |           |            |                    |           | \$ 359.18 | \$ 364.28 | \$ 369.45  | \$ 374.69         | \$ 366.90 |
|                   |                       | <b>% Change</b>       |           |           |            |                    |           |           | 1.4%      | 1.4%       | 1.4%              |           |
|                   | <b>Bronze NME</b>     | <b>Actual PEPM</b>    | \$ 159.57 | \$ 161.16 | \$ 202.31  | \$ 206.72          | \$ 183.11 | \$ 98.39  | \$ 197.20 | \$ 221.89  | \$ 231.84         | \$ 189.41 |
|                   |                       | <b>% Change</b>       | 14.4%     | 1.0%      | 25.5%      | 2.2%               | (20.3%)   | (52.4%)   | 100.4%    | 12.5%      | 4.5%              | 3.4%      |
|                   |                       | <b>Projected PEPM</b> | \$ 173.23 | \$ 175.35 | \$ 177.51  | \$ 179.68          | \$ 176.44 | \$ 129.89 | \$ 131.73 | \$ 133.60  | \$ 135.50         | \$ 132.68 |
|                   |                       | <b>% Change</b>       | 1.2%      | 1.2%      | 1.2%       | 1.2%               | (22.1%)   | (27.7%)   | 1.4%      | 1.4%       | 1.4%              | (24.8%)   |
| <b>Gold ME</b>    | <b>Actual PEPM</b>    | \$ 166.87             | \$ 135.58 | \$ 129.67 | \$ 124.91  | \$ 138.76          | \$ 162.55 | \$ 140.23 | \$ 139.95 | \$ 134.03  | \$ 143.85         |           |
|                   | <b>% Change</b>       | 30.3%                 | (18.8%)   | (4.4%)    | (3.7%)     | 0.9%               | 30.1%     | (13.7%)   | (0.2%)    | (4.2%)     | 3.7%              |           |
|                   | <b>Projected PEPM</b> | \$ 143.77             | \$ 145.53 | \$ 147.32 | \$ 149.12  | \$ 146.43          | \$ 154.35 | \$ 156.98 | \$ 159.66 | \$ 162.39  | \$ 158.35         |           |
|                   | <b>% Change</b>       | 1.2%                  | 1.2%      | 1.2%      | 1.2%       | (5.1%)             | 3.5%      | 1.7%      | 1.7%      | 1.7%       | 8.1%              |           |
| <b>Rx</b>         | <b>All</b>            | <b>Actual PEPM</b>    | \$ 97.40  | \$ 100.69 | \$ 102.27  | \$ 105.14          | \$ 101.37 | \$ 103.86 | \$ 106.93 | \$ 107.09  | \$ 113.49         | \$ 107.85 |
|                   |                       | <b>% Change</b>       | 2.5%      | 3.4%      | 1.6%       | 2.8%               | 6.2%      | (1.2%)    | 3.0%      | 0.1%       | 6.0%              | 6.4%      |
|                   |                       | <b>Projected PEPM</b> | \$ 107.10 | \$ 109.31 | \$ 111.56  | \$ 113.86          | \$ 110.46 | \$ 95.95  | \$ 96.78  | \$ 97.62   | \$ 98.46          | \$ 97.20  |
|                   |                       | <b>% Change</b>       | 2.1%      | 2.1%      | 2.1%       | 2.1%               | 7.1%      | (15.7%)   | 0.9%      | 0.9%       | 0.9%              | (12.0%)   |
|                   | <b>Gold NME</b>       | <b>Actual PEPM</b>    |           |           |            |                    |           | \$ 127.19 | \$ 129.06 | \$ 128.65  | \$ 137.59         | \$ 130.56 |
|                   |                       | <b>% Change</b>       |           |           |            |                    |           |           | 1.5%      | (0.3%)     | 6.9%              |           |
|                   |                       | <b>Projected PEPM</b> |           |           |            |                    |           | \$ 111.28 | \$ 112.24 | \$ 113.21  | \$ 114.19         | \$ 112.73 |
|                   |                       | <b>% Change</b>       |           |           |            |                    |           |           | 0.9%      | 0.9%       | 0.9%              |           |
|                   | <b>Silver NME</b>     | <b>Actual PEPM</b>    |           |           |            |                    |           | \$ 81.34  | \$ 87.93  | \$ 85.16   | \$ 77.26          | \$ 82.26  |
|                   |                       | <b>% Change</b>       |           |           |            |                    |           |           | 8.1%      | (3.2%)     | (9.3%)            |           |
|                   |                       | <b>Projected PEPM</b> |           |           |            |                    |           | \$ 94.24  | \$ 95.05  | \$ 95.87   | \$ 96.70          | \$ 95.47  |
|                   |                       | <b>% Change</b>       |           |           |            |                    |           |           | 0.9%      | 0.9%       | 0.9%              |           |
| <b>Bronze NME</b> | <b>Actual PEPM</b>    |                       |           |           |            |                    | \$ 3.19   | \$ 13.11  | \$ 21.49  | \$ 30.56   | \$ 17.64          |           |
|                   | <b>% Change</b>       |                       |           |           |            |                    |           | 311.0%    | 63.9%     | 42.2%      |                   |           |
|                   | <b>Projected PEPM</b> |                       |           |           |            |                    | \$ 10.50  | \$ 10.59  | \$ 10.68  | \$ 10.77   | \$ 10.63          |           |
|                   | <b>% Change</b>       |                       |           |           |            |                    |           | 0.9%      | 0.8%      | 0.8%       |                   |           |
| <b>Expenses</b>   | <b>All</b>            | <b>Actual PEPM</b>    | \$ 31.18  | \$ 33.78  | \$ 34.03   | \$ 33.89           | \$ 33.22  | \$ 37.31  | \$ 39.20  | \$ 26.95   | \$ 46.54          | \$ 37.55  |
|                   |                       | <b>% Change</b>       | (1.3%)    | 8.3%      | 0.7%       | (0.4%)             | 5.9%      | 10.1%     | 5.1%      | (31.3%)    | 72.7%             | 13.0%     |
|                   |                       | <b>Projected PEPM</b> | \$ 33.44  | \$ 33.44  | \$ 33.44   | \$ 33.47           | \$ 33.45  | \$ 28.94  | \$ 28.94  | \$ 28.94   | \$ 28.94          | \$ 28.94  |
|                   |                       | <b>% Change</b>       | 0.2%      | 0.0%      | 0.0%       | 0.1%               | (20.4%)   | (13.5%)   | 0.0%      | 0.0%       | 0.0%              | (13.5%)   |

Figures include changes in demographics, geography and benefits as applicable.

# Claim & Expense Details - Loss Ratio Projections

|                   |               |                          | <u>2012 Actual</u> | <u>2012 Projected*</u> | <u>2013 Projected*</u> |
|-------------------|---------------|--------------------------|--------------------|------------------------|------------------------|
| <b>NME</b>        | <b>Gold</b>   | Incurring Claims (\$mil) | \$ 238.38          | \$ 239.58              | \$ 213.49              |
|                   |               | Total Premium (\$mil)    | \$ 251.01          | \$ 260.89              | \$ 230.46              |
|                   |               | Incurring Loss Ratio     | 95%                | 92%                    | 93%                    |
|                   | <b>Silver</b> | Incurring Claims (\$mil) | \$ 4.77            | \$ 12.48               | \$ 12.14               |
|                   |               | Total Premium (\$mil)    | \$ 6.46            | \$ 13.66               | \$ 13.08               |
|                   |               | Incurring Loss Ratio     | 74%                | 91%                    | 93%                    |
|                   | <b>Bronze</b> | Incurring Claims (\$mil) | \$ 23.71           | \$ 12.21               | \$ 36.30               |
|                   |               | Total Premium (\$mil)    | \$ 23.68           | \$ 15.93               | \$ 43.34               |
|                   |               | Incurring Loss Ratio     | 100%               | 77%                    | 84%                    |
|                   | <b>TOTAL</b>  | Incurring Claims (\$mil) | \$ 266.86          | \$ 264.28              | \$ 261.93              |
|                   |               | Total Premium (\$mil)    | \$ 281.15          | \$ 290.49              | \$ 286.88              |
|                   |               | Incurring Loss Ratio     | 95%                | 91%                    | 91%                    |
| <b>Retiree ME</b> | <b>Total</b>  | Incurring Claims (\$mil) | \$ 11.94           | \$ 11.96               | \$ 13.97               |
|                   |               | Total Premium (\$mil)    | \$ 13.51           | \$ 12.00               | \$ 14.02               |
|                   |               | Incurring Loss Ratio     | 88%                | 100%                   | 100%                   |

\*Projected Incurred Claims for Actives and NME Retirees are based on blended experience

## Appendix A. - Contribution Rates Calendar Year 2013

| Actives                    | Medical and Pharmacy* | Expenses | Retirement Subsidy | Total Monthly Premium | State Cont. Act 1842/1421 | Reserve Alloc. | School District Contrib. | 2013 Total EE Cost | 2012 Total EE Cost | Change in Premiums (\$/%) |     | Assumed Enrollment |
|----------------------------|-----------------------|----------|--------------------|-----------------------|---------------------------|----------------|--------------------------|--------------------|--------------------|---------------------------|-----|--------------------|
| <b>Gold</b>                |                       |          |                    |                       |                           |                |                          |                    |                    |                           |     |                    |
| Employee Only              | \$ 426.73             | \$ 31.75 | \$ 11.20           | \$ 469.68             | \$ 101.76                 | \$ 10.22       | \$ 131.00                | \$ 226.70          | \$ 187.36          | \$ 39.34                  | 21% | 24,946             |
| Employee & Spouse          | 1,143.41              | 31.75    | 11.20              | 1,186.36              | 101.76                    | (73.60)        | 131.00                   | 1,027.20           | 848.92             | 178.28                    | 21% | 846                |
| Employee & Child(ren)      | 778.71                | 31.75    | 11.20              | 821.66                | 101.76                    | 7.42           | 131.00                   | 581.48             | 480.56             | 100.92                    | 21% | 4,470              |
| Family                     | 1,495.37              | 31.75    | 11.20              | 1,538.32              | 101.76                    | 275.60         | 131.00                   | 1,029.96           | 851.20             | 178.76                    | 21% | 1,375              |
| Est. Monthly Total (\$mil) | \$ 17.15              | \$ 1.00  | \$ 0.35            | \$ 18.51              | \$ 3.22                   | \$ 0.60        | \$ 4.14                  | \$ 10.54           | \$ 8.71            | \$ 1.83                   |     | 31,637             |
| <b>Silver</b>              |                       |          |                    |                       |                           |                |                          |                    |                    |                           |     |                    |
| Employee Only              | \$ 331.63             | \$ 27.21 | \$ 11.20           | \$ 370.04             | \$ 81.48                  | \$ 0.00        | \$ 131.00                | \$ 157.56          | \$ 157.56          | \$ 0.00                   | 0%  | 1,200              |
| Employee & Spouse          | 888.59                | 27.21    | 11.20              | 927.00                | 82.14                     | 0.00           | 131.00                   | 713.86             | 713.86             | 0.00                      | 0%  | 79                 |
| Employee & Child(ren)      | 605.17                | 27.21    | 11.20              | 643.58                | 100.96                    | 7.52           | 131.00                   | 404.10             | 404.10             | 0.00                      | 0%  | 351                |
| Family                     | 1,162.13              | 27.21    | 11.20              | 1,200.54              | 100.96                    | 252.80         | 131.00                   | 715.78             | 715.78             | 0.00                      | 0%  | 228                |
| Est. Monthly Total (\$mil) | \$ 0.95               | \$ 0.05  | \$ 0.02            | \$ 1.02               | \$ 0.16                   | \$ 0.06        | \$ 0.24                  | \$ 0.55            | \$ 0.55            | \$ 0.00                   |     | 1,858              |
| <b>Bronze</b>              |                       |          |                    |                       |                           |                |                          |                    |                    |                           |     |                    |
| Employee Only              | \$ 141.87             | \$ 29.71 | \$ 11.20           | \$ 182.78             | \$ 41.78                  | \$ 0.00        | \$ 131.00                | \$ 10.00           | \$ 0.00            | \$ 10.00                  | n/a | 9,290              |
| Employee & Spouse          | 380.09                | 29.71    | 11.20              | 421.00                | 47.52                     | 0.00           | 131.00                   | 242.48             | 186.52             | 55.96                     | 30% | 795                |
| Employee & Child(ren)      | 258.87                | 29.71    | 11.20              | 299.78                | 60.46                     | 0.00           | 131.00                   | 108.32             | 83.32              | 25.00                     | 30% | 1,729              |
| Family                     | 497.11                | 29.71    | 11.20              | 538.02                | 162.02                    | 0.00           | 131.00                   | 245.00             | 188.46             | 56.54                     | 30% | 1,569              |
| Est. Monthly Total (\$mil) | \$ 2.85               | \$ 0.40  | \$ 0.15            | \$ 3.40               | \$ 0.78                   | \$ 0.00        | \$ 1.75                  | \$ 0.86            | \$ 0.59            | \$ 0.27                   |     | 13,383             |
| Total (Monthly) (\$ mil)   | \$ 20.94              | \$ 1.45  | \$ 0.53            | \$ 22.92              | \$ 4.17                   | \$ 0.67        | \$ 6.14                  | \$ 11.95           | \$ 9.85            | \$ 2.10                   |     | 46,878             |
| Est. Annual Total (\$ mil) | \$ 251.31             | \$ 17.43 | \$ 6.30            | \$ 275.04             | \$ 50.00                  | \$ 7.98        | \$ 73.69                 | \$ 143.37          | \$ 118.19          | \$ 25.18                  |     |                    |

