



AGENDA

State and Public School Life and Health Insurance Board

EBD Board Room – 501 Building, Suite 500

October 18, 2013

3:00 p.m.

- | | |
|--|-----------------------------------|
| 1. Call to Order | John Kirtley, Chair |
| 2. Approval of the August 20 th Minutes | John Kirtley, Chair |
| 3. Financials | Marla Wallace, EBD CFO |
| 4. Benefits Sub-Committee Report | Lloyd Black, Benefits Comm. Chair |
| 5. PSE rates for 2014 | Bob Alexander, EBD Exec Dir |
| 6. New Risk Mgmt & Quality Care Comm. | Bob Alexander, EBD Exec Dir |
| 7. Loss of Medicaid as a Qualifying Event | Bob Alexander, EBD Exec Dir |
| 8. Director's Report | Bob Alexander, EBD Exec Dir |

Upcoming Meetings

November 19th

Notice: Silence your cell phones. Keep your personal conversations to a minimum. Observe restrictions designating areas as "*Members and Staff Only*"

Handouts are available upon request to ASE PSE-Board@dfa.arkansas.gov

**State and Public School Life
And Health Insurance Board
Minutes
October 15, 2013**

The 132nd meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met on October 15, 2013 at 1:00 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, AR 72201.

MEMBERS PRESENT

Renee Mallory
Kelly Chaney
Dr. Joseph Thompson
Katrina Burnett
Lori Freno-Engman
John Kirtley, Chair
Carla Wooley-Haugen – Vice-Chair
Dr. Andrew Kumpuris
Lloyd Black
Shawn Cook

MEMBERS ABSENT

Janis Harrison

Bob Alexander, Executive Director, Employee Benefits Division

OTHERS PRESENT:

Dwight Davis, David Keisner, Jill Johnson, UAMS; Doug Shackelford, Michele Hazelett, Stella Greene, Marla Wallace, Leslie Smith, Janna Keathley, Tracy Oberste, LaToya Covington, Sherry Bryant, Sylvia Landers, Joe Chang, Minnesota Life; Pam Lawrence, AHH; Wayne Whitely, Larry Dickerson, AR Highway & Transportation Dept; Diann Shoptaw, USable; Kathy Ryan, Takisha Sanders, Ron DeBerry, David Bridges Health Advantage; Ro Summers, Rhonda Hill, ACHI; Andra Kaufman, B.J. Himes, QualChoice; Paula Glover, ACS; Alicia Hayden, CTRX; Doug Brown, Bobbie Davis, APSRC; Danny James, ASEA; John Greer, Humana; Tammy Barger, Benton Schools; Norma Walker, Watson Chapel Schools; Katie Clifford, APSRC; KM Linch, ASTA; Andy Davis, Arkansas Democrat; Becky Walker, APERS; Peggy Nabors, AEA; Treg Long; ACT; Debbie Johnson, ACH

CALL TO ORDER:

Meeting was called to order by John Kirtley, Chair

APPROVAL OF MINUTES: *by John Kirtley, Chair*

The request was made by Kirtley to approve the August 20, 2013 minutes.

Renee Mallory made the motion to approve minutes.

Carla Wooley-Haugen seconded.

Minutes approved.

FINANCIALS: *by Marla Wallace, CFO EBD*

Wallace reported on August & September for PSE and ASE. For August PSE received the eight (8) million from the State. It was a month of five (5) week claims, which added an additional 5.4 million. For the month there was a \$246,000.00 loss for August. The year-to-date loss is 10.7 million. For September there was a net gain of \$196,000.00. The year-to date loss remain the same. The last quarterly payment will be received in October, 2013.

For August ASE there was a net loss for the month of \$1.9 million. The year-to date loss is \$2.6 million. It was a month of five (5) week claims, which added an additional \$4.9 million. There was for the month \$18 million allocated for 2014, 2015, & 2016 rates. There still remain net assets of \$1.3 million. For September, net gain \$1.2 million. The year-to date loss is \$1.4 million. The net assets available is \$2.5 million after deducting the reserves & catastrophic.

BENEFITS SUB-COMMITTEE REPORT: *by Lloyd Black, Benefits Chair*

The following report resulted from a meeting of the Benefits Sub-Committee on October 4, 2013 with Lloyd Black presiding.

Topics Discussed:

1. Wellness Programs – Executive Director, Bob Alexander presented information on various wellness programs. Alexander requested UAMS test the program & those results could be the deciding factor if it would be implemented. Alexander requested the Committee review the information, and a detail presentation will follow at a later date.
2. Additional Funding for Public Schools – Alexander reports there is movement towards increasing funding to reduce rates. The deadline is October 15th as there will be time needed to adjust the rates if there is a change. The next Board Meeting will be held October 15th as well. There is also a possibility of a special session in an effort to increase funding to reduce rates.

3. Early Intervention – Alexander reports there is new implementation for Pre-Certification Requirements on Hospital Admission. This will give Case Managers the opportunity to intervene in large cases. There could be penalties for the Vendors as Pre-Certification is their requirement. Alexander reports; the Quality of Care Committee will be activated and possibly a Risk Management Committee. The Benefits Committee could also be expanded.

PSE RATES FOR 2014: *by Bob Alexander, EBD Executive Director & John Colberg, Cheiron*

Alexander reports there is movement in working with the legislators to increase funding. The deadline was October 15th to have an agreement. As of today the Governor has asked for additional time. There could be a possible 10% - 16% increase. The funding could be between \$30 million to \$43 million. The rates have been projected on \$43 million. There will be a special session called by the Governor which will result in a Board meeting via phone Friday, October 18, 2013 or Saturday October 19, 2013. Alexander reports this will create a timeline for processing the forms. Open enrollment will begin November 1, 2013 – November 20, 2013.

Alexander reports additional provisions in the bill include adding two additional Board Members appointed by the Governor. They will be experts in the industry. Under the emergency provision there will be a task force formed. Adopting a tobacco surcharge will be implemented by a new task force. Require members who have the bronze plan have a HSA. Recommend the school districts contribute to the HSA. There is a provision that the Board cannot adopt a plan in 2014 without a deductible. Effective 2015 there will be a deductible in the plans. Excess funds that are not used will go to EBD to help fund the PSE Plan. Total amount for 2013 is 3.5 Million.

Alexander reports the legislators would like to fix the problem without additional funding to the plan.

Wooley-Haugen inquires whether there will there be possible changes for ASE. Alexander reports the changes will be for PSE only.

Dr. Thompson inquires will the Task Force make recommendations for ASE as well as PSE. Alexander reports they would make recommendations for both plans. However there is a possibility that we may have only one (1) plan.

Alexander reports on the lack of education by the Board for the members regarding the benefits & plans specifically the Bronze and HSA Plans. Alexander reports we have a state contract for our state employees. Data Path under our contract is responsible for open enrollment. They visit the agencies, and in addition they have their own call centers to answer calls. EBD is not responsible for educating individuals on another company's product; HSA.

The School Districts have the flexibility to hire their own HSA vendors who would be responsible for educating the Public School Employees on the plans they offer.

Colberg reported on August Board Decisions & Legislative Proposal. The recommendation is to adopt the Benefits committee recommendations for Actives and Non-Medicare Eligible Retirees & maintain current benefits for Medicare Eligible Retirees.

PSE contribution rates for 2014; based on level percent increase with cap on rates, additional \$30.00 for Bronze Employee Only, additional \$5.00 per adult per month to build reserves & allow for adverse experience, Migration scenario D, result in; 47.35% overall employee/retiree contribution increases; 52.7% active employee contribution increase.