| Non Medicare Eligible Retirees | Medical and Pharmacy | Expenses | Retiree Holdback | Total Monthly Premium | Add'l Holdback |  |  | 2013 Total Ret. Cost | 2012 Total Ret. Cost | Change in Premiums (\$/%) |     | Assumed Enrollment |
|--------------------------------|----------------------|----------|------------------|-----------------------|----------------|--|--|----------------------|----------------------|---------------------------|-----|--------------------|
| <b>Gold</b>                    |                      |          |                  |                       |                |  |  |                      |                      |                           |     |                    |
| Retiree Only                   | \$ 426.73            | \$ 31.75 | \$ 11.20         | \$ 469.68             | \$ 0.00        |  |  | \$ 469.68            | \$ 457.42            | \$ 12.26                  | 3%  | 1,096              |
| Retiree & NME SP               | 1,143.41             | 31.75    | 11.20            | 1,186.36              | 0.00           |  |  | 1,186.36             | 1,152.01             | 34.35                     | 3%  | 94                 |
| Retiree & Child(ren)           | 778.71               | 31.75    | 11.20            | 821.66                | 0.00           |  |  | 821.66               | 768.28               | 53.38                     | 7%  | 12                 |
| Retiree & NME SP&CH            | 1,495.37             | 31.75    | 11.20            | 1,538.32              | 0.00           |  |  | 1,538.32             | 1,159.82             | 378.50                    | 33% | 9                  |
| Retiree & ME SP                | 566.11               | 31.75    | 11.20            | 609.06                | 0.00           |  |  | 609.06               | 596.82               | 12.24                     | 2%  | 75                 |
| Retiree & ME SP & CH           | 918.09               | 31.75    | 11.20            | 961.04                | 0.00           |  |  | 961.04               | 907.71               | 53.33                     | 6%  | 1                  |
| Est. Monthly Total (\$mil)     | \$ 0.64              | \$ 0.04  | \$ 0.01          | \$ 0.70               | \$ 0.00        |  |  | \$ 0.70              | \$ 0.67              | \$ 0.02                   |     | 1,287              |
| <b>Silver</b>                  |                      |          |                  |                       |                |  |  |                      |                      |                           |     |                    |
| Employee Only                  | \$ 331.63            | \$ 27.21 | \$ 11.20         | \$ 370.04             | \$ 31.58       |  |  | \$ 401.62            | \$ 401.62            | \$ 0.00                   | 0%  | 170                |
| Employee & Spouse              | 888.59               | 27.21    | 11.20            | 927.00                | 170.40         |  |  | 1,097.40             | 1,097.40             | 0.00                      | 0%  | 10                 |
| Employee & Child(ren)          | 605.17               | 27.21    | 11.20            | 643.58                | 69.06          |  |  | 712.64               | 712.64               | 0.00                      | 0%  | 1                  |
| Family                         | 1,162.13             | 27.21    | 11.20            | 1,200.54              | 0.00           |  |  | 1,200.54             | 1,105.20             | 95.34                     | 9%  | 1                  |
| Est. Monthly Total (\$mil)     | \$ 0.07              | \$ 0.00  | \$ 0.00          | \$ 0.07               | \$ 0.01        |  |  | \$ 0.08              | \$ 0.08              | \$ 0.00                   |     | 181                |
| <b>Bronze</b>                  |                      |          |                  |                       |                |  |  |                      |                      |                           |     |                    |
| Employee Only                  | \$ 141.87            | \$ 29.71 | \$ 11.20         | \$ 182.78             | \$ 0.00        |  |  | \$ 182.78            | \$ 148.90            | \$ 33.88                  | 23% | 784                |
| Employee & Spouse              | 380.09               | 29.71    | 11.20            | 421.00                | 0.00           |  |  | 421.00               | 349.34               | 71.66                     | 21% | 136                |
| Employee & Child(ren)          | 258.87               | 29.71    | 11.20            | 299.78                | 0.00           |  |  | 299.78               | 238.70               | 61.08                     | 26% | 10                 |
| Family                         | 497.11               | 29.71    | 11.20            | 538.02                | 0.00           |  |  | 538.02               | 352.42               | 185.60                    | 53% | 24                 |
| Est. Monthly Total (\$mil)     | \$ 0.18              | \$ 0.03  | \$ 0.01          | \$ 0.22               | \$ 0.00        |  |  | \$ 0.22              | \$ 0.18              | \$ 0.04                   |     | 954                |
| Total (Monthly) (\$ mil)       | \$ 0.88              | \$ 0.07  | \$ 0.03          | \$ 0.99               | \$ 0.01        |  |  | \$ 0.99              | \$ 0.93              | \$ 0.06                   |     | 2,422              |
| Est. Annual Total (\$ mil)     | \$ 10.62             | \$ 0.89  | \$ 0.33          | \$ 11.83              | \$ 0.08        |  |  | \$ 11.92             | \$ 11.16             | \$ 0.76                   |     |                    |

| ME Retirees Medicare Eligible | Medical and Pharmacy | Expenses | Retiree Holdback | Total Monthly Premium | Subsidy / Holdback | Res. Alloc. | 2009 Total Ret. Cost | 2013 Total Ret. Cost | 2012 Total Ret. Cost | Change in Premiums (\$ / %) |     | Assumed Enrollment |
|-------------------------------|----------------------|----------|------------------|-----------------------|--------------------|-------------|----------------------|----------------------|----------------------|-----------------------------|-----|--------------------|
| Retiree Only                  | \$ 139.38            | \$ -     | \$ 0.00          | \$ 139.38             | \$ 77.49           | \$ 11.75    | \$ 41.44             | \$ 50.14             | \$ 41.44             | \$ 8.70                     | 21% | 6,632              |
| Retiree & NME SP              | 566.12               | 31.75    | 0.00             | 597.87                | 0.00               | 0.00        | 674.34               | 597.87               | 568.37               | 29.50                       | 5%  | 107                |
| Retiree & Child(ren)          | 491.37               | 31.75    | 0.00             | 523.12                | 11.72              | 1.78        | 421.18               | 509.62               | 421.17               | 88.45                       | 21% | 15                 |
| Retiree & NME SP&CH           | 1,176.28             | 31.75    | 0.00             | 1,208.03              | 127.09             | 19.26       | 1,054.08             | 1,061.68             | 877.42               | 184.26                      | 21% | 4                  |
| Retiree & ME SP               | 278.77               | 0.00     | 0.00             | 278.77                | 62.83              | 9.52        | 170.60               | 206.42               | 170.59               | 35.82                       | 21% | 597                |
| Retiree & ME SP & CH          | 598.99               | 31.75    | 0.00             | 630.74                | 0.00               | 0.00        | 550.33               | 630.74               | 550.32               | 80.42                       | 15% | 1                  |
| Est. Monthly Total (\$mil)    | \$ 1.16              | \$ 0.00  | \$ 0.00          | \$ 1.17               | \$ 0.55            | \$ 0.08     | \$ 0.46              | \$ 0.53              | \$ 0.45              | \$ 0.08                     |     | 7,357              |
| Total (Est. Annual)           | \$ 13.97             | \$ 0.05  | \$ 0.00          | \$ 14.02              | \$ 6.63            | \$ 1.00     | \$ 5.52              | \$ 6.39              | \$ 5.38              | \$ 1.01                     |     |                    |

## Appendix A. - Contribution Rates (cont.)

### Calendar Year 2012

| Actives                    | Medical and Pharmacy* | Expenses | Retirement Subsidy | Base Monthly Premium | Act 1842 Contrib. | Res. Alloc. | School District Contrib. | 2012 EE Total Cost | 2011 EE Total Cost | Change in Premiums (\$ / %) | Assumed Enrollment |        |
|----------------------------|-----------------------|----------|--------------------|----------------------|-------------------|-------------|--------------------------|--------------------|--------------------|-----------------------------|--------------------|--------|
| <b>Gold</b>                |                       |          |                    |                      |                   |             |                          |                    |                    |                             |                    |        |
| Employee Only              | \$ 393.64             | \$ 32.52 | \$ 11.20           | \$ 437.36            | \$ 90.12          | \$ 28.88    | \$ 131.00                | \$ 187.36          | \$ 170.34          | \$ 17.02                    | 10%                | 29,716 |
| Employee & Spouse          | 1,158.96              | 32.52    | 11.20              | 1,202.68             | 160.22            | 62.54       | 131.00                   | 848.92             | 771.74             | 77.18                       | 10%                | 1,253  |
| Employee & Child(ren)      | 735.76                | 32.52    | 11.20              | 779.48               | 122.74            | 45.18       | 131.00                   | 480.56             | 436.87             | 43.69                       | 10%                | 5,224  |
| Family                     | 1,167.52              | 32.52    | 11.20              | 1,211.24             | 165.92            | 63.12       | 131.00                   | 851.20             | 773.82             | 77.38                       | 10%                | 1,807  |
| Est. Monthly Total (\$mil) | \$ 19.10              | \$ 1.24  | \$ 0.43            | \$ 20.76             | \$ 3.82           | \$ 1.29     | \$ 4.98                  | \$ 10.68           | \$ 9.71            | \$ 0.97                     |                    | 38,000 |
| <b>Silver</b>              |                       |          |                    |                      |                   |             |                          |                    |                    |                             |                    |        |
| Employee Only              | \$ 357.90             | \$ 32.52 | \$ 11.20           | \$ 401.62            | \$ 90.12          | \$ 22.94    | \$ 131.00                | \$ 157.56          | \$ 170.34          | \$ (12.78)                  | -8%                | 1,520  |
| Employee & Spouse          | 1,053.68              | 32.52    | 11.20              | 1,097.40             | 160.22            | 92.32       | 131.00                   | 713.86             | 771.74             | (57.88)                     | -8%                | 61     |
| Employee & Child(ren)      | 668.92                | 32.52    | 11.20              | 712.64               | 122.74            | 54.80       | 131.00                   | 404.10             | 436.87             | (32.77)                     | -8%                | 325    |
| Family                     | 1,061.48              | 32.52    | 11.20              | 1,105.20             | 165.92            | 92.50       | 131.00                   | 715.78             | 773.82             | (58.04)                     | -8%                | 95     |
| Est. Monthly Total (\$mil) | \$ 0.93               | \$ 0.07  | \$ 0.02            | \$ 1.01              | \$ 0.20           | \$ 0.07     | \$ 0.26                  | \$ 0.48            | \$ 0.52            | \$ (0.04)                   |                    | 2,000  |
| <b>Bronze</b>              |                       |          |                    |                      |                   |             |                          |                    |                    |                             |                    |        |
| Employee Only              | \$ 105.18             | \$ 32.52 | \$ 11.20           | \$ 148.90            | \$ 17.90          | \$ 0.00     | \$ 131.00                | \$ -               | \$ 15.10           | \$ (15.10)                  | -100%              | 5,324  |
| Employee & Spouse          | 305.62                | 32.52    | 11.20              | 349.34               | 31.82             | 0.00        | 131.00                   | 186.52             | 333.10             | (146.58)                    | -44%               | 330    |
| Employee & Child(ren)      | 194.98                | 32.52    | 11.20              | 238.70               | 24.38             | 0.00        | 131.00                   | 83.32              | 155.36             | (72.04)                     | -46%               | 637    |
| Family                     | 308.70                | 32.52    | 11.20              | 352.42               | 32.96             | 0.00        | 131.00                   | 188.46             | 333.70             | (145.24)                    | -44%               | 709    |
| Est. Monthly Total (\$mil) | \$ 1.00               | \$ 0.23  | \$ 0.08            | \$ 1.31              | \$ 0.14           | \$ 0.00     | \$ 0.92                  | \$ 0.25            | \$ 0.53            | \$ (0.28)                   |                    | 7,000  |
| Total (Monthly) (\$ mil)   | \$ 21.03              | \$ 1.53  | \$ 0.53            | \$ 23.09             | \$ 4.17           | \$ 1.35     | \$ 6.16                  | \$ 11.41           | \$ 10.76           | \$ 0.65                     |                    | 47,000 |
| Est. Annual Total (\$ mil) | \$ 252.39             | \$ 18.34 | \$ 6.32            | \$ 277.05            | \$ 50.00          | \$ 16.24    | \$ 73.88                 | \$ 136.92          | \$ 129.07          | \$ 7.85                     |                    |        |