Benefits Committee Recommended Designs:

Actives & Non-Med Retirees						
	Current Gold	Recommend Gold	Current Silver	Recommend Silver	Current Bronze	Recommend Bronze
PSE actual % paid (2012)	84.7%	81.0%	80.8%	77.4%	64.8%	62.6%
MV scores (Essential Benefits)	89.6%	85.5%	83.4%	78.8%	76.4%	71.3%

The Benefits Sub-Committee recommends to the Board three (3) plan designs. They are as follows:

	<u>Gold</u>	<u>Silver</u>	<u>Bronze</u>
Deductible – Individual	\$0.00	\$1,000.00	\$2,000.00
Co-Insurance Limit – Ind, after deductible	\$2,500.00	\$3,000.00	\$4,350.00
Max out-of-pkt (ded + co-ins)	\$2,500.00	\$4,000.00	\$6,350.00
Deductible – Family	\$0.00	\$2,000.00	\$3,000.00
Co-Ins Limit – Family (after ded)	\$5,000.00	\$6,000.00	\$6,525.00
Max out-of pkt (ded + co-ins)	\$5,000.00	\$8,000.00	\$9,525.00
Co-Insurance Rate	80%/20%	80%/20%	80%/20%
Phy-Office Visit – prim care co-pay	\$35.00	\$35.00	

Phy-Office Visit – Specialist co-pay	\$70.00	\$70.00	
RX Tier 1 Generic	\$15.00	\$15.00	
RX Tier 2 Preferred	\$40.00	\$40.00	
RX Tier 3 Non Pref.	\$80.00	\$80.00	
RX - Speciality	\$100.00	\$100.00	
Hospital/Facility-In-Pat co-pay per adm	\$250.00	\$300.00	
Hospital/Facility-Out-Pat-co-pay	\$100.00	\$150.00	
Urgent Care	\$100.00	\$150.00	
Emergency Room Visit	\$250.00	\$300.00	
Emergency Room Trans-Ambulance	\$50.00	\$50.00	
High Tech Radiology-co-pay	\$250.00	\$300.00	
Rehab/Therapy-Out-Physical	\$35.00	\$35.00	
Rehab/Therapy-Out-Speech	\$35.00	\$35.00	
Rehab/Therapy-Out-Chiropractic co-pay	\$35.00	\$50.00	
Rehab/Therapy-Out-Chiropractic co-ins	0%	0%	
Out-Of-Network:			
Deductible – Individual- Family	\$1,000/\$2,000	\$2,000/\$4,000	\$4,000/\$8,000
Co-Insurance	60%/40%	60%/40%	60%/40%
Co-Insurance Limit – Individual/Family (After Deductible)	\$5,000/\$10,000	\$6,000/\$12,000	\$8,700/\$13,000
Max. Out-Of-Pocket (Ded + Co-Ins.)	\$6,000/\$12,000	\$8,000/\$16,000	\$12,700/\$19,000
Please Note: Co-Insurance also applies			
True Out-Of-Pocket Includes RX?	N	N	Y

NEW RISK MANAGEMENT & QUALITY CARE SUB-COMMITTEE: *by Bob Alexander, EBD Executive Director*

Alexander reports in many meetings the question is why doesn't our plan have stop loss reinsurance? An estimate for catastrophic reinsurance would be \$10 - \$12 million. Alexander would like to form a Risk Management Sub-Committee as listed in the Board Members duties. The Committee will consist of Board Members only. Their

responsibilities would be making sure we have the level of reinsurance we may need, looking at specialty drugs, possibly the Medicare Advantage Program, and any other issues that would fall under risk management.

Kirtley asked Board Members to volunteer for the Risk Management and Financial Management Committee.

Dr. Thompson motioned to form the Risk Management and Financial Management Sub-Committee.

Dan Honey seconded. All were in favor.

Motion approved.

Dr. Thompson reports the forming of the Committee does not mean the functions haven't been performed. It is to be more focus and for forum purposes.

Alexander reports The Quality of Care Committee has not been active and needs to be reactivated. The Committee will monitor the payment initiative, tracking performance, and tracking assessments. Alexander reports he would like to work with on-site clinics. There is a lot of value in on-site clinics. The clinics will benefit the plan with less absenteeism and much more. Alexander reports he would like to work with UAMS and Blue Cross & Blue Shield. This will improve our service and maybe offset issues before they arrive.

Dr. Thompson motioned to reactivate The Quality of Care Committee.

Dan Honey seconded. All were in favor.

Motion approved.

Dr. Thompson inquired since this is a statutory authorized committee; the committee can have Board and Non Board members? Alexander reports it has Board and Non Board Members and there are recommendations.

LOSS OF MEDICAID AS A QUALIFYING EVENT: *by Bob Alexander, EBD Executive Director*

Under the Affordable Care Act individuals falling under 138% federal poverty level can go onto Medicaid automatically. When their earnings increase they will have to go off Medicaid. They would not have a qualifying event; as loss of Medicaid is not a qualifying event, to be able to come back to their state plan. Alexander suggests the Board adopt a motion to include a loss of Medicaid as a qualifying event and include that in our summary description.

Dan Honey motioned to approve.

Lloyd Black seconded. All were in favor.

Motioned approved.

DIRECTOR'S REPORT: *by Bob Alexander, EBD Executive Director*

Alexander introduced new Board Member, Dan Honey from The Arkansas Insurance Department.

Alexander reports there are issues with the furloughed employees and there is discussion toward making decisions for resolutions. Employees on leave without pay are only required to pay their share of Medical coverage. However, there are issues regarding Federal Grants which could result in employees on leave without pay to be responsible for the employer share as well. There may be a change if the employees are not back to work soon.

Alexander reports it's possible that we may have two open enrollments in 2014 due to the decrease in phone volume. ASE would be in October and PSE would be in November. It's very helpful for the cost center to focus on one plan at a time.

Alexander reports in the past due to PSE funding and to increase funds there was a reduction in generic drugs from \$4.00 pharmacy incentive to \$2.00 incentive to purchase generic drugs. The savings is \$4 Million annually. ASE & PSE both are \$2 Million. Both ASE & PSE are paying \$2.00 incentive for generics. Alexander recommends to permanently continue the incentive at the rate of \$2.00 until the Board make a final decision.

Dr. Kumpuris motioned to approve.

Shawn Cook seconded. All were in favor.

Motion approved.

Alexander reports there will be a Board Meeting via phone shortly after the close of the special session. Alexander requested the emails and phone numbers of the Board Members where they can be reached.

Dr. Thompson motioned for the board to recess and reconvene after a decision is made from the Governor regarding the funding.

Kelly Chaney seconded. All were in favor.

Motion approved.

Board is in Recess until further notice: *by John Kirtley, Chair*

The Board Reconvened on October 18, 2013 at 3:01 p.m.

CALL TO ORDER: *by John Kirtley, Chair*

Meeting was called to order by John Kirtley, Chair

ROLL CALL:

Kirtley requested roll call for members via phone; Renee Mallory, Lori Freno-Engman, Dr. Joseph Thompson, Dr. Andrew Kumpuris, & Shawn Cook were all present via phone.

PSE RATES FOR 2014: *by Bob Alexander, EBD Executive Director*

Alexander reports that The State of Arkansas 89th General Assembly First Extraordinary Session, 2013 has approved House Bill 1003 & Senate Bill 2 for \$43 Million to fund The Public School Account. Both bills passed October 18, 2013.

Kirtley reports we need a motion to allow the Executive Director of Employee Benefits Division to implement the 10% rate increase for active Public School Employees in the PSE Plan for 2014 & if we have legislation that provides an amount of \$43 Million in additional funding to the PSE Plan. Upon receiving the funds we need staff to update the changes for a 10% rate increase instead of a 50% rate increase. This will not affect the previous rates adopted by the board for retirees participating in the Public School Plan. There was no additional funding for Retirees.

Shawn Cook motioned to approve.

Lloyd Black seconded. All were in favor

Motion approved.

Lloyd Black reports the Retiree's are concerned there was no allocation to reduce the rates. The Retiree's have a 20% increase for 2014. Black would like the Board to consider contributing \$5.00 additional for each enrollee either now or be proposed in the fiscal session.

Dan Honey motioned to adjourned.

Carla Wooley-Haugen seconded. All were in favor.

Arkansas State Employees (ASE) Financials - January 1, 2013 through August 31, 2013				
	Gold	Silver	Bronze	Total
Actives	44,943	2,273	3,514	50,730
Retirees	3,437	28	80	3,545
Medicare	10,590			10,590
Total	58,970	2,301	3,594	64,865
Revenues & Expenditures				
			Current Month	Year to Date (8 months)
Funding				
State Contribution			\$ 14,316,516	\$ 109,876,800
Employee Contribution			\$ 7,228,619	\$ 57,887,317
Other			\$ 503,031	\$ 8,479,551
Allocation for Active/Retiree Plan Year 2013			\$ 2,236,667	\$ 17,893,333
Total Funding			\$ 24,284,833	\$ 194,137,001
Expenses				
Medical Expenses				
Claims Expense			\$ 16,891,610	\$ 125,503,822.83
Claims IBNR			\$ -	\$ 2,100,000
Medical Admin Fees			\$ 1,073,051	\$ 8,737,968
Refunds			\$ 5,856	\$ 40,104
Employee Assistance Program (EAP)			\$ 56,203	\$ 451,781
Life Insurance			\$ 54,628	\$ 439,095
Pharmacy Expenses				
RX Claims			\$ 7,557,782	\$ 55,722,505
RX IBNR			\$ -	\$ (800,000)
RX Admin			\$ 221,613	\$ 2,031,537
Plan Administration			\$ 342,013	\$ 2,555,786
Total Expenses			\$ 26,202,755	\$ 196,782,598
Net Income/(Loss)			\$ (1,917,922)	\$ (2,645,597)
Balance Sheet				
Assets				
Bank Account				\$ 9,501,936
State Treasury				\$ 73,518,427
Due from Cafeteria Plan				\$ 4,538,305
Due from PSE				\$ 80,461
Receivable from Provider				\$ 202,527
Accounts Receivable				\$ (742,619)
Total Assets				\$ 87,099,037
Liabilities				
Accounts Payable			\$ 2,879	
Deferred Revenues			\$ 91,736	
Due to Cafeteria			\$ 256	
Due to PSE			\$ 688	
Health IBNR			\$ 23,200,000	
RX IBNR			\$ 2,400,000	
Total Liabilities			\$ 25,695,559	
Net Assets				\$ 61,403,478
Less Reserves Allocated:				
Active/Retiree Premiums for Plan Year 1/1/13 - 12/31/13			(\$11,190,000 + \$15,650,000)	\$ (8,946,667)
Active/Retiree Premiums for Plan Year 1/1/14 - 12/31/14			(\$7,460,000 + \$9,390,000 + \$9,000,000)	\$ (25,850,000)
Active/Retiree Premiums for Plan Year 1/1/15 - 12/31/15			(\$6,260,000 + \$5,400,000)	\$ (11,660,000)
Active/Retiree Premiums for Plan Year 1/1/16 - 12/31/16			(\$3,600,000)	\$ (3,600,000)
Catastrophic Reserve				\$ (10,000,000)
Net Assets Available				\$ 1,346,812

Fifth week of claims totaled: \$4,933,880.29

Arkansas State Employees (ASE) Financials - January 1, 2013 through September 30, 2013				
	Gold	Silver	Bronze	Total
Actives	44,955	2,322	3,552	50,829
Retirees	3,428	29	84	3,541
Medicare	10,622			10,622
Total	59,005	2,351	3,636	64,992
Revenues & Expenditures				
			Current Month	Year to Date (9 months)
Funding				
State Contribution			\$ 14,319,684	\$ 124,196,484
Employee Contribution			\$ 7,230,767	\$ 65,118,084
Other			\$ 54,169	\$ 8,533,720
Allocation for Active/Retiree Plan Year 2013			\$ 2,236,667	\$ 20,130,000
Total Funding			\$ 23,841,287	\$ 217,978,288
Expenses				
Medical Expenses				
Claims Expense			\$ 14,479,935	\$ 139,983,758
Claims IBNR			\$ -	\$ 2,100,000
Medical Admin Fees			\$ 1,133,148	\$ 9,871,116
Refunds			\$ 8,301	\$ 48,405
Employee Assistance Program (EAP)			\$ 56,130	\$ 507,911
Life Insurance			\$ 54,558	\$ 493,653
Pharmacy Expenses				
RX Claims			\$ 6,265,145	\$ 61,987,650
RX IBNR			\$ -	\$ (800,000)
RX Admin			\$ 248,386	\$ 2,279,923
Plan Administration			\$ 356,526	\$ 2,912,312
Total Expenses			\$ 22,602,129	\$ 219,384,727
Net Income/(Loss)			\$ 1,239,158	\$ (1,406,438)
Balance Sheet				
Assets				
Bank Account				\$ 8,072,964
State Treasury				\$ 73,560,481
Due from Cafeteria Plan				\$ 4,538,305
Due from PSE				\$ 80,461
Receivable from Provider				\$ 202,527
Accounts Receivable				\$ (353,627)
Total Assets				\$ 86,101,112
Liabilities				
Accounts Payable			\$ 2,893	
Deferred Revenues			\$ 91,563	
Due to Cafeteria			\$ 236	
Due to PSE			\$ 450	
Health IBNR			\$ 23,200,000	
RX IBNR			\$ 2,400,000	
Total Liabilities			\$ 25,695,142	
Net Assets				\$ 60,405,970
Less Reserves Allocated:				
Active/Retiree Premiums for Plan Year 1/1/13 - 12/31/13		(\$11,190,000 + \$15,650,000)	\$ (6,710,000)	
Active/Retiree Premiums for Plan Year 1/1/14 - 12/31/14		(\$7,460,000 + \$9,390,000 + \$9,000,000)	\$ (25,850,000)	
Active/Retiree Premiums for Plan Year 1/1/15 - 12/31/15		(\$6,260,000 + \$5,400,000)	\$ (11,660,000)	
Active/Retiree Premiums for Plan Year 1/1/16 - 12/31/16		(\$3,600,000)	\$ (3,600,000)	
Catastrophic Reserve			\$ (10,000,000)	
Net Assets Available			\$ 2,585,970	

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

	Gold	Silver	Bronze	Total
Actives	35,373	8,103	27,134	70,610
Retirees	2,707	90	1,394	4,191
Medicare	9,066			9,066
Total	47,146	8,193	28,528	83,867

Revenues & Expenditures

Funding	Current Month	Year to Date (8 months)
District Contribution	\$ 7,821,846	\$ 64,710,202
Employee Contribution	\$ 10,774,001	\$ 87,681,621
Dept of Ed \$35,000,000 & \$15,000,000	\$ 3,181,818	\$ 33,522,727
Other	\$ 8,040,014	\$ 9,162,046
Allocation for Active/Retiree Premiums for Plan Year 2013	\$ 750,000	\$ 6,000,000
Total Funding	\$ 30,567,679	\$ 201,076,597
Expenses		
Medical Expenses:		
Claims Expense	\$ 22,765,681	\$ 146,789,171
Claims IBNR	\$ -	\$ 3,300,000
Medical Admin Fees	\$ 1,531,312	\$ 12,715,383
Refunds	\$ 11,181	\$ (44,865)
Employee Assistance Program (EAP)	\$ 77,597	\$ 647,349
Pharmacy Expenses:		
RX Claims	\$ 5,890,507	\$ 43,362,017
RX IBNR	\$ -	\$ (800,000)
RX Admin	\$ 277,056	\$ 2,624,137
Plan Administration	\$ 260,693	\$ 3,188,286
Total Expenses	\$ 30,814,027	\$ 211,781,478
Net Income/(Loss)	\$ (246,348)	\$ (10,704,881)

Balance Sheet

Assets	
Bank Account	\$ 13,161,919
State Treasury	\$ 16,081,513
Receivable from Provider	\$ 329,647
Accounts Receivable	\$ 4,940,810
Due from ASE	\$ 688
Total Assets	\$ 34,514,577
Liabilities	
Accounts Payable	\$ 1,337
Due to ASE	\$ 80,461
Deferred Revenues	\$ 2,002,051
Health IBNR	\$ 28,000,000
RX IBNR	\$ 1,800,000
Total Liabilities	\$ 31,883,849
Net Assets	\$ 2,630,728
Less Reserves Allocated:	
Active/Retiree Premiums for Plan Year 01/01/13 - 12/31/13 (\$9,000,000)	\$ (3,000,000)
Active/Retiree Premiums for Plan Year 01/01/14 - 12/31/14 (\$3,600,000)	\$ -
Catastrophic Reserve (2013 - \$11,100,000)	\$ -
Net Assets Available	\$ (369,272)

Fifth week of claims totaled: \$5,444,731.04

Public School Employees (PSE) Financials - January 1, 2013 through September 30, 2013

	Gold	Silver	Bronze	Total
Actives	35,272	8,263	27,658	71,193
Retirees	2,629	92	1,384	4,105
Medicare	9,148			9,148
Total	47,049	8,355	29,042	84,446