| Non Medicare Eligible Retirees | Medical and Pharmacy | Expenses | Retiree Holdback | Total Monthly Premium | Subsidy & Reserve Allocation |         |  | 2012 Total Ret. Cost | 2011 Total Ret. Cost | Change in Premiums (\$ / %) | Assumed Enrollment |       |
|--------------------------------|----------------------|----------|------------------|-----------------------|------------------------------|---------|--|----------------------|----------------------|-----------------------------|--------------------|-------|
| <b>Gold</b>                    |                      |          |                  |                       |                              |         |  |                      |                      |                             |                    |       |
| Retiree Only                   | \$ 393.64            | \$ 32.52 | \$ 31.26         | \$ 457.42             |                              | \$ 0.00 |  | \$ 457.42            | \$ 457.42            | \$ 0.00                     | 0%                 | 1,579 |
| Retiree & NME SP               | 1,158.96             | 32.52    | 11.20            | 1,202.68              |                              | 50.67   |  | 1,152.01             | 1,152.01             | 0.00                        | 0%                 | 142   |
| Retiree & Child(ren)           | 735.76               | 32.52    | 11.20            | 779.48                |                              | 11.20   |  | 768.28               | 768.28               | 0.00                        | 0%                 | 7     |
| Retiree & NME SP&CH            | 1,167.52             | 32.52    | 11.20            | 1,211.24              |                              | 51.42   |  | 1,159.82             | 1,159.82             | 0.00                        | 0%                 | 8     |
| Retiree & ME SP                | 538.40               | 32.52    | 25.90            | 596.82                |                              | 0.00    |  | 596.82               | 596.82               | 0.00                        | 0%                 | 112   |
| Retiree & ME SP & CH           | 880.50               | 32.52    | 11.20            | 924.22                |                              | 16.51   |  | 907.71               | 907.71               | 0.00                        | 0%                 | 1     |
| Est. Monthly Total (\$mil)     | \$ 0.86              | \$ 0.06  | \$ 0.05          | \$ 0.98               |                              | \$ 0.01 |  | \$ 0.97              | \$ 0.97              | \$ 0.00                     |                    | 1,850 |
| <b>Silver</b>                  |                      |          |                  |                       |                              |         |  |                      |                      |                             |                    |       |
| Employee Only                  | \$ 357.90            | \$ 32.52 | \$ 11.20         | \$ 401.62             |                              | \$ 0.00 |  | \$ 401.62            | \$ 457.42            | \$ (55.80)                  | -12%               | 213   |
| Employee & Spouse              | 1,053.68             | 32.52    | 11.20            | 1,097.40              |                              | 0.00    |  | 1,097.40             | 1,152.01             | (54.61)                     | -5%                | 34    |
| Employee & Child(ren)          | 668.92               | 32.52    | 11.20            | 712.64                |                              | 0.00    |  | 712.64               | 768.28               | (55.64)                     | -7%                | 1     |
| Family                         | 1,061.48             | 32.52    | 11.20            | 1,105.20              |                              | 0.00    |  | 1,105.20             | 1,159.82             | (54.62)                     | -5%                | 1     |
| Est. Monthly Total (\$mil)     | \$ 0.11              | \$ 0.01  | \$ 0.00          | \$ 0.13               |                              | \$ 0.00 |  | \$ 0.13              | \$ 0.14              | \$ (0.01)                   |                    | 250   |
| <b>Bronze</b>                  |                      |          |                  |                       |                              |         |  |                      |                      |                             |                    |       |
| Employee Only                  | \$ 105.18            | \$ 32.52 | \$ 11.20         | \$ 148.90             |                              | \$ 0.00 |  | \$ 148.90            | \$ 457.42            | \$ (308.52)                 | -67%               | 85    |
| Employee & Spouse              | 305.62               | 32.52    | 11.20            | 349.34                |                              | 0.00    |  | 349.34               | 1,152.01             | (802.67)                    | -70%               | 14    |
| Employee & Child(ren)          | 194.98               | 32.52    | 11.20            | 238.70                |                              | 0.00    |  | 238.70               | 768.28               | (529.58)                    | -69%               | 0     |
| Family                         | 308.70               | 32.52    | 11.20            | 352.42                |                              | 0.00    |  | 352.42               | 1,159.82             | (807.40)                    | -70%               | 0     |
| Est. Monthly Total (\$mil)     | \$ 0.01              | \$ 0.00  | \$ 0.00          | \$ 0.02               |                              | \$ 0.00 |  | \$ 0.02              | \$ 0.06              | \$ (0.04)                   |                    | 100   |
| Total (Monthly) (\$ mil)       | \$ 0.99              | \$ 0.07  | \$ 0.06          | \$ 1.12               |                              | \$ 0.01 |  | \$ 1.11              | \$ 1.16              | \$ (0.05)                   |                    | 2,200 |
| Est. Annual Total (\$ mil)     | \$ 11.88             | \$ 0.86  | \$ 0.70          | \$ 13.44              |                              | \$ 0.09 |  | \$ 13.35             | \$ 13.97             | \$ (0.62)                   |                    |       |

| ME Retirees                | Medical and Pharmacy | Expenses | Retiree Holdback | Total Monthly Premium | Subsidy & Reserve Allocation |         |  | 2012 Total Ret. Cost | 2011 Total Ret. Cost | Change in Premiums (\$ / %) | Assumed Enrollment |       |
|----------------------------|----------------------|----------|------------------|-----------------------|------------------------------|---------|--|----------------------|----------------------|-----------------------------|--------------------|-------|
| <b>Medicare Eligible</b>   |                      |          |                  |                       |                              |         |  |                      |                      |                             |                    |       |
| Retiree Only               | \$ 144.75            | \$ 0.00  |                  | \$ 144.75             | \$ 96.93                     | \$ 6.38 |  | \$ 41.44             | \$ 41.44             | \$ 0.00                     | 0%                 | 5,523 |
| Retiree & NME SP           | 538.39               | 0.00     | 29.98            | 568.37                | 0.00                         | 0.00    |  | 568.37               | 568.37               | 0.00                        | 0%                 | 101   |
| Retiree & Child(ren)       | 486.85               | 0.00     |                  | 486.85                | 61.62                        | 4.06    |  | 421.17               | 421.17               | 0.00                        | 0%                 | 14    |
| Retiree & NME SP&CH        | 918.61               | 0.00     |                  | 918.61                | 38.65                        | 2.54    |  | 877.42               | 877.42               | 0.00                        | 0%                 | 3     |
| Retiree & ME SP            | 289.49               | 0.00     |                  | 289.49                | 111.55                       | 7.35    |  | 170.59               | 170.59               | 0.00                        | 0%                 | 458   |
| Retiree & ME SP & CH       | 631.60               | 0.00     |                  | 631.60                | 76.26                        | 5.02    |  | 550.32               | 550.32               | 0.00                        | 0%                 | 1     |
| Est. Monthly Total (\$mil) | \$ 1.00              | \$ 0.00  | \$ 0.00          | \$ 1.00               | \$ 0.59                      | \$ 0.04 |  | \$ 0.37              | \$ 0.37              | \$ 0.00                     |                    | 6,100 |
| Total (Est. Annual)        | \$ 11.96             | \$ 0.00  | \$ 0.04          | \$ 12.00              | \$ 7.05                      | \$ 0.46 |  | \$ 4.49              | \$ 4.49              | \$ 0.00                     |                    |       |

## Appendix B. - Enrollment Details

| Average for Year Ending |                     | 9/30/2010     | 12/31/2011    |              | 12/31/2012    | Projected<br>12/31/2013 | Updated Proj.<br>12/31/2013 |
|-------------------------|---------------------|---------------|---------------|--------------|---------------|-------------------------|-----------------------------|
| Health Advantage        | Single              | 29,827        | 29,498        | Gold         | 28,924        | 24,946                  | 23,599                      |
|                         | Employee/Spouse     | 1,530         | 1,281         |              | 954           | 846                     | 539                         |
|                         | Employee/Child(ren) | 5,162         | 5,339         |              | 5,173         | 4,470                   | 3,420                       |
|                         | Family              | 1,820         | 1,850         |              | 1,539         | 1,375                   | 771                         |
|                         | <b>Total</b>        | <b>38,339</b> | <b>37,968</b> |              | <b>36,591</b> | <b>31,637</b>           | <b>28,329</b>               |
|                         | Member Counts       | 54,341        | 54,512        |              | 51,771        | 44,919                  | 37,773                      |
| NovaSys                 | Single              | 2,946         | 2,308         | Silver       | 502           | 1,200                   | 2,730                       |
|                         | Employee/Spouse     | 113           | 79            |              | 39            | 79                      | 184                         |
|                         | Employee/Child(ren) | 521           | 428           |              | 193           | 351                     | 914                         |
|                         | Family              | 185           | 130           |              | 139           | 228                     | 434                         |
|                         | <b>Total</b>        | <b>3,764</b>  | <b>2,945</b>  |              | <b>872</b>    | <b>1,858</b>            | <b>4,261</b>                |
|                         | Member Counts       | 5,365         | 4,221         |              | 1,697         | 3,301                   | 7,565                       |
| NovaSys HD PPO          | Single              | 1,833         | 3,495         | Bronze       | 5,955         | 9,290                   | 8,999                       |
|                         | Employee/Spouse     | 155           | 265           |              | 709           | 795                     | 1,042                       |
|                         | Employee/Child(ren) | 243           | 517           |              | 1,138         | 1,729                   | 2,148                       |
|                         | Family              | 294           | 573           |              | 1,457         | 1,569                   | 2,221                       |
|                         | <b>Total</b>        | <b>2,524</b>  | <b>4,851</b>  |              | <b>9,259</b>  | <b>13,383</b>           | <b>14,410</b>               |
|                         | Member Counts       | 4,020         | 7,791         |              | 16,435        | 22,124                  | 26,341                      |
| <b>TOTAL</b>            | Single              | 34,605        | 35,302        | <b>TOTAL</b> | 35,381        | 35,436                  | 35,328                      |
|                         | Employee/Spouse     | 1,797         | 1,625         |              | 1,702         | 1,719                   | 1,765                       |
|                         | Employee/Child(ren) | 5,925         | 6,284         |              | 6,504         | 6,551                   | 6,481                       |
|                         | Family              | 2,300         | 2,553         |              | 3,135         | 3,172                   | 3,426                       |
|                         | <b>Total</b>        | <b>44,627</b> | <b>45,764</b> |              | <b>46,721</b> | <b>46,878</b>           | <b>47,000</b>               |
|                         | Member Counts       | 63,727        | 66,523        |              | 69,903        | 70,345                  | 71,680                      |

# Appendix B. - Enrollment Details

| Average for Year Ending                                      |                                   | 9/30/2010    | 12/31/2011   | 12/31/2012   | Projected<br>12/31/2013 | Updated Proj.<br>12/31/2013 |
|--|-----------------------------------|--------------|--------------|--------------|-------------------------|-----------------------------|
| <b>Retirees<br/>Non Medicare<br/>Eligible (NME)<br/>Gold</b> | Retiree Only                      | 1,735        | 1,750        | 1,963        | 1,096                   | 1,929                       |
|  | Retiree + NME Spouse              | 197          | 187          | 178          | 94                      | 160                         |
|  | Retiree + Child(ren)              | 10           | 9            | 16           | 12                      | 20                          |
|  | Retiree + NME Spouse + Child(ren) | 2            | 8            | 17           | 9                       | 16                          |
|  | Retiree + ME Spouse               | 75           | 108          | 129          | 75                      | 140                         |
|  | Retiree + ME Spouse + Child(ren)  | 0            | 1            | 1            | 1                       | 1                           |
|  | <b>Total</b>                      | <b>2,020</b> | <b>2,063</b> | <b>2,304</b> | <b>1,287</b>            | <b>2,266</b>                |
| <b>Silver</b>  | Retiree Only                      | -            | -            | 9            | 170                     | 25                          |
|  | Retiree + NME Spouse              | -            | -            | -            | 10                      | 1                           |
|  | Retiree + Child(ren)              | -            | -            | -            | 1                       | -                           |
|  | Retiree + NME Spouse + Child(ren) | -            | -            | -            | 1                       | 1                           |
|  | <b>Total</b>                      | <b>-</b>     | <b>-</b>     | <b>9</b>     | <b>181</b>              | <b>27</b>                   |
| <b>Bronze</b>  | Retiree Only                      | -            | -            | 221          | 784                     | 541                         |
|  | Retiree + NME Spouse              | -            | -            | 46           | 136                     | 112                         |
|  | Retiree + Child(ren)              | -            | -            | 7            | 10                      | 18                          |
|  | Retiree + NME Spouse + Child(ren) | -            | -            | 9            | 24                      | 29                          |
|  | <b>Total</b>                      | <b>-</b>     | <b>-</b>     | <b>284</b>   | <b>954</b>              | <b>699</b>                  |
| <b>TOTAL</b>   | <b>NME Retirees</b>               | <b>2,020</b> | <b>2,063</b> | <b>2,597</b> | <b>2,422</b>            | <b>2,993</b>                |
|  | <b>NME Member Counts</b>          | <b>2,356</b> | <b>2,391</b> | <b>2,971</b> | <b>2,916</b>            | <b>3,373</b>                |
| <b>Retirees<br/>Medicare<br/>Eligible (ME)</b>               | Retiree Only                      | 4,807        | 5,488        | 6,271        | 6,632                   | 7,171                       |
|  | Retiree + NME Spouse              | 95           | 97           | 98           | 107                     | 102                         |
|  | Retiree + Child(ren)              | 13           | 14           | 14           | 15                      | 14                          |
|  | Retiree + NME Spouse + Child(ren) | 3            | 3            | 2            | 4                       | 5                           |
|  | Retiree + ME Spouse               | 413          | 455          | 530          | 597                     | 604                         |
|  | Retiree + ME Spouse + Child(ren)  | 2            | 1            | 1            | 1                       | -                           |
|  | <b>Total</b>                      | <b>5,333</b> | <b>6,058</b> | <b>6,916</b> | <b>7,357</b>            | <b>7,897</b>                |
|  | <b>ME Member Counts</b>           | <b>5,832</b> | <b>6,647</b> | <b>7,577</b> | <b>8,031</b>            | <b>8,640</b>                |