Revenues & Expenditures

Funding	Current Month	Year to Date (9 months)
District Contribution	\$ 7,990,528	\$ 72,700,730
Employee Contribution	\$ 10,870,814	\$ 98,552,436
Dept of Ed \$35,000,000 & \$15,000,000	\$ 3,181,818	\$ 36,704,545
Other	\$ 10,943	\$ 9,172,989
Allocation for Active/Retiree Premiums for Plan Year 2013	\$ 750,000	\$ 6,750,000
Total Funding	\$ 22,804,103	\$ 223,880,700
Expenses		
Medical Expenses:		
Claims Expense	\$ 15,345,037	\$ 162,134,207
Claims IBNR	\$ -	\$ 3,300,000
Medical Admin Fees	\$ 1,626,021	\$ 14,341,404
Refunds	\$ 10,304	\$ (34,562)
Employee Assistance Program (EAP)	\$ 79,445	\$ 726,794
Pharmacy Expenses:		
RX Claims	\$ 4,948,902	\$ 48,310,919
RX IBNR	\$ -	\$ (800,000)
RX Admin	\$ 322,960	\$ 2,947,097
Plan Administration	\$ 275,010	\$ 3,463,296
Total Expenses	\$ 22,607,678	\$ 234,389,156
Net Income/(Loss)	\$ 196,425	\$ (10,508,456)

Balance Sheet

Assets	
Bank Account	\$ 8,050,353
State Treasury	\$ 16,090,434
Receivable from Provider	\$ 329,647
Accounts Receivable	\$ 9,465,216
Due from ASE	\$ 450
Total Assets	\$ 33,936,100
Liabilities	
Accounts Payable	\$ 1,307
Due to ASE	\$ 80,461
Deferred Revenues	\$ 1,977,178
Health IBNR	\$ 28,000,000
RX IBNR	\$ 1,800,000
Total Liabilities	\$ 31,858,946
Net Assets	\$ 2,077,154
Less Reserves Allocated:	
Active/Retiree Premiums for Plan Year 01/01/13 - 12/31/13 (\$9,000,000)	\$ (2,250,000)
Active/Retiree Premiums for Plan Year 01/01/14 - 12/31/14 (\$3,600,000)	\$ -
Catastrophic Reserve (2013 - \$11,100,000)	\$ -
Net Assets Available	\$ (172,846)



State and Public School Life and Health Insurance Board

Benefits Committee Report

The following report resulted from a meeting of the Benefits Sub-Committee on October 4, 2013 with Lloyd Black presiding.

Topics Discussed:

1. Wellness Programs – Executive Director, Bob Alexander presented information on various wellness programs. Alexander requested UAMS test the program & those results could be the deciding factor if it would be implemented. Alexander requested the Committee review the information, and a detail presentation will follow at a later date.
2. Additional Funding for Public Schools – Alexander reports there is movement towards increasing funding to reduce rates. The deadline is October 15th as there will be time needed to adjust the rates if there is a change. The next Board Meeting will be held October 15th as well. There is also a possibility of a special session in an effort to increase funding to reduce rates.
3. Early Intervention – Alexander reports there is new implementation for Pre-Certification Requirements on Hospital Admission. This will give Case Managers the opportunity to intervene in large cases. There could be penalties for the Vendors as Pre-Certification is their requirement. Alexander reports; the Quality of Care Committee will be activated and possibly a Risk Management Committee. The Benefits Committee could also be expanded.

Public School Employees Health Benefits Program

Alternative PSE Rates for CY 2014

State and Public School
Life and Health Insurance Board

October 15, 2013

John Colberg, FSA, MAAA

Gaelle Gravot, FSA, MAAA





Topics

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Summary of Decision Points

- Plan Design for 2014
 - Adopted Benefits committee recommendations for Actives and Non-Medicare Eligible (NME) Retirees
 - Maintained Current Benefits for Medicare Eligible (ME) Retirees
- PSE Contribution Rates for 2014
 - Based on level percent increase with cap on rates
 - Additional \$30 for Bronze Employee Only
 - Additional \$5 per adult per month to build reserves / allow for adverse experience
 - Migration scenario D
 - Result in
 - 47.3% overall employee/retiree contribution increases
 - 52.7% active employee contribution increase

Benefits Committee Recommended Designs

<i>Yellow highlight means the coverage is changed</i>	Current	Recommended	Current	Recommended	Current	Recommended
In-Network:	Gold	Gold	Silver	Silver	Bronze	Bronze
Deductible - Individual	\$0	\$0	\$750	\$1,000	\$1,500	\$2,000
Co-Insurance Limit - Individual (after Deductible)	\$1,500	\$2,500	\$2,000	\$3,000	\$2,500	\$4,350
Max. Out-of-Pocket (Deductible + Co-Insurance)	\$1,500	\$2,500	\$2,750	\$4,000	\$4,000	\$6,350
True Out-of-Pocket (Deductible + Co-Insurance + Co-Pay)	\$6,350	\$2,500	\$6,350	\$4,000	\$4,000	\$6,350
Deductible - Family	\$0	\$0	\$1,500	\$2,000	\$3,000	\$3,000
Co-Insurance Limit - Family (after Deductible)	\$3,000	\$5,000	\$4,000	\$6,000	\$5,000	\$6,525
Max. Out-of-Pocket (Deductible + Co-Insurance)	\$3,000	\$5,000	\$5,500	\$8,000	\$8,000	\$9,525
True Out-of-Pocket (Deductible + Co-Insurance + Co-Pay)	\$12,700	\$5,000	\$12,700	\$8,000	\$8,000	\$9,525
<i>True Out-of-Pocket includes Rx?</i>	N	N	N	N	Y	Y
Coinsurance Rate	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%	80%/20%
Physician Office Visit - Primary Care - Co-Pay	\$25	\$35	\$25	\$35		
Physician Office Visit - Specialist - Co-Pay	\$35	\$70	\$50	\$70		
Rx - Tier 1 - Generic	\$10	\$15	\$10	\$15		
Rx - Tier 2 - Preferred Brand	\$30	\$40	\$35	\$40		
Rx - Tier 3 - Non-Preferred Brand	\$60	\$80	\$70	\$80		
Rx - Specialty	w/ Tier	\$100	w/ Tier	\$100		
Hospital / Facility - Inpatient & SNF - Co-Pay Per Admission*	\$250	\$250	\$300	\$300		
Hospital / Facility - Outpatient - Co-Pay*	\$100	\$100	\$150	\$150		
Urgent Care Visit	\$100	\$100	\$150	\$150		
Emergency Room Visit	\$100	\$250	\$150	\$300		
Emergency Transportation - Ambulance	\$0	\$50	\$0	\$50		
High Tech Radiology - Co-Pay (1st Procedure Only)*	\$250	\$250	\$300	\$300		
Rehab / Therapy - Outpatient - Physical/Speech/Occup	80%/20%	\$35	Ded+80%/20%	\$35		
Rehab / Therapy - Outpatient - Chiropractic - Co-Pay	\$35	\$35	\$50	\$50		
Rehab / Therapy - Outpatient - Chiropractic - Co-Insurance	80%/20%	0%	Ded+80%/20%	0%		
Out-of-Network:						
Deductible - Individual/Family	\$1,000/\$2,000	\$1,000/\$2,000	\$1,500/\$3,000	\$2,000/\$4,000	\$3,000/\$6,000	\$4,000/\$8,000
Co-Insurance	60%/40%	60%/40%	60%/40%	60%/40%	60%/40%	60%/40%
Co-Insurance Limit - Individual/Family (after Deductible)	\$5,000/\$10,000	\$5,000/\$10,000	\$5,000/\$10,000	\$6,000/\$12,000	\$5,000/\$10,000	\$8,700/\$13,000
Max. Out-of-Pocket (Deductible + Co-Insurance)	\$6,000/\$12,000	\$6,000/\$12,000	\$6,000/\$12,000	\$8,000/\$16,000	\$8,000/\$16,000	\$12,700/\$19,000

*Co-Insurance also applies



Benefits Committee Recommended Designs

Actives & Non-Medicare Retirees

	Current Gold	Recommended Gold	Current Silver	Recommended Silver	Current Bronze	Recommended Bronze
PSE actual % paid (2012)	84.7%	81.0%	80.8%	77.4%	64.8%	62.6%
MV scores(Essential Benefits)	89.6%	85.5%	83.4%	78.8%	76.4%	71.3%

Benefits Committee Did Not Make Recommendations on

- Contribution Rates
- Changes to Pharmacy Reimbursements/Generic Incentive Program



Enrollment Details Actives

		PSE			ASE			
		Average for 2012	Actual June 2013	Proj. Avg for 2014*	Average for 2012	Actual June 2013	Proj. 2014 (Baseline)	Proj. 2014 (Double)
Gold	Single	28,924	23,370	0 - 19,981	14,545	13,911	13,357	12,803
	Employee/Spouse	954	526	0 - 210	3,180	3,043	2,941	2,838
	Employee/Child(ren)	5,173	3,445	0 - 1,826	4,913	4,873	4,644	4,415
	Family	1,539	752	0 - 226	3,234	3,168	3,058	2,949
	Total	36,591	28,093	0 - 22,243	25,872	24,995	24,000	23,005
Silver	Single	502	2,790	0 - 5,776	337	700	865	1,029
	Employee/Spouse	39	179	0 - 284	80	126	159	192
	Employee/Child(ren)	193	965	0 - 1,710	93	190	233	276
	Family	139	409	0 - 522	104	182	243	305
	Total	872	4,343	0 - 8,240	613	1,198	1,500	1,802
Bronze	Single	5,955	9,110	11,096 - 35,270	844	1,022	1,434	1,846
	Employee/Spouse	709	1,002	1,265 - 1,707	200	244	360	476
	Employee/Child(ren)	1,138	2,285	3,491 - 6,695	192	273	353	433
	Family	1,457	2,151	2,565 - 3,312	267	314	453	593
	Total	9,259	14,548	18,417 - 46,984	1,503	1,853	2,600	3,347
TOTAL	Single	35,381	35,270	35,270 - 37,295	15,726	15,633	15,655	15,678
	Employee/Spouse	1,702	1,707	1,707 - 1,832	3,460	3,413	3,459	3,506
	Employee/Child(ren)	6,504	6,695	6,695 - 7,195	5,197	5,336	5,230	5,125
	Family	3,135	3,312	3,312 - 3,662	3,606	3,664	3,755	3,846
	Total	46,721	46,984	46,984 - 49,984	27,989	28,046	28,100	28,154

*Depends upon migration scenario selected. See following slide.



Enrollment Details

Under Alternative PSE Migration Scenarios

Migration Scenario	PSE Scenarios					
	A	B	C	D	E	F
Gold						
Employee Only	19,981	19,631	17,831	16,331	14,631	-
Employee & Spouse	210	184	92	92	16	-
Employee & Child(ren)	1,826	1,309	792	792	103	-
Family	226	38	23	23	23	-
	22,243	21,162	18,738	17,238	14,772	-
Silver						
Employee Only	4,192	4,426	4,901	5,301	5,776	-
Employee & Spouse	232	232	255	260	284	-
Employee & Child(ren)	1,378	1,378	1,518	1,523	1,710	-
Family	522	447	460	460	470	-
	6,324	6,483	7,133	7,543	8,240	-
Bronze						
Employee Only	11,096	11,213	12,738	14,263	16,888	35,270
Employee & Spouse	1,265	1,291	1,360	1,380	1,533	1,707
Employee & Child(ren)	3,491	4,008	4,535	4,580	5,382	6,695
Family	2,565	2,828	2,979	2,979	3,169	3,312
	18,417	19,340	21,613	23,203	26,972	46,984
	46,984	46,984	47,484	47,984	49,984	46,984

In scenario F, all NME retirees are moved to Bronze as well.

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

Enrollment Details Retirees

Average for Year Ending		PSE			ASE		
		Average for 2012	Actual June 2013	Proj. Avg for 2014	Average for 2012	Actual June 2013	Proj. Avg for 2014
Retirees Non Medicare Eligible (NME) Gold	Retiree Only	1,963	1,930	2,051	1,513	1,687	1,668
	Retiree + NME Spouse	178	153	169	517	553	560
	Retiree + Child(ren)	16	19	20	75	83	79
	Retiree + NME Spouse + Child(ren)	17	17	17	35	30	34
	Retiree + ME Spouse	129	136	145	213	227	236
	Retiree + ME Spouse + Child(ren)	1	1	1	13	7	9
	Total	2,304	2,256	2,403	2,366	2,587	2,587
Silver	Retiree Only	9	31	100	0	8	4
	Retiree + NME Spouse	-	1	3	2	6	9
	Retiree + Child(ren)	-	1	-	1	1	2
	Retiree + NME Spouse + Child(ren)	-	1	4	1	3	3
	Total	9	34	107	4	18	18
Bronze	Retiree Only	221	550	953	6	7	7
	Retiree + NME Spouse	46	113	197	6	13	12
	Retiree + Child(ren)	7	16	31	1	2	1
	Retiree + NME Spouse + Child(ren)	9	31	48	7	11	12
	Total	284	710	1,228	19	33	33
TOTAL	NME Retirees	2,597	3,000	3,739	2,389	2,638	2,638
Retirees Medicare Eligible (ME)	Retiree Only	6,271	6,961	7,716	4,939	5,188	5,246
	Retiree + NME Spouse	98	91	103	359	365	365
	Retiree + Child(ren)	14	12	16	58	59	60
	Retiree + NME Spouse + Child(ren)	2	2	3	28	33	30
	Retiree + ME Spouse	530	597	651	1,854	1,945	1,981
	Retiree + ME Spouse + Child(ren)	1	1	-	18	19	18
	ME Retirees	6,916	7,664	8,489	7,254	7,609	7,700

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



PSE Active Rates

No additional Funding

Actives	2014 Total EE Cost	2013 Total EE Cost	Change in Premiums (\$/%)		Assumed Enrollment
Gold					
Employee Only	\$341.38	\$226.70	\$114.68	51%	16,330
Employee & Spouse	1,210.06	1,027.20	\$182.86	18%	92
Employee & Child(ren)	867.80	581.48	\$286.32	49%	793
Family	1,538.26	1,029.96	\$508.30	49%	23
Est. Monthly Total (\$mil)	\$6.4	\$4.3	\$2.1	50%	17,237
Silver					
Employee Only	\$238.78	\$157.56	\$81.22	52%	5,301
Employee & Spouse	859.82	713.86	\$145.96	20%	260
Employee & Child(ren)	604.60	404.10	\$200.50	50%	1,523
Family	1,072.08	715.78	\$356.30	50%	460
Est. Monthly Total (\$mil)	\$2.9	\$2.0	\$0.9	48%	7,544
Bronze					
Employee Only	\$49.84	\$10.00	\$39.84	398%	14,264
Employee & Spouse	369.80	242.48	\$127.32	53%	1,381
Employee & Child(ren)	165.72	108.32	\$57.40	53%	4,580
Family	373.54	245.00	\$128.54	52%	2,979
Est. Monthly Total (\$mil)	\$3.1	\$1.7	\$1.4	82%	23,203
Total (Monthly) (\$ mil)	\$12.4	\$7.9	\$4.5	56%	47,984
Est Annual Total (\$ mil)	\$148.9	\$95.4	\$53.5		

*Includes \$5 per adult to replenish reserves



PSE Retiree NME Rates

No additional Funding

NME Retirees	2014 Total Ret. Cost	2013 Total Ret. Cost	Change in Premiums (\$/%)		Assumed Enrollment
Gold					
Retiree Only	\$566.72	\$469.68	\$97.04	21%	2,065
Retiree & NME SP	1,360.06	1,186.36	173.70	15%	167
Retiree & Child(ren)	1,048.24	821.66	226.58	28%	21
Retiree & NME SP&CH	1,841.60	1,538.32	303.28	20%	17
Retiree & ME SP	720.18	609.06	111.12	18%	146
Retiree & ME SP & CH	1,201.70	961.04	240.66	25%	1
Est. Monthly Total (\$mil)	\$1.6	\$1.3	\$0.3	20%	2,418
Silver					
Employee Only	\$426.54	\$401.62	\$24.92	6%	99
Employee & Spouse	1,107.40	1,097.40	10.00	1%	3
Employee & Child(ren)	779.76	712.64	67.12	9%	2
Family	1,363.04	1,200.54	162.50	14%	4
Est. Monthly Total (\$mil)	\$0.1	\$0.0	\$0.0	7%	107
Bronze					
Employee Only	\$267.66	\$182.78	\$84.88	46%	958
Employee & Spouse	600.98	421.00	179.98	43%	197
Employee & Child(ren)	468.20	299.78	168.42	56%	30
Family	801.52	538.02	263.50	49%	51
Est. Monthly Total (\$mil)	\$0.4	\$0.3	\$0.1	46%	1,236
Total (Monthly) (\$ mil)	\$2.0	\$1.6	\$0.4	24%	3,761
Est Annual Total (\$ mil)	\$24.5	\$19.7	\$4.7		