# Appendix C. - Summary of Plan or Policy Changes

| <u>Date</u>        | <u>Major Change</u>   |
|--------------------|---|
| For 2013 Plan Year | Women's preventive care covered at 100%   |
| For 2012 Plan Year | ARHealth plan became Gold Plan; network is only Health Advantage (Novasys no longer an option)<br>HD PPO became Bronze Plan; network changed from Novasys to Health Advantage<br>Silver Plan with \$25 PCP copay and \$750 deductible offered through Qualchoice<br>NME Retirees eligible to elect Gold, Silver or Bronze (ME Retirees are Gold only)<br>Bariatric surgery covered through pilot program<br>Coverage for Autism added<br>Behavioral Health changed to self-insured and integrated with Medical  |
| For 2011 Plan Year | Lifetime Max for Out-of-Network (OON) changed to match the In Network's (INN) Unlimited Lifetime Maximum<br>Immunizations covered at 100% for OON coverage<br>Some services under Behavioral Health now do not require pre-authorization<br>Intensive Out-Patient Services under Behavioral Health now require 20% member coinsurance<br>\$10,000 Benefit Maximum Removed for Durable Medical Equipment / Enteral Feeding<br>Hearing/Vision Screening copayment changed to \$35 OON (ARHealth), and \$35 INN & OON (ARHealth HD)<br>Active and Non-Medicare experience was blended in determining the rates<br>Increased credibility was given to the High Deductible Plan in determining the rates<br>Child covered until age 26 |
| For 2010 Plan Year | Hearing Aids benefit added<br>Hearing and Vision exams are now covered as wellness benefits   |
| For 2009 Plan Year | <u>AR Health Plan (including Retirees)</u><br>Coinsurance percentage for In-Network services will increase from 10% to 20%<br>Annual Coinsurance Limit will increase from \$1,000 to \$1,500 for employee only<br>and from \$2,000 to \$3,000 for the other coverage tiers<br><br><u>ARHealth HD PPO Plan</u><br>Deductible will increase from \$1,250 to \$1,500 for employee only and from<br>\$2,500 to \$3,000 for the other coverage tiers   |

## Appendix D. - Provider Contract Summary

| Service Providers  | Cost             |                                 | Effective Dates                        |
|--|------------------|---------------------------------|--|
|  |                  |                                 | Rates as of:                           |
| <b>Benefit and Claims Coordination (Actives &amp; NME Retirees)</b>          |                  |                                 |  |
| - Gold   | \$27.04          | Per Employee Per Month          | For Calendar Year<br>2012 unless noted |
| - Silver   | \$22.51          | Per Employee Per Month          |  |
| - Bronze   | \$25.00          | Per Employee Per Month          |  |
| <b>Benefit and Claims Coordination (ME Retirees)</b>                         |                  |                                 |  |
| - Medicare   | \$27.04          | Per Employee Per Month          |  |
| <b>Prescription Drugs Claims Administration</b>                              | <u>All Plans</u> |                                 |  |
| - CatamaranRx  | \$0.65           | Per Retail Script               |  |
| - CatamaranRx Mail   | \$1.25           | Per Direct Script               |  |
| - Integrail  | \$0.99           | Per Employee Per Month          |  |
| <b>Medical Appeals - UAMS</b>  |                  |                                 |  |
| - Physician Appeals  | \$150.00         | Per Physician Appeal            |  |
| <b>Pharmacy Prior Authorization and Appeals - EBRx</b>                       |                  |                                 |  |
| - Prior Authorization  | \$0.70           | Per Employee Per Month          | Effective 8/1/2012                     |
| - Physician Appeals  | \$150.00         | Per Physician Appeal            |  |
| <b>Medical Utilization Review - American Health Holding, Inc.</b>            | \$0.85           | Per Member Per Month            |  |
| <b>Condition Management - American Health Holding, Inc.</b>                  | \$3.20           | Per Member Per Month            |  |
| <b>Case Management - Arkansas Blue Cross Blue Shield</b>                     | \$1.09           | Per Member Per Month            |  |
| <b>ACHI</b>  | \$0.11           | Per Member Per Month            |  |
| <b>Life Insurance - Minnesota Life</b>                                       |                  |                                 |  |
| - \$10,000 up to age 64  | \$3.20           | Per Employee Per Month          |  |
| - \$5,000 age 65 to 69   | \$1.60           | Per Employee Per Month          |  |
| - \$4,000 age 70 to 74   | \$1.28           | Per Employee Per Month          |  |
| - \$4,000 age 75 & over  | \$1.20           | Per Employee Per Month          |  |
| <b>Employee Assistance Program - ComPsych</b>                                | \$1.73           | Per Employee Per Month          |  |
| <b>Tobacco Cessation Program</b>   | \$0.36           | Per Employee Per Month          |  |
| <b>Weight Management Program</b>   | \$0.27           | Per Employee Per Month          |  |
| <b>Health Savings Account (HSA) Administrator - DataPath Admin. Services</b> |                  |                                 |  |
| - Enrollment Fee (Electronic)  | \$15.00          | Per Enrollment                  |  |
| - Enrollment Fee (Paper)   | \$25.00          | Per Enrollment                  |  |
| - Monthly Fee  | \$4.00           | Per Enrolled Employee Per Month |  |

## Appendix E. - Reserve Details

| (In Millions \$)                        | 9/30/2010        | 12/31/2011       | 12/31/2012       | Updated Proj.<br>12/31/2013 |
|---|------------------|------------------|------------------|-----------------------------|
| <b>Net Assets (Prior To IBNR)</b>       | \$ 68.8          | \$ 73.2          | \$ 46.6          | \$ 28.6                     |
| <b>Incurred But Not Recorded Claims</b> | (27.8)           | (27.8)           | (27.3)           | (27.8)                      |
| <b>Net Assets After IBNR</b>            | \$ 40.9          | \$ 45.4          | \$ 19.3          | \$ 0.8                      |
| <b>ALLOCATED RESERVES</b>               |                  |                  |                  |                             |
| Active/Retiree Premiums for Plan Year   | \$ (1.2)         | \$ -             | \$ -             | \$ -                        |
| Act/Ret Premiums for Next Plan Year     | (12.6)           | (16.8)           | (9.0)            | (0.8)                       |
| Act/Ret Premiums for 2nd Year After     | (11.4)           | (12.6)           | (3.6)            | -                           |
| Catastrophic Reserve                    | (9.1)            | (10.0)           | (6.7)            | -                           |
| Pharmacy Reward Program                 | (1.5)            | -                | -                | -                           |
| <b>Total Allocated Reserves</b>         | <b>\$ (35.8)</b> | <b>\$ (39.4)</b> | <b>\$ (19.3)</b> | <b>\$ (0.8)</b>             |
| <b>Net Assets Available</b>             | <b>\$ 5.2</b>    | <b>\$ 6.0</b>    | <b>\$ -</b>      | <b>\$ -</b>                 |

*Note: Actual Reserves are those certified by Cheiron in July 2012. Original and updated Reserve projections are based on expected changes in incurred and paid claims. Note that any projected IBNR Reserves presented in this report may NOT be used for financial statements.*

## Appendix F. - Definitions & Methods

### Definitions:

- Actual:** Results based on actual paid and incurred claims experience. Actual incurred reflects an updated estimated incurred but not recorded (IBNR) claims.
- Projected:** Projections produced for use in setting annual rates. Details on the assumptions & methods used for Cheiron's 2013, 2012, and 2011 projections can be found in 'our November 15, 2012 (for 2013), October 11, 2011 (for 2012) and August 31, 2010 (for 2011) letters to Jason Lee.
- Updated Projections:** Projections produced in August 2012 by Cheiron for 2013 rates, adjusted for actual asset experience through January 2013 and enrollment changes through February 2013.

### Methods:

- Updated Projections:** Population projections for the remainder of 2013 are based on using historical average changes from February during the year for the years 2010 through 2012. Projections after January 2013 use the same method as original projections, but are adjusted for count changes and associated expected changes in risk characteristics for each plan in accordance with the population change.  
*Note that the updated projections presented in this report do NOT reflect updated claims experience.*
- Incurred Claims:** Based on service dates and process dates through January 31, 2013.  
A blend of methods based on actuarial judgment was used to estimate the incurred claims by month.
- IBNR (Incurred But Not Recorded) Claim Reserves:** Actual Reserves are those certified by Cheiron in July 2012. Original and updated Reserve projections are based on expected changes in incurred and paid claims. *Note that any projected IBNR Reserves presented in this report may NOT be used for financial statements.*

### Qualification 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. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice #23.

**Scope:** Actuarial computations provided in this report are for purposes of assisting the Trustees in monitoring the Plan's experience. The projections and reserve calculations reported in the enclosed exhibits have been made on a basis consistent with our understanding of the associated Actuarial Standards of Practice. Determinations for purposes other than monitoring the Plan's performance (for example, rate setting, benefit design changes or vendor evaluation) may be significantly different from the results in this report. Actual results will be different than our projections and vary to the extent that the Plan experience differs from the assumptions.

**Certification:** We hereby certify that, to the best of our knowledge, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Actuarial Standards of Practice as Promulgated by the Actuarial Standards Board. We are members of the American Academy of Actuaries, and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. This report does not address any contractual or legal issues. We are neither attorneys nor accountants, and our firm does not provide any legal or tax services or advice.

**Third Party Reliance:** This report was prepared for the Arkansas State Employees (ASE) and Public School Employees (PSE) Health Benefits Program Trustees for the purposes described herein. This Monitoring Report is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.



**Health  
Care  
Payment  
Improvement  
Initiative**

**Building a healthier future for all Arkansans**

Rhonda K. Hill, MPH  
Director, Health Care Finance  
Arkansas Center for Health Improvement

**Arkansas Landscape**

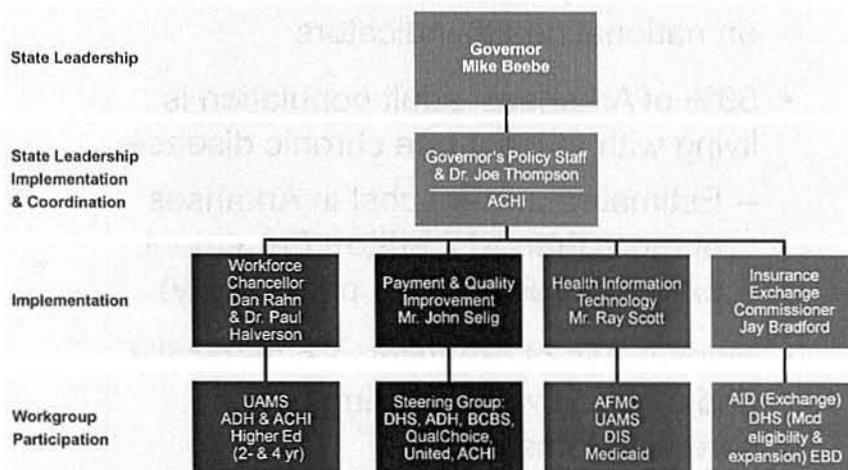
- Consistently ranked at bottom on national health indicators
- 53% of Arkansas' adult population is living with at least one chronic disease
  - Estimated annual cost in Arkansas of more than \$17 billion (treatment expenditures and lost productivity)
- Many areas of Arkansas are medically underserved with an aging health care workforce

## Arkansas Landscape

- Insurance premiums for Arkansas employers and families have doubled in the past 10 years resulting in growing numbers of uninsured
- Balanced state budget this year but Medicaid shortfalls projected
- Increasingly fragmented health care system hard for citizens to navigate

**ACHI**<sub>3</sub>

## Arkansas Health System Improvement Agency Organizational Structure



**ACHI**<sub>4</sub>

## Goals of Health System Improvement Initiative

- Curb rising costs and improve the quality of medical care
- Provide greater access to medical services in underserved areas
- Accelerate use of health information technology
- Reduce the number of uninsured citizens



## Workforce Strategic Plan

- Support the implementation of and transition to team-based care that is patient-centered, coordinated, evidence-based, and efficient
- Enhance and increase the use of health information technology (HIT)
- Increase the supply of and improve the equitable distribution of primary care providers
- Adopt new financing, payment, and reimbursement policies and mechanisms

## Health Information Technology

- Over half of AR primary care providers committed to electronic health records adoption and have received over \$75M to date
- 2,259 registered providers and hospitals in process to receive payment
- State Health Alliance for Records Exchange (SHARE) first in nation to receive approval to advance to sharing of clinical information
- U.S. Department of Commerce Broadband Technology Opportunities Program (\$128M)

## Arkansas Health Benefits Exchange

- Uninsured burden significant in Arkansas
  - ~550,000 uninsured (2.7m total population)
  - 25% of 19-64 year olds uninsured
- Arkansas with potential of 450,000 newly covered lives
  - 250,000 through Medicaid expansion (\$2B/year)
  - 150-200,000 through insurance exchange (~ \$1B/year)
- Pursuing Federal-state partnership model
- Opportunity to strengthen competitive market
- Majority of expansion in rural underserved areas
- Plans offered by private insurance companies and public options based on qualifications



**Health  
Care  
Payment  
Improvement  
Initiative**

**Building a healthier future for all Arkansans**

Arkansas Payment Improvement Initiative (APII)

**Arkansas' context favors its role as a national pioneer in health system reform**

|   |  |
|---|--|
| <b>Fragmented provider system</b>                             | <ul style="list-style-type: none"><li>• Many independent providers</li><li>• &gt;60% physicians in practices of 5 or fewer</li></ul>   |
| <b>Mix of rural and urban populations</b>                     | <ul style="list-style-type: none"><li>• About 40% of Arkansans in rural areas</li><li>• Healthcare system not integrated</li></ul>   |
| <b>Coordinated public and private leadership</b>              | <ul style="list-style-type: none"><li>• Multi-payor approach</li><li>• Supported and led by Arkansas Medicaid and private insurers in the state, with support from Medicare</li></ul>  |
| <b>Agreement among patients, providers on need for change</b> | <ul style="list-style-type: none"><li>• Aligned understanding of the financial challenges ahead</li><li>• Aligned understanding of quality improvement potential</li><li>• Opportunities identified by public workgroups representing the full range of stakeholders</li></ul> |

## Vision: a 21st-Century health care system

### Objective

#### Accountability for "The Triple Aim"

- Improving the health of the population
- Enhancing the patient experience of care
- Reducing or controlling the cost of care

### Clinical innovation strategies

#### Population-based care delivery

- Care planning
- Enhanced access
- Team-based care
- Care coordination
- Performance transparency



#### Episode-based care delivery

- Clinical guidelines
- Shared decision making
- Team-based care
- Care coordination
- Performance transparency

### Enabling initiatives

Outcomes-based payment and reporting

Health care workforce development

Health information technology adoption

Expanded coverage for health care services

## Goals

- Reward high quality care and outcomes
- Ensure clinical effectiveness
- Promote early intervention and coordination to reduce complications and associated costs
- Encourage referral to higher-value downstream providers

Preliminary working draft, subject to change

## Best option to improve quality and control costs



Transition to payment system that rewards value and patient health outcomes by aligning financial incentives



Reduce payment levels for all providers regardless of their quality of care or efficiency in managing costs



Pass growing costs on to consumers through higher premiums, deductibles and co-pays (private payers), or higher taxes (Medicaid)



Intensify payer intervention in decisions through managed care or elimination of expensive services (e.g. through prior authorizations) based on restrictive guidelines



Eliminate coverage of expensive services or eligibility

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Payers recognize the value of working together to improve our system, with close involvement from other stakeholders...

Arkansas  
**Medicaid**

QualChoice  
HEALTH INSURANCE

Arkansas  
BlueCross BlueShield

CMS  
CENTERS FOR MEDICARE & MEDICAID SERVICES

### Coordinated multi-payer leadership...

- Creates consistent incentives and standardized reporting rules and tools
- Enables change in practice patterns as program applies to many patients
- Generates enough scale to justify investments in new infrastructure and operational models
- Helps motivate patients to play a larger role in their health and health care

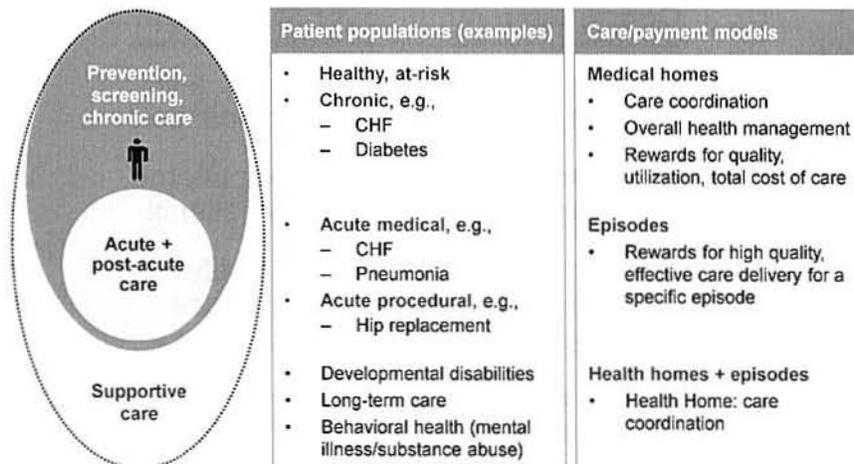
Preliminary working draft, subject to change

## APII worked closely with Arkansas providers and patients

- 1000+**
  - Providers, patients, family members, and other stakeholders who helped shape the new model in public workgroups
- 25+**
  - Public workgroup meetings connected to 6-8 sites across the state through videoconference
- 19**
  - Months of research, data analysis, expert interviews and infrastructure development to design and launch episode-based payments
- Monthly**
  - Updates with many Arkansas provider associations (e.g., AHA, AMS, Arkansas Waiver Association, Developmental Disabilities Provider Association)

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## What's included in Payment Improvement? Medical homes, health homes, and episodes



**Consumers should expect:**

- To seek care as they do today
- Enhanced engagement between providers and patients
  - Shared decision-making that is patient-centered
- Improved quality of services provided
- Improved coordination of care
- The ability to more easily engaged in managing their own health
- Opportunities for consumer engagement with the Arkansas Health Care Payment Improvement initiative

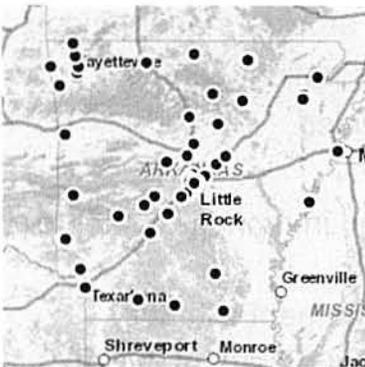
**Medical Home: Arkansas multi-payer emerging vision**

- All Arkansans have access to an advanced PCMH within 2-4 years
- PCMHs proactively manage patients on a 24/7 basis
- Primary care providers<sup>1</sup> should be rewarded for continuous improvements in quality and efficiency
- Primary care providers<sup>1</sup> are stewards of overall system resources and have accountability for total cost of care
- PCMHs support and expect patients to actively engage and manage their own health

<sup>1</sup> And select specialists over time

Preliminary working draft, subject to change

## Medical Home: Comprehensive Primary Care Initiative



- 69 primary care practices
  - Receiving FFS + enhanced payments
  - Improving patient experience: care coordination, access, communication
  - Practices responsible for ALL patients
  - Quality, cost and transformation milestones will be evaluated
- PMPM begins October '12
  - Medicare \$8-40; risk-adjusted
  - Medicaid +\$3 kids; +\$7 adults
  - Private ~\$5
- Must meet targets
  - Quality, performance, transformation
- Shared savings model year 2-4

<http://innovations.cms.gov/initiatives/Comprehensive-Primary-Care-Initiative/index.html>

PRELIMINARY WORKING DRAFT; SUBJECT TO CHANGE

## Medical Home: Arkansas multi-payer vision

**PCMH vision...**

A team based care delivery model led by your primary care provider that holistically manages all of your health needs

**Key attributes**

- 24/7 access for all individuals
- Evidence-informed care
- Providers with responsibility for a practice's entire population
- Coordinated and integrated care across multidisciplinary provider teams
- Focus on prevention and management of chronic disease
- Referrals to high-value providers (e.g., specialists)
- Improved wellness and preventative care

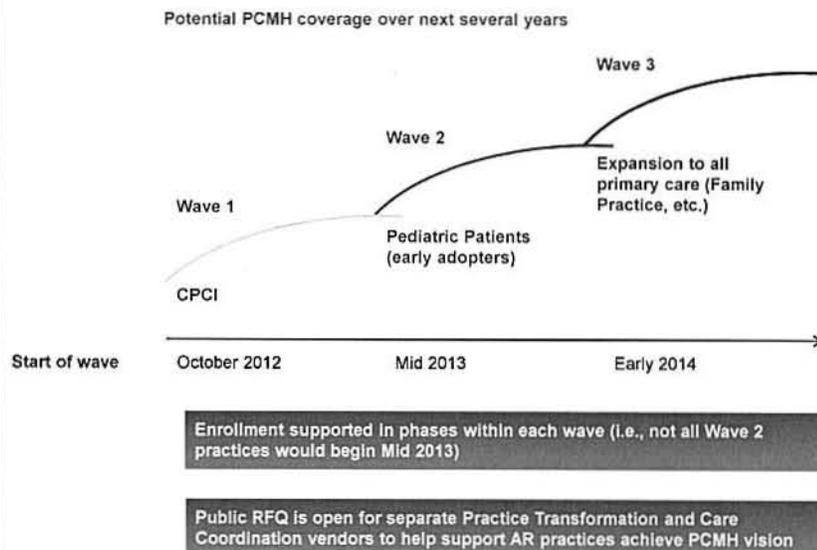
**Incentives**

- Monthly fees to support care coordination efforts and ramp-up of PCMH model
- Shared savings model that rewards providers for controlling costs while maintaining or improving quality

20

## Medical Home: Potential rollout timeline

ILLUSTRATIVE

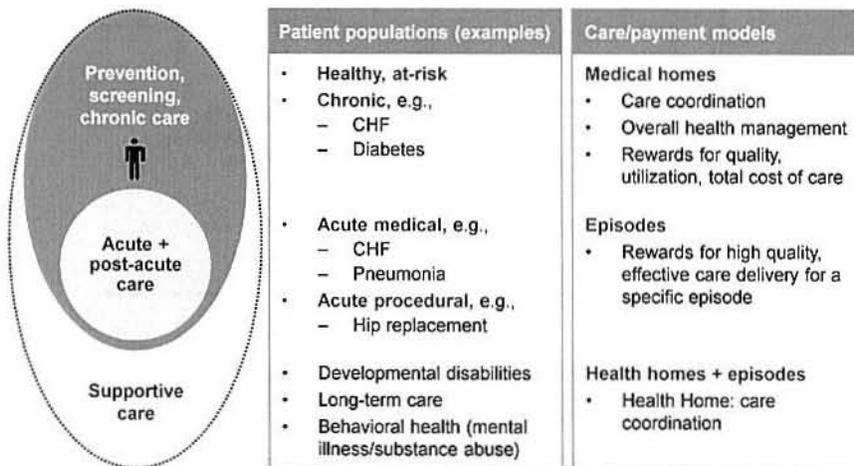


## Guiding principles for health home development

Preliminary working draft, subject to change

- ✓ Health homes must address **comprehensive needs of individuals** by utilizing a "whole person" and "person centered" approach while ensuring personal choice assurances through service planning and delivery
- ✓ Health homes will provide services that address issues of **access to care, accountability, and active participation** on behalf of both providers and individuals/families receiving services, **continuity of care** across all medical, behavioral, and social supports, and comprehensive coordination/integration of all needed services
- ✓ Health homes will provide services that seek to **align a fragmented system** of needs assessment, service planning, care coordination, transitional care, and direct care service delivery
- ✓ Health homes must **demonstrate the use of health information technology** as a means to improve service delivery and health outcomes of the individuals served

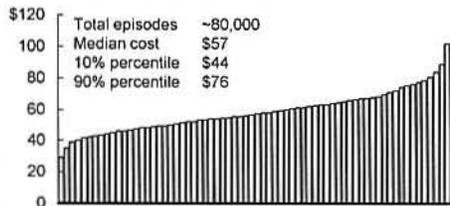
## What's included in Payment Improvement? Medical homes, health homes, and episodes



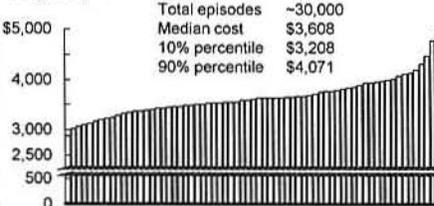
## Case for change: variation in costs by episode are substantial even after adjusting for risk

Total average cost per episode post-risk adjustment by Principal Accountable Provider, 2008-2010

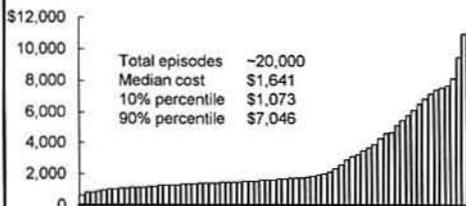
Simple upper respiratory infection<sup>1</sup>



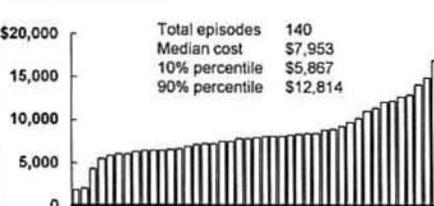
Pregnancy<sup>2</sup>



ADHD<sup>3</sup>



Total hip replacement



<sup>1</sup> Episode costs for children less than 10 risk-adjusted by a historically-derived multiplier.  
<sup>2</sup> Individual episode costs risk-adjusted for clinical drivers of severity based upon historically-derived multipliers.  
<sup>3</sup> Eligible defined as ADHD without comorbidities between ages 6 and 17.