*Includes \$5 per adult to replenish reserves



PSE Retiree Medicare Rates

No additional Funding

ME Retirees	2014 Total Ret. Cost	2013 Total Ret. Cost	Change in Premiums (\$/%)		Assumed Enrollment
Medicare Eligible					
Retiree Only	\$81.68	\$50.14	\$31.54	63%	7,738
Retiree & NME SP	708.98	597.87	111.11	19%	100
Retiree & Child(ren)	665.66	509.62	156.04	31%	15
Retiree & NME SP&CH	1,310.61	1,061.68	248.93	23%	3
Retiree & ME SP	271.03	206.42	64.61	31%	659
Retiree & ME SP & CH	788.44	630.74	157.70	25%	0
Est. Monthly Total (\$mil)	\$0.9	\$0.6	\$0.3	51%	8,515
Total (Est. Annual)	\$10.7	\$7.1	\$3.6		

*Includes \$5 per adult to replenish reserves



Legislative Proposal

PSE
2014
Rates



\$43 M additional
State Funding



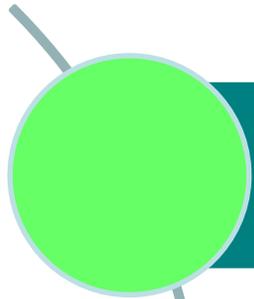
Limit Active
Employee rate
increase to 10%



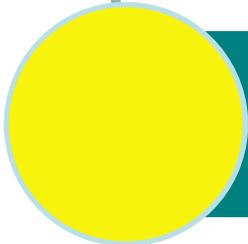
Add a deductible to
Gold plan?



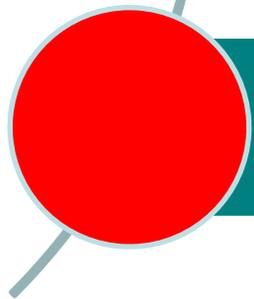
Legislative Proposal



\$43 million would be available immediately if approved by the legislature



Active employee rate increase set at 10%.



Cannot administer new deductible prior to February 2014. Additional administrative costs and complications.



Legislative Proposal

Impact on Reserves (ignoring interests)

- Targeted reserves rebuild: \$4 M
 - \$3.2M from actives
 - \$0.8M from retirees
- Migration scenarios A, B, and C generate more than targeted contingency reserves

Migration Scenarios	A	B	C	D	E
Total Funds to rebuild reserves (\$ mil)	\$16.5	\$13.2	\$6.0	\$3.1	(\$6.9)

- Expect lower migration with 10% increase than original rates
- Expect higher migration if \$500 deductible added to Gold



Impact on PSE Active Rates

Additional \$43 M and 10% contribution increase

Actives	2014 Total EE Cost	2013 Total EE Cost	Change in Premiums (\$/%)		Assumed Enrollment
Gold					
Employee Only	\$249.38	\$226.70	\$22.68	10%	16,330
Employee & Spouse	1,129.92	1,027.20	102.72	10%	92
Employee & Child(ren)	639.62	581.48	58.14	10%	793
Family	1,132.96	1,029.96	103.00	10%	23
Est. Monthly Total (\$mil)	\$4.7	\$4.3	\$0.4	10%	17,237
Silver					
Employee Only	\$173.32	\$157.56	\$15.76	10%	5,301
Employee & Spouse	785.24	713.86	71.38	10%	260
Employee & Child(ren)	444.52	404.10	40.42	10%	1,523
Family	787.36	715.78	71.58	10%	460
Est. Monthly Total (\$mil)	\$2.2	\$2.0	\$0.2	10%	7,544
Bronze					
Employee Only	\$11.00	\$10.00	\$1.00	10%	14,264
Employee & Spouse	266.72	242.48	24.24	10%	1,381
Employee & Child(ren)	119.16	108.32	10.84	10%	4,580
Family	269.50	245.00	24.50	10%	2,979
Est. Monthly Total (\$mil)	\$1.9	\$1.7	\$0.2	10%	23,203
Total (Monthly) (\$ mil)	\$8.7	\$7.9	\$0.8	10%	47,984
Est Annual Total (\$ mil)	\$104.9	\$95.4	\$9.5		



Appendices

Appendix A – PSE Actives:

2013 Final Rate Details



PSE Detailed Financials



Total Active & Ret (\$ mil)	\$294.3	\$58.9	\$73.7	\$161.7	\$134.7	\$27.0		56,657
Actives	Total Monthly Premium	State Cont. Act 1842/1421 and Reserve Alloc.	School District Contrib.	2013 Total EE Cost	2012 Total EE Cost	Change in Premiums (\$/%)		Assumed Enrollment
Gold								
Employee Only	\$469.68	\$111.98	\$131.00	\$226.70	\$187.36	\$39.34	21%	24,946
Employee & Spouse	1,186.36	28.16	131.00	1,027.20	848.92	178.28	21%	846
Employee & Child(ren)	821.66	109.18	131.00	581.48	480.56	100.92	21%	4,470
Family	1,538.32	377.36	131.00	1,029.96	851.20	178.76	21%	1,375
Est. Monthly Total (\$mil)	\$18.5	\$3.8	\$4.1	\$10.5	\$8.7	\$1.8		31,637
Silver								
Employee Only	\$370.04	\$81.48	\$131.00	\$157.56	\$157.56	\$0.00	0%	1,200
Employee & Spouse	927.00	82.14	131.00	713.86	713.86	0.00	0%	79
Employee & Child(ren)	643.58	108.48	131.00	404.10	404.10	0.00	0%	351
Family	1,200.54	353.76	131.00	715.78	715.78	0.00	0%	228
Est. Monthly Total (\$mil)	\$1.0	\$0.2	\$0.2	\$0.6	\$0.6	\$0.0		1,858
Bronze								
Employee Only	\$182.78	\$41.78	\$131.00	\$10.00	\$0.00	\$10.00	n/a	9,290
Employee & Spouse	421.00	47.52	131.00	242.48	186.52	55.96	30%	795
Employee & Child(ren)	299.78	60.46	131.00	108.32	83.32	25.00	30%	1,729
Family	538.02	162.02	131.00	245.00	188.46	56.54	30%	1,569
Est. Monthly Total (\$mil)	\$3.4	\$0.8	\$1.8	\$0.9	\$0.6	\$0.3		13,383
Total (Monthly) (\$ mil)	\$22.9	\$4.8	\$6.1	\$11.9	\$9.8	\$2.1		46,878
Est Annual Total (\$ mil)	\$275.0	\$58.0	\$73.7	\$143.4	\$118.2	\$25.2		



Appendix A - PSE Retirees: Non-Medicare Eligible 2013 Final Rate Details



PSE Detailed Financials



NME Retirees	Total Monthly Premium	Add'l Holdback	2013 Total Ret. Cost	2012 Total Ret. Cost	Change in Premiums (\$/%)		Assumed Enrollment
Gold							
Retiree Only	\$469.68	\$0.00	\$469.68	\$457.42	\$12.26	3%	1,096
Retiree & NME SP	1,186.36	0.00	1,186.36	1,152.01	34.35	3%	94
Retiree & Child(ren)	821.66	0.00	821.66	768.28	53.38	7%	12
Retiree & NME SP&CH	1,538.32	0.00	1,538.32	1,159.82	378.50	33%	9
Retiree & ME SP	609.06	0.00	609.06	596.82	12.24	2%	75
Retiree & ME SP & CH	961.04	0.00	961.04	907.71	53.33	6%	1
Est. Monthly Total (\$mil)	\$0.7	\$0.0	\$0.7	\$0.7	\$0.0		1,287
Silver							
Employee Only	\$370.04	\$31.58	\$401.62	\$401.62	\$0.00	0%	170
Employee & Spouse	927.00	170.40	1,097.40	1,097.40	0.00	0%	10
Employee & Child(ren)	643.58	69.06	712.64	712.64	0.00	0%	1
Family	1,200.54	0.00	1,200.54	1,105.20	95.34	9%	1
Est. Monthly Total (\$mil)	\$0.1	\$0.0	\$0.1	\$0.1	\$0.0		181
Bronze							
Employee Only	\$182.78	\$0.00	\$182.78	\$148.90	\$33.88	23%	784
Employee & Spouse	421.00	0.00	421.00	349.34	71.66	21%	136
Employee & Child(ren)	299.78	0.00	299.78	238.70	61.08	26%	10
Family	538.02	0.00	538.02	352.42	185.60	53%	24
Est. Monthly Total (\$mil)	\$0.2	\$0.0	\$0.2	\$0.2	\$0.0		954
Total (Monthly) (\$ mil)	\$1.0	\$0.0	\$1.0	\$0.9	\$0.1		2,422
Est Annual Total (\$ mil)	\$11.8	\$0.1	\$11.9	\$11.2	\$0.8		