SOURCE: Arkansas Medicaid claims data; Team analysis  
 NOTE: Episode and health home model for adult DD population in development. Model will utilize lead provider and health home to drive coordination

The model rewards a Principal Accountable Provider (PAP) for leading and coordinating services and ensuring quality of care across providers

| PAP role                  | What it means...   |   |
|---------------------------|--|---|
| Core provider for episode | <ul style="list-style-type: none"> <li>Physician, practice, hospital, or other provider in the best position to influence overall quality, cost of care for episode</li> </ul>   | <b>PAP selection:</b> <ul style="list-style-type: none"> <li>Payers review claims to see which providers patients chose for episode related care</li> <li>Payers select PAP based main responsibility for the patient's care</li> </ul> |
| Episode 'Quarterback'     | <ul style="list-style-type: none"> <li>Leads and coordinates the team of care providers</li> <li>Helps drive improvement across system (e.g., through care coordination, early intervention, patient education, etc.)</li> </ul> |   |
| Performance management    | <ul style="list-style-type: none"> <li>Rewarded for leading high-quality, cost-effective care</li> <li>Receives performance reports and data to support decision-making</li> </ul>   |   |

PRELIMINARY WORKING DRAFT; SUBJECT TO CHANGE

2012: episode-based payment was launched on 5 episodes, statewide

|                                | Most relevant payor types  | Accountable provider               | Key sources of value  |
|--------------------------------|--|------------------------------------|---|
| Pregnancy and delivery         | <ul style="list-style-type: none"> <li>Medicaid*</li> <li>Commercial*</li> </ul>                   | Delivering physician               | Eliminating unnecessary inductions, C-sections, and extended length of stay in the hospital |
| ADHD                           | <ul style="list-style-type: none"> <li>Medicaid*</li> <li>Commercial</li> </ul>                    | Treating physician or psychologist | Matching care to guidelines for pharmacotherapy vs. counseling                              |
| Hip and knee replacement       | <ul style="list-style-type: none"> <li>Medicare</li> <li>Commercial*</li> <li>Medicaid*</li> </ul> | Orthopedic surgeon                 | Readmission and post-acute stays, cost of implant   |
| Acute/post-acute heart failure | <ul style="list-style-type: none"> <li>Medicare</li> <li>Commercial*</li> <li>Medicaid*</li> </ul> | Hospital                           | Encouraging hospitals to extend reach beyond point of discharge                             |
| Upper respiratory infections   | <ul style="list-style-type: none"> <li>Medicaid*</li> <li>Commercial</li> </ul>                    | Diagnosing physician               | Eliminating inappropriate use of antibiotics and radiology                                  |

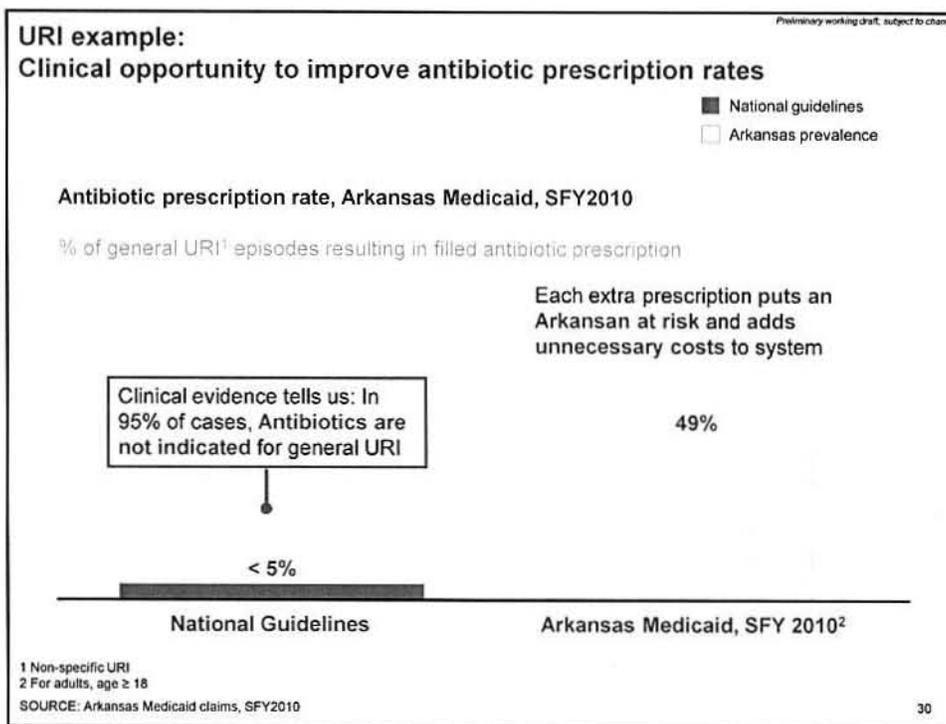
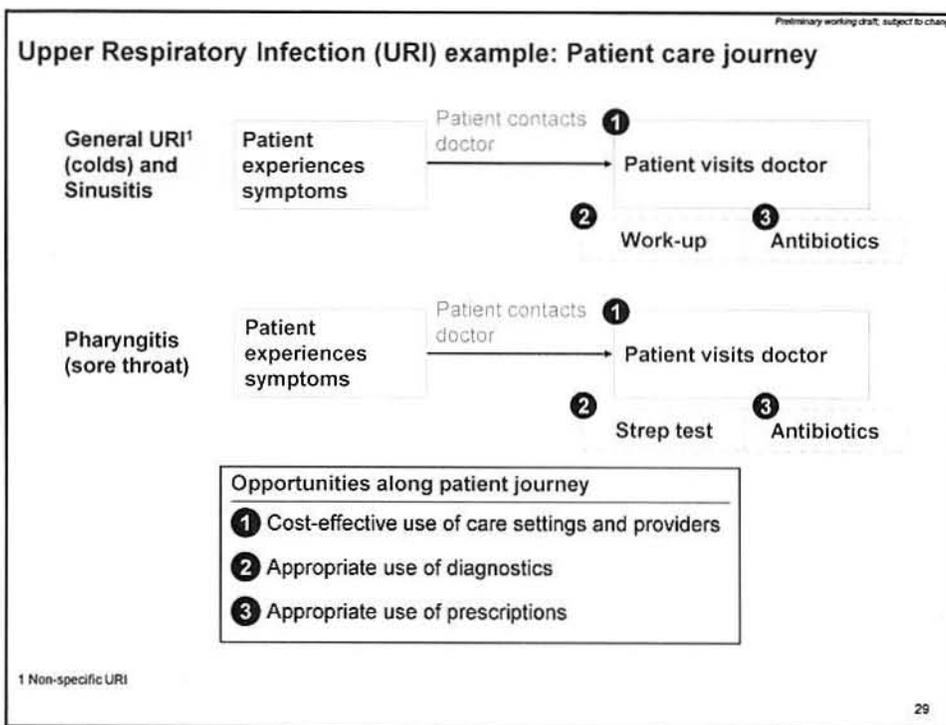
\* Implemented or in process; others to follow  
 SOURCE: Arkansas Payment Improvement Initiative

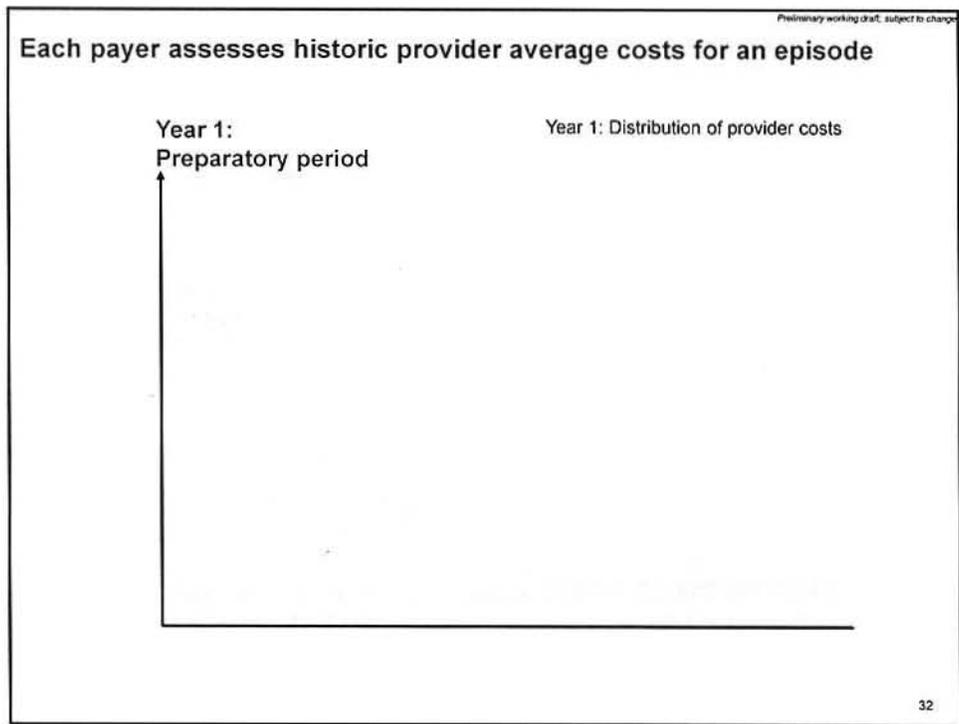
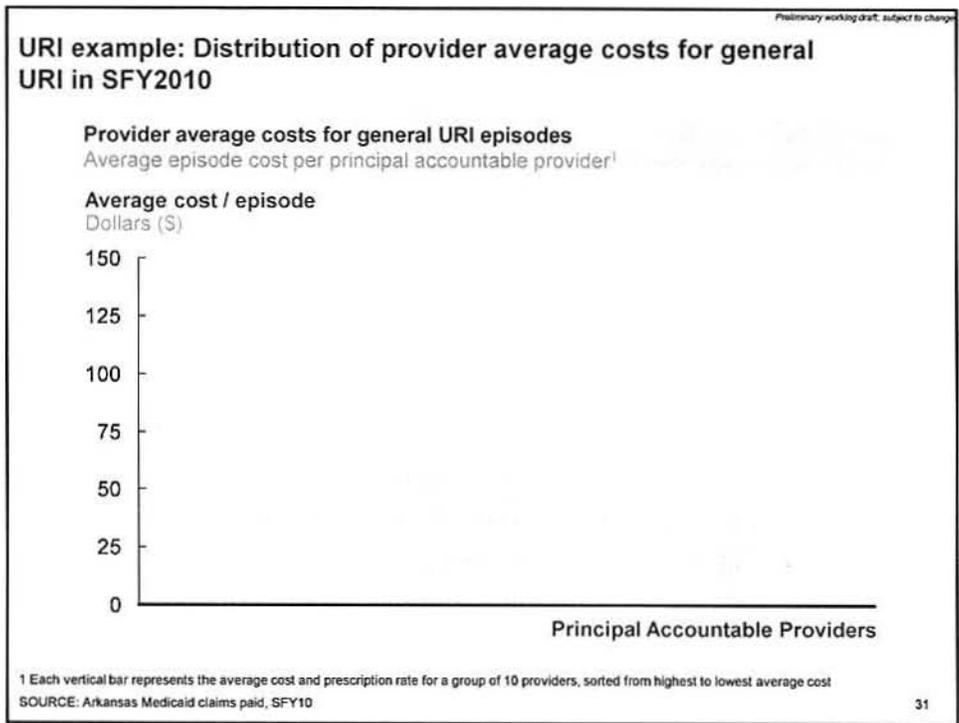
|                                | Wave 1 episodes  | Principle Accountable Provider   |
|--------------------------------|--|--|
| Total Hip/ Knee replacement    | <ul style="list-style-type: none"> <li>Surgical procedure plus all related claims from 30 days prior to procedure to 90 days after</li> </ul>                        | <ul style="list-style-type: none"> <li>Orthopedic surgeon</li> </ul>   |
| Perinatal (non-NICU)           | <ul style="list-style-type: none"> <li>Pregnancy-related claims for mother from 40 weeks before to 60 days after delivery</li> <li>Excludes neonatal care</li> </ul> | <ul style="list-style-type: none"> <li>Delivering provider</li> </ul>  |
| Ambulatory URI                 | <ul style="list-style-type: none"> <li>21-day window beginning with initial consultation</li> <li>Excludes inpatient costs and surgical procedures</li> </ul>        | <ul style="list-style-type: none"> <li>First provider to diagnose patient in-person</li> </ul>   |
| Acute/post-acute heart failure | <ul style="list-style-type: none"> <li>Hospital admission</li> <li>Care within 30 days of discharge</li> </ul>   | <ul style="list-style-type: none"> <li>Admitting hospital</li> </ul>   |
| ADHD                           | <ul style="list-style-type: none"> <li>12-month episode</li> <li>Includes all ADHD services + pharmacy costs (with exception of initial assessment)</li> </ul>       | <ul style="list-style-type: none"> <li>Depends on care pathway                             <ul style="list-style-type: none"> <li>Physician</li> <li>Licensed clinical psychologist, and/or</li> <li>RSPMI provider</li> </ul> </li> </ul> |

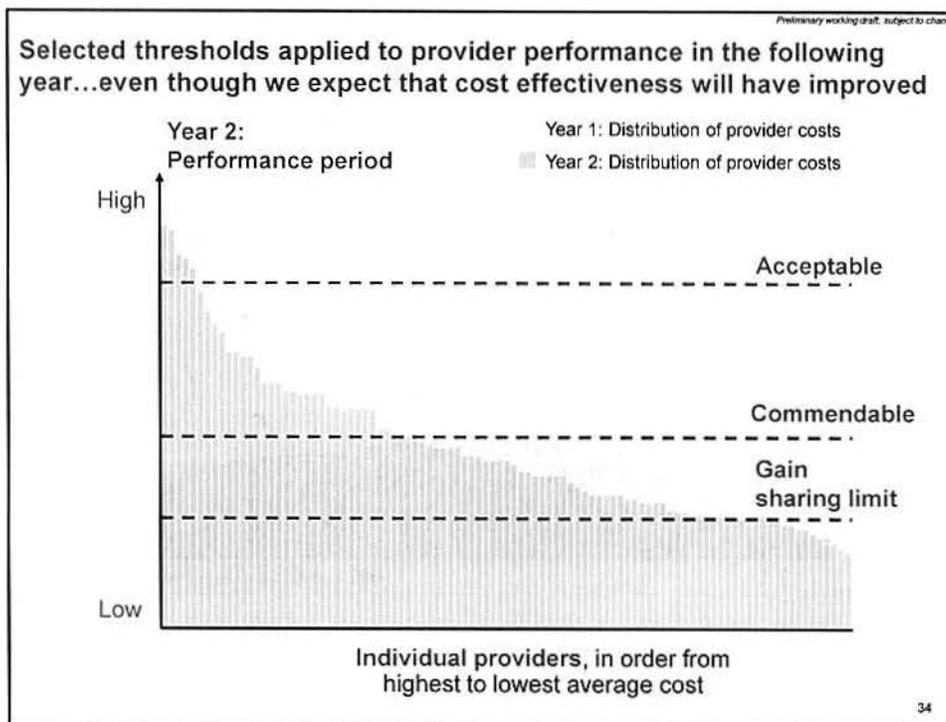
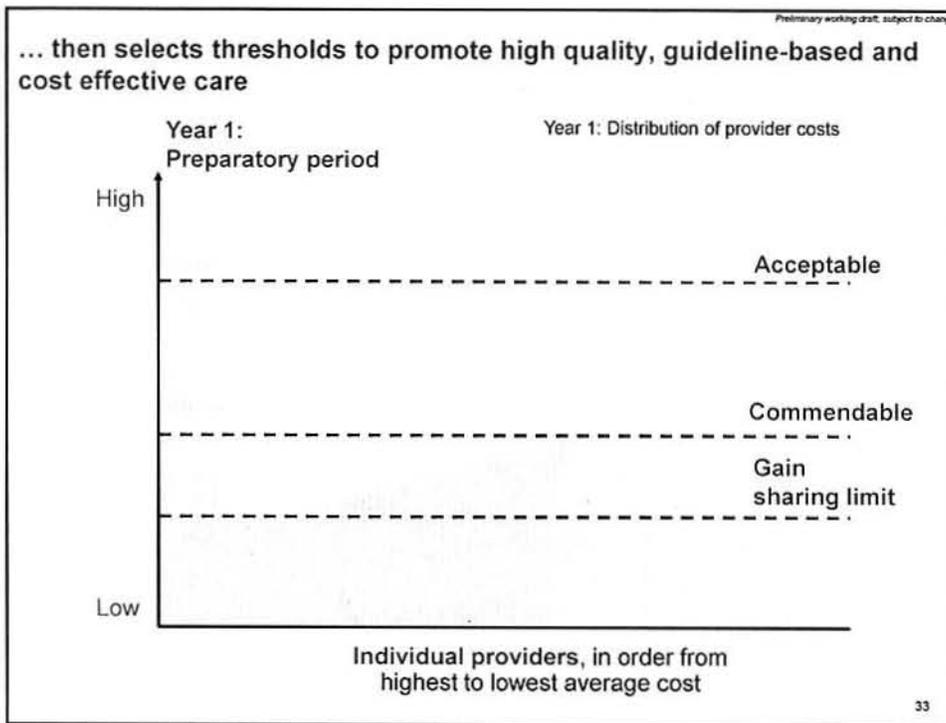
NOTE: Episode and health home model for adult DD population in development. Model will utilize lead provider and health home to drive coordination

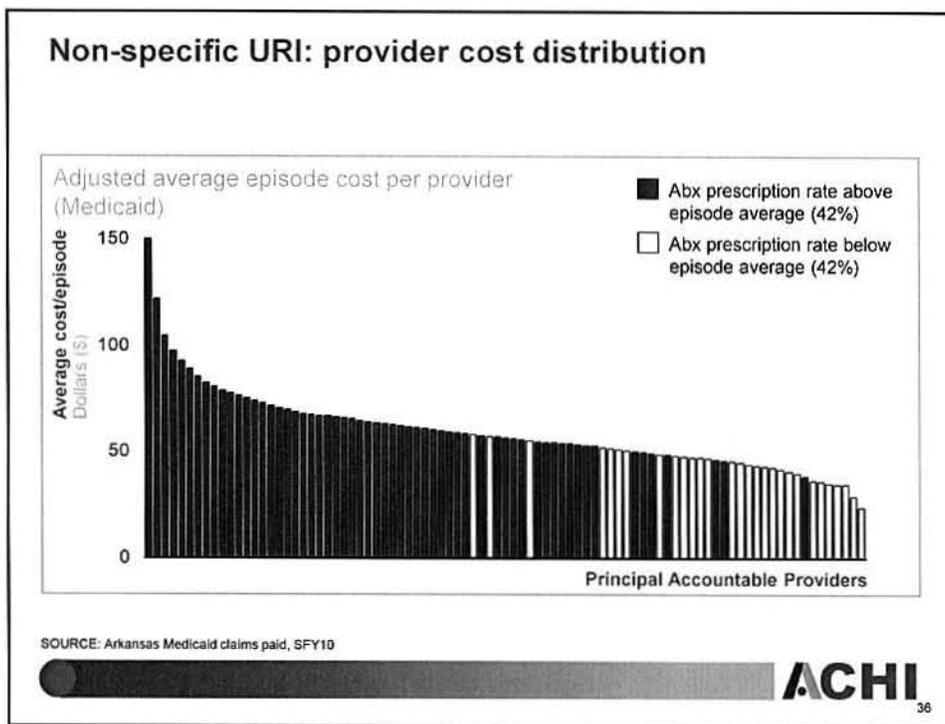
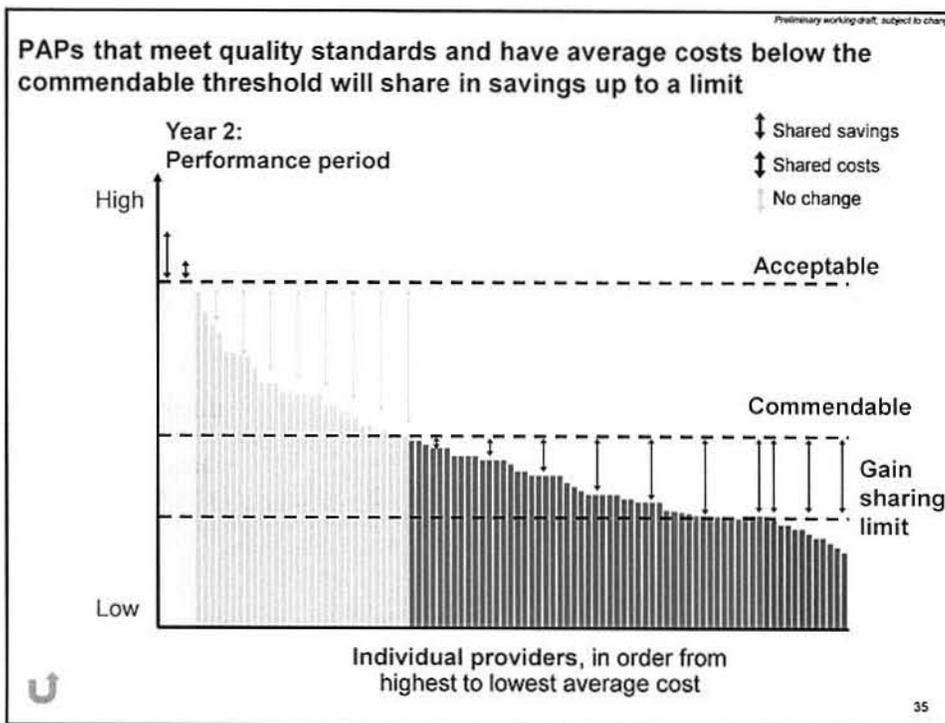
**Episodes: Wave 2 Launch**

- Wave 2a
  - Tonsillectomy
  - Cholecystectomy
  - Colonoscopy
  - Oppositional Defiant Disorder (ODD)
  - Wave 2a launch in the first half of 2013
- Wave 2b to follow in mid-2013
  - Exploring: cardiac care, orthopaedic care, behavioral health, stroke, NICU, others
- Process for Wave 2 stakeholder and clinician engagement