Appendix A – PSE Retirees: Medicare Eligible 2013 Final Rate Details



PSE Detailed Financials



ME Retirees	Total Monthly Premium	Subsidy / Holdback	Res. Alloc.	2013 Total Ret. Cost	2012 Total Ret. Cost	2009 Total Ret. Cost	Change in Premiums (\$/%)		Assumed Enrollment
Medicare Eligible									
Retiree Only	\$139.38	\$77.49	\$11.75	\$50.14	\$41.44	\$41.44	\$8.70	21%	6,632
Retiree & NME SP	597.87	0.00	0.00	597.87	568.37	674.34	29.50	5%	107
Retiree & Child(ren)	523.12	11.72	1.78	509.62	421.17	421.18	88.45	21%	15
Retiree & NME SP&CH	1,208.03	127.09	19.26	1,061.68	877.42	1,054.08	184.26	21%	4
Retiree & ME SP	278.77	62.83	9.52	206.42	170.59	170.60	35.82	21%	597
Retiree & ME SP & CH	630.74	0.00	0.00	630.74	550.32	550.33	80.42	15%	1
Est. Monthly Total (\$mil)	\$1.2	\$0.6	\$0.1	\$0.5	\$0.4	\$0.5	\$0.1		7,357
Total (Est. Annual)	\$14.0	\$6.6	\$1.0	\$6.4	\$5.4	\$5.5	\$1.0		



Appendix B

2013 Benefit Summary

Benefit Option Name: Last Modified: Expected Benefit Ratio: Provider Network:	Gold 1/1/2013 0.83 Health Advantage	Silver 1/1/2013 0.75 QualChoice	Bronze 1/1/2013 0.69 Health Advantage
<u>In-Network (INN) Benefits</u>			
Deductible (Individual / Family)	None / None	\$750 / \$1500	\$1500 / \$3000
Coinsurance	20%	20%	20%
Copays			
Office Visit - Primary Care (PCP)	\$25	\$25	Ded. & Coins.
OV - Specialist Care Provider (SCP)	\$35	\$50	Ded. & Coins.
Urgent Care (UC)	\$100	\$150	Ded. & Coins.
Emergency Room (ER) Non-admitted	\$100	\$150	Ded. & Coins.
Outpatient Surgery	\$100 then Ded. & Coins.	\$150 then Ded. & Coins.	Ded. & Coins.
Hospital Inpatient	\$250 then Ded. & Coins.	\$300 then Ded. & Coins.	Ded. & Coins.
Out-of-Pocket Max (Individual / Family)	\$1500 / \$3000	\$2000 / \$4000	\$2500 / \$5000
<u>Out-of-Network (OON) Benefits ¹</u>			
Deductible (Individual / Family)	\$1000 / \$2000	\$1500 / \$3000	\$3000 / \$6000
Coinsurance	40%	40%	40%
Out-of-Pocket Max (Individual / Family)	\$5000 / \$10000	\$5000 / \$10000	\$5000 / \$10000
Annual Maximum INN / OON	Unlimited / Unlimited	Unlimited / Unlimited	Unlimited / Unlimited
<u>Prescription Drugs</u>			
Separate Deductible then the following Copays:			
Retail (31 Days) - Generic/Formulary /Non-Form.	\$10 / \$30 / \$60	\$10 / \$35 / \$70	Ded. & Coins.
Mail Order (93 Days) - Generic/Form. /Non-Form.	\$30 / \$90/ \$180	\$30 / \$105 / \$210	Ded. & Coins.
<u>Selected Detail Benefits</u>			
Psychiatry	INN: \$25 Copay; OON: Ded & Coins.	INN: \$25 Copay; OON: Ded & Coins.	Ded. & Coins.
Rehabilitation (i.e., speech, occup. physical):	Ded. & Coins.	Ded. & Coins.	Ded. & Coins.
Chiropractors:	INN: \$35 then Ded & Coins; OON: Ded & Coins.	INN: \$50 then Ded & Coins; OON: Ded & Coins.	Ded. & Coins.
Hearing Aids:	No Cost; Limit of \$1400 per ear every 3 years	No Cost; Limit of \$1400 per ear every 3 years	Ded. & Coins.
Durable Medical Equipment (DME):	Ded. & Coins.	Ded. & Coins.	Ded. & Coins.
Preventive Care:	INN: No Cost; OON: Coins. except immun. no cost	INN: No Cost; OON: Coins. except immun. no cost	INN: No Cost; OON: Coins. except immun. no cost



Appendix B

2013 Benefit Summary

Medical Management			
PCP referral to specialists required:	No	No	No
Inpatient:	Yes	Yes	Yes
Outpatient:	Selected	Selected	Selected
Case Management:	Yes	Yes	Yes
Disease Management:	Yes, select conditions	Yes, select conditions	Yes, select conditions
Wellness:	Yes	Yes	Yes
Nurse-Line / Informed Decision Support:	Yes	Yes	Yes
Medicare Integration:	Coordination of Benefits	Not Available	Not Available
Non- Medicare Benefits Covered:	Yes, same as NME		
Non- Medicare Providers Covered:	Non-Par & Non-Accepting		
Pharmacy Covered:	Non-Par & Non-Accepting		

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



Appendix C

PSE Actives & NME Retirees (Migration D)

PSE ACTIVE RATE DEVELOPMENT for CY2014

Plan: Benefit: Experience Period - Service (Incurred) Dates Experience Period - Processed (Paid) Dates	Gold			Silver			Bronze		
	Medical	Pharmacy	Total	Medical	Pharmacy	Total	Medical	Pharmacy	Total
	5/12 - 4/13	6/12 - 5/13		5/12 - 4/13	6/12 - 5/13		5/12 - 4/13	6/12 - 5/13	
	5/12 - 7/13	6/12 - 7/13		5/12 - 7/13	6/12 - 7/13		5/12 - 7/13	6/12 - 7/13	
	A	B	C	D	E	F	G	H	I
1 Total Incurred Medical & Rx Claims (Experience Period)	\$154,566,881	\$53,944,016	\$208,510,897	\$14,163,803	\$5,377,371	\$19,541,174	\$34,027,501	\$4,844,834	\$38,872,336
2 Less High Cost Claims Above (Med/Rx)	\$125,000	\$25,000		\$694,198	\$815,304	\$1,509,503	\$3,491,009	\$120,453	\$3,611,462
3 Net Incurred Claims below Pooling Point [1 - 2]	\$142,923,722	\$49,239,130	\$192,162,853	\$13,469,604	\$4,562,067	\$18,031,671	\$30,536,492	\$4,724,381	\$35,260,874
4 Person Months for Experience Period	517,078	514,352	516,379	78,769	79,585	78,975	289,654	293,896	290,222
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$276.41	\$95.73	\$372.14	\$171.00	\$57.32	\$228.32	\$105.42	\$16.08	\$121.50
6 Change in Benefits & Network/Contract During Experience Period	0.9857	0.9132		1.0462	0.9057		0.9656	0.8901	
7 Change in Demographics or Illness Burden During Experience Period	1.0109	1.0114		1.0048	1.0100		1.0057	1.0196	
8 Change in Geographic During Experience Period	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
9 a) Annual Trend Rate	6.0%	5.0%		6.0%	5.0%		6.0%	5.0%	
b) Months to Trend	20	19		20	19		20	19	
c) Trend Adjustment	1.1020	1.0803		1.1020	1.0803		1.1020	1.0803	
10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]	\$303.50	\$95.51	\$399.01	\$198.09	\$56.65	\$254.73	\$112.81	\$15.77	\$128.57
11 Charge for Claims above Pooling Point PPPM	\$22.68	\$9.49	\$32.17	\$14.03	\$5.68	\$19.72	\$8.65	\$1.59	\$10.25
12 Total Claims Charged PPPM [10 + 11]	\$326.18	\$105.01	\$431.19	\$212.12	\$62.33	\$274.45	\$121.46	\$17.36	\$138.82
13 Change in Future Benefits & Networks/Contracts	0.9777	0.9353		0.9661	0.9688		0.9655	1.0138	
14 Change in Future Demographics (Age/Gender/Family) or Illness Burden	1.1645	1.1645		1.1910	1.1910		1.3324	1.3324	
15 Change in Future Geographic	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
16 Rating Incurred Claim PPPM [13 x 14 x 15]	\$371.35	\$114.37	\$485.72	\$244.07	\$71.92	\$316.00	\$156.25	\$23.45	\$179.70
17 ACA Transitional Reinsurance Fee & ARK PCMH PPPM			\$8.25			\$8.25			\$8.25
18 Projected Persons Months	260,241	260,241	260,241	147,262	147,262	147,262	525,151	525,151	525,151
19 Projected Total Incurred Claims & Fee [(16 + 17) x 18]	\$96,641,149	\$29,763,611	\$128,551,746	\$35,942,636	\$10,591,791	\$47,749,342	\$82,055,591	\$12,314,991	\$98,703,077
20 PEPM Expense Load as % of Claims (before benefit chg)			9.0%			\$36.99			\$39.49
21 Retiree Subsidy / Holdback PEPM			\$11.20			\$11.20			\$11.20
22 Projected Expense Loaded Cost [19 + (20+21) x 23]			\$141,064,691			\$52,174,414			\$113,570,162
23 Conversion to Rating Tiers [19 x rating tier x counts]									
Method: <input type="text" value="Person"/>									
	x tier	Projected		x tier	Projected		x tier	Projected	
	factor	Ee Months	PEPM	factor	Ee Months	PEPM	factor	Ee Months	PEPM
a) Employee Only	1.03	223,702	\$561.72	1.15	64,800	\$421.55	1.13	182,654	\$262.67
b) Employee & Spouse	2.63	3,111	\$1,350.07	2.93	3,154	\$999.83	2.87	18,936	\$590.99
c) Employee & Child(ren)	2.01	9,805	\$1,043.24	2.24	18,298	\$774.76	2.19	55,316	\$463.20
d) Family	3.60	481	\$1,831.59	4.02	5,564	\$1,353.04	3.94	36,359	\$791.52
e) Child(ren) of Medicare Retirees	0.97	181	\$534.26						
24 Rates Balance Confirmation		237,280	\$141,064,691	91,816	\$52,174,414		293,265	\$113,570,162	