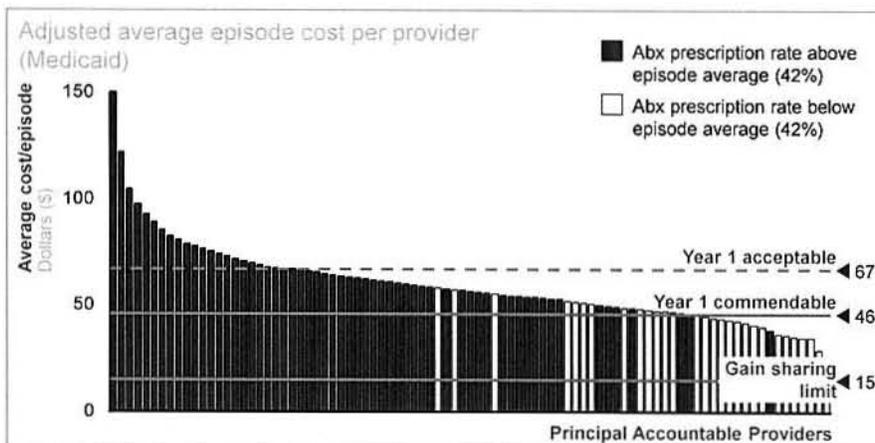








## Non-specific URI: draft thresholds



SOURCE: Arkansas Medicaid claims paid, SFY10

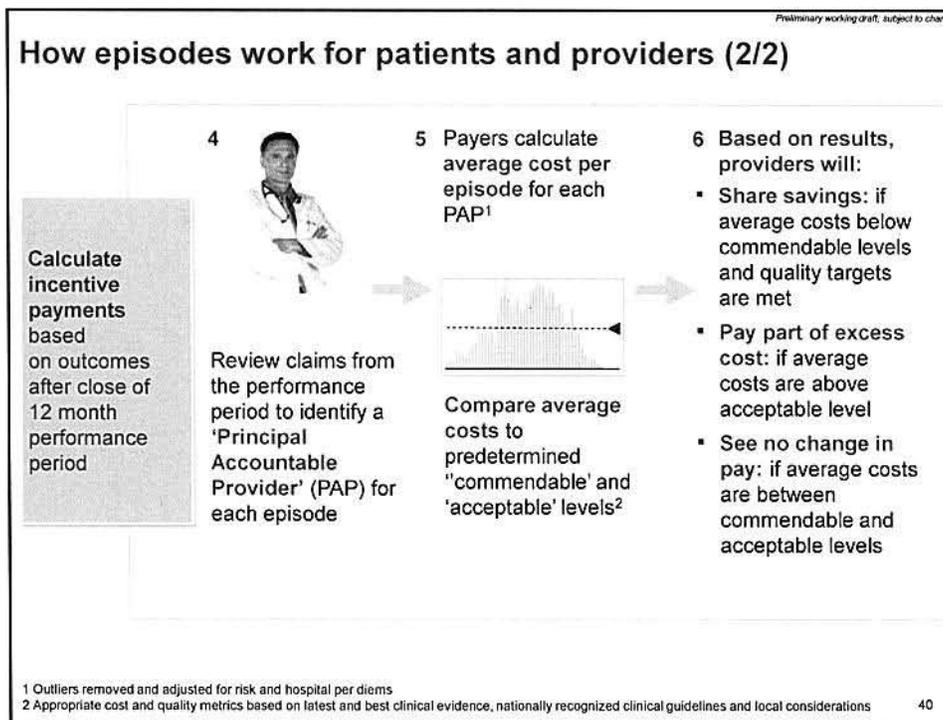
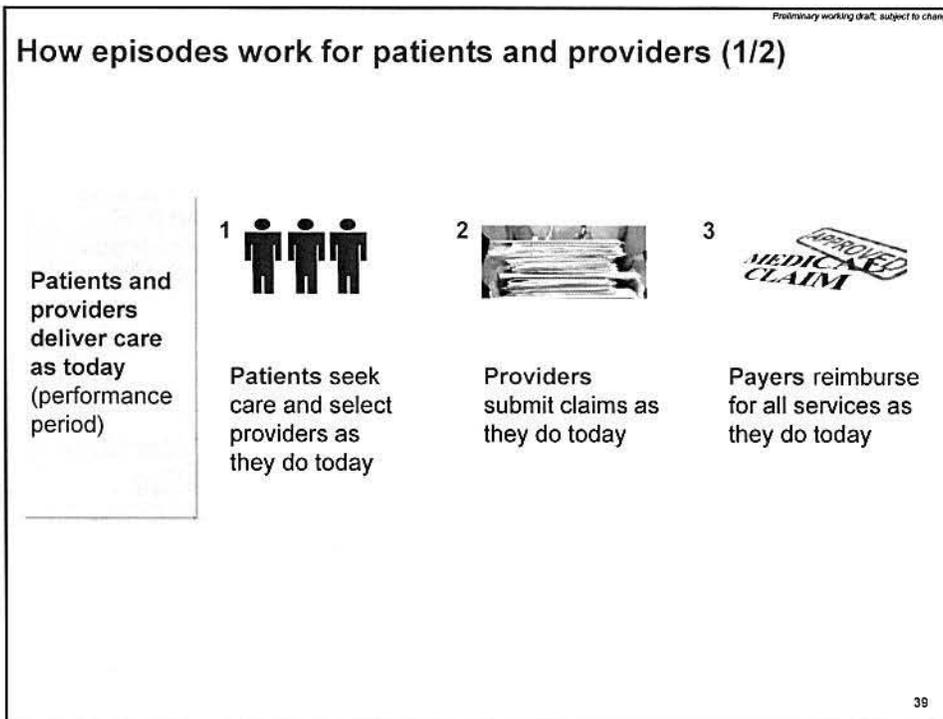
**ACHI**  
37

Preliminary working draft, subject to change

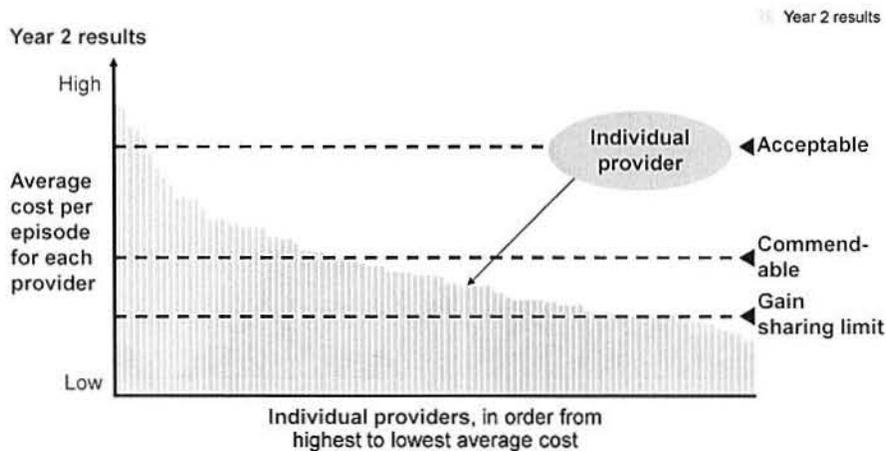
## Guiding principles that payers use to determine cost levels (e.g., 'commendable' and 'acceptable' thresholds) and incentive payments

1. Reward high quality, efficient delivery of clinical care
2. Promote fairness by considering patient access, provider economics, and changes required for improvement
3. Acknowledge that poor performance is a reality and should not be rewarded
4. Protect quality and access by setting a gain sharing limit at a reasonable, achievable level
5. Sustain thresholds for reasonable period to allow for adjustment and learning

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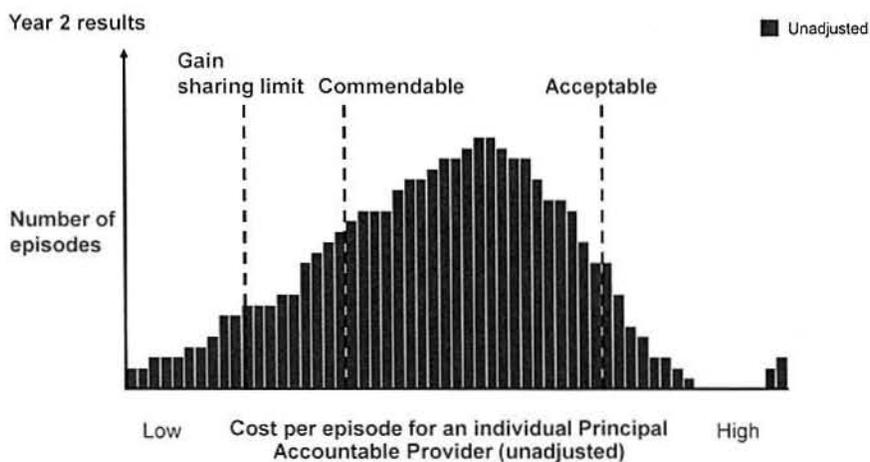


Let's take a look at an individual provider and see how we establish his or her performance level



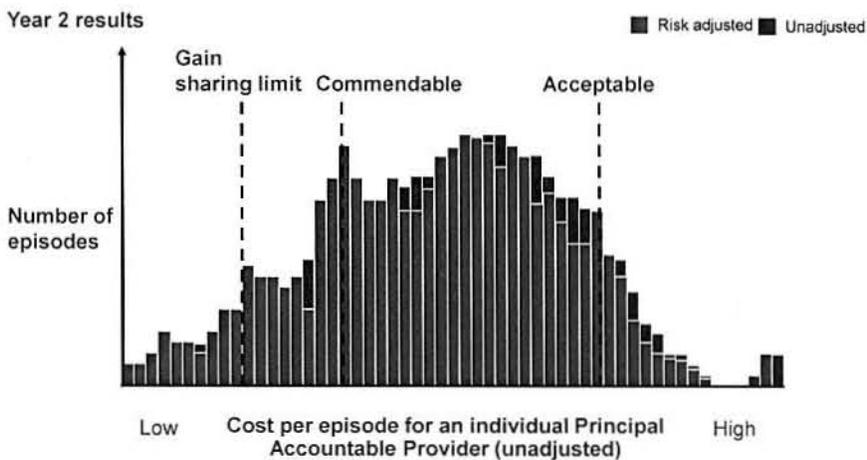
41

For each Principal Account Provider, actual costs for each episode will vary according to patient needs and the cost effectiveness of delivery



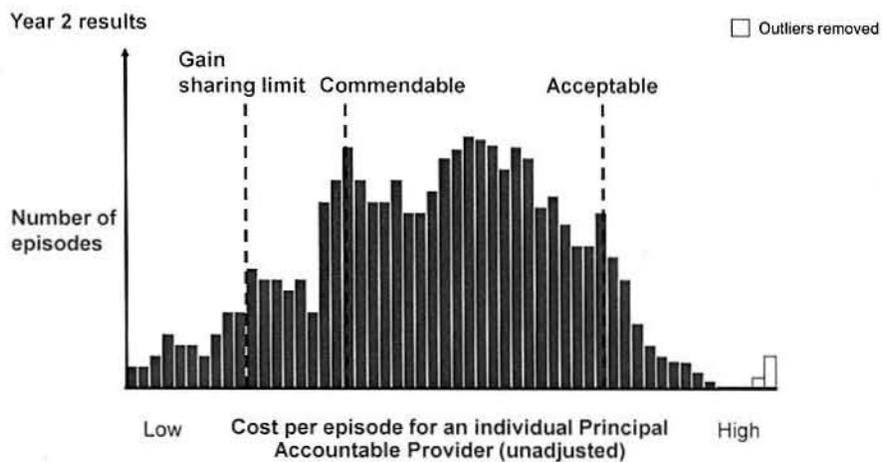
42

At the end of the period, the payor performs a risk-adjustment to account for patient-specific factors ...



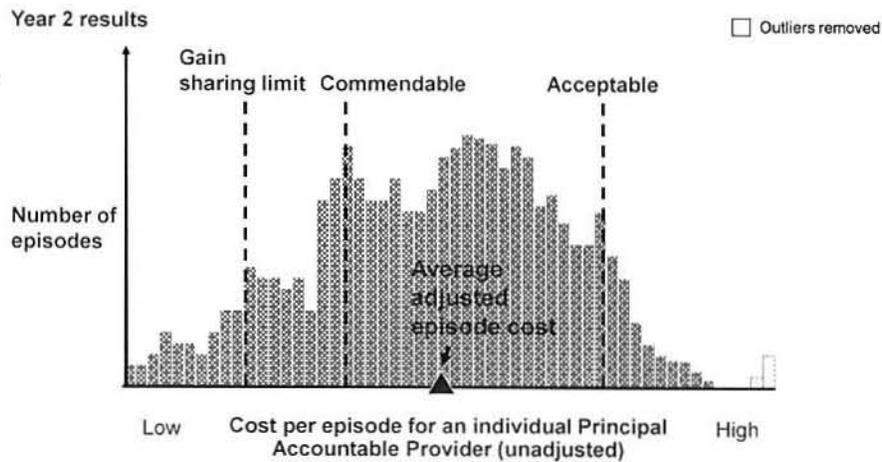
43

... and outliers are removed



44

**A Principal Accountable Provider's performance is assessed based on his or her adjusted cost averaged across all non-outlier episodes**



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### Self-insured participation

Preliminary working draft: subject to change

- Public, private, self-insured payers recognize that payment transformation is part of changing the delivery of care
- Fully insured are participating in APII, in both:
  - Population health strategies (CPC and expanded PCMH)
  - Episode-delivery strategies
- Self-insured are invited to participate in APII, in both:
  - Episode participation in Wave 1 and 2
  - Population health through CPC and enhanced PMPM for broader PCMH roll-out in 2013 and 2014

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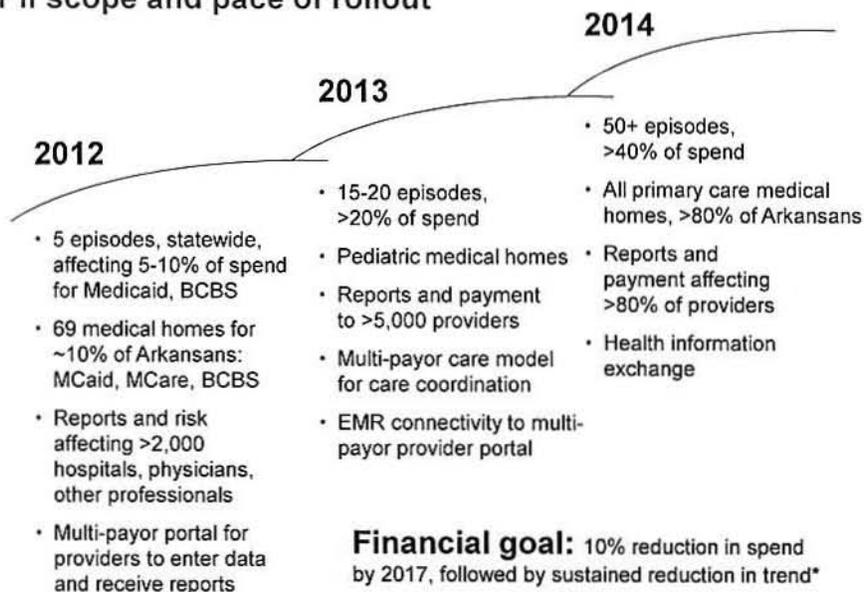
**EBD Projected Member Attribution (CPC)**

Preliminary working draft, subject to change

- HealthAdvantage
  - Projecting ~14,000 EBD members in the 69 practices (Plan Yr 2013)
- QualChoice
  - Projecting ~1,000 EBD members in the 69 practices (Plan Yr 2013)
- 10% of all EBD covered lives are included in the CPC practices

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**APII scope and pace of rollout**



\*Reflects goal publicly communicated by Arkansas Medicaid; similar success case for BCBS

# PaymentInitiative.org

# www.ACHI.net