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



Appendix C

PSE Medicare Retirees (Migration D)

PSE MEDICARE RETIREE RATE DEVELOPMENT for CY2014

Plan:

Benefit:

Experience Period - Service (Incurred) Dates

Experience Period - Processed (Paid) Dates

	Medical	Medicare	Total
	5/12 - 4/13		
	5/12 - 7/13		
1 Total Incurred Medical & Rx Claims	\$12,770,904		\$12,770,904
2 Less High Cost Claims Above (Med/Rx)	\$0		\$0
	\$125,000	\$25,000	
3 Net Incurred Claims below Pooling Point [1 - 2]	\$12,770,904		\$12,770,904
4 Person Months for Experience Period	94,796		94,796
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$134.72		\$134.72
6 Change in Benefits & Network/Contract During Experience Period	1.0000		
7 Change in Demographics or Risk During Experience Period	1.0000		
8 Change in Geographic During Experience Period	1.0000		
9 a) Annual Trend Rate	6.0%		
b) Months to Trend	20		
c) Trend Adjustment	1.1020		
10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]	\$148.46		\$148.46
11 Charge for Claims above Pooling Point PPPM	\$0.00		\$0.00
12 Total Claims Charged PPPM [10 + 11]	\$148.46		\$148.46
13 Change in Future Benefits & Networks/Contracts	1.0000		
14 Change in Future Demographics (Age/Gender/Family) or Illness Burden	1.0000		
15 Change in Future Geographic	1.0000		
16 Projected Incurred Claim PPPM [13 x 14 x 15]	\$148.46		\$148.46
17 Projected Persons Months	111,860		111,860
18 Projected Total Incurred Claims [16 x 17]	\$16,606,638		\$16,606,638

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



Appendix C

PSE Medicare Retirees (Migration D)

PSE GOLD RETIREE RATE DEVELOPMENT for CY2014

19 Conversion to Rating Tiers from PPPM [16]

Method:

Person

- a) NME Retiree
- b) NME Retiree & NME Spouse
- c) NME Retiree & Child(ren)
- d) NME Retiree & NME Spouse & Child(ren)
- e) NME Retiree & ME Spouse
- f) NME Retiree & ME Spouse & Child(ren)
- g) ME Retiree
- h) ME Retiree & NME Spouse
- i) ME Retiree & Child(ren)
- j) ME Retiree & NME Spouse & Child(ren)
- k) ME Retiree & ME Spouse
- l) ME Retiree & ME Spouse & Child(ren)

	<u>x Non-Med.</u>	<u>Non-Med.</u>	<u>x Medicare</u>	<u>Medicare</u>	<u>Projected</u>	<u>TOTAL</u>
	<u>tier factor</u>	<u>PEPM</u>	<u>tier factor</u>	<u>PEPM</u>	<u>Ret Months</u>	<u>PEPM</u>
a)	1.03	\$561.72	-	\$0.00	24,780	\$561.72
b)	2.63	\$1,350.07	-	\$0.00	2,010	\$1,350.07
c)	2.01	\$1,043.24	-	\$0.00	246	\$1,043.24
d)	3.60	\$1,831.59	-	\$0.00	209	\$1,831.59
e)	1.03	\$561.72	1.00	\$148.46	1,752	\$710.18
f)	2.01	\$1,043.24	1.00	\$148.46	13	\$1,191.70
g)		\$0.00	1.00	\$148.46	92,856	\$148.46
h)	1.03	\$550.52	1.00	\$148.46	1,204	\$698.98
i)	0.97	\$523.06	1.00	\$148.46	175	\$671.52
j)	2.57	\$1,269.87	1.00	\$148.46	35	\$1,418.33
k)		\$0.00	2.00	\$296.92	7,907	\$296.92
l)	0.97	\$481.52	2.00	\$296.92	6	\$778.44
		<u>\$19,070,826</u>		<u>\$16,606,638</u>		<u>\$35,677,464</u>

20 Rates Balance Confirmation



Appendix D - Plan Migration Illustration

	<u>All in Gold</u>	<u>All in Silver</u>	<u>All in Bronze</u>	<u>Year 1</u>	<u>Year 2</u>	
Adam	\$600	\$540	\$480	\$600	\$600	
Betty	550	495	440	550	550	
Charlie	500	450	400	500	500	
Doug	450	405	360	450	450	
Emma	400	360	320	400	360	
Francis	350	315	280	350	280	
Greg	300	270	240	270	270	
Heather	250	225	200	225	200	
Ida	200	180	160	160	160	
Joe	150	135	120	120	120	
<u>Averages</u>						<u>increase</u>
Gold	\$375	n/a	n/a	\$475	\$525	10.5%
Silver	n/a	\$338	n/a	\$248	\$315	27.3%
Bronze	n/a	n/a	\$300	\$140	\$190	35.7%
All Plans	\$375	\$338	\$300	\$363	\$349	-3.7%

Illustrative Only: Actual morbidity, provider discounts, and medical management will impact the figures.



Appendix E

Assumptions and Methods Comparative Risk/Morbidity Analysis

- PSE

	Actives	Retirees
Gold	0.85	1.58
Silver	0.52	0.99
Bronze	0.37	0.92

- ASE

	Actives	Retirees
Gold	0.76	1.58
Silver	0.32	0.64
Bronze	0.26	0.44

Source: Integrail April 2013



Appendix E

Assumptions and Methods Use & Disclosures

Key assumptions and methods are shown on the rating worksheets and detailed financial pages developing the rates. Note that results are not final and can change. Additional details about the assumptions and methods will be provided in follow-up documentation once final rates are adopted. For this presentation, CY2010 large claims are assumed to be the most representative.

In preparing the information in this presentation, we relied without audit, on information (some oral and some written) supplied by the Employee Benefits Division of the State of Arkansas (EBD) and the Plan's vendors. This information includes, but is not limited to, the plan provisions, employee eligibility data, financial information and claims data. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice #23.

Cheiron's analysis was prepared exclusively for EBD for the specific purpose of providing projections and options to the Arkansas State and Public School Life and Health Insurance Board. Our analysis is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

The figures in this presentation are preliminary and subject to change or modification as more detailed information is gathered and depending upon decisions made by the Board.